



## **FINANCIAL HIGHLIGHTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st–  
June 30th 2022

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited
<b>For the period</b>				
Revenue	1,101,926	895,858	237,346	197,014
Operating profit	598,373	483,998	128,885	106,440
Profit before tax	519,552	457,500	111,907	100,612
Net profit attributable to owners of the Parent	488,838	395,783	105,292	87,039
Net cash from operating activities	71,764	149,778	15,457	32,939
Purchase of debt portfolios at prices as per agreement	757,009	643,534	163,054	141,524
Cash recoveries	(1,279,256)	(1,065,131)	(275,541)	(234,241)
Net cash from investing activities	(10,823)	881	(2,331)	194
Net cash from financing activities	(83,480)	231,984	(17,981)	51,017
Net change in cash	(22,539)	382,643	(4,855)	84,150
Diluted earnings per share (PLN/EUR)	24.78	20.28	5.34	4.46
Average number of shares ('000)	19,052	19,011	19,052	19,011
Earnings per share (PLN/EUR)	25.66	20.82	5.53	4.58
<b>As at</b>	<b>Jun 30 2022 unaudited</b>	<b>Dec 31 2021</b>	<b>Jun 30 2022 unaudited</b>	<b>Dec 31 2021</b>
Total assets	6,465,531	5,909,400	1,381,347	1,284,820
Non-current liabilities	2,987,708	2,467,139	638,317	536,405
Current liabilities	595,925	842,034	127,318	183,075
Equity	2,881,898	2,600,227	615,711	565,340
Share capital	19,128	19,013	4,087	4,134
Book value per ordinary share	150.66	136.76	32.19	29.73

### The financial highlights have been translated into the euro as follows:

Items of or related to the statement of profit or loss and the statement of cash flows have been translated using the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period; the exchange rates thus calculated are:

**for the reporting period**                      **4.6427**

**for the comparative period**                **4.5472**

Items of or related to the statement of financial position have been translated using the mid rate quoted by the National Bank of Poland for the end of the reporting period; the exchange rates thus calculated are:

**at the end of the reporting period**      **4.6806**

**at the end of the comparative period**   **4.5994**



# **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st–  
June 30th 2022

## Table of contents

<b>I. CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>6</b>
<b>II. CONSOLIDATED STATEMENT OF PROFIT OR LOSS .....</b>	<b>7</b>
<b>III. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>8</b>
<b>IV. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>9</b>
<b>V. CONSOLIDATED STATEMENT OF CASH FLOWS.....</b>	<b>12</b>
<b>VI. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....</b>	<b>13</b>
1. Organisation of the KRUK Group .....	13
2. Reporting period .....	18
3. Statement of compliance.....	19
4. Significant accounting policies.....	19
5. Accounting estimates and judgements .....	24
6. Financial risk management.....	26
7. Reportable and geographical segments.....	27
8. Seasonality or cyclicity of business .....	30
9. Type and amounts of changes in estimates adopted in previous financial years with a material effect on the reporting period .....	30
10. Type and amounts of items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows, which are material due to their type, size or effect .....	39
11. Related-party transactions .....	61
12. Management of risk arising from financial instruments .....	62
13. Factors and events with a material bearing on the Group's financial results .....	74
14. Issue, redemption and repayment of non-equity and equity securities .....	76
15. Dividends paid (or declared).....	77
16. Information on changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year.....	78

<b>17. Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance .....</b>	<b>82</b>
<b>18. The statement of Management Board .....</b>	<b>82</b>

## I. Consolidated statement of financial position

PLN '000

	Note	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
<b>Assets</b>				
Cash and cash equivalents	10.16	176,625	199,164	528,196
Hedging instruments	10.10	29,316	13,803	-
Trade receivables	10.15	20,134	22,873	11,569
Other receivables	10.15	38,283	35,079	17,533
Inventories	10.14	20,100	20,295	24,975
Investments	9	5,979,813	5,416,512	4,600,943
Deferred tax asset	10.8	43,437	37,560	31,500
Property, plant and equipment		73,114	80,249	79,160
Goodwill	10.13	24,241	23,840	23,451
Other intangible assets		41,986	43,474	44,269
Other assets		18,482	16,551	11,724
<b>Total assets</b>		<b>6,465,531</b>	<b>5,909,400</b>	<b>5,373,320</b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Trade and other payables	10.18	155,360	162,986	164,303
Liabilities under dividends		-	-	206,140
Derivatives		-	-	3,176
Hedging instruments	10.10	20,422	-	8,403
Employee benefit obligations	10.17	55,080	48,661	47,565
Income tax payable		10,747	18,369	27,804
Borrowings, debt securities and leases	10.9	3,115,579	2,869,020	2,496,975
Provisions	10.19	43,822	43,060	55,988
Deferred tax liability	10.8	182,623	167,077	156,822
<b>Total liabilities</b>		<b>3,583,633</b>	<b>3,309,173</b>	<b>3,167,176</b>
<b>Equity</b>				
Share capital		19,128	19,013	19,011
Share premium		342,740	333,264	310,430
Hedge reserve		12,158	17,885	(4,800)
Translation reserve		98,203	75,708	37,431
Other capital reserves		137,524	122,202	110,790
Retained earnings		2,272,922	2,032,745	1,733,770
<b>Equity attributable to owners of the Parent</b>		<b>2,882,675</b>	<b>2,600,817</b>	<b>2,206,632</b>
<b>Non-controlling interests</b>		<b>(777)</b>	<b>(590)</b>	<b>(488)</b>
<b>Total equity</b>		<b>2,881,898</b>	<b>2,600,227</b>	<b>2,206,144</b>
<b>Total equity and liabilities</b>		<b>6,465,531</b>	<b>5,909,400</b>	<b>5,373,320</b>

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

## II. Consolidated statement of profit or loss

PLN '000

	Note	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
<b>Continuing operations</b>					
Interest income on debt portfolios and loans measured at amortised cost	10.1	640,650	328,760	508,911	252,572
Interest income on loans measured at fair value	10.1	7,818	3,405	22,945	12,244
Revenue from sale of debts and loans	10.1	11,626	4,211	3,774	1,722
Other income/expenses from purchased debt portfolios	10.1	(7,243)	(2,325)	(17,337)	(7,894)
Revenue from other services		37,145	18,656	34,355	17,270
Other income	10.1	2,097	1,160	1,430	617
Change in investments measured at fair value	10.1	(759)	(310)	2,057	864
Gain/(loss) on expected credit losses	10.1	410,592	203,518	339,723	235,393
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>		<b>1,101,926</b>	<b>557,075</b>	<b>895,858</b>	<b>512,788</b>
Employee benefits expense	10.3	(223,575)	(116,291)	(188,169)	(97,923)
Depreciation and amortisation		(23,550)	(11,976)	(25,540)	(14,210)
Services	10.2	(93,092)	(49,578)	(66,287)	(32,972)
Other operating expenses	10.4	(163,336)	(86,563)	(131,864)	(64,879)
		(503,553)	(264,408)	(411,860)	(209,984)
<b>Operating profit</b>		<b>598,373</b>	<b>292,667</b>	<b>483,998</b>	<b>302,804</b>
Finance income	10.5	418	218	26	13
Finance costs	10.6	(79,239)	(38,711)	(26,524)	3,367
		(1,219)	(621)	(1,080)	(530)
<i>including interest expense relating to lease liabilities</i>					
<b>Net finance costs</b>		<b>(78,821)</b>	<b>(38,493)</b>	<b>(26,498)</b>	<b>3,380</b>
<b>Profit/(loss) before tax</b>		<b>519,552</b>	<b>254,174</b>	<b>457,500</b>	<b>306,184</b>
Income tax	10.8	(30,733)	(9,303)	(61,896)	(37,824)
<b>Net profit/(loss) for period</b>		<b>488,819</b>	<b>244,871</b>	<b>395,604</b>	<b>268,360</b>
<b>Net profit/(loss) attributable to:</b>					
Owners of the Parent	10.11	488,838	244,905	395,783	268,428
Non-controlling interests		(19)	(34)	(179)	(68)
<b>Net profit/(loss) for period</b>		<b>488,819</b>	<b>244,871</b>	<b>395,604</b>	<b>268,360</b>

**Earnings/(loss) per share**

Basic (PLN)	25.66	12.83	20.82	14.12
Diluted (PLN)	24.78	12.37	20.28	13.74

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

**III. Consolidated statement of comprehensive income**

PLN '000

	<i>Note</i>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>
<b>Net profit/(loss) for period</b>		488,819	244,871	395,604	268,360
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations		22,494	1,361	(43,927)	(53,775)
Cash flow hedges and investments in net assets in a foreign operation		(5,727)	(13,743)	9,982	3,774
<b>Other comprehensive income for period, net</b>		16,767	(12,382)	(33,945)	(50,001)
<b>Total comprehensive income for period</b>		505,586	232,489	361,659	218,360
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		505,606	232,524	361,836	218,426
Non-controlling interests		(20)	(35)	(177)	(66)
<b>Total comprehensive income for period</b>		505,586	232,489	361,659	218,360
<b>Comprehensive income/ (loss) per share</b>					
Basic (PLN)		26.54	12.26	19.02	11.51
Diluted (PLN)		25.62	11.98	18.53	11.34

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



## IV. Consolidated statement of changes in equity

For the six months ended June 30th 2022 (PLN '000)

<i>Note</i>	Share capital	Share premium	Hedge reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2022</b>	<b>19,013</b>	<b>333,264</b>	<b>17,885</b>	<b>75,708</b>	<b>122,202</b>	<b>2,032,745</b>	<b>2,600,817</b>	<b>(590)</b>	<b>2,600,227</b>
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	488,838	488,838	(19)	488,819
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	22,495	-	-	22,495	(1)	22,494
- Measurement of hedging instruments	-	-	(5,727)	-	-	-	(5,727)	-	(5,727)
<b>Total other comprehensive income</b>	-	-	(5,727)	22,495	-	-	16,768	(1)	16,767
<b>Total comprehensive income for period</b>	-	-	(5,727)	22,495	-	488,838	505,606	(20)	505,586
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(248,661)	(248,661)	(167)	(248,828)
- Issue of shares	115	9,476	-	-	-	-	9,591	-	9,591
- Share-based payments	-	-	-	-	15,322	-	15,322	-	15,322
<b>Total contributions from and distributions to owners</b>	<b>115</b>	<b>9,476</b>	<b>-</b>	<b>-</b>	<b>15,322</b>	<b>(248,661)</b>	<b>(223,748)</b>	<b>(167)</b>	<b>(223,915)</b>
<b>Total equity as at Jun 30 2022</b>	<b>19,128</b>	<b>342,740</b>	<b>12,158</b>	<b>98,203</b>	<b>137,524</b>	<b>2,272,922</b>	<b>2,882,675</b>	<b>(777)</b>	<b>2,881,898</b>

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

For the reporting period ended December 31st 2021 [PLN '000]

	Share capital	Share premium	Hedge reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(14,783)</b>	<b>81,360</b>	<b>103,626</b>	<b>1,544,127</b>	<b>2,043,771</b>	<b>(311)</b>	<b>2,043,460</b>
<b>Comprehensive income for period</b>									
Net profit for period	-	-	-	-	-	694,758	694,758	145	694,903
<b>Other comprehensive income</b>									
- Exchange differences on translating foreign operations	-	-	-	(5,652)	-	-	(5,652)	19	(5,633)
- Measurement of hedging instruments	-	-	32,668	-	-	-	32,668	-	32,668
<b>Total other comprehensive income</b>	-	-	32,668	(5,652)	-	-	27,016	19	27,035
<b>Total comprehensive income for period</b>	-	-	32,668	(5,652)	-	694,758	721,774	164	721,938
<b>Contributions from and distributions to owners</b>									
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	(443)	(206,583)
- Issue of shares	273	22,834	-	-	-	-	23,107	-	23,107
- Cancellation of treasury shares	(271)	-	-	-	-	-	(271)	-	(271)
- Share-based payments	-	-	-	-	18,576	-	18,576	-	18,576
<b>Total contributions from and distributions to owners</b>	<b>2</b>	<b>22,834</b>	<b>-</b>	<b>-</b>	<b>18,576</b>	<b>(206,140)</b>	<b>(164,728)</b>	<b>(443)</b>	<b>(165,171)</b>
<b>Total equity as at Dec 31 2021</b>	<b>19,013</b>	<b>333,264</b>	<b>17,885</b>	<b>75,708</b>	<b>122,202</b>	<b>2,032,745</b>	<b>2,600,817</b>	<b>(590)</b>	<b>2,600,227</b>

For the six months ended June 30th 2021 (PLN '000)

Note	Share	Share	Hedge reserve	Translation	Other	Retained	Equity	Non-controlling interests	Total equity
	capital	premium		reserve	capital	earnings	attributable to owners of the Parent		
<b>Equity as at Jan 1 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(14,783)</b>	<b>81,360</b>	<b>103,626</b>	<b>1,544,127</b>	<b>2,043,771</b>	<b>(311)</b>	<b>2,043,460</b>
<b>Comprehensive income for period</b>							-		-
Net profit for period	-	-	-	-	-	395,783	395,783	(179)	395,604
Other comprehensive income							-		-
- Exchange differences on translating foreign operations	-	-	-	(43,929)	-	-	(43,929)	2	(43,927)
- Measurement of hedging instruments	-	-	9,982	-	-	-	9,982	-	9,982
Total other comprehensive income	-	-	9,982	(43,929)	-	-	(33,947)	2	(33,945)
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>9,982</b>	<b>(43,929)</b>	<b>-</b>	<b>395,783</b>	<b>361,836</b>	<b>(177)</b>	<b>361,659</b>
<b>Contributions from and distributions to owners</b>							-		-
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	-	(206,140)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	7,164	-	7,164	-	7,164
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,164</b>	<b>(206,140)</b>	<b>(198,976)</b>	<b>-</b>	<b>(198,976)</b>
<b>Total equity as at Jun 30 2021</b>	<b>19,011</b>	<b>310,430</b>	<b>(4,800)</b>	<b>37,431</b>	<b>110,790</b>	<b>1,733,770</b>	<b>2,206,632</b>	<b>(488)</b>	<b>2,206,144</b>

## V. Consolidated statement of cash flows

PLN '000	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	488,819	244,871	395,604	268,360
<i>Adjustments</i>				
Depreciation of property, plant and equipment	16,649	8,476	18,588	8,977
Amortisation of intangible assets	6,901	3,500	6,952	5,233
Net finance costs	78,821	38,493	26,498	(1,131)
(Gain)/loss on sale of property, plant and equipment	(158)	28	(243)	10
Equity-settled share-based payments	15,322	7,703	7,164	7,164
Income tax	30,733	9,303	61,896	37,824
Change in loans	(33,438)	(21,526)	(30,968)	(18,602)
Change in debt portfolios purchased	(500,572)	(356,937)	(403,649)	(397,762)
Change in inventories	195	955	7,094	2,603
Change in trade and other receivables	(465)	18,524	16,059	10,382
Change in other assets	(1,931)	(1,829)	2,112	3,701
Change in trade and other payables	(7,626)	16,743	52,075	29,165
Change in employee benefit obligations	6,419	4,093	4,705	2,483
Change in provisions	762	(426)	2,864	3,106
Minority interest share of profit	19	34	179	68
Income tax paid	(28,686)	(17,346)	(17,152)	(8,479)
<b>Net cash from operating activities</b>	71,764	(45,341)	149,778	(46,898)
<b>Cash flows from investing activities</b>				
Interest received	418	218	26	14
Sale of intangible assets and property, plant and equipment	253	32	4,802	4,466
Purchase of intangible assets and property, plant and equipment	(11,494)	(4,859)	(3,947)	(598)
<b>Net cash from investing activities</b>	(10,823)	(4,609)	881	3,882
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	9,591	9,591	-	-
Proceeds from issue of debt securities	450,000	50,000	420,000	400,000
Increase in borrowings	1,148,131	798,050	1,309,981	1,037,174
Repayment of borrowings	(945,952)	(398,143)	(1,075,927)	(704,035)
Payments under lease contracts	(15,234)	(8,904)	(11,475)	(4,940)
Dividends paid	(248,828)	(248,828)	-	-
Redemption of debt securities	(392,926)	(242,926)	(365,000)	(300,000)
Interest paid	(88,262)	(53,102)	(45,595)	(26,926)
<b>Net cash from financing activities</b>	(83,480)	(94,262)	231,984	401,272
<b>Total net cash flows</b>	(22,539)	(144,212)	382,643	358,256
Cash and cash equivalents at beginning of period	199,164	320,837	145,552	169,940
Cash and cash equivalents at end of period	176,625	176,625	528,196	528,196
<i>of which:</i>				
- effect of exchange rate fluctuations on cash held	(487)	288	255	4,438

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

## VI. Notes to the interim condensed consolidated financial statements

### 1. Organisation of the KRUK Group

#### Parent

Name:

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

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

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

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

#### *Principal business activities of the Parent and its subsidiaries*

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

These interim condensed consolidated financial statements for the reporting period January 1st – June 30th 2022 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at June 30th 2022, the composition of the Parent’s Management Board was as follows:

<b>Piotr Krupa</b>	President of the Management Board
<b>Piotr Kowalewski</b>	Member of the Management Board
<b>Adam Łodygowski</b>	Member of the Management Board
<b>Urszula Okarma</b>	Member of the Management Board
<b>Michał Zasępa</b>	Member of the Management Board

In the six months ended June 30th 2022 and by the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at January 1st 2022, the composition of the Parent's Supervisory Board was as follows:

<b>Piotr Stępnia</b>	Chairman of the Supervisory Board
<b>Katarzyna Beuch</b>	Member of the Supervisory Board
<b>Tomasz Bieske</b>	Member of the Supervisory Board
<b>Krzysztof Kawalec</b>	Member of the Supervisory Board
<b>Mateusz Melich</b>	Member of the Supervisory Board
<b>Ewa Radkowska-Świętoń</b>	Member of the Supervisory Board
<b>Piotr Szczepiórkowski</b>	Member of the Supervisory Board

There were changes in the composition of the Supervisory Board of KRUK S.A. in the six months ended June 30th 2022. On April 14th 2022, appointments were made to the Parent's Supervisory Board for a new term of office.

As at June 30th 2022 and as at the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. was as follows:

<b>Piotr Stępnia</b>	Chairman of the Supervisory Board
<b>Krzysztof Kawalec</b>	Deputy Chairman of the Supervisory Board
<b>Katarzyna Beuch</b>	Member of the Supervisory Board
<b>Izabela Felczak-Poturnicka</b>	Member of the Supervisory Board
<b>Ewa Radkowska-Świętoń</b>	Member of the Supervisory Board
<b>Beata Stelmach</b>	Member of the Supervisory Board
<b>Piotr Szczepiórkowski</b>	Member of the Supervisory Board

## KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 25 subsidiaries, and 2 entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
<b>DEBT MANAGEMENT</b>		
AgeCredit S.r.l.	Cesena	Credit management company operating in Italy
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Management of debt portfolios purchased by the KRUK Group, credit management services
KRUK Deutschland GmbH	Berlin	Management of debt portfolios purchased by the KRUK Group, investing in debt portfolios
KRUK Espana S.L.U.	Madrid	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Spain and other European countries, as well as debt trading
KRUK Italia S.r.l.	Milan	Credit management services, collection of debt portfolios purchased by the KRUK Group companies in Italy and other European countries
KRUK Romania S.r.l.	Bucharest	Management of debt portfolios purchased by the KRUK Group, credit management services

Subsidiary	Registered office	Principal business activity
<b>INVESTMENTS IN DEBT PORTFOLIOS</b>		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
Bison NS FIZ (closed-end investment fund)	Wrocław	Non-Standard Securitisation Closed-End Investment Fund; all certificates issued by the fund are held by KRUK S.A.
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund; all certificates issued by the fund are held by Presco Investments S.a r.l.
Prokura NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund; all certificates issued by the fund are indirectly held by KRUK S.A.
InvestCapital Ltd.	Malta	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	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 or debt-backed assets
Secapital S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
ProsperoCapital S.à r.l.	Luxembourg	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
<b>CONSUMER LENDING</b>		
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
<b>DEBT MANAGEMENT SUPPORT ACTIVITIES</b>		
ERIF Biuro Informacji Gospodarczej S.A.	Warsaw	Collection, processing and provision of credit information on natural persons and businesses
ERIF Business Solutions Sp. z o.o.	Wrocław	Financial and agency services and support for small and medium-sized enterprises
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation 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

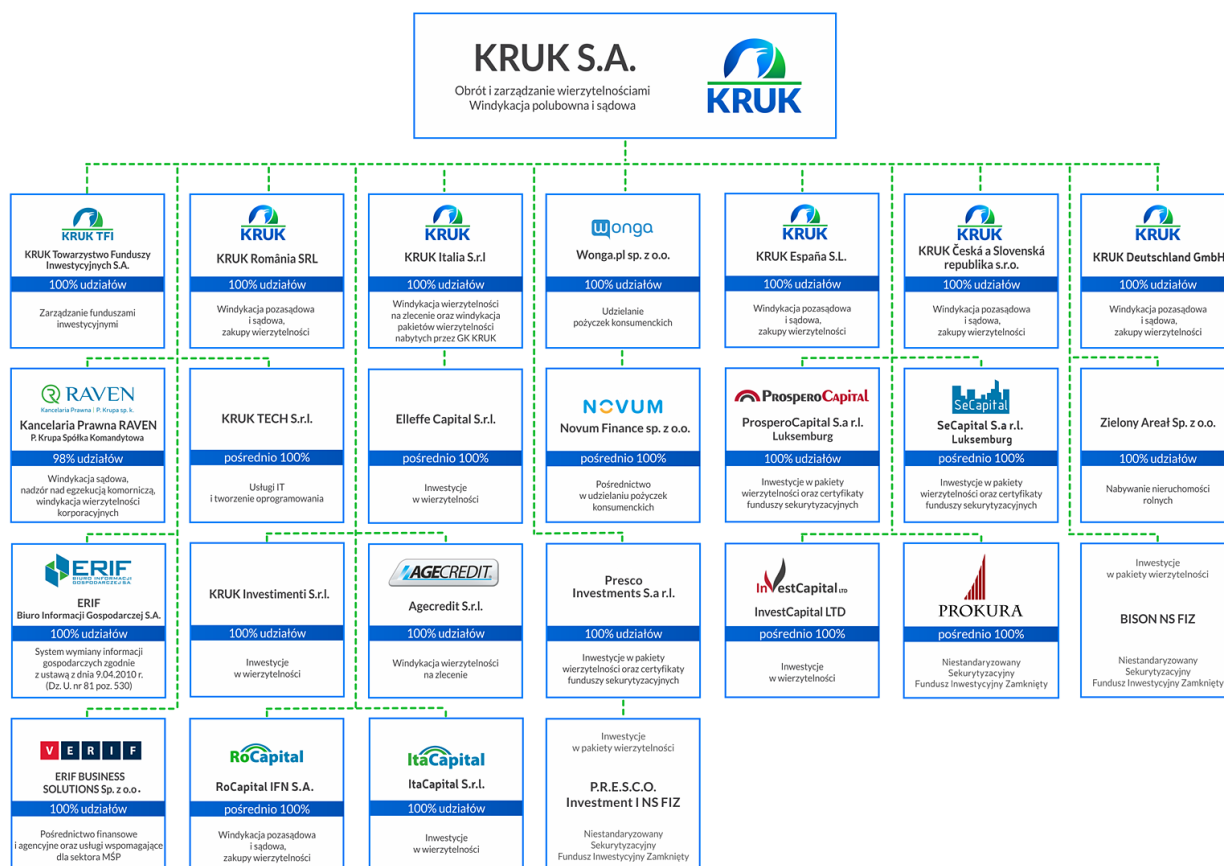
Entity controlled through personal links	Registered office	Principal business activity
Corbul S.r.l	Bucharest	Detective activities
Gantoi, Furculita Si Asociatii S.p.a.r.l.	Bucharest	Law firm

All the subsidiaries listed above are included in these condensed consolidated financial statements as at June 30th 2022 and for the period January 1st – June 30th 2022.

On January 31st 2022, KRUK TECH s.r.l. of Bucharest was registered. The company's shareholders are KRUK S.A., holding 99% of shares, and KRUK Romania s.r.l., holding 1% of shares. The principal business activity of the company is the provision of IT services and software development.



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



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

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

	Country	Ownership interest and share in total voting rights	
		Jun 30 2022	Dec 31 2021
SeCapital S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o. <sup>1</sup>	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 NS FIZ <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	Malta	100%	100%
RoCapital IFN S.A.	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
ProsperoCapital S.a.r.l. <sup>2</sup>	Luxembourg	100%	100%
Presco Investments S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l. <sup>3</sup>	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. <sup>3</sup>	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. <sup>14</sup>	Romania	100%	-

<sup>1</sup> Subsidiaries in which the Company indirectly holds 100% of the share capital.

<sup>2</sup> ProsperoCapital S.a.r.l is a party to a joint arrangement.

<sup>3</sup> The Parent controls the company through a personal link.

<sup>4</sup> Entity established in the three months ended March 31st 2022.

## 2. Reporting period

The reporting period is the period from January 1st 2022 to June 30th 2022 and the comparative period is the period from January 1st 2021 to June 30th 2021. The consolidated statement of financial position has been prepared as at June 30th 2022 and the comparative data is presented as at June 30th 2021 and December 31st 2021. The consolidated statement of changes in equity has been prepared for the period from January 1st 2022 to June 30th 2022 and the comparative periods are from January 1st 2021 to June 30th 2021 and from January 1st 2021 to December 31st 2021.

The financial data presented on a quarterly basis for the periods from April 1st to June 30th 2022 and from April 1st to June 30th 2021 was not subject to a separate review or audit by an auditor.

These financial statements do not contain all the information required to be included when preparing full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements as at and for the year ended December 31st 2021 (available at [www: Raporty okresowe / KRUK S.A.](http://www.RaportyOkresowe/KRUK.S.A.)).

### 3. Statement of compliance

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

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

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on September 6th 2022.

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

The Polish złoty is the functional currency of the Parent.

### 4. Significant accounting policies

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

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

The KRUK Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union (the "EU-IFRS").

The accounting policies applied to prepare these interim condensed financial statements are consistent with those applied in the most recent full-year consolidated financial statements as at and for the year ended December 31st 2021.

These financial statements comply with the requirements of International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after January 1st 2022.

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

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
IFRS 17 <i>Insurance Contracts</i> , amendments to IFRS 17	<p>IFRS 17 <i>Insurance Contracts</i> will replace IFRS 4 <i>Insurance Contracts</i>, which currently allows continued recognition of insurance contracts in accordance with the accounting policies applicable in national standards and which, as a result, implies a number of different solutions. IFRS 17 requires consistent accounting for all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost. The standard is to be applied on a full retrospective basis (if that is not practicable, the entity should use either the modified retrospective approach or the fair value approach).</p> <p>The purpose of the amendments is to:</p> <ul style="list-style-type: none"> <li>– reduce costs by simplifying some of the standard requirements;</li> <li>– facilitate clarification of financial results; – facilitate transition to the new standard by deferring the effective date of the standard until 2023 and introducing additional expedients to facilitate the first implementation of IFRS 17.</li> </ul>	The amendments have no effect on the consolidated financial statements.	January 1st 2023
Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of Accounting Policies	The amendments to IAS 1 and IFRS Practice statement 2 are intended to help preparers decide which accounting policies to disclose in their financial statements. The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies. Guidance was provided on how an entity can identify material accounting policy information. The amendments clarify that accounting policy information may be material by its nature even if the amounts are immaterial and if users of financial statements would need it to understand other relevant information in the financial statements.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023
Amendment to IAS 8 – Definition of Accounting Estimates	In the amendment to IAS 8 – Definition of Accounting Estimates the definition of change in accounting estimates was replaced by the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The Board also clarified the new definition through additional guidance and	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023

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
	examples of how accounting principles and accounting estimates are related and how a change in valuation technique constitutes a change in accounting estimate. The introduction of the definition of accounting estimates and other amendments to IAS 8 were intended to help entities distinguish changes in accounting policies from changes in accounting estimates.		

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
IFRS 17 <i>Insurance Contracts</i> : Initial Application of IFRS 17 and IFRS 9 – Comparative Information	The amendments provide a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities, thereby improving the usefulness of comparative information for users of financial statements.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	The amendments are intended to clarify how companies should account for deferred taxes on leases and extinguished liabilities.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023

## 5. Accounting estimates and judgements

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

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

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2021 (PLN '000)	Jun 30 2022 (PLN '000)		
Investments in debt portfolios	5,100,176	5,630,039	9	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons (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 (purchase price plus directly allocated transaction costs) 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>



Item	Amount estimated		Note	Assumptions and estimate calculation
	Dec 31 2021 (PLN '000)	Jun 30 2022 (PLN '000)		
Goodwill	23,840	24,241	10.13	<p>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.</p> <p>No goodwill impairment was identified in the reporting period.</p>
Loans measured at amortised cost	279,213	330,128	9	<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. Life tables are subject to periodic review, which may result in their change. 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>
Loans at fair value through profit or loss	37,123	19,646	9	<p>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.</p> <p>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.</p>
Deferred tax assets and liabilities	37,560 (assets)	43,437 (asset)	10.8	<p>As the KRUK Group is able to control the timing of temporary differences with respect to subsidiaries, it recognises deferred tax liabilities at amounts of income tax to be paid in the future (three years).</p> <p>The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.</p>
	167 077 (liabilities)	182,623 (liabilities)		

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2021 (PLN '000)	Jun 30 2022 (PLN '000)		
Investments in debt portfolios	61,474	70,824	9	The KRUK Group determined that the agreement executed with the co-investor in 2016 for the purchase of debt portfolios at ProsperoCapital S.à r.l on the Romanian market was a transaction meeting the definition of a joint operation rather than a joint venture, and therefore disclosed the transaction in the consolidated financial statements as a proportional share in the company's assets and liabilities rather than a fully consolidated transaction. <i>(see note: 17. Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance)</i>
Functional currency at InvestCapital	75,732	75,480		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. The functional currency of InvestCapital is EUR.

## 6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2021. In the period from January 1st to June 30th 2022, there were no significant changes in the approach to financial risk management.

## 7. Reportable and geographical segments

### Reportable segments

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

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

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

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

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

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

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

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

There was no revenue from inter-segment transactions.

## Reportable segments

For the reporting period ended June 30th 2022

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>501,723</b>	<b>57,901</b>	<b>308,027</b>	<b>179,182</b>	<b>21,243</b>	<b>31,753</b>	<b>2,097</b>	-	<b>1,101,926</b>
Purchased debt portfolios	474,027	-	299,199	175,141	12,894	31,753	-	-	993,014
<i>including revaluation of projected recoveries</i>	<i>105,128</i>	-	<i>145,218</i>	<i>31,300</i>	<i>(42,364)</i>	<i>4,601</i>	-	-	<i>243,883</i>
Credit management services	13,592	-	7,285	4,041	8,349	-	-	-	33,267
Other products	14,104	57,901	1,543	-	-	-	-	-	73,548
Other income	-	-	-	-	-	-	2,097	-	2,097
<b>Direct and indirect costs</b>									<b>(355,614)</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	(296,163)
Credit management services	-	-	-	-	-	-	-	-	(24,714)
Other products	-	-	-	-	-	-	-	-	(30,831)
Unallocated expenses	-	-	-	-	-	-	-	-	(3,906)
<b>Gross profit<sup>1</sup></b>									<b>746,312</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	696,851
Credit management services	-	-	-	-	-	-	-	-	8,553
Other products	-	-	-	-	-	-	-	-	42,717
Unallocated income / expenses	-	-	-	-	-	-	-	-	(1,809)
Administrative expenses	-	-	-	-	-	-	-	-	(124,389)
<b>EBITDA<sup>2</sup></b>	<b>338,498</b>	<b>29,859</b>	<b>243,787</b>	<b>80,388</b>	<b>(32,530)</b>	<b>15,486</b>	<b>(1,809)</b>	<b>(51,756)</b>	<b>621,923</b>
Depreciation and amortisation	-	-	-	-	-	-	-	-	(23,550)
Finance income/(costs)	-	-	-	-	-	-	-	-	(78,821)
Profit before tax	-	-	-	-	-	-	-	-	519,552
Income tax	-	-	-	-	-	-	-	-	(30,733)
<b>Net profit</b>	-	-	-	-	-	-	-	-	<b>488,819</b>
<b>Carrying amount of debt portfolios</b>	<b>2,653,058</b>	-	<b>1,075,738</b>	<b>1,176,333</b>	<b>579,818</b>	<b>145,092</b>	-	-	<b>5,630,039</b>
<b>Carrying amount of loans</b>	<b>43,264</b>	<b>287,097</b>	<b>19,413</b>	-	-	-	-	-	<b>349,774</b>
<b>Cash recoveries</b>	<b>636,656</b>	-	<b>286,724</b>	<b>208,198</b>	<b>96,750</b>	<b>50,928</b>	-	-	<b>1,279,256</b>

For the reporting period ended June 30th 2021

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>423,141</b>	<b>37,001</b>	<b>221,492</b>	<b>115,893</b>	<b>67,908</b>	<b>28,993</b>	<b>1,430</b>	-	<b>895,858</b>
Purchased debt portfolios	397,802	-	213,497	111,342	60,684	28,993	-	-	812,318
<i>including revaluation of projected recoveries</i>	<i>54,494</i>	-	<i>61,685</i>	<i>9,233</i>	<i>4,852</i>	<i>4,861</i>	-	-	<i>135,125</i>
Credit management services	12,138	-	6,158	4,551	7,224	-	-	-	30,071
Other products	13,201	37,001	1,837	-	-	-	-	-	52,039
Other income	-	-	-	-	-	-	1,430	-	1,430
<b>Direct and indirect costs</b>									<b>(294,384)</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	(244,318)
Credit management services	-	-	-	-	-	-	-	-	(21,658)
Other products	-	-	-	-	-	-	-	-	(25,363)
Unallocated expenses	-	-	-	-	-	-	-	-	(3,045)
<b>Gross profit<sup>1</sup></b>									<b>601,474</b>
Purchased debt portfolios	-	-	-	-	-	-	-	-	568,000
Credit management services	-	-	-	-	-	-	-	-	8,413
Other products	-	-	-	-	-	-	-	-	26,676
Unallocated income / expenses	-	-	-	-	-	-	-	-	(1,615)
Administrative expenses	-	-	-	-	-	-	-	-	(91,936)
<b>EBITDA<sup>2</sup></b>	<b>290,895</b>	<b>14,323</b>	<b>167,124</b>	<b>31,716</b>	<b>27,134</b>	<b>13,424</b>	<b>(1,615)</b>	<b>(33,463)</b>	<b>509,538</b>
Depreciation and amortisation	-	-	-	-	-	-	-	-	(25,540)
Finance income/(costs)	-	-	-	-	-	-	-	-	(26,498)
Profit before tax	-	-	-	-	-	-	-	-	457,500
Income tax	-	-	-	-	-	-	-	-	(61,896)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395,604</b>
<b>Carrying amount of debt portfolios</b>	<b>2,150,799</b>	<b>-</b>	<b>843,423</b>	<b>812,765</b>	<b>420,572</b>	<b>117,772</b>	<b>-</b>	<b>-</b>	<b>4,345,331</b>
<b>Carrying amount of loans</b>	<b>35,912</b>	<b>211,691</b>	<b>8,008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>255,612</b>
<b>Cash recoveries</b>	<b>521,100</b>	<b>-</b>	<b>286,017</b>	<b>135,367</b>	<b>79,992</b>	<b>42,654</b>	<b>-</b>	<b>-</b>	<b>1,065,131</b>

<sup>1</sup> Gross profit = operating income - operating expenses.<sup>2</sup> EBITDA = operating profit - depreciation and amortisation.

## 8. Seasonality or cyclical nature of business

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

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

### Investments

<i>PLN '000</i>	<b>Jun 30 2022 unaudited</b>	<b>Dec 31 2021</b>	<b>Jun 30 2021 unaudited</b>
Investments in debt portfolios	5,630,039	5,100,176	4,345,331
Loans measured at amortised cost	330,128	279,213	150,658
Loans measured at fair value	19,646	37,123	104,955
	<b>5,979,813</b>	<b>5,416,512</b>	<b>4,600,943</b>

### Investments measured at amortised cost

<i>PLN '000</i>	<b>Jun 30 2022 unaudited</b>	<b>Dec 31 2021</b>	<b>Jun 30 2021 unaudited</b>
Investments in debt portfolios	5,630,039	5,100,176	4,345,331
Loans measured at amortised cost	330,128	279,213	150,658
	<b>5,960,167</b>	<b>5,379,389</b>	<b>4,495,989</b>

### Debt portfolios

#### Purchased debt portfolios

<i>PLN '000</i>	<b>Jun 30 2022 unaudited</b>	<b>Dec 31 2021</b>	<b>Jun 30 2021 unaudited</b>
<b>Carrying amount of purchased debt portfolios</b>			
Unsecured portfolios	4,856,721	4,344,965	3,633,634
Secured portfolios	773,318	755,211	711,697
	<b>5,630,039</b>	<b>5,100,176</b>	<b>4,345,331</b>

Unsecured portfolios are retail portfolios. Secured portfolios include mortgages as well as corporate portfolios.

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 processes.
- 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

	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
Discount rate <sup>1</sup>	8.00% - 147.10%	8.00% - 147.10%	8.10% - 170.19%
Cash flows estimation period	Jul 2022–Jul 2042	Jan 2022–Jan 2042	Jul 2021–Jul 2041
Undiscounted value of future recoveries	11,139,382	9,989,010	8,542,722

<sup>1</sup> Applicable to 99% of debt portfolios.

#### Schedule of estimated remaining collections (ERC) from debt portfolios (undiscounted values)

PLN thousand

	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
<b>Period</b>			
Up to 12 months	1,923,194	1,813,880	1,706,783
From 1 to 2 years	1,651,508	1,579,581	1,411,169
From 2 to 3 years	1,487,569	1,327,217	1,188,056
From 3 to 4 years	1,264,169	1,052,803	920,586
From 4 to 5 years	946,253	806,576	685,933
From 5 to 6 years	753,581	657,405	531,702
From 6 to 7 years	610,080	520,119	429,549
From 7 to 8 years	490,463	443,389	359,239
From 8 to 9 years	406,490	357,607	285,678
From 9 to 10 years	350,953	300,189	229,169
From 10 to 11 years	295,951	258,917	192,965
From 11 to 12 years	258,904	228,227	166,869
From 12 to 13 years	223,647	201,246	145,675
From 13 to 14 years	188,050	173,649	124,815
From 14 to 15 years	123,280	128,663	94,582
Over 15 years	165,290	139,542	69,954
	<b>11,139,382</b>	<b>9,989,010</b>	<b>8,542,722</b>

PLN thousand		Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
Discount rate:				
	under 25%	6,714,402	5,786,817	4,316,426
	25% - 50%	3,735,483	3,542,784	3,566,503
	over 50%	689,496	659,409	659,793
		11,139,382	9,989,010	8,542,722

The projected schedule of recoveries from debt portfolios presented above in individual discount rate ranges changes in the comparative periods as a result of:

- purchasing new debt portfolios,
- realization of cash inflows from owned debt portfolios,
- verification of the forecast of the assumed future cash inflows.

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

PLN '000	Jan 1–Jun 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Jun 30 2021 unaudited
<b>Carrying amount of investments in debt portfolios at beginning of period</b>	<b>5,100,176</b>	<b>3,984,080</b>	<b>3,984,080</b>
Purchase of debt portfolios	757,009	1,738,002	643,534
Cash recoveries	(1,279,256)	(2,215,806)	(1,065,131)
Receivables from debt sold	(4,000)	(3,200)	-
Increase/(decrease) in liabilities to indebted persons due to overpayments*	3,491	5,705	4,420
Valuation of loyalty scheme*	4,405	7,174	3,445
Revenue from purchased debt portfolios	993,014	1,575,627	812,318
Carrying amount of property foreclosed	(3,552)	(7,156)	(4,961)
Carrying amount of property sold	3,905	18,374	10,423
Translation differences on debt portfolios**	54,847	(2,624)	(42,797)
<b>Carrying amount of investments in debt portfolios at end of period</b>	<b>5,630,039</b>	<b>5,100,176</b>	<b>4,345,331</b>

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

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

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios in the amount of PLN 757,009 thousand (six months ended June 30th 2021: PLN 643,534 thousand; 2021: PLN 1,738,002 thousand), while the amount of recoveries from debtors was PLN 1,279,256 thousand (six months ended June 30th 2021: PLN 1,065,131 thousand; 2021: PLN 2,215,806 thousand).



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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Dec 31 2021</b>	<b>Jan 1–Jun 30 2021 unaudited</b>
<b>Cumulative expected credit losses on purchased debt portfolios at beginning of period</b>	<b>1,600,562</b>	<b>1,012,210</b>	<b>1,012,210</b>
Revaluation of projected recoveries	243,883	270,032	135,125
Deviations from actual recoveries, decreases on early collections in collateralised cases	182,900	318,320	206,491
<b>Cumulative expected credit losses on purchased debt portfolios at end of period</b>	<b>2,027,345</b>	<b>1,600,562</b>	<b>1,353,826</b>

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

ProsperoCapital is a party to a joint arrangement (see note: 17. *Events subsequent to the reporting date not disclosed in these financial statements but potentially having a material bearing on the Group's future performance*). As at June 30th 2022, the amount of the KRUK Group's investment in the joint operation, disclosed in the consolidated statement of financial position, was PLN 70,824 thousand (December 31st 2021: PLN 61,474 thousand), while revenue shown in the consolidated statement of profit or loss was PLN 34,871 thousand (six months ended June 30th 2021: PLN 20,063 thousand).

#### *Sensitivity analysis – revaluation of projected recoveries*

A 1% increase in all projected recoveries would result in an increase of PLN 49,646 thousand in the value of portfolios and thus in net profit/(loss) for the reporting period, while a 1% decrease in all projected recoveries would result in a decrease in the value of portfolios and in net profit/(loss) of PLN 49,646 thousand for the data as at June 30th 2022 (a PLN 44,624 thousand increase/decrease, respectively, for the data as at December 31st 2021).

<i>PLN '000</i>	<b>Profit or loss for the current period</b>	
	<b>100 bps increase in recoveries</b>	<b>100 bps decrease in recoveries</b>
<b>Jun 30 2022</b>		
Investments in debt portfolios	49,646	(49,646)
<b>Dec 31 2021</b>		
Investments in debt portfolios	44,624	(44,624)

*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 6,010 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 13,636 thousand; for 2021: PLN 9,462 thousand and PLN 16,141 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	extension by one year	shortening by one year
<b>Jun 30 2022</b>		
Investments in debt portfolios	75	(209)
<b>Dec 31 2021</b>		
Investments in debt portfolios	107	(226)

**Loans**

PLN '000

	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
Loans measured at amortised cost	330,128	279,213	150,658
Loans measured at fair value	19,646	37,123	104,955
	<u>349,774</u>	<u>316,336</u>	<u>255,612</u>

**Loans measured at amortised cost**

Structure of loans measured at amortised cost as at the end of the reporting periods:

IFRS 9 classification	Carrying amount as at Jun 30 2022	Carrying amount as at Dec 31 2021	Carrying amount as at Jun 30 2021
<b>Loans measured at amortised cost</b>			
Basket 1	197,891	195,406	108,520
Basket 2	99,529	57,684	17,425
Basket 3	30,459	24,257	23,568
POCI loans	2,249	1,866	1,145
<b>Net carrying amount</b>	<u>330,128</u>	<u>279,213</u>	<u>150,658</u>

Changes in the net carrying amount of loans measured at amortised cost:

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Dec 31 2021</b>	<b>Jan 1–Jun 30 2021 unaudited</b>
<b>Carrying amount of loans measured at amortised cost at beginning of period</b>	<b>279,213</b>	<b>152,666</b>	<b>152,666</b>
Acquisition of loans as part of portfolio purchase	8,530	-	-
New disbursements	305,153	483,783	72,923
Repayments	(325,379)	(420,211)	(97,913)
Interest income	94,466	89,690	31,255
Allowance for expected credit losses	(22,054)	(23,910)	(8,288)
Gain/(loss) on sale of loans	(10,638)	(2,947)	(875)
Translation differences on loans	837	142	(214)
Other differences	-	-	1,104
<b>Carrying amount of loans measured at amortised cost at end of period</b>	<b>330,128</b>	<b>279,213</b>	<b>150,658</b>

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022</b>				<b>Jan 1–Dec 31 2021</b>			
	<b>Basket 1</b>	<b>Basket 2</b>	<b>Basket 3</b>	<b>TOTAL</b>	<b>Basket 1</b>	<b>Basket 2</b>	<b>Basket 3</b>	<b>TOTAL</b>
Loss allowance as at Jan 1	9,657	7,538	71,977	89,172	11,330	4,082	56,681	72,093
Loss allowance as at acquisition date	1,272	338	129	1,739	-	-	-	-
Allowance for expected credit losses recognised in the reporting period	23,091	1,152	-	24,243	13,952	10,975	-	24,927
Transfer from basket 1 to basket 2	(12,764)	12,764	-	-	(5,855)	5,855	-	-
Transfer from basket 1 to basket 3	(10,425)	-	10,425	-	(10,212)	-	10,212	-
Transfer from basket 2 to basket 1	124	(124)	-	-	442	(442)	-	-
Transfer from basket 2 to basket 3	-	(5,368)	5,368	-	-	(12,932)	12,932	-
Transfer from basket 3 to basket 1	1	-	(1)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	-	-
Reversal of allowance for expected credit losses	-	-	(4,059)	(4,059)	-	-	(7,848)	(7,848)
Loss allowance at end of period	<b>10,956</b>	<b>16,300</b>	<b>83,839</b>	<b>111,095</b>	<b>9,657</b>	<b>7,538</b>	<b>71,977</b>	<b>89,172</b>

The amount of the allowance is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of loss allowance as at the end of the reporting period covers 25.2% of gross loans.

*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
<b>Jun 30 2022</b>		
Loans measured at amortised cost	3,287	(3,290)
<b>Dec 31 2021</b>		
Loans measured at amortised cost	2,790	(2,790)

*Sensitivity analysis – time horizon*

The note presents the effect of extending or shortening of the recovery 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
<b>Jun 30 2022</b>		
Loans measured at amortised cost	(8,995)	8,387
<b>Dec 31 2021</b>		
Loans measured at amortised cost	(6,011)	5,472

## Loans measured at fair value

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Dec 31 2021</b>	<b>Jan 1–Jun 30 2021 unaudited</b>
<b>Carrying amount of loans measured at fair value at beginning of period</b>	<b>37,123</b>	<b>71,978</b>	<b>71,978</b>
New disbursements	-	211,890	212,198
Repayments	(24,536)	(275,419)	(203,344)
Interest income	7,818	40,243	22,945
Remeasurement	(759)	(11,569)	2,057
Other remeasurement differences	-	-	(879)
<b>Carrying amount of loans measured at fair value at end of period</b>	<b>19,646</b>	<b>37,123</b>	<b>104,955</b>

*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.

<i>PLN '000</i>	<b>Profit or loss for the current period</b>	
	<b>100 bps increase in recoveries</b>	<b>100 bps decrease in recoveries</b>
<b>Jun 30 2022</b>		
Loans measured at fair value	196	(196)
<b>Dec 31 2021</b>		
Loans measured at fair value	366	(377)

*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
<b>Jun 30 2022</b>		
Loans measured at fair value	(432)	415
<b>Dec 31 2021</b>		
Loans measured at fair value	(811)	767

*Sensitivity analysis – interest rate*

The interest rate on loans measured at fair value is 52% (December 31st 2021: 45%). Presented below is a sensitivity analysis for the interest rate applied to the fair-value measurement of loans:

PLN '000

	Profit or loss for the current period	
	1 pp increase in interest rate	1 pp decrease in interest rate
<b>Jun 30 2022</b>		
Loans measured at fair value	(114)	116
<b>Dec 31 2021</b>		
Loans measured at fair value	(267)	272

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

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

#### Breakdown by type of activity

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Revenue from purchased debt portfolios	993,014	499,741	812,318	471,762
Revenue from credit management services	33,267	17,278	30,071	15,277
Revenue from other services	73,548	38,896	52,039	25,132
Other income	2,097	1,160	1,430	617
	<b>1,101,926</b>	<b>557,075</b>	<b>895,858</b>	<b>512,788</b>

#### Interest income on debt portfolios and loans measured at amortised cost

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Interest income on debt portfolios	546,184	276,278	477,656	237,370
Interest income on loans	94,466	52,482	31,255	15,202
	<b>640,650</b>	<b>328,760</b>	<b>508,911</b>	<b>252,572</b>

#### Gain/(loss) on expected credit losses

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Gain/(loss) on expected credit losses from debt portfolios	431,809	217,385	348,225	240,564
Gain/(loss) on expected credit losses from loans	(21,217)	(13,867)	(8,502)	(5,171)
	<b>410,592</b>	<b>203,518</b>	<b>339,723</b>	<b>235,393</b>

#### Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Revenue from purchased debt portfolios	993,014	499,741	812,318	471,762
Revenue from loans	62,611	34,423	22,753	10,031
	<b>1,055,625</b>	<b>534,164</b>	<b>835,071</b>	<b>481,793</b>

Revenue from purchased debt portfolios and revenue from loans are calculated on financial assets measured at amortised cost using the effective interest rate method.

## Revenue from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Interest income	546,184	276,278	477,656	237,370
Other income/expenses from purchased debt portfolios	(7,243)	(2,325)	(17,337)	(7,894)
Gain/(loss) on expected credit losses from purchased debt portfolios	431,809	217,385	348,225	240,564
Revenue from sale of debts	22,264	8,403	3,774	1,722
	<u>993,014</u>	<u>499,741</u>	<u>812,318</u>	<u>471,762</u>

## Other income/expenses from purchased debt portfolios

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Foreign currency gains/(losses)	653	617	(9,472)	(1,979)
Costs of loyalty scheme valuation	(4,405)	(1,988)	(3,445)	(2,273)
Costs of provision for overpayments	(3,491)	(954)	(4,420)	(3,642)
	<u>(7,243)</u>	<u>(2,325)</u>	<u>(17,337)</u>	<u>(7,894)</u>

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

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Revaluation of projected recoveries	243,883	108,816	135,125	116,726
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	187,926	108,569	213,100	123,838
	<u>431,809</u>	<u>217,385</u>	<u>348,225</u>	<u>240,564</u>

## Revenue from loans

Revenue from loans measured at amortised cost

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Interest income	94,466	52,482	31,255	15,202
Allowance for expected credit losses	(22,054)	(14,898)	(8,288)	(4,963)
Gain/(loss) on sale of loans	(10,638)	(4,192)	-	-
Foreign currency gains/(losses)	837	1,031	(214)	(208)
	<u>62,611</u>	<u>34,423</u>	<u>22,753</u>	<u>10,031</u>



*Revenue from loans measured at fair value*

PLN '000

	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>
Interest income	7,818	3,405	22,945	12,244
Remeasurement	(759)	(310)	2,057	864
	<u>7,059</u>	<u>3,095</u>	<u>25,002</u>	<u>13,108</u>

**Revenue from other services**

PLN '000

	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>
Revenue from credit management services	33,267	17,278	30,071	15,277
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	3,878	1,378	4,284	1,993
	<u>37,145</u>	<u>18,656</u>	<u>34,355</u>	<u>17,270</u>

**Other income**

PLN '000

	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Jun 30 2021 unaudited</b>	<b>Apr 1–Jun 30 2021 unaudited</b>
Re-billed costs of services and court fees	511	503	61	13
Rental	503	383	-	-
Recovery of written-off receivables and expenses	262	107	368	203
Compensation for motor damage	242	85	168	52
Gain on sale of property, plant and equipment	158	(28)	243	(10)
Other cooperation	6	3	177	167
Reversal of allowance for expected credit losses on receivables	-	-	53	-
Other	415	107	360	192
	<u>2,097</u>	<u>1,160</u>	<u>1,430</u>	<u>617</u>

## 10.2. Services

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Credit management services <sup>1</sup>	(21,744)	(10,016)	(16,120)	(8,394)
Legal assistance services <sup>2</sup>	(15,363)	(8,720)	(9,652)	(4,725)
IT services	(14,840)	(7,371)	(9,657)	(4,961)
Postal and courier services	(8,951)	(5,635)	(5,386)	(2,357)
Administrative and accounting support services	(7,152)	(4,282)	(5,854)	(2,899)
Banking services	(5,511)	(3,025)	(4,503)	(2,189)
Marketing and management services	(4,575)	(2,195)	(3,729)	(1,797)
Space rental and service charges	(4,355)	(2,398)	(3,995)	(1,616)
Communications services	(4,212)	(2,380)	(3,474)	(1,791)
Printing services	(1,851)	(1,334)	(851)	(446)
Security	(1,161)	(725)	(753)	(393)
Recruitment services	(917)	(449)	(322)	(197)
Other auxiliary services	(786)	(280)	(756)	(433)
Repair of vehicles	(742)	(360)	(554)	(269)
Repair and maintenance services	(409)	(52)	(286)	(212)
Other rental	(377)	(274)	(223)	(181)
Transport services	(78)	(48)	(10)	(8)
Packing services	(68)	(34)	(162)	(104)
	<b>(93,092)</b>	<b>(49,578)</b>	<b>(66,287)</b>	<b>(32,972)</b>

<sup>1</sup> Costs of debt management services provided by external service providers.

<sup>2</sup> Legal assistance mainly relates to debt portfolio management.

## 10.3. Employee benefits expense

PLN '000

	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
Salaries and wages	(166,574)	(86,091)	(143,790)	(71,226)
Old-age and disability pension contributions	(12,565)	(6,648)	(10,667)	(5,460)
Other social security contributions	(28,209)	(15,385)	(25,725)	(13,652)
Contribution to the State Fund for the Disabled	(905)	(464)	(823)	(421)
Equity-settled cost of stock option plan	(15,322)	(7,703)	(7,164)	(7,164)
	<b>(223,575)</b>	<b>(116,291)</b>	<b>(188,169)</b>	<b>(97,923)</b>

## 10.4. Other operating expenses

PLN '000

	Jan 1–Jun 30 2022	Apr 1– Jun 30 2022	Jan 1–Jun 30 2021	Apr 1– Jun 30 2021
	unaudite d	unaudite d	unaudite d	unaudite d
Court fees	(129,695)	(69,232)	(104,213)	(51,648)
Taxes and charges	(17,204)	(9,340)	(15,984)	(7,377)
Raw materials and consumables used	(6,322)	(3,786)	(4,218)	(2,048)
Advertising	(3,961)	(628)	(1,542)	(1,075)
Staff training	(1,723)	(1,254)	(325)	(248)
Non-deductible VAT	(1,151)	(558)	(393)	(248)
Business trips	(942)	(706)	(579)	(327)
Motor insurance	(634)	(321)	(347)	(118)
Refund of litigation costs	(616)	(351)	(115)	(115)
Entertainment expenses	(554)	(385)	(104)	(59)
Property insurance	(409)	(190)	(560)	(331)
Non-compete agreements	(253)	(109)	(218)	(151)
Membership fees	(170)	(160)	(231)	(74)
Losses caused by motor damage	(102)	(48)	(214)	(78)
Allowance for expected credit losses on receivables	-	-	(1)	15
Provision for possible differences relative to straight-line basis settlement	1,678	1,224	(1,770)	(1,926)
Other	(1,278)	(719)	(1,050)	929
	<u>(163,336)</u>	<u>(86,563)</u>	<u>(131,864)</u>	<u>(64,879)</u>

## 10.5. Finance income

PLN '000

	Jan 1–Jun 30 2022	Apr 1–Jun 30 2022	Jan 1–Jun 30 2021	Apr 1–Jun 30 2021
	unaudited	unaudited	unaudited	unaudited
Interest income on bank deposits	418	218	26	13
Net foreign exchange gains	-	-	-	-
	<u>418</u>	<u>218</u>	<u>26</u>	<u>13</u>

## 10.6. Finance costs

PLN '000	Jan 1–Jun 30	Apr 1–Jun	Jan 1–Jun 30	Apr 1–Jun
	2022	30 2022	2021	30 2021
	unaudited	unaudited	unaudited	unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(86,857)	(48,453)	(41,099)	(19,652)
<i>including interest</i>	(79,812)	(44,991)	(32,826)	(15,499)
Net foreign exchange losses	5,318	7,151	9,468	14,159
Interest income/expense on hedging instruments – IRS	1,481	1,772	(4,528)	(2,288)
Hedging costs	824	824	-	-
Interest income/expense on hedging instruments – CIRS	(5)	(5)	-	-
Interest income/expense on derivative instruments – FORWARD	-	-	3,611	3,611
Interest income/expense on derivative instruments – CIRS	-	-	6,024	7,536
	(79,239)	(38,711)	(26,524)	3,367

The large increase in interest in the six months ended June 30th 2022 relative to the six months ended June 30th 2021 was attributable to higher debt amount (borrowings and bonds) and significantly higher 1M/3M WIBOR rates in the first half of 2022.

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

PLN '000	Note	Jan 1–Jun 30	Jan 1–Jun 30
		2022 unaudited	2021 unaudited
Realised exchange gains/(losses)	10.6	(954)	(1,052)
Unrealised exchange gains/(losses)	10.6	6,272	10,521
Settlement of forward contracts	10.6	-	3,611
Remeasurement of debt portfolios due to exchange rate movements	10.1	653	(9,472)
Remeasurement of loans due to exchange rate movements	10.1	837	(214)
		6,808	3,394

## 10.8. Income tax

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

<i>PLN '000</i>	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited
<b>Current income tax</b>				
Current income tax payable	(21,065)	(14,191)	(39,732)	(36,026)
<b>Deferred income tax</b>				
Related to temporary differences and their reversal	(9,668)	4,888	(22,164)	(1,798)
<b>Income tax recognised in profit or loss</b>	<u>(30,733)</u>	<u>(9,303)</u>	<u>(61,896)</u>	<u>(37,824)</u>
<b>Income tax recognised in other comprehensive income</b>	-	-	-	-
	<u>(30,733)</u>	<u>(9,303)</u>	<u>(61,896)</u>	<u>(37,824)</u>

### Reconciliation of effective tax rate

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

<i>PLN '000</i>	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited
Profit before tax	519,552	457,500
Tax calculated at the Parent's rate (19%)	(98,715)	(86,925)
Effect of application of other tax rates abroad and effect of deferred tax	1,902	229
Differences resulting from ability to control the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	66,080	24,800
Income tax recognised in profit or loss	<u>(30,733)</u>	<u>(61,896)</u>
Effective tax rate (%)	5.92%	13.53%

The Group does not have any other material temporary tax differences that would require averaging.

**Deferred tax assets and liabilities**

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

PLN '000	Assets		Provisions		Net carrying amount	
	Jun 30 2022	Dec 31 2021	Jun 30 2022	Dec 31 2021	Jun 30 2022	Dec 31 2021
Property, plant and equipment	5,339	6,279	(5,536)	(6,198)	(197)	81
Intangible assets	-	-	(1,454)	(1,745)	(1,454)	(1,745)
Tax losses deductible in future periods	10,488	8,155	-	-	10,488	8,155
Trade and other receivables	-	-	(316)	(245)	(316)	(245)
Borrowings and other debt instruments	10,006	7,775	-	-	10,006	7,775
Employee benefit obligations	3,016	2,392	-	-	3,016	2,392
Provisions and liabilities	-	40	(54)	-	(54)	40
Investments in debt portfolios	-	-	(7,450)	(6,974)	(7,450)	(6,974)
Investments in loans	32,664	29,328	-	-	32,664	29,328
Expected future outflows of income from investments in subsidiaries	-	-	(185,889)	(168,325)	(185,889)	(168,325)
<b>Deferred tax assets/liabilities</b>	<b>61,513</b>	<b>53,969</b>	<b>(200,699)</b>	<b>(183,486)</b>	<b>(139,186)</b>	<b>(129,517)</b>
Deferred tax assets offset against liabilities	(18,076)	(16,409)	18,076	16,409	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	<b>43,437</b>	<b>37,560</b>	<b>(182,623)</b>	<b>(167,077)</b>	<b>(139,186)</b>	<b>(129,517)</b>

**Change in temporary differences in the period**

PLN '000

	Net amount of income tax as at Jan 1 2022	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at Jun 30 2022	Net amount of income tax as at Jan 1 2021	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at Dec 31 2021
Property, plant and equipment	81	(278)	(197)	(78)	159	81
Intangible assets	(1,745)	291	(1,454)	(1,630)	(115)	(1,745)
Tax losses deductible in future periods	8,155	2,333	10,488	7,967	189	8,155
Trade and other receivables	(245)	(71)	(316)	(268)	24	(245)
Borrowings and other debt instruments	7,775	2,231	10,006	21,112	(13,337)	7,775
Employee benefit obligations	2,392	624	3,016	2,488	(96)	2,392
Provisions and liabilities	40	(94)	(54)	56	(16)	40
Investments in debt portfolios	(6,974)	(476)	(7,450)	(6,984)	10	(6,974)
Investments in loans	29,328	3,336	32,664	23,035	6,293	29,328
Expected future outflows of income from investments in subsidiaries	(168,325)	(17,564)	(185,889)	(148,857)	(19,468)	(168,325)
	(129,517)	(9,668)	(139,186)	(103,159)	(26,358)	(129,517)

The Group benefits from the regulation provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences 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 June 30th 2022 was PLN 3,169,312 thousand (as at December 31st 2021: PLN 2,332,410 thousand).

**10.9. Borrowings, finance lease liabilities and other financial liabilities**

PLN '000	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
<b>Non-current liabilities</b>			
Secured borrowings	1,479,512	1,409,351	1,043,943
Liabilities under debt securities (unsecured)	1,279,201	833,032	975,838
Lease liabilities	25,014	41,247	56,436
	<u>2,783,727</u>	<u>2,283,629</u>	<u>2,076,217</u>
<b>Current liabilities</b>			
Secured borrowings	215,430	86,551	18,842
Liabilities under debt securities (unsecured)	82,684	471,727	384,234
Lease liabilities	33,738	27,113	17,682
	<u>331,852</u>	<u>585,391</u>	<u>420,758</u>

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

PLN '000	Currency	Nominal interest rate	Maturity periods <sup>1</sup>	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0–2.85pp; 3M WIBOR + margin of 2.7pp; 1M EURIBOR + margin of 2.4–2.95pp;	2022-2028	1,694,942	1,495,902	1,062,785
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.2–4.0pp 4.00–4.80% <sup>2</sup>	2022-2028	1,361,885	1,304,759	1,360,072
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 1.5-9.7pp 3.00–4.03%	2022-2030	58,752	68,360	74,118
				<u>3,115,579</u>	<u>2,869,020</u>	<u>2,496,975</u>

<sup>1</sup> Maturity of the last liability.<sup>2</sup> Fixed interest rate.



## 10.10. Hedging instruments

### Interest rate risk hedges

The interest rate risk management policy covers:

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

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

Open outstanding IRS contracts held by KRUK Group companies as at June 30th 2022, with a total volume of PLN 330,000 thousand:

Bank	Group company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 75,000,000.00	buy	1.67%	3M WIBOR	Sep 5 2019 to Oct 18 2022
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Nov 27 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	buy	1.65%	3M WIBOR	Sep 5 2019 to Feb 6 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 35,000,000.00	buy	1.6050%	3M WIBOR	Sep 4 2019 to Oct 12 2023
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 27 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	buy	1.5775%	3M WIBOR	Sep 4 2019 to Sep 28 2024

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

On June 29th 2022, the Group entered into a trilateral contract transfer agreement between DNB Bank Polska S.A., ING Bank Śląski S.A. and KRUK S.A., whereby three IRS contracts with a total nominal amount of PLN 200,000 thousand were transferred from DNB Bank Polska S.A. to ING Bank Śląski S.A. KRUK S.A. has remained a party to the contracts and the contract terms have not changed.

The purpose of the contracts was to hedge volatility of cash flows generated by liabilities denominated in PLN due to changes in the reference interest rates and to hedge coupons paid on issued bonds.

In the six months ended June 30th 2022, the Group entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 570,000 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.

Open outstanding CIRS contracts held by KRUK Group companies as at June 30th 2022, with a total volume of PLN 570,000 thousand:

Bank	Group company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 330,000,000	buy	2.13%	3M WIBOR	Jun 14 2022	May 24 2027
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 140,000,000	buy	1.90%	3M WIBOR	Jun 23 2022	Mar 24 2027
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.72%	3M WIBOR	Jun 20 2022	Mar 16 2026
Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.56%	3M WIBOR	Jun 21 2022	Mar 16 2026

The transactions were designated for hedge accounting.

*Events subsequent to the reporting date*

After the reporting date the Group entered into currency interest rate swaps (CIRS) with a total nominal 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:

Bank	Group company	Type of transaction	Volume	Side of transaction - Buy /Sale of fixed rate	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 105,000,000	buy	1.21%	3M WIBOR	Jul 15 2022	Jan 23 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.96%	3M WIBOR	Jul 15 2022	Jan 22 2025
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	buy	0.955%	3M WIBOR	Jul 18 2022	Jan 23 2024
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	buy	1.40%	3M WIBOR	Jul 20 2022	Mar 2 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 25,000,000	buy	0.90%	3M WIBOR	Jul 20 2022	Mar 2 2024

**Currency risk hedges**

The Group's exposure to currency risk arises mainly from investments in subsidiaries and financial liabilities measured in foreign currencies (Note 12).

The currency risk management policy outlines:

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

In 2019 and 2021, the Group took steps to hedge against currency risk arising from the translation of net assets in a foreign entity, which involved execution of hedging transactions by Group companies. The Group's objective is to mitigate the effect of exchange differences arising on consolidation of foreign subsidiaries on the consolidated financial statements. The transactions were entered into by KRUK S.A. and settled on a net basis, with no physical delivery. For details of the executed and settled transactions, see the most recent consolidated full-year financial statements as at and for the financial year ended December 31st 2021.

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.

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 the six months ended June 30th 2022, the Group entered into currency interest rate swaps (CIRS) with a total nominal amount of PLN 570,000 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 June 30th 2022, KRUK Group companies held open outstanding CIRS contracts with a total volume of PLN 570,000 thousand (the contracts are listed in the section *Interest rate risk hedges*).

#### *Events subsequent to the reporting date*

After the reporting date the Group entered into currency interest rate swaps (CIRS) with a total nominal 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 contracts are listed in the section *Interest rate risk hedges*).

**Amounts related to items designated as hedging instruments**

	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Item in the statement of financial position	Hedge type
<b>Instrument type:</b>										
IRS	29,316	-	330,000 (PLN)	15,513	13,803	-	530,000 (PLN)	32,189	Hedging instruments	Hedge of future cash flows
CIRS	-	20,422	570,000 (PLN)	(20,422)	-	-	-	-	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	<b>29,316</b>	<b>20,422</b>		<b>(4,909)</b>	<b>13,803</b>	<b>-</b>		<b>32,189</b>		

PLN '000

**Disclosure of the hedged item as at Jun 30 2022**

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)				
Hedge of net investment in a foreign operation (currency risk)	330,000	15,513	29,316	-
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	-	-	-	4,082
	570,000	(20,422)	(21,240)	-

PLN '000

## Disclosure of the hedged item as at Dec 31 2021

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	530,000	32,189	13,803	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082

PLN '000

## Amount of future cash flows as at Jun 30 2022

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	(77,158)	(2,028)	(67,044)	(191,830)	-
variable payment PLN	77,158	2,028	67,044	191,830	-
<b>CIRS</b>					
interest payments	(21,935)	(23,193)	(40,086)	(652,454)	-

## Amount of future cash flows as at Dec 31 2021

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Instrument type:</b>					
<b>IRS</b>					
fixed payment PLN sale	(203,479)	(77,672)	(69,721)	(191,613)	-
variable payment PLN	203,479	77,672	69,721	191,613	-

PLN '000

Jan 1–Jun 30 2022

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
<b>Hedge reserve at beginning of period</b>	13,803	4,082	-	17,885
<b>Measurement of instruments recognised in reserves</b>	17,000	-	(30,563)	(13,563)
<b>Cost of hedging</b>	-	-	10,141	10,141
<b>Amount reclassified to profit or loss during the period</b>	(1,487)	-	(818)	(2,305)
- Interest income / (expense)	(1,487)	-	6	(1,481)
- Cost of hedging	-	-	(824)	(824)
<b>Hedge reserve at end of period</b>	29,316	4,082	(21,240)	12,158

PLN '000

Jan 1–Dec 31 2021

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Total hedge reserve
<b>Hedge reserve at beginning of period</b>	(18,386)	3,603	(14,783)
<b>Measurement of instruments recognised in reserves</b>	41,368	479	41,846
<b>Amount reclassified to profit or loss during the period</b>	(9,179)	-	(9,179)
- Interest income / (expense)	(9,179)	-	(9,179)
<b>Hedge reserve at end of period</b>	13,803	4,082	17,885

**10.11. Earnings per share****Basic earnings per share**

'000	Jan 1–Jun 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Jun 30 2021 unaudited
Number of ordinary shares as at Jan 1	19,013	19,011	19,011
Effect of cancellation and issue	39	(45)	-
Weighted average number of ordinary shares at end of reporting period	19,052	18,966	19,011
<i>PLN</i>			
Earnings per share	25.66	36.63	20.82

**Diluted earnings per share**

'000	Jan 1–Jun 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Jun 30 2021 unaudited
Weighted average number of ordinary shares at end of reporting period	19,052	18,966	19,011
Effect of issue of unregistered shares not subscribed for	679	441	509
Weighted average number of ordinary shares at end of reporting period (diluted)	19,731	19,407	19,520
<i>PLN</i>			
Earnings per share (diluted)	24.78	35.80	20.28



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

As at Jun 30 2021

PLN '000

	Jun 30 2022 unaudited	Dec 31 2021	Jun 30 2021 unaudited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	73,114	80,249	79,160
Other intangible assets	41,986	43,474	44,269
Goodwill	24,241	23,840	23,451
Investments	4,030,585	3,592,179	2,940,388
Hedging instruments	29,316	12,804	-
Deferred tax asset	43,437	37,560	31,500
<b>Total non-current assets</b>	<b>4,242,679</b>	<b>3,790,106</b>	<b>3,118,768</b>
<b>Current assets</b>			
Inventories	20,100	20,295	24,975
Investments	1,949,228	1,824,333	1,660,555
Trade receivables	20,134	22,873	11,569
Other receivables	38,283	35,079	17,533
Hedging instruments	-	999	-
Other assets	18,482	16,551	11,724
Cash and cash equivalents	176,625	199,164	528,196
<b>Total current assets</b>	<b>2,222,852</b>	<b>2,119,294</b>	<b>2,254,552</b>
<b>Total assets</b>	<b>6,465,531</b>	<b>5,909,400</b>	<b>5,373,320</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19,128	19,013	19,011
Share premium	342,740	333,264	310,430
Hedge reserve	12,158	17,885	(4,800)
Translation reserve	98,203	75,708	37,431
Other capital reserves	137,524	122,202	110,790
Retained earnings	2,272,922	2,032,745	1,733,770
<b>Equity attributable to owners of the Parent</b>	<b>2,882,675</b>	<b>2,600,817</b>	<b>2,206,632</b>
<b>Non-controlling interests</b>	<b>(777)</b>	<b>(590)</b>	<b>(488)</b>
<b>Total equity</b>	<b>2,881,898</b>	<b>2,600,227</b>	<b>2,206,144</b>
<b>Non-current liabilities</b>			
Borrowings, debt securities and leases	2,783,727	2,283,629	2,076,217
Deferred tax liability	182,623	167,077	156,822
Provisions	936	16,433	13,412
Hedging instruments	20,422	-	5,304
<b>Total non-current liabilities</b>	<b>2,987,708</b>	<b>2,467,139</b>	<b>2,251,755</b>
<b>Current liabilities</b>			
Borrowings, debt securities and leases	331,852	585,391	420,758
Derivative hedging instruments			
Trade and other payables	155,360	162,986	164,303
Liabilities under dividends	-	-	206,140
Income tax payable	10,747	18,369	27,804
Employee benefit obligations	55,080	48,661	47,565

Provisions	42,886	26,627	42,576
Derivatives	-	-	3,176
Hedging instruments	-	-	3,099
<b>Total current liabilities</b>	<b>595,925</b>	<b>842,034</b>	<b>915,421</b>
<b>Total liabilities</b>	<b>3,583,633</b>	<b>3,309,173</b>	<b>3,167,176</b>
<b>Total equity and liabilities</b>	<b>6,465,531</b>	<b>5,909,400</b>	<b>5,373,320</b>

### 10.13. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK Espana S.L.	ERIF BIG S.A.	Total
<b>Gross carrying amount as at Jan 1 2021</b>	299	47,943	725	48,967
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	(76)	-	(76)
<b>Gross carrying amount as at Dec 31 2021</b>	<b>299</b>	<b>47,867</b>	<b>725</b>	<b>48,891</b>
<b>Gross carrying amount as at Jan 1 2022</b>	299	47,867	725	48,891
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	401	-	401
<b>Gross carrying amount as at Jun 30 2022</b>	<b>299</b>	<b>48,268</b>	<b>725</b>	<b>49,292</b>
<b>Impairment losses</b>				
<b>Impairment losses as at Jan 1 2021</b>	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
<b>Impairment losses as at Dec 31 2021</b>	<b>-</b>	<b>(25,051)</b>	<b>-</b>	<b>(25,051)</b>
<b>Impairment losses as at Jan 1 2022</b>	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
<b>Impairment losses as at Jun 30 2022</b>	<b>-</b>	<b>(25,051)</b>	<b>-</b>	<b>(25,051)</b>
<b>Net carrying amount</b>				
As at Jan 1 2021	299	22,892	725	23,916
As at Dec 31 2021	299	22,816	725	23,840
As at Jan 1 2022	299	22,816	725	23,840
As at Jun 30 2022	299	23,217	725	24,241

As at June 30th 2022, there were no indications of goodwill impairment.

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

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>	<b>Jun 30 2021</b>
Real property	19,979	20,295	24,975
Other inventories	121	-	-
	<b>20,100</b>	<b>20,295</b>	<b>24,975</b>

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Jan 1–Dec 31 2021</b>	<b>Jan 1–Jun 30 2021 unaudited</b>
<b>Carrying amount of property held at beginning of period</b>	<b>20,295</b>	<b>32,056</b>	<b>32,056</b>
Carrying amount of property foreclosed	4,064	7,156	4,961
Carrying amount of property sold	(1,972)	(13,131)	(10,424)
Impairment losses	(2,472)	(5,628)	-
Translation differences on property	64	(158)	(1,618)
<b>Carrying amount of property held at end of period</b>	<b>19,979</b>	<b>20,295</b>	<b>24,975</b>

**10.15. Trade and other receivables****Trade receivables**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Short-term trade receivables	20,134	22,873
	<b>20,134</b>	<b>22,873</b>

**Other receivables**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Taxes receivable (other than income tax)	18,580	15,933
Receivables under collected debts	11,918	9,047
Receivables under security deposits and bid bonds	7,294	9,111
Employee loans	281	272
Other receivables	210	684
Receivables for court fees and stamp duty	-	32
	<b>38,283</b>	<b>35,079</b>

**10.16. Cash and cash equivalents**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Cash in hand	203	145
Cash in current accounts	176,422	160,088
Cash proceeds from bond issues deposited in brokerage account	-	38,931
	<u>176,625</u>	<u>199,164</u>

**10.17. Employee benefit obligations and provisions**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Salaries and wages payable	21,982	19,653
Social benefit obligations	17,970	17,007
Accrued holiday entitlements	9,815	7,127
Personal income tax	4,559	4,239
Special accounts	754	635
	<u>55,080</u>	<u>48,661</u>

**10.18. Trade and other payables**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Trade payables	110,284	122,587
Other liabilities	22,263	15,617
Tax and duties payable	6,127	7,962
Accrued expenses	9,062	9,695
Deferred income	7,624	7,125
	<u>155,360</u>	<u>162,986</u>

**10.19. Provisions**

<i>PLN '000</i>	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Provisions for retirement gratuity payments	17,676	16,433
Provision for the loyalty scheme	12,948	11,750
Other provisions	13,198	14,876
	<b>43,822</b>	<b>43,060</b>

	<b>Provision for retirement gratuities</b>	<b>Provision for the loyalty scheme</b>	<b>Other provisions</b>
Carrying amount as at Jan 1 2021	13,463	10,652	29,008
Increase / accrual	2,970	1,779	
Provision for possible differences relative to straight-line basis settlement			5,517
Use	-	(681)	
Reversal of provision for possible differences relative to straight-line basis settlement			(19,649)
Carrying amount as at Dec 31 2021	<b>16,433</b>	<b>11,750</b>	<b>14,876</b>
Carrying amount as at Jan 1 2022	16,433	11,750	14,876
Increase / accrual	1,243	1,608	
Provision for possible differences relative to straight-line basis settlement			-
Use	-	(410)	
Reversal of provision for possible differences relative to straight-line basis settlement			(1,678)
Carrying amount as at Jun 30 2022	<b>17,676</b>	<b>12,948</b>	<b>13,198</b>

**11. Related-party transactions***Remuneration of the management personnel - Management Board*

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022</b>	<b>Jan 1–Jun 30 2021</b>
Base pay/ managerial contract (gross)	3,547	2,973
Additional benefits	47	38
Share-based payments	15,322	7,164
	<b>18,916</b>	<b>10,175</b>

*Remuneration of members of the Supervisory Board*

Remuneration of members of the Parent's Supervisory Board:

<i>PLN '000</i>	<b>Jan 1–Jun 30 2022</b>	<b>Jan 1–Jun 30 2021</b>
Base pay (gross)	538	478
Additional benefits	4	2
	<u>542</u>	<u>480</u>

*Other transactions with management personnel*

As at June 30th 2022, members of the Management Board and persons closely related to them jointly held 10.1% of the total voting rights at the Parent's General Meeting (December 31st 2021: 10.0%).

**12. Management of risk arising from financial instruments**

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

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

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

*Key principles 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.

**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.

**Exposure to credit risk**

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:

	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Investments in debt portfolios	5,630,039	5,100,176
Loans	349,774	316,336
Hedging instruments	29,316	13,803
Trade and other receivables, excluding tax receivables	39,837	42,019
Cash and cash equivalents	176,625	199,164
	<b>6,225,591</b>	<b>5,671,498</b>

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

PLN '000

	<b>Jun 30 2022</b>	<b>Dec 31 2021</b>
Poland	3,064,616	3,090,465
Romania	1,117,027	914,952
Italy	1,261,401	1,037,858
Spain	587,090	427,422
Other foreign markets	195,457	200,801
	<b>6,225,591</b>	<b>5,671,498</b>

**Credit risk exposure – Investments in debt portfolios**

PLN '000

	<b>Carrying amount as at Jun 30 2022</b>	<b>Carrying amount as at Dec 31 2021</b>
Unsecured retail portfolios	4,654,969	4,159,327
Secured retail portfolios	284,514	308,875
Unsecured corporate portfolios	201,753	185,638
Secured corporate portfolios	488,803	446,336
	<b>5,630,039</b>	<b>5,100,176</b>

**Allowance for expected credit losses**

Breakdown of trade and other receivables, excluding tax receivables into baskets as at the end of the reporting periods:

IFRS 9 classification	Days past due Basket 1: <1 day Basket 2: 1- 90 days Basket 3: >90 days	Carrying	Carrying
		amount as at Jun 30 2022	amount as at Dec 31 2021
<b>Gross carrying amount of trade and other receivables, excluding tax receivables</b>			
	Basket 1	39,837	42,019
	Basket 2	177	169
	Basket 3	1,613	1,613
		<u>41,627</u>	<u>43,801</u>
<b>Impairment losses</b>			
	Basket 1	-	-
	Basket 2	177	169
	Basket 3	1,613	1,613
		<u>1,790</u>	<u>1,782</u>
<b>Net carrying amount</b>			
	Basket 1	39,837	42,019
	Basket 2	-	-
	Basket 3	-	-
		<u>39,837</u>	<u>42,019</u>

Changes in allowance for expected credit losses on receivables:

PLN '000	Jan 1–Jun 30 2022				Jan 1–Dec 31 2021			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance at beginning of period	-	169	1,613	1,782	-	446	1,366	1,812
Loss allowance recognised in period	-	63	-	63	-	82	247	329
Reversal of loss allowance	-	-	-	-	-	(359)	-	(359)
Use of loss allowance	-	(55)	-	(55)	-	-	-	-
Loss allowance at end of period	-	<b>177</b>	<b>1,613</b>	<b>1,790</b>	-	<b>169</b>	<b>1,613</b>	<b>1,782</b>



Structure of loans measured at amortised cost as at the end of the reporting periods:

IFRS 9 classification	Carrying amount as at Jun 30 2022	Carrying amount as at Dec 31 2021
<b>Gross carrying amount of loans measured at amortised cost</b>		
Basket 1	208,848	205,064
Basket 2	115,828	65,222
Basket 3	114,298	96,234
POCI loans	2,249	1,866
	<u>441,223</u>	<u>368,386</u>
<b>Allowance for expected credit losses</b>		
Basket 1	10,956	9,657
Basket 2	16,300	7,538
Basket 3	83,839	71,977
	<u>111,095</u>	<u>89,172</u>
<b>Net carrying amount</b>		
Basket 1	197,892	195,406
Basket 2	99,528	57,684
Basket 3	30,459	24,257
POCI loans	2,249	1,866
	<u>330,128</u>	<u>279,213</u>

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

PLN '000	Jan 1–Jun 30 2022					Jan 1–Dec 31 2021				
	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL
Gross carrying amount as at Jan 1	205,064	65,222	96,234	1,866	368,386	111,891	27,677	84,098	1,092	224,758
Purchase	7,980	960	255	1,074	10,269	-	-	-	-	-
Disbursements/repayments	96,205	(24,056)	(8,890)	(691)	62,568	146,449	17,502	(21,097)	774	143,628
Transfer from basket 1 to basket 2	(86,559)	86,559	-	-	-	(51,590)	51,590	-	-	-
Transfer from basket 1 to basket 3	(17,610)	-	17,610	-	-	(15,094)	-	15,094	-	-
Transfer from basket 2 to basket 1	3,764	(3,764)	-	-	-	13,408	(13,408)	-	-	-
Transfer from basket 2 to basket 3	-	(9,093)	9,093	-	-	-	(18,139)	18,139	-	-
Transfer from basket 3 to basket 1	4	-	(4)	-	-	-	-	-	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	-	-	-	-
Gross carrying amount at end of period	<u>208,848</u>	<u>115,828</u>	<u>114,298</u>	<u>2,249</u>	<u>441,223</u>	<u>205,064</u>	<u>65,222</u>	<u>96,234</u>	<u>1,866</u>	<u>368,386</u>

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

PLN '000	Jan 1–Jun 30 2022				Jan 1–Dec 31 2021			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance as at Jan 1	9,657	7,538	71,977	89,172	11,330	4,082	56,681	72,093
Loss allowance as at acquisition date	1,272	338	129	1,739	-	-	-	-
Allowance for expected credit losses recognised in the reporting period	23,091	1,152	-	24,243	13,952	10,975	-	24,927
Transfer from basket 1 to basket 2	(12,764)	12,764	-	-	(5,855)	5,855	-	-
Transfer from basket 1 to basket 3	(10,425)	-	10,425	-	(10,212)	-	10,212	-
Transfer from basket 2 to basket 1	124	(124)	-	-	442	(442)	-	-
Transfer from basket 2 to basket 3	-	(5,368)	5,368	-	-	(12,932)	12,932	-
Transfer from basket 3 to basket 1	1	-	(1)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	-	-
Reversal of allowance for expected credit losses	-	-	(4,059)	(4,059)	-	-	(7,848)	(7,848)
Loss allowance at end of period	<b>10,956</b>	<b>16,300</b>	<b>83,839</b>	<b>111,095</b>	<b>9,657</b>	<b>7,538</b>	<b>71,977</b>	<b>89,172</b>

As at June 30th 2022, the gross carrying amount of loans measured at amortised cost was PLN 441,223 thousand (December 31st 2021: PLN 368,386 thousand). The Group recognised an allowance for expected credit losses on loans of PLN 111,095 thousand as at June 30th 2022 (December 31st 2021: PLN 89,172 thousand). The amount of the allowance is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the loss allowance covers 25.2% of the gross carrying amount of loans measured at amortised cost (24.2% at the end of 2021). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at June 30th 2022 was PLN 20,642 thousand (December 31st 2021: PLN 20,452 thousand).

### 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 Jun 30 2022

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	5,630,039	11,139,382	995,413	927,781	1,651,508	3,697,991	3,866,689
Loans	349,774	481,604	202,307	113,457	118,807	47,033	-
	39,837	39,837	39,837	-	-	-	-
Trade and other receivables, excluding tax receivables							
Cash and cash equivalents	176,625	176,625	176,625	-	-	-	-
Secured borrowings	(1,694,942)	(1,940,123)	(53,234)	(140,938)	(155,952)	(1,519,947)	(70,052)
Unsecured bonds in issue	(1,361,885)	(1,921,041)	(139,675)	(62,239)	(211,340)	(1,130,581)	(377,206)
Lease liabilities	(58,752)	(50,537)	(14,670)	(11,461)	(16,710)	(6,635)	(1,061)
Trade and other payables	(132,547)	(132,547)	(132,547)	-	-	-	-
	2,948,149	7,793,200	1,074,056	826,600	1,386,313	1,087,861	3,418,370

As at Dec 31 2021

PLN '000

	Carrying amount	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	5,100,176	9,989,010	948,765	865,115	1,579,581	3,186,596	3,408,953
Loans	316,336	402,742	164,602	93,627	105,605	38,908	-
	42,019	42,019	42,019	-	-	-	-
Trade and other receivables, excluding tax receivables							
Cash and cash equivalents	199,164	199,164	199,164	-	-	-	-
Secured borrowings	(1,495,902)	(1,715,760)	(127,423)	(47,461)	(167,312)	(1,373,564)	-
Unsecured bonds in issue	(1,304,759)	(1,528,742)	(427,331)	(101,969)	(114,327)	(527,527)	(357,588)
Lease liabilities	(68,360)	(63,037)	(12,886)	(13,501)	(21,814)	(13,609)	(1,227)
Trade and other payables	(138,204)	(138,204)	(138,204)	-	-	-	-
	2,650,470	7,187,193	648,706	795,812	1,381,732	1,310,804	3,050,139

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

Contractual cash flows were determined based on interest rates effective as at June 30th 2022 and December 31st 2021, as appropriate.

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

As at June 30th 2022, the undrawn revolving credit facility limit available to the Group was PLN 908,587 thousand (December 31st 2021: PLN 794,887 thousand). The limit is available until January 31st 2028.

### Market risk

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

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

As at June 30th 2022, financial assets denominated in foreign currencies accounted for 49% of total assets, while liabilities denominated in foreign currencies represented 18% of total equity and liabilities (December 31st 2021: 44% and 15%, respectively).

### Exposure to currency risk and sensitivity analysis

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

PLN '000	Jun 30 2022					Jun 30 2022				
	Exposure to currency risk					Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	Total
Trade and other receivables	-	4,527	-	-	<b>4,527</b>	-	453	-	-	<b>453</b>
Investments	-	398	970,102	19,541	<b>990,041</b>	-	40	97,010	1,954	<b>99,004</b>
Cash	2,419	6,753	9,834	151	<b>19,157</b>	242	675	983	15	<b>1,915</b>
Borrowings, debt securities and leases	-	(82,343)	-	-	<b>(82,343)</b>	-	(8,234)	-	-	<b>(8,234)</b>
Trade and other payables	(521)	(9,880)	(22,133)	-	<b>(32,534)</b>	(52)	(988)	(2,213)	-	<b>(3,253)</b>
<b>Currency risk exposure – effect on profit or loss</b>	<b>1,898</b>	<b>(80,545)</b>	<b>957,803</b>	<b>19,692</b>	<b>898,848</b>	<b>190</b>	<b>(8,054)</b>	<b>95,780</b>	<b>1,969</b>	<b>89,885</b>
Trade and other receivables	-	19,707	18,489	(2,049)	<b>36,147</b>	-	1,971	1,849	(205)	<b>3,615</b>
Investments	-	1,772,694	127,530	111,641	<b>2,011,865</b>	-	177,269	12,753	11,164	<b>201,186</b>
Cash	-	76,607	22,616	11,077	<b>110,300</b>	-	7,661	2,262	1,108	<b>11,031</b>
Borrowings, debt securities and leases	-	(992,321)	(11,126)	(1,050)	<b>(1,004,497)</b>	-	(99,232)	(1,113)	(105)	<b>(100,450)</b>
Trade and other payables	-	(43,886)	(7,723)	165	<b>(51,444)</b>	-	(4,389)	(772)	17	<b>(5,144)</b>
<b>Currency risk exposure – effect on other comprehensive income</b>	<b>-</b>	<b>832,801</b>	<b>149,786</b>	<b>119,784</b>	<b>1,102,371</b>	<b>-</b>	<b>83,280</b>	<b>14,979</b>	<b>11,979</b>	<b>110,238</b>
<b>Exposure to currency risk</b>	<b>1,898</b>	<b>752,256</b>	<b>1,107,589</b>	<b>139,476</b>	<b>2,001,219</b>	<b>190</b>	<b>75,226</b>	<b>110,759</b>	<b>13,948</b>	<b>200,123</b>
Hedge effect		(570,000)			<b>(570,000)</b>	-	(57,000)	-	-	(57,000)
<b>Currency risk exposure after hedging</b>	<b>1,898</b>	<b>182,256</b>	<b>1,107,589</b>	<b>139,476</b>	<b>1,431,219</b>	<b>190</b>	<b>18,226</b>	<b>110,759</b>	<b>13,948</b>	<b>143,123</b>

The following exchange rates of the key foreign currencies were adopted when preparing these financial statements:

PLN	Average exchange rates*		End of period (spot rates)	
	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2021 unaudited	Jun 30 2022 unaudited	Dec 31 2021
EUR 1	4.6427	4.5472	4.6806	4.5994
USD 1	4.2744	3.7815	4.4825	4.0600
RON 1	0.9385	0.9264	0.9466	0.9293
CZK 1	0.1884	0.1758	0.1892	0.1850

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

### Exposure to interest rate risk

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

PLN '000	Carrying amount	
	Jun 30 2022 unaudited	Dec 31 2021
<b>Fixed-rate financial instruments</b>		
Financial assets	6,196,275	5,657,695
Financial liabilities	(310,484)	(503,476)
	5,885,791	5,154,219
Hedge effect (nominal amount)	(900,000)	(530,000)
	4,985,791	4,624,219
<b>Variable-rate financial instruments</b>		
Financial assets	29,316	13,803
Financial liabilities	(2,958,064)	(2,503,748)
	(2,928,748)	(2,489,945)
Hedge effect (nominal amount)	900,000	530,000
	(2,028,748)	(1,959,945)

### Sensitivity analysis of fair value of fixed-rate financial instruments

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

### Sensitivity analysis of cash flows from variable-rate financial instruments

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	
	100 bps increase	100 bps decrease
<b>Jun 30 2022</b>		
Variable-rate financial assets	-	-
Variable-rate financial liabilities	(29,581)	29,581
<b>Dec 31 2021</b>		
Variable-rate financial assets	-	-
Variable-rate financial liabilities	(25,037)	25,037

### Fair value

#### Comparison of fair values and carrying amounts

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

PLN '000

	Jun 30 2022 unaudited		Dec 31 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Hedging instruments	8,894	8,894	13,803	13,803
Loans	19,646	19,646	37,123	37,123
	<u>28,540</u>	<u>28,540</u>	<u>50,926</u>	<u>50,926</u>
<b>Financial assets and liabilities other than measured at fair value</b>				
Investments in debt portfolios	5,630,039	5,067,672	5,100,176	4,835,016
Loans	330,128	326,908	279,213	270,034
Secured borrowings	(1,694,942)	(1,694,942)	(1,495,902)	(1,502,198)
Liabilities under debt securities (unsecured)	(1,361,885)	(1,363,454)	(1,304,759)	(1,330,251)
	<u>2,903,340</u>	<u>2,336,184</u>	<u>2,578,728</u>	<u>2,272,601</u>

**Interest rates used for fair value estimation**

	Jun 30 2022	Dec 31 2021
Investments in debt portfolios	0.14% - 216.23%	-0.01% - 216.23%
Loans	18.38% - 75.79%	14.64% - 88.69%
Secured borrowings	4.65% - 5.04%	4.65% - 5.04%

**Hierarchy of financial instruments***Hierarchy of financial instruments measured at fair value*

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

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

*Hierarchy of financial instruments – Level 1*

PLN '000	Level 1	
	Carrying amount	Fair value
<b>As at Dec 31 2021</b>		
Liabilities under debt securities (unsecured)	(1,304,759)	(1,330,251)
<b>As at Jun 30 2022</b>		
Liabilities under debt securities (unsecured)	(1,361,885)	(1,363,454)

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
<b>As at Dec 31 2021</b>		
Hedging instruments	13,803	13,803
Secured borrowings	(1,495,902)	(1,502,198)
<b>As at Jun 30 2022</b>		
Hedging instruments	8,894	8,894
Secured borrowings	(1,694,942)	(1,694,942)

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

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the executed transactions, calculated based on the difference between the margin applicable to the financial liabilities as at the reporting date and the margin as at the transaction date. For the purpose of fair value calculation the Group uses margin rates from the most recent credit facility agreement.

For bank borrowings, lease liabilities and trade payables, the Group determines fair value using Level 2 inputs.

*Hierarchy of financial instruments – Level 3*

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2021</b>		
Investments in debt portfolios	5,100,176	4,835,016
Loans	316,336	307,157
<b>As at Jun 30 2022</b>		
Investments in debt portfolios	5,630,039	5,067,672
Loans	349,774	346,554

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

a projection of recoveries from 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.

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

#### Investment in new debt portfolios

Total expenditure on debt portfolios in the six months ended June 30th 2022 was PLN 757,009 thousand, up 18% year on year. In the six months ended June 30th 2021, the KRUK Group invested PLN 643,534 thousand in debt portfolios. Almost 80% of all investments made in the first half of 2022 were purchases of unsecured retail debt. In the period the Kruk Group invested primarily in portfolios put out for sale by banks and non-bank financial institutions. 82% of the KRUK Group's investments made in the six months ended June 30th 2022 were in foreign markets, with the largest amounts invested in Spain and Italy. The aggregate nominal value of purchased debt portfolios was PLN 4,679,665 thousand, 29% more than in the same period of 2021.

#### Recoveries and remeasurement of portfolios

In the six months ended June 30th 2022, recoveries from portfolios purchased by the KRUK Group totalled PLN 1,279,256 thousand, up 20% year on year. Over half of this amount was collected in the KRUK Group's foreign markets. The year-on-year increase of PLN 214,125 thousand was due mainly to a PLN 115,555 thousand growth in recoveries in Poland and a PLN 72,831 thousand increase in recoveries in Italy.

In the six months ended June 30th 2022, the Group recognised a gain of remeasurement of portfolios of PLN 243,883 thousand. Effects of remeasurement were positive in all markets apart from Spain, where the Group recognised a loss on portfolio remeasurement of PLN 42,364 thousand. In the six months ended June 30th 2021, the Group recorded a gain on portfolio remeasurement of PLN 135,125 thousand. The PLN 108,758 thousand year-on-year increase in the first six months of 2022 was mainly attributable to remeasurement gains on Romanian portfolios (up by PLN 83,533 thousand), Polish portfolios (up by PLN 50,634 thousand) and portfolios in Italy (up by PLN 22,067 thousand).

#### Performance in the six months ended June 30th 2022

Net profit for the six months to June 30th 2022 was PLN 488,818 thousand, up by 24% on the figure posted for the same period last year (PLN 395,604 thousand). Cash EBITDA<sup>1</sup> for the first six months of 2022 came in at PLN 908,165 thousand, having improved 19% year on year.

#### Impact of the COVID-19 pandemic on the Group's business

The coronavirus pandemic has had an impact on many aspects of the KRUK Group's operations. The key aspects in the six months ended June 30th 2022 are discussed below:

- Most of our employees can and continue to work from home. In 2020, we smoothly and swiftly switched to remote working.
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduced the need for and frequency of face-to-face meetings.
- The field advisors did meet with clients observing the applicable sanitary requirements.

<sup>1</sup> Cash EBITDA = EBITDA - revenue from purchased portfolios + recoveries from purchased portfolios.

- We keep developing our existing online tools (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any restrictions on the free movement.

The pandemic has increased uncertainty. Its consequences for the global economy and the measures taken by governments and regulatory authorities have had an effect on the KRUK Group's financial performance and condition. In the six months ended June 30th 2022, the KRUK Group did not identify any additional adverse effects related to the pandemic. The Group monitors the developments on an ongoing basis and takes them into account in the current period.

### **Russia's invasion of Ukraine**

Russia's aggression against Ukraine started on February 24th 2022. The KRUK Group does not hold any assets in Ukraine or Russia, nor does it carry out any business activity in those countries. A Ukrainian company is one of the suppliers of IT development services to Wonga, a subsidiary. Given the circumstances, the cooperation with the Ukrainian supplier is continued to a limited extent. This does not affect Wonga's ongoing operations, and it is possible to source the services in Poland.

With no operations conducted in Ukraine or Russia, the Group expects the implications of the conflict for its operations will be indirect and limited. Provided below is an assessment of the possible impact of the conflict in Ukraine on selected areas of operations.

#### *Recoveries from purchased debt portfolios*

The Group has not seen any changes in customers' repayment behaviour after the conflict started. Although prices in Poland and Romania are rising, there has been a strong increase in wages and salaries and the unemployment rate is stable, therefore the Group does not expect the trend in recoveries to deteriorate.

#### *Investments in debt portfolios*

So far, the Group has not seen any impact of the conflict on either portfolio supply or portfolio prices.

#### *Access to debt financing*

The Group has not identified any impact of the conflict on the availability of financing.

#### *Liquidity management*

The Group believes the current situation in Ukraine does not and should not have a material adverse effect on the following areas of the Group's operations:

- 1) meeting the required financial covenants – currently the covenants are at safe levels, far lower than the thresholds set in relevant credit agreements and bond terms. Furthermore, when calculating most of the financial ratios the effect of exchange differences is neutralised. The Group anticipates potential minor short-term fluctuations in the net debt/cash EBITDA ratio as different EUR/PLN exchange rates are used to calculate the numerator (net debt in PLN is calculated using the mid

exchange rate for a given day) and the denominator (EBITDA in PLN is calculated using the average exchange rate for the last 12 months), but the impact of the fluctuations should not be significant.

- 2) Liquidity position – the Group maintains its liquidity ratios at safe levels and considers the safety of its liquidity position to be high, therefore an increase in financing costs or EUR/PLN exchange rates has no material impact on the Group's liquidity. The Group's exposure to fluctuations in foreign exchange rates and the WIBOR rate is further mitigated by the fact that the Group funds its investments in EUR-denominated assets with bank loans in EUR and own funds in EUR, and by the execution of contracts hedging the currency and interest rate risks. Also, the Group's WIBOR-sensitive debt represents only 30% of total debt (as at June 30th 2022), as part of the debt bears interest at fixed or EURIBOR rates or is hedged under IRS or CIRS contracts.

### *Loans*

As the war in Ukraine is pushing up prices of energy carriers and causing a strong depreciation of the złoty, further interest rate hikes are expected. The consequences for households would be rising costs of living including the cost of servicing existing loans.

We have identified the risk that the quality of Wonga's loan portfolio may deteriorate due to borrowers' lack of liquidity. Wonga has carried out creditworthiness assessments as part of its lending process since 2019. Approximately 90% of loans are made to customers with the highest credit score, therefore the aforementioned risk is marginal. The recorded delays in payments have been stable, also in the months following the implemented interest rate hikes.

### *Digital security*

All systems are running smoothly and are subject to routine and, given the current situation, enhanced testing and safeguards. The Group has undertaken a number of digital security measures:

1. Business relationship has been established with CERT.PL (a team appointed to respond to security incidents in the Internet), which specialises in computer security, and CERT recommendations issued in connection with the conflict have been implemented;
2. Special level of protection has been provided for backup copies of our critical systems;
3. Steps have been taken to establish a permanent relationship with an external Security Operations Centre.

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

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

In the period from January 1st to June 30th 2022, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AA2 bonds, with a nominal value of PLN 150,000 thousand, on March 7th 2022;
- Series AC1 bonds, with a nominal value of PLN 57,900 thousand, on May 9th 2022;
- Series AE1 bonds, with a nominal value of EUR 20,000 thousand, on May 10th 2022;
- Series AE2 bonds, with a nominal value of EUR 20,000 thousand, on June 8th 2022.

In the reporting period, the Group issued new bonds:

- on February 2nd 2022 – unsecured Series AL2 bonds with a nominal value of PLN 350,000 thousand, bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.20pp, maturing on February 2nd 2028;
- on February 8th 2022 – unsecured Series AM2 bonds with a nominal value of PLN 50,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.30pp, maturing on February 8th 2027;
- on June 2nd 2022 – unsecured Series AM3 bonds with a nominal value of PLN 50,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.30pp, maturing on June 2nd 2027.

After the end of the reporting period, on August 12th 2022 – unsecured AM4 bonds with a nominal value of PLN 60,000 thousand, bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.30pp, maturing on August 12th 2027.

#### 15. Dividends paid (or declared)

On March 4th 2022, the Management Board of KRUK S.A. passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 13.00 per share. The dividend would be distributed from the Parent's net profit earned in 2021. The dividend recommendation is consistent with the dividend policy adopted by the Management Board on December 2nd 2021. The recommendation was endorsed by the Parent's Supervisory Board on March 15th 2022. The recommendation took into account the current financial condition of the KRUK Group, further implementation of the strategy, as well as the Group's plans and growth prospects.

On April 14th 2022, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 13.00 per share to the Parent's shareholders. The dividend of PLN 248,660,490.00 will be distributed from the Parent's net profit earned in 2021. The dividend was paid on April 28th 2022 on 19,127,730 KRUK S.A. shares.

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

### KRUK Group's assets pledged as security

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

Security created over the Group's assets as at June 30th 2022 is presented below.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NS FIZ's liabilities under the revolving credit facility of July 2nd 2015, as amended, between PROKURA NS FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 84,000 thousand	No later than July 1st 2026	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 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 July 31st 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 292 thousand and PLN 204 thousand	No later than December 30th 2022	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Surety for PROKURA NS FIZ's liabilities towards ING Bank Śląski S.A. under the credit facility agreement of December 20th 2018, as amended, between PROKURA NS FIZ, KRUK S.A. and ING Bank Śląski S.A.	ING Bank Śląski S.A.	PLN 300,000 thousand	No later than May 20th 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the credit facility agreement

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. and Bank Handlowy w Warszawie S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	EUR 537,000 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 February 7th 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of September 21st 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 37,944 thousand	No later than September 20th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of December 14th 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 77,220 thousand	No later than December 13th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of February 1st 2022 between PROKURA NS FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than January 31st 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Corporate guarantee provided by KRUK S.A. to InvestCapital Ltd.	InvestCapital Ltd.	PLN 110,000 thousand	No later than September 9th 2022	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 May 25th 2022

## Credit sureties or guarantees, security pledges

On June 14th 2022, Kruk S.A. and its subsidiaries InvestCapital LTD, Kruk Romania S.R.L., Prokura NS FIZ and Kruk España S.L.U. executed an annex amending the revolving multi-currency credit facility agreement of July 3rd 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 and PKO BP S.A. of Warsaw and Bank Handlowy w Warszawie S.A. of Warsaw. Under the annex, the facility amount was increased to EUR 358,000 thousand. In accordance with the amended agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers, valid for the term of the revolving multi-currency credit facility agreement, and the borrowers signed relevant annexes to the pledge agreements reflecting the amendments made under the annex. In addition, on June 14th 2022 KRUK S.A. and Prokura NS FIZ made declarations on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 537,000 thousand, which will expire on or before December 31st 2030.

In order to secure liabilities arising under the agreement:

- on January 5th 2022, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian law creating pledges over debt portfolios purchased by InvestCapital Ltd on the Romanian market;
- on January 24th 2022, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement under Italian law creating pledges over bonds issued by Kruk Investimenti and the bank account of InvestCapital LTD to which proceeds from the bonds are paid;
- on April 25th 2022, additional bonds issued by ItaCapital S.r.l. were pledged pursuant to an agreement of July 3rd 2017 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds and the bank account of InvestCapital LTD to which proceeds from the bonds are paid.

As at June 30th 2022, the value of the security created in favour of the lenders was PLN 2,464,029 thousand; the value of portfolios pledged after the reporting date was PLN 452,146 thousand.

On September 14th and December 21st 2021, PROKURA NS FIZ and KRUK S.A. entered into credit facility agreements with PKO BP S.A. In order to secure liabilities arising under the agreements:

- on January 10th 2022 PROKURA NS FIZ and PKO BP S.A. signed two agreements to create registered pledges over a set of rights (debt portfolios owned by PROKURA NS FIZ). On January 12th 2022, applications were filed with the court to enter the pledges in the pledge register. According to relevant notifications, the pledge pertaining to the credit facility agreement of September 14th 2021 was created up to the maximum amount of PLN 44,640 thousand, whereas the pledge pertaining to the credit facility agreement of December 21st 2021 was created up to the maximum amount of PLN 85,800 thousand.

As at June 30th 2022, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 104,171 thousand.

On February 1st 2022, an overdraft facility agreement was concluded between PROKURA NS FIZ as the borrower, KRUK S.A. as the surety provider, and Bank Polska Kasa Opieki S.A. as the lender. The maximum facility amount is PLN 80,000. In order to secure liabilities arising under the agreement:

- on February 8th 2022, PROKURA NS FIZ and the lender executed an agreement creating a financial pledge over the former's bank account held with Polska Kasa Opieki Spółka Akcyjna and granted the lender a power of attorney over that account;



- on February 8th 2022, KRUK S.A. issued a surety for liabilities of the borrower PROKURA NS FIZ arising under the credit facility agreement. The surety was provided for up to PLN 120,000 thousand and will expire on or before January 31st 2031. In connection with the surety, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120,000 thousand, which will expire on or before January 31st 2031;
- on February 21st 2022, PROKURA NS FIZ made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 120m, which will expire on or before January 31st 2030;
- on May 18th 2022 PROKURA NS FIZ and the lender signed an agreement to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ), to the maximum amount of PLN 120,000 thousand;
- as at June 30th 2022, the value of all debt portfolios pledged in favour of Bank Polska Kasa Opieki S.A. totalled PLN 50,533 thousand.

On February 1st 2022, an overdraft facility agreement was concluded between KRUK S.A. as the borrower and Bank Polska Kasa Opieki S.A. The maximum facility amount is PLN 40,000. In order to secure liabilities arising under the agreement:

- on February 4th 2022, KRUK S.A. granted a power of attorney to the lender over its bank account held with Polska Kasa Opieki S.A.;
- on February 21st 2022, KRUK S.A. made a declaration on voluntary submission 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 December 31st 2030.

In connection with the credit facility agreement of December 22nd 2021 between Getin Noble Bank S.A. and KRUK S.A., in order to secure liabilities arising under the agreement:

- on February 15th 2022, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before December 31st 2029;
- on April 21st 2022, KRUK S.A. entered into an agreement with Getin Noble Bank S.A. to create a financial and registered pledge over investment certificates issued by PROKURA NS FIZ and acquired by KRUK S.A. On April 26th, an application was filed with the court to enter the pledge in the pledge register. The registered pledge will be created up to the maximum amount of PLN 150,000 thousand. As at June 30th 2022, the value of the certificates pledged under the agreement was PLN 129,641 thousand.

In connection with the credit facility agreement of December 20th 2018, as amended, between Prokura NS FIZ, Kruk S.A. and ING Bank Śląski S.A.:

- 1) in order to secure liabilities arising under the agreement:
  - on March 28th 2022, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledge was created up to the maximum amount of PLN 300,000 thousand.
  - on March 29th 2022, PROKURA NS FIZ entered into an agreement with ING Bank Śląski S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledge was created up to the maximum amount of PLN 300,000 thousand.

As at June 30th 2022, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 406,696 thousand.

- 2) on May 23rd 2022, Supplementary Agreement No. 5 was executed whereby:
- new availability end dates were set for:
    - the credit facility of up to PLN 225m – at May 20th 2027, and
    - the credit facility of up to PLN 25m – at May 20th 2028;
  - KRUK S.A. issued a surety for liabilities of the borrower Prokura NS FIZ under the agreement for up to PLN 300,000 thousand and until May 20th 2031. In accordance with the agreement, Kruk S.A. (in connection with the surety provided) and Prokura NS FIZ made declarations on submission 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 May 20th 2032.

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

On August 31st 2022, the KRUK Group, acting through its subsidiary ProsperoCapital, a party to a joint arrangement, cancelled its entire 33% interest in the joint investment in a portfolio of debt of International Finance Corporation (an entity related to the World Bank; "IFC") by increasing the interest of the subsidiary InvestCapital Ltd. from 67% to 100%. As a result, the KRUK Group currently has 100% of rights to the assets and liabilities of ProsperoCapital.

After the end of the first half of 2022, there were no other events with a potential material bearing on the Group's future performance.

### **18. The statement of Management Board**

The interim condensed consolidated financial statements of the KRUK Group and the comparative data have been prepared in accordance with the applicable accounting standards and give a true, fair and clear view of the financial position and assets as well as financial result of the KRUK Group and also presents a true view of the KRUK Group's development, achievements and condition, including a description of key risks and threats.

The entity authorized to audit financial statements that reviewed the condensed interim financial statements has been selected in accordance with the law and met the conditions for issuing an impartial and independent report on the review, in accordance with applicable regulations and professional standards.

**Piotr Krupa**

*CEO and President of the  
Management Board*

**Piotr Kowalewski**

*Member of the  
Management Board*

**Adam Łodygowski**

*Member of the  
Management Board*

**Urszula Okarma**

*Member of the  
Management Board*

**Michał Zasepa**

*Member of the  
Management Board*

*Person keeping the accounting records*  
**Monika Grudzień-Wiśniewska**

*Prepared by*  
**Hanna Stempień**

*Wrocław, September 6th 2022*