



FINANCIAL HIGHLIGHTS OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period January 1st–
September 30th 2022

Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jan 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited
For the period				
Revenue	1,610,818	1,341,238	343,605	294,229
Operating profit	838,014	707,345	178,757	155,171
Profit before tax	710,662	650,491	151,592	142,699
Net profit attributable to owners of the Parent	676,858	565,475	144,381	124,049
Net cash from operating activities	(141,977)	114,083	(30,285)	25,027
Purchase of debt portfolios at prices as per agreement	(1,350,526)	(932,576)	(288,081)	(204,580)
Cash recoveries	1,927,722	1,614,855	411,203	354,252
Net cash from investing activities	(13,221)	(6,366)	(2,820)	(1,397)
Net cash from financing activities	153,064	(76,157)	32,650	(16,707)
Net change in cash	(2,134)	31,560	(455)	6,923
Diluted earnings per share (PLN/EUR)	34.36	29.33	7.33	6.43
Average number of shares ('000)	19,077	19,011	19,077	19,011
Earnings per share (PLN/EUR)	35.48	29.74	7.57	6.52
	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2022 unaudited	Dec 31 2021
As at				
Total assets	7,042,739	5,909,400	1,446,207	1,284,820
Non-current liabilities	3,359,483	2,467,139	689,861	536,405
Current liabilities	551,800	842,034	113,311	183,075
Equity	3,131,456	2,600,227	643,036	565,340
Share capital	19,128	19,013	3,928	4,134
Book value per ordinary share	163.71	136.76	33.62	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 **4.6880**
for the comparative period **4.5585**

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 **4.8698**
at the end of the comparative period **4.5994**



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period January 1st–
September 30th 2022

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I. Consolidated statement of financial position

PLN '000

	Note	Sep 30 2022 unaudited	Jun 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Assets					
Cash and cash equivalents	10.16	197,030	176,625	199,164	177,113
Hedging instruments	10.10	24,710	29,316	13,803	-
Trade receivables	10.15	19,523	20,134	22,873	16,868
Other receivables	10.15	43,601	38,283	35,079	24,804
Inventories	10.14	16,913	20,100	20,295	29,013
Investments	9	6,518,360	5,979,813	5,416,512	4,835,846
Deferred tax asset	10.8	46,352	43,437	37,560	34,944
Property, plant and equipment		69,052	73,114	80,249	80,813
Goodwill	10.13	25,177	24,241	23,840	24,006
Other intangible assets		62,990	41,986	43,474	43,526
Other assets		19,031	18,482	16,551	16,168
Total assets		7,042,739	6,465,531	5,909,400	5,283,100
Equity and liabilities					
Liabilities					
Trade and other payables	10.18	154,738	155,360	162,986	116,121
Derivatives		-	-	-	5,374
Hedging instruments	10.10	29,088	20,422	-	5,006
Employee benefit obligations	10.17	53,650	55,080	48,661	45,936
Income tax payable		12,658	10,747	18,369	20,897
Borrowings, debt securities and leases	10.9	3,438,356	3,115,579	2,869,020	2,427,034
Provisions	10.19	44,113	43,822	43,060	58,580
Deferred tax liability	10.8	178,680	182,623	167,077	178,442
Total liabilities		3,911,283	3,583,633	3,309,173	2,857,389
Equity					
Share capital		19,128	19,128	19,013	19,011
Share premium		342,740	342,740	333,264	310,430
Hedge reserve		(5,432)	12,158	17,885	(2,269)
Translation reserve		169,297	98,203	75,708	77,891
Other capital reserves		145,312	137,524	122,202	117,613
Retained earnings		2,460,942	2,272,922	2,032,745	1,903,462
Equity attributable to owners of the Parent		3,131,987	2,882,675	2,600,817	2,426,138
Non-controlling interests		(531)	(777)	(590)	(427)
Total equity		3,131,456	2,881,898	2,600,227	2,425,710
Total equity and liabilities		7,042,739	6,465,531	5,909,400	5,283,100

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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Continuing operations					
Interest income on debt portfolios and loans measured at amortised cost	10.1	1,005,263	364,613	786,398	277,487
Interest income on loans measured at fair value	10.1	10,422	2,604	31,303	8,358
Revenue from sale of debts and loans	10.1	12,903	1,277	5,077	1,303
Other income/expenses from purchased debt portfolios	10.1	(11,174)	(3,931)	(22,003)	(4,666)
Revenue from other services	10.1	55,078	17,933	52,324	17,969
Other income	10.1	3,747	1,650	2,030	600
Change in investments measured at fair value	10.1	422	1,181	830	(1,227)
Gain/(loss) on expected credit losses	10.1	534,157	123,565	485,280	145,556
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		1,610,818	508,892	1,341,238	445,380
Employee benefits expense	10.3	(340,067)	(116,492)	(284,551)	(96,382)
Depreciation and amortisation		(36,798)	(13,248)	(37,025)	(11,485)
Services	10.2	(143,519)	(50,427)	(104,766)	(38,479)
Other expenses	10.4	(252,421)	(89,085)	(207,552)	(75,688)
		(772,805)	(269,252)	(633,894)	(222,034)
Operating profit		838,014	239,640	707,345	223,347
Finance income	10.5	488	70	222	196
Finance costs	10.6	(127,840)	(48,601)	(57,076)	(30,552)
<i>including interest expense relating to lease liabilities</i>		<i>(2,023)</i>	<i>(804)</i>	<i>(1,580)</i>	<i>(500)</i>
Net finance costs		(127,352)	(48,531)	(56,854)	(30,356)
Profit/(loss) before tax		710,662	191,110	650,491	192,991
Income tax	10.8	(33,582)	(2,849)	(85,132)	(23,236)
Net profit/(loss) for period		677,080	188,261	565,359	169,755
Net profit/(loss) attributable to:					
Owners of the Parent	10.11	676,858	188,020	565,475	169,692
Non-controlling interests		222	241	(116)	63
Net profit/(loss) for period		677,080	188,261	565,359	169,755
Earnings/(loss) per share					
Basic (PLN)		35.48	9.82	29.74	8.92
Diluted (PLN)		34.36	9.59	29.33	9.06

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>	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
		unaudited	unaudited	unaudited	unaudited
Net profit/(loss) for period		677,080	188,261	565,359	169,755
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		93,593	71,099	(3,469)	40,460
Instruments hedging cash flows and net investment in a foreign operation		(23,317)	(17,590)	12,513	2,531
Other comprehensive income for period, net		70,276	53,509	9,044	42,991
Total comprehensive income for period		747,356	241,770	574,403	212,746
Total comprehensive income attributable to:					
Owners of the Parent		747,130	241,524	574,519	212,683
Non-controlling interests		226	246	(116)	63
Total comprehensive income for period		747,356	241,770	574,403	212,746
Comprehensive income/ (loss) per share					
Basic (PLN)		39.17	12.64	30.21	11.21
Diluted (PLN)		37.94	12.32	29.80	11.05

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

IV. Consolidated statement of changes in equity

For the nine months ended September 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
Equity as at Jan 1 2022	19,013	333,264	17,885	75,708	122,202	2,032,745	2,600,817	(590)	2,600,227
Comprehensive income for period									
Net profit for period	-	-	-	-	-	676,858	676,858	222	677,080
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	93,589	-	-	93,589	4	93,593
- Measurement of hedging instruments	-	-	(23,317)	-	-	-	(23,317)	-	(23,317)
Total other comprehensive income	-	-	(23,317)	93,589	-	-	70,272	4	70,276
Total comprehensive income for period	-	-	(23,317)	93,589	-	676,858	747,130	226	747,356
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(248,661)	(248,661)	(167)	(248,828)
- Issue of shares	115	9,476	-	-	-	-	9,591	-	9,591
- Share-based payments	-	-	-	-	23,110	-	23,110	-	23,110
Total contributions from and distributions to owners	115	9,476	-	-	23,110	(248,661)	(215,960)	(167)	(216,127)
Total equity as at Sep 30 2022	19,128	342,740	(5,432)	169,297	145,312	2,460,942	3,131,987	(531)	3,131,456

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

For the reporting period ended December 31st 2021 (PLN '000)

Note	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
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771	(311)	2,043,460
Comprehensive income for period									
Net profit for period	-	-	-	-	-	694,758	694,758	145	694,903
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(5,652)	-	-	(5,652)	19	(5,633)
- Measurement of hedging instruments	-	-	32,668	-	-	-	32,668	-	32,668
Total other comprehensive income	-	-	32,668	(5,652)	-	-	27,016	19	27,035
Total comprehensive income for period	-	-	32,668	(5,652)	-	694,758	721,774	164	721,938
Contributions from and distributions to owners									
- 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
Total contributions from and distributions to owners	2	22,834	-	-	18,576	(206,140)	(164,728)	(443)	(165,171)
Total equity as at Dec 31 2021	19,013	333,264	17,885	75,708	122,202	2,032,745	2,600,817	(590)	2,600,227

For the nine months ended September 30th 2021 (PLN '000)

Note	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
Equity as at Jan 1 2021	19,011	310,430	(14,783)	81,360	103,626	1,544,127	2,043,771	(311)	2,043,460
Comprehensive income for period									
Net profit for period	-	-	-	-	-	565,475	565,475	(116)	565,359
Other comprehensive income									
- Exchange differences on translating foreign operations	-	-	-	(3,469)	-	-	(3,469)	-	(3,469)
- Measurement of hedging instruments	-	-	12,513	-	-	-	12,513	-	12,513
Total other comprehensive income	-	-	12,513	(3,469)	-	-	9,044	-	9,044
Total comprehensive income for period	-	-	12,513	(3,469)	-	565,475	574,519	(116)	574,403
Contributions from and distributions to owners									
- Payment of dividends	-	-	-	-	-	(206,140)	(206,140)	-	(206,140)
- Issue of shares	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	13,987	-	13,987	-	13,987
Total contributions from and distributions to owners	-	-	-	-	13,987	(206,140)	(192,153)	-	(192,153)
Total equity as at Sep 30 2021	19,011	310,430	(2,269)	77,891	117,613	1,903,462	2,426,138	(427)	2,425,710

V. Consolidated statement of cash flows

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Cash flows from operating activities				
Net profit for period	677,080	188,261	565,359	169,755
<i>Adjustments</i>				
Depreciation of property, plant and equipment	26,292	9,643	26,770	8,182
Amortisation of intangible assets	10,506	3,605	10,255	3,303
Net finance costs	127,352	48,531	56,854	30,356
(Gain)/loss on sale of property, plant and equipment	(353)	(195)	(163)	80
Equity-settled				
share-based payments	23,110	7,788	13,987	6,823
Income tax	33,582	2,849	85,132	23,236
Change in loans	(43,888)	(10,450)	(75,817)	(44,848)
Change in debt portfolios purchased	(952,478)	(451,906)	(555,931)	(152,282)
Change in inventories	3,382	3,187	3,056	(4,038)
Change in trade and other receivables				
	(5,172)	(4,707)	3,489	(12,570)
Change in other assets	(2,480)	(549)	(2,332)	(4,443)
Change in trade and other payables				
	(8,248)	(622)	3,894	(48,182)
Change in employee benefit obligations				
	4,989	(1,430)	3,076	(1,629)
Change in provisions	1,053	291	5,456	2,592
Minority interest share of profit	(222)	(241)	116	(63)
Income tax paid	(36,482)	(7,796)	(29,118)	(11,967)
Net cash from operating activities	(141,977)	(213,741)	114,083	(35,695)
Cash flows from investing activities				
Interest received	488	70	222	196
Sale of intangible assets and property, plant and equipment	434	181	5,084	282
Purchase of intangible assets and property, plant and equipment	(14,143)	(2,649)	(11,673)	(7,725)
Net cash from investing activities	(13,221)	(2,398)	(6,366)	(7,247)
Cash flows from financing activities				
Net proceeds from issue of shares	9,591	-	-	-
Proceeds from issue of debt securities	510,000	60,000	485,000	65,000
Increase in borrowings	1,557,539	409,408	1,547,000	237,020
Repayment of borrowings	(1,112,487)	(166,535)	(1,414,055)	(338,128)
Payments under lease contracts	(18,419)	(3,185)	(18,032)	(6,557)
Dividends paid	(248,828)	-	(206,140)	(206,140)
Redemption of debt securities	(392,926)	-	(400,000)	(35,000)
Interest paid	(151,406)	(63,144)	(69,931)	(24,336)
Net cash from financing activities	153,064	236,544	(76,157)	(308,141)
Total net cash flows	(2,134)	20,405	31,560	(351,083)
Cash and cash equivalents at beginning of period	199,164	176,625	145,552	528,196
Cash and cash equivalents at end of period	197,030	197,030	177,113	177,113
<i>of which:</i>				
- effect of exchange rate fluctuations on cash held	2,572	3,059	4,001	3,746

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–September 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 September 30th 2022, the Parent’s Management Board was composed of the following persons:

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

In the three months ended September 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 September 30th 2022, the composition of the Parent's Supervisory Board was as follows:

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

In the three months to September 30th 2022 and by the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

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
DEBT MANAGEMENT		
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
INVESTMENTS IN DEBT PORTFOLIOS		
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.

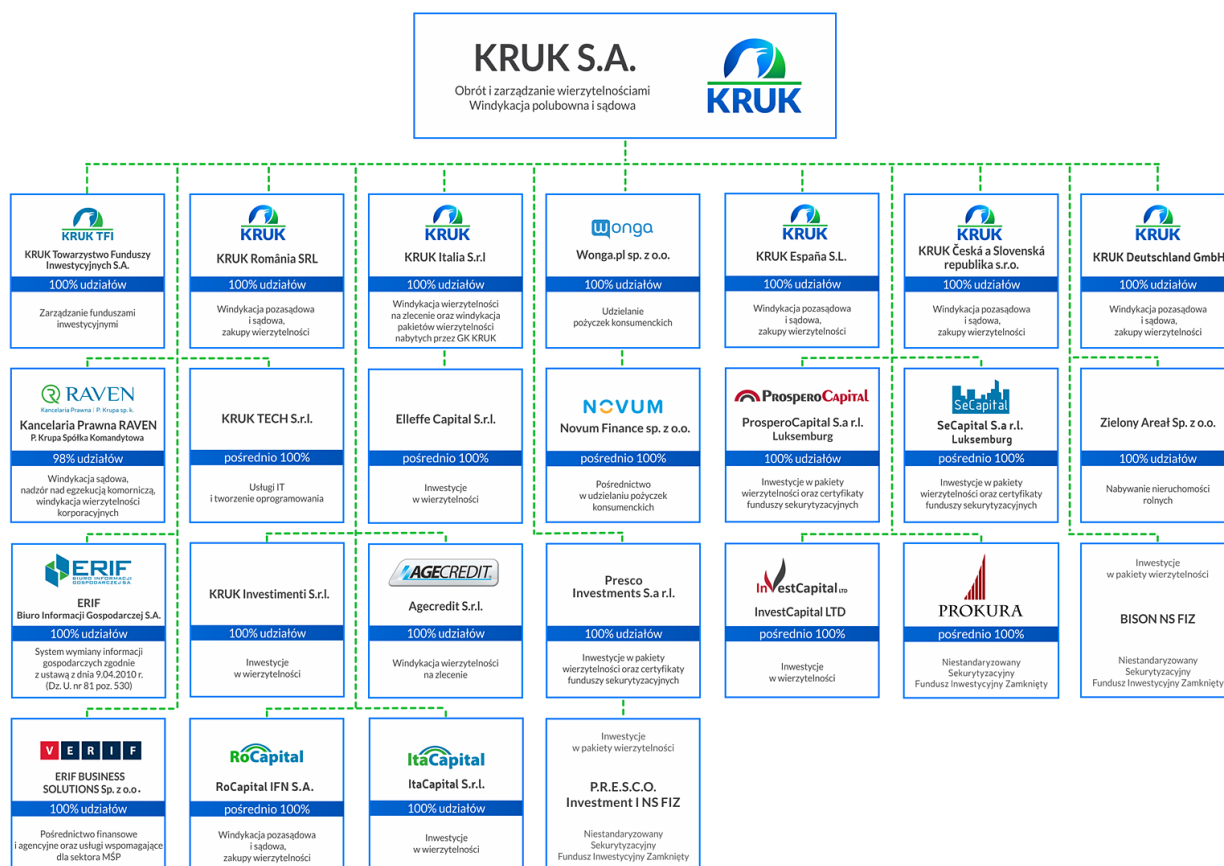
Subsidiary	Registered office	Principal business activity
InvestCapital Ltd.	Malta	Special-purpose securitisation vehicle which invests in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt or debt-backed assets
ItaCapital S.r.l.	Milan	Investing in debt portfolios
KRUK INVESTIMENTI 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
CONSUMER LENDING		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
DEBT MANAGEMENT SUPPORT ACTIVITIES		
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 September 30th 2022 and for the period January 1st – September 30th 2022.

On August 31st 2022, the KRUK Group, acting through its subsidiary ProsperoCapital, a party to a joint arrangement, cancelled the entire 33% interest then held by International Finance Corporation (an entity related to the World Bank; “IFC”) in the joint investment in a debt portfolio. As a result, the KRUK Group currently holds all the rights to ProsperoCapital’s assets and liabilities.

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	
		Sep 30 2022	Dec 31 2021
SeCapital S.a.r.l. ¹	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. ¹	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ ¹	Poland	100%	100%
InvestCapital Ltd ¹	Malta	100%	100%
RoCapital IFN S.A. ¹	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
ProsperoCapital S.a.r.l. ²	Luxembourg	100%	100%
Presco Investments S.a.r.l. ¹	Luxembourg	100%	100%
Presco Investments I NS FIZ ¹	Poland	100%	100%
BISON NS FIZ	Poland	100%	100%
Elleffe Capital S.r.l. ¹	Italy	100%	100%
Corbul S.r.l. ³	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. ³	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
KRUK TECH S.r.l. ^{1;4}	Romania	100%	-

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

² ProsperoCapital S.a.r.l. was a party to a joint arrangement until August 2022.

³ The Parent controls the company through a personal link.

⁴ Entity established in the three months ended March 31st 2022.

2. Reporting period

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

The presented data has not been audited.

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 November 7th 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 Insurance Contracts: 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 amendments have no significant effect on the consolidated financial statements.	January 1st 2023
Amendments to IAS 12 <i>Deferred tax on assets and liabilities arising from a single transaction</i>	The amendments are intended to clarify how companies should account for deferred taxes on leases and extinguished liabilities.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023
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"> – reduce costs by simplifying some of the standard requirements; – facilitate clarification of financial results; and – 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. 	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.	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
	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.		
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 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.	The amendments have no significant effect on the consolidated financial statements.	January 1st 2023

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2023
Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback	The amendments concern the measurement of lease liabilities in sale and leaseback transactions.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	January 1st 2024

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)	Sep 30 2022 (PLN '000)		
Investments in debt portfolios	5,100,176	6,158,136	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	25,177		<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	344,671	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	15,553	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>

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Dec 31 2021 (PLN '000)	Sep 30 2022 (PLN '000)		
Deferred tax asset and liabilities	37,560 (Assets)	46,352 (asset)	10.8	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). The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.
	167,077 (Liabilities)	178,680 (Liabilities)		The value of the deferred tax liability is affected by the change in the level of estimated future cash flows from subsidiaries to KRUK S.A. for the foreseeable future. The level of these flows depends on, among others: <ul style="list-style-type: none"> - liquidity needs of KRUK S.A. and the acquired and forecasted available new debt financing for KRUK S.A., - acquired and forecasted available new debt financing in subsidiaries, - planned outlays for debt portfolios – among others, their level affects the forecasted liquidity situation in subsidiaries, - planned payments from purchased debt portfolios in subsidiaries. <p>In connection with the above, the item of the deferred tax liability for the <i>Expected future outflows of income from investments in subsidiaries</i> may be subject to significant changes in individual reporting periods.</p>
Investments in debt portfolios	61,474	-		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.
				On August 31st 2022, the KRUK Group, acting through its subsidiary ProsperoCapital, a party to a joint arrangement, cancelled the entire 33% interest then held by an unrelated party. As a result, the KRUK Group currently holds all the rights to ProsperoCapital's assets and liabilities. The new rights

to flows from the portfolio have been recognized in the consolidated financial statements as the purchase of a new portfolio.

Functional currency at InvestCapital	75,732	171,026
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InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. Under IAS 21, the KRUK Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. 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 2022 to September 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 September 30th 2022

	Poland Poland excluding Wonga.pl	Poland Wonga.pl	Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
Revenue	708,217	94,356	416,055	267,449	74,970	46,023	3,747	-	1,610,818
Purchased debt portfolios	666,089	-	402,869	261,210	63,291	46,023	-	-	1,439,483
<i>including revaluation of projected recoveries</i>	<i>133,397</i>	-	<i>160,869</i>	<i>42,633</i>	<i>(38,706)</i>	<i>6,787</i>	-	-	<i>304,980</i>
Credit management services	20,723	-	10,388	6,239	11,680	-	-	-	49,030
Other products	21,405	94,356	2,797	-	-	-	-	-	118,558
Other income	-	-	-	-	-	-	3,747	-	3,747
Direct and indirect costs									(543,438)
Purchased debt portfolios	-	-	-	-	-	-	-	-	(452,663)
Credit management services	-	-	-	-	-	-	-	-	(37,061)
Other products	-	-	-	-	-	-	-	-	(47,131)
Unallocated expenses	-	-	-	-	-	-	-	-	(6,583)
Gross profit¹									1,067,380
Purchased debt portfolios	-	-	-	-	-	-	-	-	986,820
Credit management services	-	-	-	-	-	-	-	-	11,969
Other products	-	-	-	-	-	-	-	-	71,427
Unallocated income / expenses	-	-	-	-	-	-	-	-	(2,836)
Administrative expenses	-	-	-	-	-	-	-	-	(192,568)
EBITDA²	460,075	51,686	317,111	115,971	(9,786)	21,681	(2,836)	(79,090)	874,812
Depreciation and amortisation	-	-	-	-	-	-	-	-	(36,798)
Finance income/(costs)	-	-	-	-	-	-	-	-	(127,352)
Profit before tax	-	-	-	-	-	-	-	-	710,662
Income tax	-	-	-	-	-	-	-	-	(33,582)
Net profit	-	-	-	-	-	-	-	-	677,080
Carrying amount of debt portfolios	2,666,301	-	1,160,486	1,435,040	742,626	153,684	-	-	6,158,136
Carrying amount of loans	47,039	295,129	18,056	-	-	-	-	-	360,224
Cash recoveries	933,027	-	438,923	316,301	164,713	74,758	-	-	1,927,722

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For the reporting period ended September 30th 2021

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	619,155	62,588	328,649	203,204	80,781	44,831	2,030	-	1,341,238
Purchased debt portfolios	581,249	-	316,400	196,224	69,602	44,831	-	-	1,208,306
<i>including revaluation of projected recoveries</i>	<i>95,845</i>	-	<i>103,181</i>	<i>24,797</i>	<i>(7,392)</i>	<i>7,500</i>	-	-	223,930
Credit management services	17,650	-	9,549	6,980	11,179	-	-	-	45,358
Other products	20,256	62,588	2,700	-	-	-	-	-	85,544
Other income	-	-	-	-	-	-	2,030	-	2,030
Direct and indirect costs									(452,840)
Purchased debt portfolios	-	-	-	-	-	-	-	-	(372,613)
Credit management services	-	-	-	-	-	-	-	-	(33,980)
Other products	-	-	-	-	-	-	-	-	(41,289)
Unallocated expenses	-	-	-	-	-	-	-	-	(4,957)
Gross profit¹									888,399
Purchased debt portfolios	-	-	-	-	-	-	-	-	835,693
Credit management services	-	-	-	-	-	-	-	-	11,378
Other products	-	-	-	-	-	-	-	-	44,254
Unallocated income / expenses	-	-	-	-	-	-	-	-	(2,927)
									-
Administrative expenses	-	-	-	-	-	-	-	-	(144,030)
EBITDA²	416,617	24,943	244,239	77,477	17,360	21,774	(2,927)	(55,114)	744,369
Depreciation and amortisation	-	-	-	-	-	-	-	-	(37,025)
Finance income/(costs)	-	-	-	-	-	-	-	-	(56,854)
Profit before tax	-	-	-	-	-	-	-	-	650,491
Income tax	-	-	-	-	-	-	-	-	(85,132)
Net profit	-	-	-	-	-	-	-	-	565,359
Carrying amount of debt portfolios	2,143,410	-	907,015	914,834	450,482	119,645	-	-	4,535,385
Carrying amount of loans	37,560	253,353	9,548	-	-	-	-	-	300,461
Cash recoveries	783,193	-	422,094	226,028	117,974	65,566	-	-	1,614,855

¹ Gross profit = operating income - operating expenses.² EBITDA = operating profit - depreciation and amortisation.

8. Seasonality or cyclicity 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>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Investments in debt portfolios	6,158,136	5,100,176	4,535,385
Loans measured at amortised cost	344,671	279,213	237,227
Loans measured at fair value	15,553	37,123	63,234
	<u>6,518,360</u>	<u>5,416,512</u>	<u>4,835,846</u>

Investments measured at amortised cost

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Investments in debt portfolios	6,158,136	5,100,176	4,535,385
Loans measured at amortised cost	344,671	279,213	237,227
	<u>6,502,807</u>	<u>5,379,389</u>	<u>4,772,612</u>

Debt portfolios

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Carrying amount of purchased debt portfolios			
Unsecured portfolios	5,405,112	4,344,965	3,836,457
Secured portfolios	753,024	755,211	698,929
	<u>6,158,136</u>	<u>5,100,176</u>	<u>4,535,385</u>

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

	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Discount rate ¹	8.00–147.10%	8.00–147.10%	8.00–147.10%
Cash flows estimation period	Oct 2022–Sep 2042	Jan 2022–Jan 2042	Oct 2021–Jul 2041
Undiscounted value of future recoveries	12,121,562	9,989,010	8,945,813

¹ Applicable to 99% of debt portfolios.

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

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Period			
Up to 12 months	2,080,783	1,813,880	1,740,198
From 1 to 2 years	1,799,688	1,579,581	1,476,285
From 2 to 3 years	1,599,348	1,327,217	1,227,928
From 3 to 4 years	1,337,851	1,052,803	981,203
From 4 to 5 years	1,009,663	806,576	720,506
From 5 to 6 years	823,705	657,405	559,088
From 6 to 7 years	669,652	520,119	454,448
From 7 to 8 years	540,780	443,389	377,316
From 8 to 9 years	453,276	357,607	301,019
From 9 to 10 years	387,119	300,189	245,646
From 10 to 11 years	331,564	258,917	210,012
From 11 to 12 years	289,135	228,227	182,899
From 12 to 13 years	247,781	201,246	159,905
From 13 to 14 years	203,559	173,649	136,562
From 14 to 15 years	122,884	128,663	104,309
Over 15 years	224,775	139,542	68,488
	12,121,562	9,989,010	8,945,813

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
discount rate:			
< 25%	7,224,769	5,786,817	4,660,909
25–50%	3,819,327	3,542,784	3,629,999
> 50%	1,077,466	659,409	654,904
	12,121,562	9,989,010	8,945,813

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

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

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

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Carrying amount of investments in debt portfolios at beginning of period	5,100,176	3,984,080	3,984,080
Purchase of debt portfolios	1,350,526	1,738,002	932,576
Cash recoveries	(1,927,722)	(2,215,806)	(1,614,855)
Receivables from debt sold	-	(3,200)	-
Increase/(decrease) in liabilities to indebted persons due to overpayments*	7,021	5,705	4,915
Valuation of loyalty scheme*	5,185	7,174	5,188
Revenue from purchased debt portfolios	1,439,483	1,575,627	1,208,306
Carrying amount of property foreclosed	(3,704)	(7,156)	(10,057)
Carrying amount of property sold	7,592	18,374	12,851
Translation differences on debt portfolios**	179,579	(2,624)	12,381
Carrying amount of investments in debt portfolios at end of period	6,158,136	5,100,176	4,535,385

* 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 1,350,526 thousand (nine months ended September 30th 2021: PLN 932,576 thousand; 2021: PLN 1,738,002 thousand), while the amount of recoveries from debtors was PLN 1,927,722 thousand (nine months ended September 30th 2021: PLN 1,614,855 thousand; 2021: PLN 2,215,806 thousand).

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

<i>PLN '000</i>	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Cumulative expected credit losses on purchased debt portfolios at beginning of period	1,600,562	1,012,210	1,012,210
Revaluation of projected recoveries	304,980	270,032	223,930
Deviations from actual recoveries, decreases on early collections in collateralised cases	262,961	318,320	259,430
Cumulative expected credit losses on purchased debt portfolios at end of period	2,168,503	1,600,562	1,495,570

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

Sensitivity analysis – revaluation of projected recoveries

A 1% increase in all projected recoveries would result in an increase of PLN 53,691 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 53,691 thousand for the data as at September 30th 2022 (a PLN 44,624 thousand increase/decrease, respectively, for the data as at December 31st 2021).

<i>PLN '000</i>	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
Sep 30 2022		
Investments in debt portfolios	53,691	(53,691)
Dec 31 2021		
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 projected recoveries (in the case of extension by one year, projected recoveries increased by PLN 8,519 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 18,326 thousand; for 2021: PLN 9,462 thousand and PLN 16,141 thousand, respectively).

<i>PLN '000</i>	Profit or loss for the current period	
	extension by one year	shortening by one year
Sep 30 2022		
Investments in debt portfolios	106	(281)
Dec 31 2021		
Investments in debt portfolios	107	(226)

Loans

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Loans measured at amortised cost	344,671	279,213	237,227
Loans measured at fair value	15,553	37,123	63,234
	<u>360,224</u>	<u>316,336</u>	<u>300,461</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 Sep 30 2022	Carrying amount as at Dec 31 2021	Carrying amount as at Sep 30 2021
Loans measured at amortised cost			
Basket 1	204,813	195,406	194,198
Basket 2	99,701	57,684	18,418
Basket 3	38,193	24,257	23,526
POCI loans	1,964	1,866	1,084
Net carrying amount	<u>344,671</u>	<u>279,213</u>	<u>237,227</u>

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

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Carrying amount of loans measured at amortised cost at beginning of period	279,213	152,666	152,666
Acquisition of loans as part of portfolio purchase	8,530	-	-
New disbursements	449,466	483,783	274,366
Repayments	(494,204)	(420,211)	(236,250)
Interest income	155,643	89,690	56,547
Allowance for expected credit losses	(41,398)	(23,910)	(10,064)
Gain/(loss) on sale of loans	(13,710)	(2,947)	-
Translation differences on loans	1,131	142	(37)
Other differences	-	-	-
Carrying amount of loans measured at amortised cost at end of period	<u>344,671</u>	<u>279,213</u>	<u>237,227</u>

Changes in allowance for expected credit losses on loans measured at amortised cost have been presented in note 12. under the item *Allowance for expected credit losses*.

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 27.2% 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	
	increase in collections by 100 bps	decrease in collections by 100 bps
Sep 30 2022		
Loans measured at amortised cost	3,421	(3,421)
Dec 31 2021		
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
Sep 30 2022		
Loans measured at amortised cost	(10,448)	9,813
Dec 31 2021		
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:

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Carrying amount of loans measured at fair value at beginning of period	37,123	71,978	71,978
New disbursements	-	211,890	211,873
Repayments	(32,414)	(275,419)	(252,750)
Interest income	10,422	40,243	31,303
Remeasurement	422	(11,569)	830
Carrying amount of loans measured at fair value at end of period	15,553	37,123	63,234

Sensitivity analysis – revaluation of projected recoveries

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

PLN '000	Profit or loss for the current period	
	increase in collections by 100 bps	decrease in collections by 100 bps
Sep 30 2022		
Loans measured at fair value	156	(156)
Dec 31 2021		
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
Sep 30 2022		
Loans measured at fair value	(356)	343
Dec 31 2021		
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
Sep 30 2022		
Loans measured at fair value	(117)	118
Dec 31 2021		
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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revenue from purchased debt portfolios	1,439,483	446,469	1,208,306	395,988
Revenue from credit management services	49,030	15,763	45,358	15,287
Revenue from other services	118,558	45,010	85,544	33,505
Other income	3,747	1,650	2,030	600
	1,610,818	508,892	1,341,238	445,380

Interest income on debt portfolios and loans measured at amortised cost

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income on debt portfolios	849,620	303,436	729,851	252,195
Interest income on loans	155,643	61,177	56,547	25,292
	1,005,263	364,613	786,398	277,487

Gain/(loss) on expected credit losses

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Gain/(loss) on expected credit losses from debt portfolios	574,424	142,615	495,381	147,156
Gain/(loss) on expected credit losses from loans	(40,267)	(19,050)	(10,101)	(1,600)
	534,157	123,565	485,280	145,556

Income from financial assets measured at amortised cost

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revenue from purchased debt portfolios	1,439,483	446,469	1,208,306	395,988
Revenue from loans	101,666	39,055	46,445	23,692
	1,541,149	485,524	1,254,751	419,680

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–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income	849,620	303,436	729,851	252,195
Other income/expenses from purchased debt portfolios	(11,174)	(3,931)	(22,003)	(4,666)
Gain/(loss) on expected credit losses from purchased debt portfolios	574,424	142,615	495,381	147,156
Gain/(loss) on sale of debts	26,613	4,349	5,077	1,303
	1,439,483	446,469	1,208,306	395,988

Other income/expenses from purchased debt portfolios

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Foreign currency gains/(losses)	1,032	379	(11,900)	(2,428)
Costs of loyalty scheme valuation	(5,185)	(780)	(5,188)	(1,743)
Costs of provision for overpayments	(7,021)	(3,530)	(4,915)	(495)
	(11,174)	(3,931)	(22,003)	(4,666)

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

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revaluation of projected recoveries	304,980	61,097	223,930	88,805
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	269,444	81,518	271,451	58,351
	574,424	142,615	495,381	147,156

Revenue from loans*Revenue from loans measured at amortised cost*

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income	155,643	61,177	56,547	25,292
Allowance for expected credit losses	(41,398)	(19,344)	(10,064)	(1,776)
Gain/(loss) on sale of loans	(13,710)	(3,072)	-	-
Foreign currency gains/(losses)	1,131	294	(37)	177
	101,666	39,055	46,445	23,692

Revenue from loans measured at fair value

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income	10,422	2,604	31,303	8,358
Remeasurement	422	1,181	830	(1,227)
	10,844	3,785	32,133	7,131

Revenue from other services

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Revenue from credit management services	49,030	15,763	45,358	15,287
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	6,048	2,169	6,965	2,681
	55,078	17,933	52,324	17,969

Other income

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Re-billed costs of services and court fees	1,309	798	165	104
Rental	1,028	525	-	-
Gain on sale of property, plant and equipment	353	195	163	(80)
Recovery of written-off receivables and expenses	272	10	582	214
Compensation for motor damage	242	-	244	76
Other cooperation	11	5	187	10
Reversal of allowance for expected credit losses on receivables	-	-	59	6
Other	532	117	630	270
	3,747	1,650	2,030	600

10.2 Services

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Credit management services ¹	(32,389)	(10,645)	(24,344)	(8,224)
Legal assistance services ²	(26,951)	(11,588)	(15,061)	(5,409)
IT services	(21,035)	(6,195)	(15,761)	(6,104)
Postal and courier services	(13,723)	(4,772)	(9,821)	(4,435)
Administrative and accounting support services	(11,937)	(4,785)	(9,157)	(3,303)
Banking services	(8,682)	(3,171)	(6,817)	(2,314)
Communications services	(6,579)	(2,367)	(5,422)	(1,948)
Space rental and service charges	(6,535)	(2,180)	(5,956)	(1,961)
Marketing and management services	(6,414)	(1,839)	(6,246)	(2,517)
Printing services	(2,506)	(655)	(1,317)	(466)
Security	(1,724)	(563)	(1,219)	(466)
Recruitment services	(1,419)	(502)	(367)	(45)
Other auxiliary services	(1,036)	(250)	(1,275)	(519)
Repair of vehicles	(1,005)	(263)	(786)	(232)
Other rental	(713)	(336)	(466)	(243)
Repair and maintenance services	(672)	(263)	(514)	(228)
Transport services	(102)	(24)	(38)	(28)
Packing services	(97)	(29)	(199)	(37)
	(143,519)	(50,427)	(104,766)	(38,479)

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

² Legal assistance mainly relates to debt portfolio management.

10.3 Employee benefits expense

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Salaries and wages	(254,026)	(87,452)	(215,226)	(71,436)
Old-age and disability pension contributions	(18,911)	(6,346)	(16,049)	(5,382)
Other social security contributions	(42,636)	(14,427)	(38,039)	(12,314)
Contribution to the State Fund for the Disabled	(1,384)	(479)	(1,250)	(427)
Equity-settled cost of stock option plan	(23,110)	(7,788)	(13,987)	(6,823)
	(340,067)	(116,492)	(284,551)	(96,382)

10.4 Other expenses

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Court fees	(198,041)	(68,346)	(160,186)	(55,973)
Taxes and charges	(26,727)	(9,523)	(25,411)	(9,427)
Raw materials and consumables used	(10,663)	(4,341)	(6,716)	(2,498)
Advertising	(5,738)	(1,777)	(4,635)	(3,093)
Staff training	(2,637)	(914)	(611)	(286)
Non-deductible VAT	(1,820)	(669)	(960)	(567)
Business trips	(1,373)	(431)	(994)	(415)
Entertainment expenses	(1,327)	(773)	(522)	(418)
Refund of litigation costs	(1,011)	(395)	(433)	(318)
Motor insurance	(956)	(322)	(891)	(544)
Property insurance	(672)	(263)	(558)	2
Non-compete agreements	(335)	(82)	(521)	(303)
Membership fees	(327)	(157)	(276)	(45)
Losses caused by motor damage	(144)	(42)	(305)	(91)
Allowance for expected credit losses on receivables	-	-	(39)	(38)
Provision for possible differences relative to straight-line basis settlement	1,778	100	(3,323)	(1,553)
Other	(2,428)	(1,150)	(1,171)	(121)
	(252,421)	(89,085)	(207,552)	(75,688)

10.5 Finance income

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest income on bank deposits	488	70	222	196
Net foreign exchange gains	-	-	-	-
	488	70	222	196

10.6 Finance costs

PLN '000

	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(147,430)	(60,573)	(65,044)	(23,945)
<i>including interest</i>	(136,116)	(56,304)	(54,056)	(21,230)
Net foreign exchange gains	5,131	(187)	7,361	(2,107)
Interest income/expense on hedging instruments – IRS	5,363	3,882	(6,855)	(2,327)
Hedging costs	9,273	8,449	-	-
Interest income/expense on hedging instruments – CIRS	(177)	(172)	-	-
Interest income/expense on derivative instruments – FORWARD	-	-	3,611	-
Interest income/expense on derivative instruments – CIRS	-	-	3,851	(2,173)
	(127,840)	(48,601)	(57,076)	(30,552)

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

PLN '000

Note

		Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Realised exchange gains/(losses)	10.6	954	1,909	745	1,798
Unrealised exchange gains/(losses)	10.6	4,177	(2,096)	6,616	(3,905)
Settlement of forward contracts	10.6	-	-	3,611	-
Remeasurement of debt portfolios due to exchange rate movements	10.1	1,032	379	(11,900)	(2,428)
Remeasurement of loans due to exchange rate movements	10.1	1,131	294	(37)	177
		7,294	486	(965)	(4,359)

10.8 Income tax

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

PLN '000	Jan 1–Sep 30 2022 unaudited	Jul 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Jul 1–Sep 30 2021 unaudited
Current income tax				
Current income tax payable ¹	(30,771)	9,706	(44,793)	(5,061)
Deferred income tax				
Related to temporary differences and their reversal	(2,811)	6,857	(40,339)	(18,175)
Income tax recognised in profit or loss	(33,582)	(2,849)	(85,132)	(23,236)
Income tax recognised in other comprehensive income	-	-	-	-
	(33,582)	(2,849)	(85,132)	(23,236)

¹ The amount includes income tax, withholding tax and CFC tax.

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.

PLN '000	Jan 1–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited
Profit before tax	710,662	650,491
Tax calculated at the Parent's rate (19%)	(135,026)	(123,593)
Effect of application of other tax rates abroad and effect of deferred tax	7,124	(1,959)
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	94,320	40,420
Income tax recognised in profit or loss	(33,582)	(85,132)
Effective tax rate (%)	4.73%	13.09%

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	
	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021
Property, plant and equipment	8,935	6,279	(4,498)	(6,198)	4,437	81
Intangible assets	-	-	(5,485)	(1,745)	(5,485)	(1,745)
Tax losses deductible in future periods	11,384	8,155	-	-	11,384	8,155
Trade and other receivables	-	-	(402)	(245)	(402)	(245)
Borrowings and other debt instruments	14,559	7,775	-	-	14,559	7,775
Employee benefit obligations	2,267	2,392	-	-	2,267	2,392
Provisions and liabilities	-	40	(58)	-	(58)	40
Investments in debt portfolios	-	-	(7,339)	(6,974)	(7,339)	(6,974)
Investments in loans	34,901	29,328	-	-	34,901	29,328
Expected future outflows of income from investments in subsidiaries	-	-	(186,592)	(168,325)	(186,592)	(168,325)
Deferred tax assets/liabilities	72,046	53,969	(204,374)	(183,486)	(132,328)	(129,517)
Deferred tax assets offset against liabilities	(25,694)	(16,409)	25,694	16,409	-	-
Deferred tax assets/liabilities in the statement of financial position	46,352	37,560	(178,680)	(167,077)	(132,328)	(129,517)

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 Sep 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	4,356	4,437	(78)	159	81
Intangible assets	(1,745)	(3,740)	(5,485)	(1,630)	(115)	(1,745)
Tax losses deductible in future periods	8,155	3,229	11,384	7,967	189	8,155
Trade and other receivables	(245)	(157)	(402)	(268)	24	(245)
Borrowings and other debt instruments	7,775	6,784	14,559	21,112	(13,337)	7,775
Employee benefit obligations	2,392	(125)	2,267	2,488	(96)	2,392
Provisions and liabilities	40	(98)	(58)	56	(16)	40
Investments in debt portfolios	(6,974)	(365)	(7,339)	(6,984)	10	(6,974)
Investments in loans	29,328	5,573	34,901	23,035	6,293	29,328
Expected future outflows of income from investments in subsidiaries	(168,325)	(18,267)	(186,592)	(148,857)	(19,468)	(168,325)
	(129,517)	(2,811)	(132,328)	(103,159)	(26,358)	(129,517)

The value of the deferred tax liability is affected by the change in the level of estimated future cash flows from subsidiaries to KRUK S.A. for the foreseeable future. The level of these flows depends on, among others:

- liquidity needs of KRUK S.A. and the acquired and forecasted available new debt financing for KRUK S.A.,
- acquired and forecasted available new debt financing in subsidiaries,
- planned outlays for debt portfolios – among others, their level affects the forecasted liquidity situation in subsidiaries,
- planned payments from purchased debt portfolios in subsidiaries.

In connection with the above, the item of the deferred tax liability for the *Expected future outflows of income from investments in subsidiaries* may be subject to significant changes in individual reporting periods.

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 September 30th 2022 was PLN 3,493,559 thousand (as at December 31st 2021: PLN 2,332,410 thousand).

10.9 Borrowings, debt securities and leases

PLN '000	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Non-current liabilities			
Secured borrowings	1,775,860	1,409,351	943,892
Liabilities under debt securities (unsecured)	1,338,617	833,032	1,043,771
Lease liabilities	36,302	41,247	46,380
	<u>3,150,779</u>	<u>2,283,629</u>	<u>2,034,043</u>
Current liabilities			
Secured borrowings	164,344	86,551	18,389
Liabilities under debt securities (unsecured)	84,606	471,727	350,771
Lease liabilities	38,627	27,113	23,831
	<u>287,577</u>	<u>585,391</u>	<u>392,991</u>

Terms and repayment schedule of borrowings, debt securities and leases

PLN '000	Currency	Nominal interest rate	Maturity periods ¹	Sep 30 2022 unaudited	Dec 31 2021	Sep 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 + 2.2–2.95pp	2022-2028	1,940,204	1,495,902	962,281
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin of 3.2–4.0pp 4.00–4.80% ²	2022-2028	1,423,223	1,304,759	1,394,542
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 0.8–9.7pp; 3.0–4.7%	2022-2030	74,929	68,360	70,211
				<u>3,438,356</u>	<u>2,869,020</u>	<u>2,427,034</u>

¹ Maturity of the last liability.

² 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 September 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.

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 nine months ended September 30th 2022, 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 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 September 30th 2022, with a total volume of PLN 855,000 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
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

The transactions were designated for hedge accounting.

Currency risk hedges

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 nine months ended September 30th 2022, 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 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 September 30th 2022, KRUK Group companies held open outstanding CIRS contracts with a total volume of PLN 855,000 thousand (the contracts are listed in the section *Interest rate risk hedges*).

Amounts related to items designated as hedging instruments

PLN '000

	Sep 30 2022				Dec 31 2021				Item in the statement of financial position	Hedge type
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	24,710	-	330,000 (PLN)	10,907	13,803	-	530,000 (PLN)	32,189	Hedging instruments	Hedge of future cash flows
CIRS	-	29,088	855,000 (PLN)	(29,088)	-	-	-	-	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	24,710	29,088		(18,181)	13,803	-		32,189		

PLN '000

Disclosure of the hedged item as at Sep 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)	330,000	10,907	24,710	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	855,000	(29,088)	(34,224)	-

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 Sep 30 2022

	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Instrument type:					
IRS					
fixed payment PLN sale	(83,432)	(9,912)	(269,556)	-	-
variable payment PLN	83,432	9,912	269,556	-	-
CIRS					
interest payments	(31,055)	(33,194)	(136,029)	(881,576)	-

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
Instrument type:					
IRS					
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–Sep 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
Hedge reserve at beginning of period	13,803	4,082	-	17,885
Measurement of instruments recognised in reserves	16,270	-	(28,903)	(12,633)
Cost of hedging	-	-	3,754	3,754
Amount reclassified to profit or loss during the period	(5,363)	-	(9,075)	(14,438)
- Interest income / (expense)	(5,363)	-	198	(5,165)
- Cost of hedging			(9,273)	(9,273)
Hedge reserve at end of period	24,710	4,082	(34,224)	(5,432)

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
Hedge reserve at beginning of period	(18,386)	3,603	(14,783)
Measurement of instruments recognised in reserves	41,368	479	41,846
Amount reclassified to profit or loss during the period	(9,179)	-	(9,179)
- Interest income / (expense)	(9,179)	-	(9,179)
Hedge reserve at end of period	13,803	4,082	17,885

10.11 Earnings per share

Basic earnings per share

'000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Number of ordinary shares as at Jan 1	19,013	19,011	19,011
Effect of cancellation and issue	65	(45)	-
Weighted average number of ordinary shares at end of reporting period	19,077	18,966	19,011
<i>PLN</i>			
Earnings per share	35.48	36.63	29.74

Diluted earnings per share

'000	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Weighted average number of ordinary shares at end of reporting period	19,077	18,966	19,011
Effect of issue of unregistered shares not subscribed for	620	441	267
Weighted average number of ordinary shares at end of reporting period (diluted)	19,697	19,407	19,278
<i>PLN</i>			
Earnings per share (diluted)	34.36	35.80	29.33

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

PLN '000

	Sep 30 2022 unaudited	Jun 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Assets				
Non-current assets				
Property, plant and equipment	69,052	73,114	80,249	80,813
Other intangible assets	62,990	41,986	43,474	43,526
Goodwill	25,177	24,241	23,840	24,006
Investments	4,400,403	4,030,585	3,592,179	3,077,444
Hedging instruments	24,710	29,316	12,804	-
Deferred tax asset	46,352	43,437	37,560	34,944
Total non-current assets	4,628,684	4,242,679	3,790,106	3,260,733
Current assets				
Inventories	16,913	20,100	20,295	29,013
Investments	2,117,957	1,949,228	1,824,333	1,758,402
Trade receivables	19,523	20,134	22,873	16,868
Other receivables	43,601	38,283	35,079	24,804
Hedging instruments	-	-	999	-
Other assets	19,031	18,482	16,551	16,168
Cash and cash equivalents	197,030	176,625	199,164	177,113
Total current assets	2,414,055	2,222,852	2,119,294	2,022,367
Total assets	7,042,739	6,465,531	5,909,400	5,283,100
Equity and liabilities				
Equity				
Share capital	19,128	19,128	19,013	19,011
Share premium	342,740	342,740	333,264	310,430
Hedge reserve	(5,432)	12,158	17,885	(2,269)
Translation reserve	169,297	98,203	75,708	77,891
Other capital reserves	145,312	137,524	122,202	117,613
Retained earnings	2,460,942	2,272,922	2,032,745	1,903,462
Equity attributable to owners of the Parent	3,131,987	2,882,675	2,600,817	2,426,138
Non-controlling interests	(531)	(777)	(590)	(427)
Total equity	3,131,456	2,881,898	2,600,227	2,425,710
Non-current liabilities				
Borrowings, debt securities and leases	3,150,779	2,783,727	2,283,629	2,034,043
Deferred tax liability	178,680	182,623	167,077	178,442
Provisions	936	936	16,433	14,051
Hedging instruments	29,088	20,422	-	3,081
Total non-current liabilities	3,359,483	2,987,708	2,467,139	2,229,617
Current liabilities				
Borrowings, debt securities and leases	287,577	331,852	585,391	392,991
Trade and other payables	154,738	155,360	162,986	116,121
Income tax payable	12,658	10,747	18,369	20,897
Employee benefit obligations	53,650	55,080	48,661	45,936
Provisions	43,177	42,886	26,627	44,528
Derivatives	-	-	-	5,374
Hedging instruments	-	-	-	1,925
Total current liabilities	551,800	595,925	842,034	627,772
Total liabilities	3,911,283	3,583,633	3,309,173	2,857,389
Total equity and liabilities	7,042,739	6,465,531	5,909,400	5,283,100

10.13 Goodwill

PLN '000

	Kancelaria Prawna RAVEN	KRUK Espana S.L.	ERIF BIG S.A.	Total
Gross carrying amount as at Jan 1 2021	299	47,943	725	48,967
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	(76)	-	(76)
Gross carrying amount as at Dec 31 2021	299	47,867	725	48,891
Gross carrying amount as at Jan 1 2022	299	47,867	725	48,891
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	1,337	-	1,337
Gross carrying amount as at Sep 30 2022	299	49,204	725	50,228
Impairment losses				
Impairment losses as at Jan 1 2021	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
Impairment losses as at Dec 31 2021	-	(25,051)	-	(25,051)
Impairment losses as at Jan 1 2022	-	(25,051)	-	(25,051)
Increase	-	-	-	-
Decrease	-	-	-	-
Impairment losses as at Sep 30 2022	-	(25,051)	-	(25,051)
Net carrying amount				
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 Sep 30 2022	299	24,153	725	25,177

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

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021	Sep 30 2021 unaudited
Real property	16,809	20,295	29,013
Other inventories	104	-	-
	16,913	20,295	29,013

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>	Jan 1–Sep 30 2022 unaudited	Jan 1–Dec 31 2021	Jan 1–Sep 30 2021 unaudited
Carrying amount of property held at beginning of period	20,295	32,056	32,056
Carrying amount of property foreclosed	4,216	7,156	10,057
Carrying amount of property sold	(5,542)	(13,131)	(12,851)
Impairment losses	(2,288)	(5,628)	-
Translation differences on property	128	(158)	(249)
Carrying amount of property held at end of period	16,809	20,295	29,013

10.15 Trade and other receivables**Trade receivables**

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Short-term trade receivables	19,523	22,873
	19,523	22,873

Other receivables

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Taxes receivable (other than income tax)	21,804	15,933
Receivables under collected debts	14,214	9,047
Receivables under security deposits and bid bonds	7,195	9,111
Employee loans	272	272
Other receivables	115	684
Receivables for court fees and stamp duty	-	32
	43,601	35,079

10.16 Cash and cash equivalents

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Cash in hand	209	145
Cash in current accounts	196,821	160,088
Cash proceeds from bond issues deposited in brokerage account	-	38,931
	<u>197,030</u>	<u>199,164</u>

10.17 Employee benefit obligations

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Salaries and wages payable	23,581	19,653
Social benefit obligations	17,308	17,007
Accrued holiday entitlements	6,926	7,127
Personal income tax	5,072	4,239
Special accounts	763	635
	<u>53,650</u>	<u>48,661</u>

10.18 Trade and other payables

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Trade payables	109,331	122,587
Other liabilities	20,488	15,617
Tax and duties payable	7,429	7,962
Accrued expenses	10,722	9,695
Deferred income	6,767	7,125
	<u>154,738</u>	<u>162,986</u>

10.19 Provisions

<i>PLN '000</i>	Sep 30 2022 unaudited	Dec 31 2021
Provisions for retirement gratuity payments	18,668	16,433
Provision for the loyalty scheme	12,346	11,750
Other provisions	13,098	14,876
	<u>44,113</u>	<u>43,060</u>

	Provision for retirement gratuities	Provision for the loyalty scheme	Other provisions
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	16,433	11,750	14,876
Carrying amount as at Jan 1 2022	16,433	11,750	14,876
Increase / accrual	2,235	1,865	
Provision for possible differences relative to straight-line basis settlement			-
Use	-	(1,269)	
Reversal of provision for possible differences relative to straight-line basis settlement			(1,778)
Carrying amount as at Sep 30 2022	18,668	12,346	13,098

11. Related-party transactions

Remuneration of the management personnel - Management Board

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

PLN '000	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Base pay/ managerial contract (gross)	5,315	1,768	4,625	1,652
Additional benefits	73	26	58	20
Share-based payments	23,110	7,788	13,987	6,823
	28,498	9,582	18,670	8,495

Remuneration of members of the Supervisory Board

Remuneration of members of the Parent's Supervisory Board:

PLN '000	Jan 1–Sep 30 2022	Jul 1–Sep 30 2022	Jan 1–Sep 30 2021	Jul 1–Sep 30 2021
Base pay (gross)	845	306	717	239
Additional benefits	14	9	10	8
	858	316	727	247

Other transactions with management personnel

As at September 30th 2022, members of the Management Board and persons closely related to them jointly held 10.7% 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:

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Investments in debt portfolios	6,158,136	5,100,176
Loans	360,224	316,336
Hedging instruments	24,710	13,803
Trade and other receivables, excluding tax receivables	41,319	42,019
Cash and cash equivalents	197,030	199,164
	<u>6,781,419</u>	<u>5,671,498</u>

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

PLN '000

	Sep 30 2022 unaudited	Dec 31 2021
Poland	3,086,571	3,090,465
Romania	1,207,047	914,952
Italy	1,523,221	1,037,858
Spain	748,804	427,422
Other foreign markets	215,776	200,801
	<u>6,781,419</u>	<u>5,671,498</u>

Credit risk exposure – Investments in debt portfolios

PLN '000

	Carrying amount as at Sep 30 2022	Carrying amount as at Dec 31 2021
Unsecured retail portfolios	5,197,842	4,159,327
Secured retail portfolios	267,466	308,875
Unsecured corporate portfolios	207,270	185,638
Secured corporate portfolios	485,558	446,336
	<u>6,158,136</u>	<u>5,100,176</u>

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 days	Carrying	Carrying
	Basket 2: 1-90 days	amount as at	amount as at
	Basket 3: >90 days	Sep 30 2021	Dec 31 2021
Gross carrying amount of trade and other receivables, excluding tax receivables			
	Basket 1	41,319	42,019
	Basket 2	124	169
	Basket 3	1,613	1,613
		<u>43,056</u>	<u>43,801</u>
Impairment losses			
	Basket 1	-	-
	Basket 2	124	169
	Basket 3	1,613	1,613
		<u>1,737</u>	<u>1,782</u>
Net carrying amount			
	Basket 1	41,319	42,019
	Basket 2	-	-
	Basket 3	-	-
		<u>41,319</u>	<u>42,019</u>

Changes in allowances for expected credit losses on receivables:

PLN '000

	Jan 1–Sep 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	-	(108)	-	(108)	-	-	-	-
Transfer between baskets	-	-	-	-	-	-	-	-
Loss allowance at end of period	-	124	1,613	1,737	-	169	1,613	1,782

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

IFRS 9 classification	Carrying amount as at Sep 30 2022	Carrying amount as at Dec 31 2021	Carrying amount as at Sep 30 2021
Loans measured at amortised cost			
Basket 1	216,587	205,064	200,261
Basket 2	115,245	65,222	22,733
Basket 3	139,898	96,234	93,654
POCI loans	1,964	1,866	1,084
	473,694	368,386	317,732
Allowance for expected credit losses			
Basket 1	11,775	9,657	6,063
Basket 2	15,544	7,538	4,315
Basket 3	101,705	71,977	70,127
	129,023	89,172	80,505
Net carrying amount			
Basket 1	204,812	195,406	194,198
Basket 2	99,701	57,684	18,418
Basket 3	38,193	24,257	23,526
POCI loans	1,964	1,866	1,084
	344,671	279,213	237,227

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

PLN '000	Jan 1–Sep 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	127,565	(33,968)	2,418	(976)	95,039	146,449	17,502	(21,097)	774	143,628
Transfer from basket 1 to basket 2	(93,066)	93,066	-	-	-	(51,590)	51,590	-	-	-
Transfer from basket 1 to basket 3	(34,299)	-	34,299	-	-	(15,094)	-	15,094	-	-
Transfer from basket 2 to basket 1	3,340	(3,340)	-	-	-	13,408	(13,408)	-	-	-
Transfer from basket 2 to basket 3	-	(6,697)	6,697	-	-	-	(18,139)	18,139	-	-
Transfer from basket 3 to basket 1	3	-	(3)	-	-	-	-	-	-	-
Transfer from basket 3 to basket 2	-	2	(2)	-	-	-	-	-	-	-
Gross carrying amount at end of period	216,587	115,245	139,898	1,964	473,694	205,064	65,222	96,234	1,866	368,386

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

PLN '000	Jan 1–Sep 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	33,344	-	5,832	39,176	13,952	10,975	-	24,927
Transfer from basket 1 to basket 2	(12,865)	12,865	-	-	(5,855)	5,855	-	-
Transfer from basket 1 to basket 3	(19,747)	-	19,747	-	(10,212)	-	10,212	-
Transfer from basket 2 to basket 1	112	(112)	-	-	442	(442)	-	-
Transfer from basket 2 to basket 3	-	(4,021)	4,021	-	-	(12,932)	12,932	-
Transfer from basket 3 to basket 1	2	-	(2)	-	-	-	-	-
Transfer from basket 3 to basket 2	-	0	(0)	-	-	-	-	-
Reversal of allowance for expected credit losses	-	(1,064)	-	(1,064)	-	-	(7,848)	(7,848)
Loss allowance at end of period	11,775	15,544	101,705	129,023	9,657	7,538	71,977	89,172

As at September 30th 2022, the gross carrying amount of loans measured at amortised cost was PLN 473,694 thousand (December 31st 2021: PLN 368,386 thousand). The Group recognised an allowance for expected credit losses on loans of PLN 129,023 thousand as at September 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 27.2% 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 September 30th 2022 was PLN 20,973 thousand (December 31st 2021: PLN 20,452 thousand).

Liquidity risk

Exposure to liquidity risk

As at Sep 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
Non-derivative financial assets and liabilities							
Investments in debt portfolios	6,158,136	12,121,562	1,104,337	976,446	1,799,688	3,946,861	4,294,230
Loans	360,224	520,903	219,350	123,095	129,782	48,676	-
Trade and other receivables, excluding tax receivables	41,319	41,319	41,319	-	-	-	-
Cash and cash equivalents	197,030	197,030	197,030	-	-	-	-
Secured borrowings	(1,940,204)	(2,361,278)	(59,639)	(122,307)	(191,484)	(1,955,306)	(32,542)
Unsecured bonds in issue	(1,423,223)	(1,986,207)	(142,924)	(66,452)	(240,970)	(1,167,493)	(368,368)
Lease liabilities	(74,929)	(69,151)	(19,572)	(13,409)	(23,444)	(11,719)	(1,006)
Trade and other payables	(129,819)	(129,819)	(129,819)	-	-	-	-
	3,188,534	8,334,359	1,210,081	897,373	1,473,572	861,020	3,892,314

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
Non-derivative financial assets and liabilities							
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	-
Trade and other receivables, excluding tax receivables	42,019	42,019	42,019	-	-	-	-
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 September 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 September 30th 2022, the undrawn revolving credit facility limit available to the Group was PLN 967,253 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 September 30th 2022, financial assets denominated in foreign currencies accounted for 53% of total assets, while liabilities denominated in foreign currencies represented 22% 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

	Sep 30 2022					Sep 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	-	3,510	-	-	3,510	-	351	-	-	351
Investments	-	311	1,017,289	18,509	1,036,109	-	31	101,729	1,851	103,611
Cash	523	2,095	20,836	181	23,636	52	210	2,084	18	2,364
Borrowings, debt securities and leases	-	(102,409)	-	-	(102,409)	-	(10,241)	-	-	(10,241)
Trade and other payables	(667)	(8,593)	(25,189)	-	(34,448)	(67)	(859)	(2,519)	-	(3,445)
Exposure to currency risk - Effect on statement of profit or loss	(144)	(105,086)	1,012,937	18,690	926,397	(14)	(10,508)	101,294	1,869	92,640
Trade and other receivables	-	15,023	24,089	446	39,558	-	1,502	2,409	45	3,956
Investments	-	2,194,859	164,027	121,322	2,480,208	-	219,486	16,403	12,132	248,021
Cash	-	80,809	32,034	8,888	121,730	-	8,081	3,203	889	12,173
Borrowings, debt securities and leases	-	(1,333,821)	(9,730)	(898)	(1,344,449)	-	(133,382)	(973)	(90)	(134,445)
Trade and other payables	-	(41,373)	(12,706)	(94)	(54,172)	-	(4,137)	(1,271)	(9)	(5,417)
Exposure to currency risk - Effect on other comprehensive income	-	915,497	197,713	129,665	1,242,875	-	91,550	19,771	12,967	124,288
Exposure to currency risk	(144)	810,411	1,210,650	148,355	2,169,272	(14)	81,041	121,065	14,836	216,928
Hedge effect	-	(855,000)	-	-	(855,000)	-	(85,500)	-	-	(85,500)
Currency risk exposure after hedging	(144)	(44,589)	1,210,650	148,355	1,314,272	(14)	(4,459)	121,065	14,836	131,428

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–Sep 30 2022 unaudited	Jan 1–Sep 30 2021 unaudited	Sep 30 2022 unaudited	Dec 31 2021
EUR 1	4.6880	4.5585	4.8698	4.5994
1 USD	4.4413	3.8179	4.9533	4.0600
RON 1	0.9497	0.9270	0.9838	0.9293
CZK 1	0.1904	0.1771	0.1980	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	
	Sep 30 2022	Dec 31 2021
Fixed-rate financial instruments		
Financial assets	6,756,709	5,657,695
Financial liabilities	(307,842)	(503,476)
	6,448,867	5,154,219
Hedge effect (nominal amount)	(1,185,000)	(530,000)
	5,263,867	4,624,219
Variable-rate financial instruments		
Financial assets	24,710	13,803
Financial liabilities	(3,289,421)	(2,503,748)
	(3,264,711)	(2,489,945)
Hedge effect (nominal amount)	1,185,000	530,000
	(2,079,711)	(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	
	up by 100 bps	down by 100 bps
Sep 30 2022		
Variable-rate financial assets	247	(247)
Variable-rate financial liabilities	(32,894)	32,894
Dec 31 2021		
Variable-rate financial assets	138	(138)
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

	Sep 30 2022 unaudited		Dec 31 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	24,710	24,710	13,803	13,803
Hedging instruments (CIRS)	(29,088)	(29,088)	-	-
Loans	15,553	15,553	37,123	37,123
	11,175	11,175	50,926	50,926
Financial assets and liabilities other than measured at fair value				
Investments in debt portfolios	6,158,136	5,546,817	5,100,176	4,835,016
Loans	344,671	357,081	279,213	270,034
Secured borrowings	(1,940,204)	(1,948,370)	(1,495,902)	(1,502,198)
Liabilities under debt securities (unsecured)	(1,423,223)	(1,412,870)	(1,304,759)	(1,330,251)
	3,139,380	2,542,658	2,578,728	2,272,601

Interest rates used for fair value estimation

	Sep 30 2022 unaudited	Dec 31 2021
Investments in debt portfolios	0.23–216.23%	-0.01–216.23%
Loans	18.04–78.44%	14.64–88.69%
Secured borrowings	2.88–9.91%	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

<i>PLN '000</i>	Level 1	
	Carrying amount	Fair value
As at Dec 31 2021		
Liabilities under debt securities (unsecured)	(1,304,759)	(1,330,251)
As at Sep 30 2022		
Liabilities under debt securities (unsecured)	(1,423,223)	(1,412,870)

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	
	<u>Carrying amount</u>	<u>Fair value</u>
As at Dec 31 2021		
Hedging instruments (IRS)	13,803	13,803
Secured borrowings	(1,495,902)	(1,502,198)
As at Sep 30 2022		
Hedging instruments (IRS)	24,710	24,710
Hedging instruments (CIRS)	(29,088)	(29,088)
Secured borrowings	(1,940,204)	(1,948,370)

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	
	<u>Carrying amount</u>	<u>Fair value</u>
As at Dec 31 2021		
Investments in debt portfolios	5,100,176	4,835,016
Loans	316,336	307,157
As at Sep 30 2022		
Investments in debt portfolios	6,158,136	5,546,817
Loans	360,224	372,634

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

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

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 nine months ended September 30th 2022 was PLN 1,350,526 thousand, up by 45% from PLN 932,576 thousand in the corresponding period of the previous year. In the reporting period, the Group invested primarily in unsecured retail debt, which represented as much as 87% of new portfolios, with foreign markets, Italy and Spain in particular, accounting for most (82%) of total new investment in debt. The aggregate nominal value of purchased debt portfolios was PLN 7,751,032 thousand, 51% more than in the same period of 2021.

Recoveries and remeasurement of portfolios

In the nine months ended September 30th 2022, recoveries from portfolios purchased by the KRUK Group totalled PLN 1,927,722 thousand, up 19% year on year, with over half of this amount collected in the KRUK Group's foreign markets. The year-on-year increase of PLN 312,868 thousand was due mainly to a PLN 149,834 thousand growth in recoveries in Poland, a PLN 90,274 thousand growth in recoveries in Italy, and a PLN 46,739 thousand growth in recoveries in Spain.

In the nine months ended September 30th 2022, the Group recognised a gain of remeasurement of portfolios of PLN 304,980 thousand. Effects of remeasurement were positive in all markets apart from Spain, where the Group recognised a loss on portfolio remeasurement of PLN 38,706 thousand. In the nine months ended September 30th 2021, the Group recorded a gain on portfolio remeasurement of PLN 223,930 thousand. The PLN 81,049 thousand year-on-year increase in the first nine months of 2022 was mainly attributable to remeasurement gains on Romanian portfolios (up by PLN 57,687 thousand), Polish portfolios (up by PLN 37,552 thousand), and portfolios in Italy (up by PLN 17,836 thousand).

Net result for the nine months ended September 30th 2022

Net profit for the nine months to September 30th 2022 was PLN 677,080 thousand, up by 20% on the figure posted for the same period last year (PLN 565,359 thousand). Cash EBITDA¹ for the first nine months of 2022 came in at PLN 1,363,050 thousand, having improved 18% year on year.

Impact of inflation on the Group's business

Inflation contributes to an increase in the KRUK Group's costs, in particular on labor costs, and indirectly through an increase in interest rates on financial costs. The potential impact of inflation on the KRUK Group's revenues is deferred and difficult to assess at the moment.

¹ Cash EBITDA = EBITDA - revenue from purchased portfolios + recoveries from purchased portfolios.

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

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 three months ended September 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) maintaining the required level of debt ratios in relation to contractual obligations (a description of these ratios can be found in part III Additional Information of the Management Board of KRUK S.A.) – currently the ratios are at levels significantly lower than their limits resulting from loan agreements or bond issue conditions.
- 2) Liquidity position – the Group maintains its liquidity ratios at high levels, therefore an increase in financing costs or EUR/PLN exchange rates has no material impact on the Group's current 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 18% of total debt (as at September 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 zloty, 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 September 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;
- on August 12th 2022 – unsecured AM4 bonds with a nominal value of PLN 60,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 3.30pp, maturing on August 12th 2027.

On May 13th 2022, the Management Board of KRUK S.A. passed a resolution to establish the 9th Bond Issue Programme with a total nominal value of up to PLN 700,000 thousand, under which the Parent may issue public bonds. The Programme prospectus along with an application for its approval will be filed with the Polish Financial Supervision Authority. Individual series of Bonds under the Programme will be issued during the 12 months from the prospectus approval by the Polish Financial Supervision Authority. The final terms of each Bond issue, particularly the rules for determining the interest rate and interest amount, may vary. The key terms of each Bond series will be provided in the prospectus and in the final terms of the relevant series.

On August 24th 2022, the Management Board of KRUK S.A. was notified of the approval on August 23rd 2022 by the Polish Financial Supervision Authority of the prospectus prepared in connection with the 9th Bond Issue Programme.

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 September 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 119,700 thousand	No later than July 3rd 2030	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 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
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 589,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement

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 589,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 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
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of August 22nd 2022 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 79,200 thousand	No later than August 21st 2030	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement

Credit sureties or guarantees, security pledges

On September 26th 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 agreement 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 Amendment Agreement, the facility limit was increased to EUR 393,000 thousand and the availability period of the facility was extended by another 12 months, i.e. until July 3rd 2027.

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 amendments to the pledge agreements reflecting the Amendment Agreement. In addition, on September 27th 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 589,500 thousand, which will expire on or before December 31st 2031.

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;
- on July 21st and August 17th 2022, InvestCapital Ltd and the lenders signed agreements under Spanish law creating pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market;
- on July 5th 2022, InvestCapital Ltd and the lenders signed an agreement under Spanish law creating a pledge over a bank account held by InvestCapital Ltd.

As at September 30th 2022, the value of the security created in favour of the Lenders was PLN 3,193,338 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 September 30th 2022, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 100,180 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 120,000 thousand, which will expire on or before January 31st 2030;
- on May 18th and August 16th 2022 PROKURA NS FIZ and the lender signed agreements to create registered pledges over sets of rights (debt portfolios owned by PROKURA NS FIZ). The pledges were created up to the maximum amount of PLN 120,000 thousand.

As at September 30th 2022, the value of all debt portfolios pledged in favour of Bank Polska Kasa Opieki S.A. totalled PLN 71,132 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 January 31st 2030;
- on July 1st 2022, KRUK S.A. entered into an agreement with Bank Polska Kasa Opieki S.A. to create a financial and registered pledge over investment certificates issued by PROKURA NS FIZ and acquired by KRUK S.A. The registered pledge was created up to the maximum amount of PLN 60,000 thousand. As at September 30th 2022, the value of the certificates pledged under the agreement was PLN 63,954 thousand.

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 September 30th 2022, the value of the certificates pledged under the agreement was PLN 139,900 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 September 30th 2022, the value of all debt portfolios pledged in favour of ING Bank Śląski S.A. totalled PLN 394,119 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.

On August 22nd 2022, Prokura NS FIZ and KRUK S.A. entered into an up to PLN 52,800 thousand non-revolving working capital facility agreement with Powszechna Kasa Oszczędności Bank Polski S.A. of Warsaw. In order to secure the repayment of Prokura NS FIZ's liabilities under the agreement:

- on August 22nd 2022, Kruk S.A.:
 - entered into a surety agreement with PKO BP S.A. The surety was issued for up to PLN 79,200 thousand, with the proviso that its amount will decrease in proportion to repayments made under the facility so as to represent 150% of the amount of the outstanding debt under the facility. The surety will expire on or before September 21st 2030,
 - executed with PKO BP S.A. an agreement amending the agreement of October 5th 2021 for a financial pledge over a bank account held by KRUK S.A. with PKO BP S.A.,
 - granted PKO BP S.A. a power of attorney over certain bank accounts held by KRUK S.A. with PKO BP S.A.;
- on August 22nd 2022, Prokura NS FIZ concluded with PKO BP S.A. an agreement amending the agreement of October 5th 2021 for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna and granted the bank a power of attorney over that account;
- on August 30th 2022, KRUK S.A., acting 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 79,200 thousand, which will expire on or before August 21st 2029.

On September 15th 2022, Prokura NS FIZ and KRUK S.A. executed with mBank S.A. of Warsaw an agreement amending the revolving credit facility agreement of July 2nd 2015, as amended. Under the Amendment Agreement, the facility limit was increased to PLN 120,000 thousand and the availability period of the facility

was extended until September 15th 2027. In order to secure Prokura NS FIZ's liabilities arising under the amended facility:

- on September 15th 2022, Kruk S.A. and mBank S.A. executed an agreement amending surety agreement of July 2nd 2015, as amended. The surety was issued for up to PLN 180,000 thousand, with the proviso that its amount will decrease in proportion to repayments made under the facility so as to represent 150% of the amount of the outstanding debt under the facility. The surety will expire on or before July 3rd 2030;
- on September 15th 2022, Prokura NS FIZ executed with mBank S.A. an agreement amending the agreement of July 2nd 2015 for a financial pledge over a bank account held by Prokura NS FIZ with Polska Kasa Opieki Spółka Akcyjna, as amended. The financial pledge will expire on or before July 3rd 2030;
- on September 27th 2022, KRUK S.A., acting 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 180,000 thousand, which will expire on or before December 31st 2030.

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 October 5th 2022, the Parent's share capital was increased. The increase was effected as part of the conditional share capital increase through the issue of 191,060 Series F shares with a par value of PLN 1.00 per share. The increase was registered by the District Court for Wrocław-Fabryczna of Wrocław, 6th Commercial Division of the National Court Register, on October 20th 2022. Following the registration, KRUK S.A.'s share capital amounts to PLN 19,318,790 and consists of 19,318,790 shares

On October 3, 2022, the draft Act on debt collection activities and the debt collector profession was published. The KRUK Group is currently analyzing the project and its potential impact on the Group.

After the end of the third quarter of 2022, there were no other events with a potentially material bearing on the Group's future performance.

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 Zasępa

Member of the Management Board

Monika Grudzień-Wiśniewska

*Person keeping
the accounting records*

Hanna Stempień

Prepared by

Wrocław, November 7th 2022