The published XHTML report is the binding version of financial statements

KRUK

Separate financial statements

for the year ended
31 December 2024

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

Separate financial statements

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Separate statement of profit or loss

PLN '000	***Note***	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Revenue from services	*4.*	417,923	226,461
Gain/(loss) on expected credit losses	*4.*	12,755	17,699
Interest income on debt portfolios measured at amortised cost	*4.*	17,419	16,620
Other operating income	*4.*	3,915	1,130
Other income/(expenses) from purchased debt portfolios	*4.*	(440)	(1,921)
Income including gain/(loss) on expected credit losses and other income/(expenses) from purchased debt portfolios		451,572	259,989
Share of the profit/(loss) of subsidiaries accounted for using the equity method	*13.*	1,011,127	1,192,612
Employee benefits expense	*7.*	(242,046)	(222,350)
Depreciation and amortisation	*11., 12.*	(27,767)	(25,965)
Service expense	*5.*	(102,447)	(74,596)
Other expenses	*6.*	(33,240)	(32,728)
		(405,500)	(355,639)
Finance income	*8.*	145,333	101,195
including interest income on loans measured at amortised cost	*8.*	*140,130*	*100,913*
Finance costs	*8.*	(248,161)	(172,146)
including interest expense relating to lease liabilities		*(1,174)*	*(1,996)*
Net finance costs		(102,828)	(70,951)
Profit/(loss) before tax		954,371	1,026,011
Income tax	*9.*	89,009	(42,077)
Net profit/(loss) for period		1,043,380	983,934
Earnings/(loss) per share			
Basic (PLN)	*20.*	53.95	50.93
Diluted (PLN)	*20.*	50.94	48.37

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

Separate statement of comprehensive income

PLN '000	***Note***	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Net profit/(loss) for period		1,043,380	983,934
Other comprehensive income, gross			
Items that may be reclassified subsequently to profit or loss			
Instruments hedging cash flows and net investment in a foreign operation	*22.*	21,477	56,376
Exchange differences on translating of foreign operations	*13.*	(34,863)	(196,319)
Share of other comprehensive income of subsidiaries accounted for using the equity method	*13.*	(3,746)	(27,487)
		(17,132)	(167,430)
Items that will not be reclassified to profit or loss			
Share of other comprehensive income of subsidiaries accounted for using the equity method	*13.*	43	(824)
		43	(824)
Other comprehensive income for period, gross		(17,089)	(168,254)
Income tax on instruments hedging cash flows and net investment in a foreign subsidiary	*15.*	(4,081)	(10,473)
Other comprehensive income for period, net		(21,170)	(178,727)
Total comprehensive income for period		1,022,210	805,207

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

Separate statement of financial position

PLN '000	***Note***	**31 Dec 2024**	**31 Dec 2023**
Assets			
Cash and cash equivalents	*18.*	9,110	227,643
Hedging instruments	*22.*	114,326	98,428
Trade receivables from related entities	*17.*	98,666	33,932
Trade receivables from other entities	*17.*	2,991	2,582
Other receivables	*17.*	7,687	11,664
Income tax receivables		2,716	16,232
Inventories	*16.*	9,979	14,562
Investments	*14.*	1,617,901	1,432,518
Equity-accounted investments in subsidiaries	*13.*	6,496,565	5,483,390
Property, plant and equipment	*11.*	31,049	35,348
Intangible assets	*12.*	22,639	29,427
Other assets		9,117	8,787
Total assets		8,422,746	7,394,513
Equity and liabilities			
Liabilities			
Trade and other payables	*25.*	36,477	35,452
Derivatives		105	-
Hedging instruments	*22.*	21,352	20,883
Employee benefit liabilities	*23.*	42,746	38,196
Borrowings, other debt securities and leases	*21.*	3,706,354	3,265,472
Provisions	*24.*	3,522	40,810
Deferred tax liabilities	*15.*	113,864	202,307
Total liabilities		3,924,420	3,603,120
Equity			
Share capital	*19.*	19,382	19,319
Share premium	*19.*	374,097	358,506
Hedge reserve	*22.*	80,170	62,774
Translation reserve		(130,734)	(95,871)
Share of other comprehensive income of subsidiaries accounted for using the equity method		(12,103)	(8,400)
Other reserves		188,654	171,847
Retained earnings		3,978,860	3,283,218
Total equity		4,498,326	3,791,393
Total equity and liabilities		8,422,746	7,394,513

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

Separate statement of changes in equity

PLN '000	*Note*	Share capital	Share premium	Hedge reserve	Translation reserve	Share of other comprehensive income of subsidiaries accounted for using the equity method	Other reserves	retained earnings	**Total equity**
Equity as at 1 Jan 2024		19,319	358,506	62,774	(95,871)	(8,400)	171,847	3,283,218	3,791,393
Comprehensive income for period									
Net profit/(loss) for period		-	-	-	-	-	-	1,043,380	1,043,380
Other comprehensive income									
- Exchange differences on translating of foreign operations	*13.*	-	-	-	(34,863)	-	-	-	(34,863)
- Share of other comprehensive income of subsidiaries accounted for using the equity method	*13.*	-	-	-	-	(3,703)	-	-	(3,703)
- Measurement of hedging instruments	*22.*	-	-	17,396	-	-	-	-	17,396
Total other comprehensive income		-	-	17,396	(34,863)	(3,703)	-	-	(21,170)
Total comprehensive income for period		-	-	17,396	(34,863)	(3,703)	-	1,043,380	1,022,210
Contributions from and distributions to owners									
- Payment of dividends	*20.*	-	-	-	-	-	-	(347,738)	(347,738)
- Share-based payments	*29.*	-	-	-	-	-	16,807	-	16,807
- Issue of shares	*19.*	63	15,591	-	-	-	-	-	15,654
Total contributions from and distributions to owners		63	15,591	-	-	-	16,807	(347,738)	(315,277)
Total equity as at 31 Dec 2024		19,382	374,097	80,170	(130,734)	(12,103)	188,654	3,978,860	4,498,326

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

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

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

Statement of cash flows

PLN '000	*Note*	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Cash flows from operating activities			
Net profit/(loss) for period		1,043,380	983,934
Adjustments			
Depreciation of property, plant and equipment	*11.*	16,686	15,191
Amortisation of intangible assets	*12.*	11,081	10,774
Net finance costs	*8.*	102,272	68,690
Share of (profit)/loss of subsidiaries accounted for using the equity method	*13.*	(1,011,127)	(1,192,612)
(Gain)/loss on retirement/sale of property, plant and equipment	*4.*	284	(805)
Write-off of development work	*6.*	1,055	-
Equity-settled share-based payments	*29.*	16,807	21,951
Interest income	*4.*	(17,419)	(16,620)
Income tax	*9.*	(89,009)	42,077
Change in debt portfolios purchased	*14.*	(747)	(556)
Change in inventories	*16.*	4,583	612
Change in trade and other receivables	*17.*	(48,346)	5,585
Change in other assets		(330)	175
Change in trade and other payables, excluding financial liabilities	*25.*	911	9,232
Change in employee benefit liabilities	*23.*	4,550	9,222
Change in provisions	*24.*	(10,341)	(397)
Interest received	*4.*	17,419	16,620
Tax paid/refunded		(16,945)	(30,049)
Net cash from (used in) operating activities		24,764	(56,976)
Cash flows from investing activities			
Interest received		100,865	46,658
Loans granted	*14.*	(540,808)	(1,034,534)
Proceeds from disposal of intangible assets and property, plant and equipment	*11.,12.*	5,788	743
Dividends received	*13.*	17,363	29,695
Proceeds from investments in subsidiaries	*13.*	141,420	364,612
Purchase of intangible assets and property, plant and equipment	*11.,12.*	(19,335)	(18,444)
Acquisition of shares in subsidiaries	*13.*	(190,296)	(236,358)
Repayments of loans granted	*14.*	363,542	108,483
Net cash from (used in) investing activities		(121,461)	(739,145)
Cash flows from financing activities			
Proceeds from issue of debt securities	*21.*	373,724	1,560,639
Proceeds from issue of shares	*19.*	15,654	-
Increase in borrowings	*21.*	1,656,231	1,422,851
Repayment of borrowings	*21.*	(1,457,707)	(1,439,452)
Payments under finance lease contracts (principal)	*21.*	(19,097)	(18,931)
Dividends paid	*20.*	(347,738)	(289,782)
Redemption of debt securities	*21.*	(102,500)	(65,000)
Interest paid and received on hedging instruments		83,565	69,801
Interest paid		(323,968)	(238,370)
Net cash from (used in) financing activities		(121,836)	1,001,756
Total net cash flows		(218,533)	205,635
Cash and cash equivalents at beginning of period		227,643	22,008
Cash and cash equivalents at end of period		9,110	227,643
- effect of exchange rate fluctuations on cash held		(556)	(2,261)

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

Accounting policies and other notes

Separate financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

1. Company details

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

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

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

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

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

As at 31 December 2024 and as at the date of authorisation of these financial statements for issue, the composition of the Company's Management Board was as follows:

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

As at 31 December 2024, the composition of the Supervisory Board was as follows:

Ewa Radkowska-Świętoń	Chair of the Supervisory Board
Krzysztof Kawalec	Deputy Chair of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Izabela Felczak-Poturnicka	Member of the Supervisory Board

Beata Stelmach	Member of the Supervisory Board
Piotr Stępniak	Member of the Supervisory Board
Piotr Szczepiórkowski	Member of the Supervisory Board

Following the end of the reporting period until the date of issue of this interim report, the following changes occurred in the Supervisory Board:

- On 22 January 2025, Beata Stelmach resigned as a member of the Supervisory Board effective 29 January 2025;
- On 30 January 2025, the Extraordinary General Meeting of KRUK S.A. appointed Dominika Bettman as a member of the KRUK S.A. Supervisory Board, effective from the same date.

As at 31 December 2023, the composition of the Company's Management Board was as follows:

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

As at 31 December 2023, the composition of the Supervisory Board was as follows:

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

2. Basis of preparation

2.1. Statement of compliance

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

These separate financial statements were authorised for issue by the Company's Management Board (the "Management Board") on 26 March 2025.

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

These financial statements should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as at and for the year ended 31 December 2024. The separate and consolidated financial statements are available at: Periodic reports / KRUK S.A.

2.2. Basis of accounting

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

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

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

2.3. Functional currency and presentation currency

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

The Polish złoty is the functional currency of the Company.

2.4. Accounting estimates and judgements

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

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

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	31 Dec 2024 ***(PLN '000)***	**31 Dec 2023** ***(PLN '000)***		
Equity-accounted investments in subsidiaries	6,496,565	5,483,390	3.8. 13.	Equity-accounted investments in subsidiaries are subject to impairment testing. Investments in subsidiaries for which impairment indications were identified are tested for impairment at least annually. As part of the tests, the Company estimates the recoverable amount of the investments based on the value in use of the respective cash-generating units, using the discounted cash flow method. The valuation of investments in subsidiaries is based on a number of assumptions and estimates, in particular with respect to the amount of future cash flows and the adopted discount rate. The projected cash flows of subsidiaries investing in debt portfolios or debt-related assets depend primarily on the assumed expenditure on new portfolios and amount of recoveries. The correctness of the underlying assumptions involves a considerable risk given the significant uncertainty as to the effectiveness of debt collection activities in the future. The discount rate used to test investments in subsidiaries for impairment reflects the current market assessment of the asset risk for the debt collection industry.
Investments in debt portfolios	32,494	31,747	3.3.1. 14. 26.1. 26.2. 26.3.	The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio. KRUK S.A. prepares projections of recoveries from debt portfolios separately for individual markets. The projections account for historical performance of the process of debt portfolio recovery, legal regulations

				currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors. Initial projections of expected cash flows that take into account the initial value (purchase price) are the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, which is used for discounting estimated cash flows, and which, as a rule, remains unchanged throughout the life of a portfolio.

Item	**Amount subject to judgement**		**Note**	**Assumptions and estimate calculation**
	31 Dec 2024 ***(PLN '000)***	**31 Dec 2023** ***(PLN '000)***		
Deferred tax liabilities	113,864	202,307	3.21. 15.	The Company exercises control over the timing of temporary differences regarding subsidiaries, and thus recognises deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans. The Company assesses the recoverability of the deferred tax asset/liabilities based on its approved projection of profits for the following years. The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as: • KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A., • raised and projected new debt financing available to the investment companies, • the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies, • planned recoveries from purchased debt portfolios at the investment companies. Therefore, the amount of deferred tax liabilities for expected future cash flows from subsidiaries may be subject to material changes in individual reporting periods.

3. Material accounting policies

These financial statements comply with the requirements of all International Accounting Standards, International Financial Reporting Standards and related interpretations endorsed by the European Union, which have been issued and are effective for annual periods beginning on or after 1 January 2024.

3.1. Changes in accounting policies

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

There were no significant changes in accounting policies in 2024.

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

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

The amendments had no significant effect on the Company's separate financial statements.

3.2. Foreign currencies

3.2.1. Foreign currency transactions

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

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

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

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

3.2.2. Translation of foreign operations

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

3.3. Financial instruments

3.3.1. Financial assets

The Company measures financial assets at amortised cost.

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

The Company identifies the following business models:

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

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

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

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

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

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

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

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

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

Financial assets were not reclassified in 2024 or in 2023.

<u>Investments in debt portfolios</u>

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

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

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

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

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

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

The estimated cash flows are primarily based on:

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

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

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

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

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

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

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

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

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

<u>Loans to related parties</u>

Loans are granted at arm's length.

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

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

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

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

3.3.2. Trade and other receivables

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

Impairment of trade and other receivables

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

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

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

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

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

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

Financial liabilities other than derivative instruments

The Company measures financial liabilities at amortised cost.

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

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

Financial liabilities are not reclassified.

The Company has the following liabilities: bank borrowings, borrowings from related parties, debt securities, and lease liabilities (Note 3.4.4).

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

Trade and other payables

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

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

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

Fair value for the purpose of disclosure in the financial statements

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

3.3.4. Derivative instruments and hedge accounting

Hedge accounting

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

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

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

c) the hedging relationship meets all of the following hedge effectiveness requirements:

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

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

Discontinuation of hedge accounting

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

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

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

Cash flow hedges

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

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

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

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

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

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

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

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

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

Hedging of a net investment in a foreign operation

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

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

Calculation of the permitted hedged item does not include those monetary items (intra-group receivables and/or liabilities between the Company and the foreign subsidiary) that have a specified

maturity date (i.e. they will be converted into receivables/payables at a specified future date (including trade receivables/payables, receivables/payables under collected debts, resale of shares etc.).
In order to increase the economic effectiveness of the hedge, the Company designated hedging relationships with a monthly frequency, i.e. each FX Forward/FX Swap transaction with a one-month maturity was linked to a designated hedged item for one month, assuming that the nominal portion of the net investment designated as the hedged item is fixed during the month.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.4. Property, plant and equipment

3.4.1. Recognition and measurement

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

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

3.4.2. Subsequent expenditure

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

3.4.3. Depreciation

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

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

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

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

3.4.4. Right of use and lease liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

3.6. Intangible assets

3.6.1. Intangible assets

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

The Company recognises development expenses as intangible assets.

3.6.2. Amortisation

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

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

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

Software	3–5 years
Development expense	1–5 years

3.6.3. Assets amortised over time and intangible assets under development

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

3.7. Investments

Investments include:

- loans advanced to related parties described in Notes 3.3.1 and 3.10.1.
- debt portfolios measured at amortised cost for policies applied in the valuation of such portfolios, see Sections 3.3.1 and 3.10.1.

3.8. Equity-accounted investments in subsidiaries

All investments in subsidiaries are considered equity instruments and therefore, unless they are classified as held for sale, are measured using the equity method.
The acquisition cost of shares or certificates is their fair value as at the acquisition date. At the end of each accounting period, but not less frequently than at the end of every quarter, the carrying amount of an investment is remeasured by the share of the subsidiary's profits/(losses) attributable to the shareholder's (Company's) interest, resulting from the number of shares entitling it to share in such profits/losses.
The carrying amount of the investment is increased by the value of cash or non-cash contributions made, and reduced by the amount of dividends paid or the value of redeemed shares/certificates.
A gain/(loss) on disposal transactions (sale price less the value recognised through the equity method) is recorded in the statement of profit or loss as a gain or loss on disposal of shares in subsidiaries.

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

3.9. Cash and cash equivalents

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

3.10. Impairment losses on assets

3.10.1. Financial assets

For information on the recognition of impairment losses, see Notes 3.3.1 and 3.3.2.

3.10.2. Non-financial assets

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

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

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

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

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

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

Recognition and reversal of impairment losses on investments in subsidiaries are recognised in the statement of profit or loss as ‘Share of profit/(loss) of subsidiaries accounted for using the equity method.

3.11. Equity

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

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

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

Other reserve is created from retained earnings in accordance with the objective set out in a relevant resolution, and from the effective portion of hedging instruments.
Exchange differences on translating foreign operations are disclosed in accordance with the policy described in Note 3.2.2.

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

For the rules followed in the measurement of trade payables, liabilities under borrowings and other financial liabilities, see Section 3.3.3.

3.13. Employee benefits

3.13.1. Defined contribution plan

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

3.13.2. Employee benefit liabilities

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the service is provided.
The Company recognises liability under employee benefit liabilities for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.
Short-term employee benefits at the Company include salaries, bonuses, paid holidays and social security contributions, and are recognised as expenses when incurred.

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

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

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

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

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

3.14. Provisions

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

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

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

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

3.15.1. Revenue from purchased debt portfolios

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

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

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

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

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

3.15.2. Revenue from services

Revenue from debt collection and credit management services

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

Revenue from other services

Revenue from other services includes revenue from support services rendered in the following areas: operational analyses, cybersecurity, risk management, human resources, IT services, as well as consideration for the provision of guarantees.
Revenue from debt collection and credit management services and other services is recorded in the statement of profit or loss under 'Revenue from services'.

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

3.15.3. Other operating income

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

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

3.16. Employee benefits expense

Employee benefits expense includes:

- salaries and social security contributions (including old-age and disability pension contributions),
- provisions for accrued holiday entitlements,
- old-age and disability pension provisions,
- bonus provisions,
- management stock option plan recognised in accordance with IFRS 2 Share-based Payment, and
- costs of other pay and non-pay employee benefits.

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

3.17. Services expense

Services expense include costs of services provided by third parties, such as debt collection, IT, advisory services, short-term rental, property security, service charges, as well as management, packaging, postal and courier services.

The costs of services are charged to current period expenses.

3.18. Lease payments

Lease payments are accounted for in accordance with IFRS 16; see Note 3.4.4.

3.19. Other expenses

Other expenses include:

- court fees incurred as part of the in-court debt recovery process,
- promotion and advertising costs,

- entertainment costs,
- fees payable to the Polish Financial Supervision Authority and the Central Securities Depository of Poland,
- taxes and charges (property tax, VAT, municipal and administrative charges),
- insurance costs,
- infrastructure maintenance costs.

3.20. Finance income and costs

Finance income includes interest income on cash invested by the Company, interest income on loans to related parties (net of income on purchased debt (Note 3.15)), as well as foreign exchange gains on translation of monetary items.
Interest income is presented in profit or loss of the period using the effective interest rate method.
Finance costs include interest expense on external financing, derivatives, hedging instruments, and foreign exchange losses on translation of monetary items. Borrowing costs that are not directly attributable to acquisition, construction or production of particular assets are recognised in profit or loss of the period using the effective interest rate method.

Foreign exchange gains and losses are posted in net amounts.

3.21. Income tax

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

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

The Company chose to present the provision for tax audit result together with interest under ‘Current income tax’ in the statement of profit or loss and under ‘Provisions’ in the statement of financial position. Such presentation will better reflect the impact of this item on the Company’s financial position.

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

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

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

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

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

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

3.22. Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of treasury shares held by the Company. Diluted earnings per share are calculated by dividing the adjusted profit or loss (adjusted by the share issue proceeds under the management stock option plan) attributable to holders of ordinary shares by the weighted average number of ordinary shares adjusted for the number of treasury shares and the dilutive effect of any potential shares.
Dilution is a reduction in earnings per share or an increase in loss per share, assuming that the convertible instruments are converted, options or warrants are exercised, or ordinary shares are issued on satisfaction of certain conditions.

3.23. Segment reporting

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

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

A number of new standards, amendments to standards and interpretations were not yet effective for the annual periods ended 31 December 2024 and have not been applied in preparing these separate financial statements. From among the new standards, amendments to standards and interpretations, the ones discussed below may have an effect on the Company's financial statements. The Company intends to apply them to the periods for which they are effective for the first time.

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

The following amendments to International Financial Reporting Standards and their interpretations, endorsed by the European Union (the "EU IFRS") apply to reporting periods beginning on or after 1 January 2025:

Standards and interpretations endorsed by the EU	**Type of expected change in accounting policies**	**Possible effect on the financial statements**	**Effective for periods beginning on and after**
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rate* – Lack of Exchangeability	The amendments clarify how an entity should assess whether a currency is exchangeable and determine the exchange rate when it is not as well as require certain additional disclosures in such cases.	The Company does not expect the amendments to have any significant effect on its separate financial statements.	1 January 2025

Separate financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

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

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

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

Revenue from services

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Revenue from debt collection and credit management services	314,384	148,168
Revenue from other services	103,439	78,225
Revenue from sale of merchandise and materials	100	68
	417,923	226,461

Revenue from debt collection and credit management services

Revenue from fee-based debt collection and credit management comprises commission fees ranging from 2% to 49% of the collected debts. Fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main client in the group of non-related entities accounts for 1% of revenue from credit management services, and in the group of related entities – for 93.2% (2023:4.8% and 88.6%, respectively).

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

The increase in revenue from debt collection and credit management services is due to settlements made following change of the methodology for determining the transfer price between related parties for the debt collection and credit management service. Previously, the comparable uncontrolled price (CUP) method, where the price is expressed as a percentage fee on recoveries, was used. However, based on tax audit results received from the Customs and Revenue Office, it was changed to the cost-plus method, which ensures that the reasonable costs associated with providing the service are covered.

In view of the tax audit results, KRUK adjusted its settlements with related parties regarding debt collection and credit management services provided in 2018-2023, which resulted in a PLN 133,896 thousand increase in revenue from the provision of services (debt collection and credit management). As at 31 December 2024, the Company had outstanding receivables of PLN 61,747 thousand for the settlement of adjustments concerning the provision of debt collection and credit management services.
The amount was settled as of 19 February 2025.

Revenue from other services

Revenue from other services comprises revenue from the services specified below. Payment for the provision is made within 14-30 days of the respective invoice date.

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Guarantee fees	44,277	30,516
IT services	30,628	21,539
Administrative support services	14,402	14,626
Rental services	7,088	6,245
Valuation services	7,041	5,296
Other services	3	3
	103,439	78,225

Revenue from purchased debt portfolios

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Interest income on debt portfolios measured at amortised cost	17,419	16,620
Gain/(loss) on expected credit losses	12,755	17,699
Other income/(expenses) from purchased debt portfolios	(440)	(1,921)
	29,734	32,398

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

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Revaluation of projected recoveries	9,089	11,359
Deviations from actual recoveries, decreases on early collections in collateralised cases	3,666	6,340
	12,755	17,699

If necessary, as at the end of each quarter the Company 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 Company analyses the impact of macroeconomic factors on projected recoveries; historically, no correlation between recoveries from purchased debt portfolios and the macroeconomic situation has been found.

Assumptions adopted in the valuation of debt portfolios

	31 Dec 2024	31 Dec 2023
Discount rate*	28.11% - 170.19%	28.11% - 170.19%
Cash flows estimation period	Jan 2025–Dec 2039	Jan 2024–Dec 2038
Undiscounted value of future recoveries *PLN '000*	122,129	112,069

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

PLN '000	31 Dec 2024	31 Dec 2023
discount rate:		
< 25%	19	33
25% - 50%	16,793	13,489
> 50%	105,317	98,547
	122,129	112,069

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

PLN '000	31 Dec 2024	31 Dec 2023
Period		
Up to 12 months	22,349	22,523
From 1 to 2 years	18,223	17,342
From 2 to 3 years	15,194	14,184
From 3 to 4 years	12,744	11,696
From 4 to 5 years	10,478	9,655
From 5 to 6 years	8,425	7,819
From 6 to 7 years	6,921	6,197
From 7 to 8 years	5,852	5,009
From 8 to 9 years	4,971	4,193
From 9 to 10 years	4,242	3,519
From 10 to 11 years	3,616	2,970
From 11 to 12 years	3,182	2,518
From 12 to 13 years	2,630	2,125
From 13 to 14 years	1,838	1,558
From 14 to 15 years	1,464	761
Over 15 years	-	-
	122,129	112,069

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

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

Other income/(expenses) from purchased debt portfolios

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Foreign exchange gains/(losses)	(440)	(1,921)
	(440)	(1,921)

Other operating income

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Gain (loss) on sale of property*	3,376	-
Re-billing income/(expense)	624	260
Other	131	65
Compensation for motor damage	68	-
Gain/(loss) on retirement/sale of property, plant and equipment	(284)	805
	3,915	1,130

**As at 1 January 2024, Gain/(loss) on the sale of property, previously presented under Revenue from purchased debt portfolios, is disclosed as a separate line item.*

5. Services expense

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
IT services	(46,679)	(33,221)
Administrative and accounting support services	(18,199)	(7,669)
Credit management services	(13,349)	(12,693)
Postal and courier services	(7,422)	(6,198)
Communications services	(3,867)	(3,120)
Space rental and service charges	(3,557)	(3,685)
Legal assistance services	(2,531)	(2,081)
Banking services	(1,087)	(942)
Security	(986)	(895)
Recruitment services	(965)	(920)
Other auxiliary services	(804)	(1,196)
Repair of vehicles	(722)	(543)
Other rental	(678)	(436)
Printing services	(480)	(341)
Marketing and management services	(449)	(70)
Repair and maintenance services	(400)	(289)
Transport services	(154)	(187)
Packing services	(118)	(110)
	(102,447)	(74,596)

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

6. Other expenses

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Raw materials and consumables used	(7,000)	(6,287)
Staff training	(6,859)	(3,726)
Advertising	(3,935)	(5,405)
Business travel	(2,615)	(1,916)
Representation expenses	(2,324)	(6,260)
Taxes and charges	(2,134)	(1,873)
VAT on rental payments (leases and rents)	(1,915)	(2,484)
Write-off of development work	(1,055)	-
Court fees	(905)	(974)
Refund of litigation costs	(894)	(631)
Donations	(814)	(636)
Motor insurance	(811)	(850)
Losses due to traffic damage	(667)	(96)
Property insurance	(510)	(405)
Other	(304)	(653)
Non-competition	(280)	(362)
Membership fees	(218)	(170)
	(33,240)	(32,728)

7. Employee benefits expense

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Salaries and wages	(180,661)	(161,836)
Pension and disability insurance contributions	(27,250)	(23,245)
Equity-settled cost of stock option plan*	(16,807)	(21,951)
Other employee expenses	(9,739)	(8,592)
Other social security contributions	(6,208)	(5,404)
Contribution to the State Fund for the Disabled	(1,381)	(1,322)
	(242,046)	(222,350)

** The management stock option plan is described in Note 19.*

8. Finance income and costs

Recognised as profit or loss for the period

Finance income

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Interest income on loans advanced	140,130	100,913
Interest income on bank deposits	5,203	282
	145,333	101,195

Finance costs

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Interest and commission expense on financial liabilities measured at amortised cost	(323,311)	(241,525)
including interest	*(312,052)*	*(232,966)*
Net exchange rate differences	(2,260)	(1,080)
Expense/income from measurement of derivatives – FORWARD	(105)	-
Interest income/expense on hedging instruments – CIRS	1,546	995
Interest income/expense on hedging instruments – IRS	11,691	15,185
Hedging income/expense	64,278	54,279
	(248,161)	(172,146)

In 2024, there was a significant increase in interest expense compared with 2023, primarily due to higher debt (bonds and bank borrowings).

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

PLN '000	*Note*	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Realised exchange gains/(losses)		(5,559)	3,452
Remeasurement of debt portfolios due to exchange rate movements	*4.*	(440)	(1,921)
Expense/income from measurement of derivatives – FORWARD		(105)	-
Unrealised exchange gains/(losses)		3,299	(4,532)
		(2,805)	(3,001)

9. Income tax

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

PLN '000	*Note*	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Current income tax recognised in profit or loss			
Current income tax payable*		(3,513)	(51,663)
Deferred income tax recognised in profit or loss			
Related to temporary differences and their reversal**	*15.*	92,522	9,586
Income tax recognised in profit or loss		89,009	(42,077)
Deferred income tax recognised in other comprehensive income			
Related to temporary differences and their reversal	*15.*	(4,081)	(10,473)
Income tax recognised in other comprehensive income		(4,081)	(10,473)
Income tax recognised in comprehensive income		84,928	(52,550)

** The amount of income tax disclosed in these financial statements includes income tax and CFC tax, and for 2023 it also includes a provision for tax audit result.*
***The decrease in deferred tax liabilities in the reporting period was attributable to a drop in expected cash inflows from subsidiaries and higher cost of revenue related to forecast proceeds from investments in subsidiaries.*

Reconciliation of effective tax rate

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Profit/(loss) before tax	954,371	1,026,011
Income tax recognised in profit or loss	89,009	(42,077)
Tax calculated at the tax rate applicable in Poland (19%)	(181,330)	(194,942)
Differences resulting from ability to control the timing of reversal of temporary differences in the valuation of net assets of subsidiaries and the probability of their realization in the foreseeable future, and other non-deductible expenses/non-taxable income	270,339	181,419
Provision for tax audit result	-	(28,554)
	89,009	(42,077)
Effective tax rate	(9.33%)	4.10%

The lower effective tax rate in 2024 compared with 2023 is primarily due to the significant share of the financial results of subsidiaries, the tax value of which will be realised more than three years after the reporting date. The Company does not recognise a deferred tax liability in respect of retained earnings at its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months.

Tax risk

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

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

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.
In Poland, tax settlements are subject to tax inspection for a period of five years.

As at the date of issue of this Report, the Company received a report on the audit of its corporate income tax settlements for 2018–2023, carried out by the Customs and Tax Office in Kraków. The audit result matches the Company's calculations of the provision recognised for the resulting tax liability as at the end of 2023 (see Note 24).

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

In accordance with the regulations, the Group will be required to pay a top-up tax representing the difference between the effective tax rate calculated for a given jurisdiction and the minimum rate of 15% after meeting the revenue condition set out therein, i.e., after its consolidated revenue in any two of the four consecutive fiscal years immediately preceding the tested fiscal year reaches EUR 750 million or more. The Company estimates that the KRUK Group's consolidated revenue may reach the EUR 750 million threshold in 2025 and 2026 at the earliest. In this case, the KRUK Group may be required to pay the top-up tax for the first time for 2027.
If other statutory conditions are met, the KRUK Group may benefit from the 'safe harbour' rules provided for in the Act, which would mean exemption from the obligation to compute and pay top-up tax in the Polish jurisdiction for up to five years (starting from the first year for which the revenue condition was met, i.e., not earlier than from 2027).

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

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

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

PLN '000	*Note*	31 Dec 2024	31 Dec 2023
Assets			
Non-current assets			
Property, plant and equipment	*11.*	31,049	35,348
Intangible assets	*12.*	22,639	29,427
Hedging instruments	*22.*	101,285	82,848
Equity-accounted investments in subsidiaries	*13.*	6,496,565	5,483,390
Investments	*14.*	1,279,315	1,157,433
Total non-current assets		7,930,853	6,788,446
Current assets			
Inventories	*16.*	9,979	14,562
Investments	*14.*	338,586	275,085
Trade receivables from related entities	*17.*	98,666	33,932
Trade receivables from other entities	*17.*	2,991	2,582
Other receivables	*17.*	7,687	11,664
Income tax receivables		2,716	16,232
Hedging instruments	*22.*	13,041	15,580
Cash and cash equivalents	*18.*	9,110	227,643
Other assets		9,117	8,787
Total current assets		491,893	606,067
Total assets		8,422,746	7,394,513
Equity and liabilities			
Equity			
Share capital	*19.*	19,382	19,319
Share premium	*19.*	374,097	358,506
Hedge reserve	*22.*	80,170	62,774
Translation reserve		(130,734)	(95,871)
Share of other comprehensive income of subsidiaries accounted for using the equity method		(12,103)	(8,400)
Other reserves		188,654	171,847
Retained earnings		3,978,860	3,283,218
Total equity		4,498,326	3,791,393
Non-current liabilities			
Deferred tax liabilities	*15.*	113,864	202,307
Provisions	*24.*	1,760	12,105
Borrowings, other debt securities and leases	*21.*	3,472,473	2,953,262
Hedging instruments	*22.*	21,352	20,883
Total non-current liabilities		3,609,449	3,188,557
Current liabilities			
Provisions	*24.*	1,762	28,705
Borrowings, other debt securities and leases	*21.*	233,881	312,210
Derivatives		105	-
Trade and other payables	*25.*	36,477	35,452
Employee benefit liabilities	*23.*	42,746	38,196
Total current liabilities		314,971	414,563
Total liabilities		3,924,420	3,603,120
Total equity and liabilities		8,422,746	7,394,513

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

11.Property, plant and equipment

PLN '000	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross carrying amount of property, plant and equipment						
Gross carrying amount as at 1 Jan 2023	33,375	34,214	22,411	1,041	2,327	93,368
Purchase	1,231	9,389	1,202	47	291	12,160
Sale/retirement	(1,788)	(516)	(2,780)	-	-	(5,084)
Accounting for assets under construction	-	2,192	-	-	(2,192)	-
Gross carrying amount as at 31 Dec 2023	32,818	45,279	20,833	1,088	426	100,444
Gross carrying amount as at 1 Jan 2024	32,818	45,279	20,833	1,088	426	100,444
Purchase	2,262	9,893	177	-	229	12,561
Sale/retirement	-	(3,185)	(722)	-	-	(3,907)
Accounting for assets under construction	-	334	92	-	(426)	-
Gross carrying amount as at 31 Dec 2024	35,080	52,321	20,380	1,088	229	109,098
Accumulated depreciation and impairment losses						
Accumulated depreciation as at 1 Jan 2023	(20,760)	(24,924)	(7,437)	(473)	-	(53,594)
Depreciation	(5,178)	(4,726)	(5,171)	(116)	-	(15,191)
Decrease resulting from sale / retirement	970	507	2,212	-	-	3,689
Accumulated depreciation as at 31 Dec 2023	(24,968)	(29,143)	(10,396)	(589)	-	(65,096)
Accumulated depreciation as at 1 Jan 2024	(24,968)	(29,143)	(10,396)	(589)	-	(65,096)
Depreciation	(5,388)	(6,999)	(4,179)	(120)	-	(16,686)
Decrease resulting from sale / retirement	-	3,174	559	-	-	3,733
Accumulated depreciation as at 31 Dec 2024	(30,356)	(32,968)	(14,016)	(709)	-	(78,049)

PLN '000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Property, plant and equipment under construction**	**Total**
Net carrying amount						
As at 1 Jan 2023	12,615	9,290	14,974	568	2,327	39,774
As at 31 Dec 2023	7,850	16,136	10,437	499	426	35,348
As at 1 Jan 2024	7,850	16,136	10,437	499	426	35,348
As at 31 Dec 2024	4,724	19,353	6,364	379	229	31,049

As at 31 December 2024 and 31 December 2023, the Company did not recognise any impairment losses on property, plant and equipment.

As at 31 December 2024 and 31 December 2023, the Company had no contractual obligations to purchase of property, plant and equipment.

For more information on security interests in property, plant and equipment, see Note 21.

The data presented in the Right-of-use section is disclosed in the table above.

Right of use and lease liabilities

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Carrying amount of right-of-use assets, by class of underlying asset at beginning of period		
Buildings and structures	6,973	11,459
Plant and equipment	97	204
Vehicles	9,844	14,019
Intangible assets – software	12,119	19,034
	29,033	44,716
Cost of depreciation of right-of-use assets in the reporting period, by class of underlying asset		
Buildings and structures	(5,057)	(4,856)
Plant and equipment	(119)	(107)
Vehicles	(4,078)	(5,026)
Intangible assets – software	(8,419)	(7,692)
	(17,673)	(17,681)
Increase in right-of-use assets	4,026	3,126
Decrease in right-of-use assets due to liquidation/termination of contract	(131)	(1,128)
Carrying amount of right-of-use assets, by class of underlying asset at end of reporting period		
Buildings and structures	4,178	6,973
Plant and equipment	43	97
Vehicles	5,812	9,844
Intangible assets – software	5,222	12,119
	15,255	29,033
Interest expense relating to lease liabilities	1,174	1,996
Cost relating to variable lease payments not included in the measurement of lease liabilities	-	-
Total cash outflow in connection with leases	22,789	23,447

In 2024, costs under short-term and low-value contracts were PLN 678 thousand (2023: PLN 436 thousand).

12.Intangible assets

PLN '000	Software, licences, permits	Other	Intangible assets under development	Total
Gross carrying amount of intangible assets				
Gross carrying amount as at 1 Jan 2023	55,791	369	3,957	60,117
Produced internally	317	-	7,165	7,482
Purchase	1,172	-	756	1,928
Decreases as a result of retirement	-	-	-	-
Accounting for deferred assets	2,310	-	(2,310)	-
Gross carrying amount as at 31 Dec 2023	59,590	369	9,568	69,527
Gross carrying amount as at 1 Jan 2024	59,590	369	9,568	69,527
Produced internally	-	-	3,244	3,244
Purchase	3,126	-	4,430	7,556
Decreases as a result of retirement	(2,178)	-	-	(2,178)
Accounting for assets under development	756	-	(756)	-
Disposal of intangible assets	-	-	(5,446)	(5,446)
Write-off of development work	-	-	(1,055)	(1,055)
Gross carrying amount as at 31 Dec 2024	61,294	369	9,985	71,648
Accumulated amortisation and impairment losses				
Accumulated amortisation as at 1 Jan 2023	(28,957)	(369)	-	(29,326)
Amortisation	(10,774)	-	-	(10,774)
Decreases as a result of retirement	-	-	-	-
Accumulated amortisation as at 31 Dec 2023	(39,731)	(369)	-	(40,100)
Accumulated amortisation as at 1 Jan 2024	(39,731)	(369)	-	(40,100)
Amortisation	(11,081)	-	-	(11,081)
Decreases as a result of retirement	2,172	-	-	2,172
Accumulated amortisation as at 31 Dec 2024	(48,640)	(369)	-	(49,009)

PLN '000	**Software, licences, permits**	**Other**	**Intangible assets under development**	**Total**
Net carrying amount				
As at 1 Jan 2023	26,834	-	3,957	30,791
As at 31 Dec 2023	19,859	-	9,568	29,427
As at 1 Jan 2024	19,859	-	9,568	29,427
As at 31 Dec 2024	12,654	-	9,985	22,639

As at 31 December 2024 and 31 December 2023, the Company did not recognise any impairment losses on intangible assets.
As at 31 December 2024 and 31 December 2023, the Company did not have any intangible assets with restricted legal title, and none of the intangible assets were pledged as security for liabilities.
As at 31 December 2024 and 31 December 2023, the Company had no contractual obligations to purchase intangible assets. The data presented in Note 11 under Right of use is disclosed in the table above.

13. Equity-accounted investments in subsidiaries

		Carrying amount	
PLN '000	**Country**	**31 Dec 2024**	**31 Dec 2023**
InvestCapital Ltd[1]	Malta	3,776,476	3,109,906
Prokura NFW FIZ (formerly Prokura NS FIZ)[1]	Poland	1,607,864	1,494,600
SeCapital S.a.r.l.[1]	Luxembourg	744,849	574,722
Presco Investments S.a.r.l.[2]	Luxembourg	70,653	69,062
KRUK Romania S.r.l.	Romania	67,446	48,405
KRUK España S.L.U.	Spain	58,009	44,020
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	48,034	57,517
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	40,481	37,109
Wonga.pl Sp. z o.o.	Poland	33,860	9,844
KRUK Italia S.r.l.	Italy	25,424	12,389
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	8,074	3,671
RoCapital IFN S.A.[1]	Romania	7,070	6,677
AgeCredit S.r.l.	Italy	4,069	4,863
Kruk Deutschland GmbH	Germany	3,226	3,740
KRUK TECH s.r.l.[1]	Romania	1,030	503
Bison NFW FIZ (formerly BISON NS FIZ)[3]	Poland	-	6,362
Kruk Immobiliare S.r.l.	Italy	-	-
ItaCapital S.r.l.	Italy	-	-
Novum Finance Sp. z o.o.[1]	Poland	-	-
Kruk Investimenti s.r.l.	Italy	-	-
Zielony Areał Sp. z o.o.	Poland	-	-
		6,496,565	5,483,390

[1] Subsidiaries in which the Company indirectly holds 100% of the share capital.
[2] The equity of Presco NFW FIZ (formerly P.R.E.S.C.O INVESTMENT I NS FIZ)is consolidated within Presco Investments S.a.r.l.
[3] In the third quarter of 2024, the funds Prokura NFW FIZ and Bison NFW FIZ were merged.
As of 30 July 2024, Bison was removed from the Register of Investment Funds.

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Carrying amount of investments in subsidiaries at beginning of period	5,483,390	4,735,762
Share of profit/(loss) of subsidiaries accounted for using the equity method	1,011,127	1,192,612
Exchange differences on translation of foreign operations	(34,863)	(196,319)
Share of other comprehensive income of subsidiaries accounted for using the equity method	(3,703)	(28,311)
Increase/(decrease) (dividends, in-kind contributions, redemptions, impairment losses, sale)	40,614	(220,354)
Carrying amount of investments in subsidiaries at end of period	6,496,565	5,483,390

The share of profit/(loss) of subsidiaries accounted for using the equity method for the period from 1 January to 31 December 2024 was PLN 1,011,127 thousand, reflecting mainly revenue from recoveries and revaluation of recovery projections for debt portfolios owned by the subsidiaries, net of costs (from 1 January to 31 December 2023: PLN 1,192,612 thousand).

In 2024, the following related parties resolved to pay dividend:

- Presco Investments S.a.r.l. – PLN 24,249 thousand,

- Kancelaria Prawna Raven P. Krupa sp.k. – PLN 3,177 thousand,
- KRUK Deutschland Gmbh – PLN 2,556 thousand,
- Secapital S.a.r.l. – PLN 1,446 thousand.

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

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

The dividends were paid partly by offsetting them against liabilities under collected amounts of PLN 13,015 thousand (2023: PLN 10,851 thousand).

		Ownership interest and share in total voting rights (%)	
	Country	**31 Dec 2024**	**31 Dec 2023**
PLN '000			
AgeCredit S.r.l.	Italy	100%	100%
Bison NFW FIZ (formerly BISON NS FIZ)[3]	Poland	-	100%
Corbul S.r.l[2]	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l.[2]	Romania	n/a	n/a
InvestCapital Ltd[1]	Malta	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
Kancelaria Prawna RAVEN P.Krupa Sp. k.	Poland	98%	98%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK España S.L.U.	Spain	100%	100%
Kruk Immobiliare S.r.l.	Italy	100%	100%
Kruk Investimenti s.r.l.	Italy	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
KRUK TECH s.r.l.[1]	Romania	100%	100%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.[1]	Poland	100%	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)[1]	Poland	100%	100%
Prokura NFW FIZ (formerly Prokura NS FIZ)[1]	Poland	100%	100%
RoCapital IFN S.A.[1]	Romania	100%	100%
SeCapital S.a.r.l.[1]	Luxembourg	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%

[1] *Subsidiaries in which the Company indirectly holds 100% of the share capital.*
[2] *KRUK S.A. controls the company through a personal link.*
[3] *In the third quarter of 2024, the funds Prokura NFW FIZ and Bison NFW FIZ were merged. As of 30 July 2024, Bison was removed from the Register of Investment Funds.*

All the subsidiaries listed above were consolidated in the consolidated financial statements of the KRUK Group as at 31 December 2024 and for the period from 1 January 2024 to 31 December 2024.

	Changes in investments in subsidiaries as at 31 Dec 2024				
PLN '000	**Share capital increase**	**Share capital reduction**	**Capital injection**	**Return of contributions to equity**	**Redemption of certificates**
InvestCapital Ltd.	190,000	-	-	-	-
Prokura NS FIZ	-	-	-	-	133,670
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	-	-	-	-	1,870
Presco Investments S.a.r.l.	-	4,400	-	-	-

	Changes in investments in subsidiaries as at 31 Dec 2023				
PLN '000	**Share capital increase**	**Share capital reduction**	**Capital injection**	**Return of contributions to equity**	**Redemption of certificates**
InvestCapital Ltd.	220,000	240,000	-	-	-
AgeCredit S.r.l.	-	-	1,242	-	-
Prokura NS FIZ	-	-	-	-	90,630
BISON NS FIZ (CLOSED-END INVESTMENT FUND)	-	-	-	-	16,430
KRUK Italia S.r.l.	-	-	-	21,541	-
Kruk Investimenti s.r.l.	-	-	47	-	-
Wonga.pl Sp. z o.o.	-	-	15,198	-	-

Impairment testing of investments in subsidiaries

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

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

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

Country where the tested asset is present		**Spain**	**Italy**	**Poland**	**Romania**	**Germany**	**Czech Republic**	**France**
Weighted average cost of capital for the debt collection industry in	2024	6.87%	6.97%	7.84%	8.93%	5.82%	7.13%	6.53%
	2023	6.90%	6.98%	7.63%	8.48%	5.87%	7.23%	6.43%
Weighted average cost of capital for the lending industry in	2024	-	-	15.74%	18.36%	-	-	-
	2023	-	-	10.99%	12.78%	-	-	-

In 2024, the residual value was calculated using a growth rate calculated as the average of projected inflation rates in the forecast period of 1.97%-3.31%, depending on the country (2.19%-4.37% in 2023).

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

As part of the review of strategic options for the Czech and Slovak markets, in early 2024 KRUK S.A. decided to suspend further investments in debt portfolios in these markets. However, operations in these markets are continued, allowing for potential collaboration with local business partners and selective asset sales. Accordingly, based on tests performed in 2024, an impairment loss was recognised for the investment in KRUK Česká a Slovenská Republika s.r.o. of PLN 5,994 thousand.

14. Investments measured at amortised cost

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Investments measured at amortised cost		
Loans to related parties	1,585,407	1,400,771
Investments in debt portfolios	32,494	31,747
	1,617,901	1,432,518

Investments in debt portfolios

As part of its investments in debt portfolios, the Company holds unsecured portfolios.
For the rules followed in the valuation of investments in debt portfolios, see Note 3.3.1.

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

Sensitivity analysis – revision of projections

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 249 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 249 thousand for the data as at 31 December 2024 (a PLN 242 thousand increase/decrease, respectively, for the data as at 31 December 2023).

PLN '000	**Profit or loss for the current period**	
	100 bps increase in recoveries	**100 bps decrease in recoveries**
31 Dec 2024		
Investments in debt portfolios	249	(249)
31 Dec 2023		
Investments in debt portfolios	242	(242)

Sensitivity analysis – time horizon

The sensitivity analysis presented below assumes extension or shortening of the projection period with a simultaneous increase or decrease in the recovery projections (in the case of extension by one year, projected recoveries increased by PLN 1,166 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 1,464 thousand; for 2023, the amounts were PLN 372 thousand and PLN 761 thousand, respectively).

PLN '000	**Profit or loss for the current period**	
	extension by one year	**shortening by one year**
31 Dec 2024		
Investments in debt portfolios	0.20	(0.43)
31 Dec 2023		
Investments in debt portfolios	0.06	(0.22)

Changes in carrying amount of investments in debt portfolios

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Carrying amount of investments in debt portfolios at beginning of period	31,747	31,191
Cash recoveries	(28,987)	(32,988)
Carrying amount of property sold*	-	1,146
Revenue from purchased debt portfolios*	29,734	32,398
Carrying amount of investments in debt portfolios at end of period	32,494	31,747

** As of 1 January 2024, gain/(loss) on the sale of property was reclassified from Revenue from purchased debt portfolios to Other operating income. The change has no effect on the carrying amount of investments in debt portfolios.*

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

Changes in expected credit losses

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Cumulative expected credit losses on purchased debt portfolios at beginning of period	289,597	270,745
Revaluation of projected recoveries	9,089	11,359
Deviations from actual recoveries, decreases on early collections in collateralised cases	3,666	7,493
Cumulative expected credit losses on purchased debt portfolios at end of period	302,352	289,597

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

Loans to related parties

As at 31 December 2024, the gross carrying amount of loans advanced to related parties was PLN 1,604,727 thousand, and the loss allowance was PLN 19,320 thousand (31 December 2023: PLN 1,404,666 thousand and PLN 3,895 thousand, respectively).
Loans to related parties are provided on the following terms:

- 3M WIBOR + margin of 2.09–6.4pp;
- 3M EURIBOR + margin of 2.09–2.95pp;
- 3M PRIBOR + margin of 2–2.09pp;
- 3M ROBOR + margin of 2.09–3pp;
- fixed interest rate – 6.56–9.76pp.

Interest on some of the loans is paid by offsetting it against a new loan (PLN 42,333 thousand in 2024 and PLN 41,770 thousand in 2023) or through a cash payment.
For information on the balance of loans to related parties, see Note 28.
For information on the Company’s exposure to credit, currency and interest rate risks associated with its investments, see Note 26.

15.Deferred tax

Deferred tax assets and liabilities

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

	Assets		Liabilities		Net carrying amount	
PLN '000	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**	**31 Dec 2024**	**31 Dec 2023**
Property, plant and equipment	2,403	5,222	(2,961)	(4,234)	(558)	988
Intangible assets	-	-	(3,470)	(5,000)	(3,470)	(5,000)
Trade and other receivables	-	-	(180)	(241)	(180)	(241)
Borrowings and other debt instruments, leases	21,413	21,776	-	-	21,413	21,776
Employee benefit liabilities	2,686	4,582	-	-	2,686	4,582
Provisions and liabilities	224	186	-	-	224	186
Investments in debt portfolios	-	-	(7,682)	(7,411)	(7,682)	(7,411)
Equity-accounted investments in subsidiaries	-	-	(108,449)	(203,420)	(108,449)	(203,420)
Derivative hedging instruments	-	-	(17,848)	(13,767)	(17,848)	(13,767)
Deferred tax assets/liabilities	26,726	31,766	(140,590)	(234,073)	(113,864)	(202,307)
Deferred tax assets offset against liabilities	(26,726)	(31,766)	26,726	31,766	-	-
Deferred tax assets/liabilities in the statement of financial position	-	-	(113,864)	(202,307)	(113,864)	(202,307)

Change in temporary differences in the period

PLN '000	Net amount of deferred tax at 1 Jan 2024	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at 31 Dec 2024	Net amount of deferred tax at 1 Jan 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of deferred tax at 31 Dec 2023
Property, plant and equipment	988	(1,546)	(558)	3,742	(2,754)	988
Intangible assets	(5,000)	1,530	(3,470)	(5,051)	51	(5,000)
Trade and other receivables	(241)	61	(180)	(413)	172	(241)
Borrowings and other debt instruments, leases	21,776	(363)	21,413	16,633	5,143	21,776
Employee benefit liabilities	4,582	(1,896)	2,686	2,416	2,166	4,582
Provisions and liabilities	186	38	224	(109)	295	186
Investments in debt portfolios	(7,411)	(271)	(7,682)	(7,058)	(353)	(7,411)
Equity-accounted investments in subsidiaries	(203,420)	94,971	(108,449)	(208,285)	4,866	(203,420)
	(188,540)	92,522	(96,016)	(198,125)	9,586	(188,540)

PLN '000	Net amount of deferred tax at 1 Jan 2024	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at 31 Dec 2024	Net amount of deferred tax at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of deferred tax at 31 Dec 2023
Derivative hedging instruments	(13,767)	(4,081)	(17,848)	(3,294)	(10,473)	(13,767)
	(13,767)	(4,081)	(17,848)	(3,294)	(10,473)	(13,767)

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

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

The level of the cash flows depends on such factors as:

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

Therefore, the amount of deferred tax liability for expected future cash flows from subsidiaries may be subject to material changes in individual reporting periods.
The decrease in deferred tax liability for the current period is due to:

- reduction in expected cash inflows from subsidiaries,
- higher cost of revenue related to forecast proceeds from investments in subsidiaries.

The sensitivity analysis of deferred tax shows the impact of changes in the assumptions for 2025–2027 on:

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

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

PLN '000	**debt financing at KRUK S.A. in 2025-2027 higher by PLN 300,000 thousand**	**debt financing at KRUK S.A. in 2025-2027 lower by PLN 300,000 thousand**	**expenditure on debt portfolios at the KRUK Group in 2025-2027 higher by PLN 300,000 thousand**	**expenditure on debt portfolios at the KRUK Group in 2025-2027 lower by PLN 300,000 thousand***
31 Dec 2024				
Deferred tax liability	(24,826)	27,945	(21,928)	22,983

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

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

The Company benefits from the exemption provided in IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences in the foreseeable future and it is probable that the temporary differences will not reverse in the next 36 months. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at 31 December 2024 was PLN 5,081,798 thousand (as at 31 December 2023: PLN 3,727,864 thousand).

Unrecognised deferred tax asset due to tax loss

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

Tax losses and periods over which they can be utilised:

PLN '000	**Tax loss expiry**	**31 Dec 2024**	**31 Dec 2023**
Tax loss for 2019	31 Dec 2024	-	542
Tax loss for 2022	31 Dec 2027	-	3,614
		-	4,156
Applicable tax rate		19%	19%
Potential benefit of tax losses		-	790

Tax losses for 2019 and 2022 were utilised to settle the surcharge resulting from the tax audit.

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Property	9,779	14,418
Other inventories	200	144
	9,979	14,562

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Carrying amount of property held at beginning of period	14,418	15,049
Carrying amount of property foreclosed	2,651	6,438
Carrying amount of property sold	(5,708)	(3,630)
Impairment loss on property	(1,582)	(3,439)
Carrying amount of property held at end of period	9,779	14,418

As at 31 December 2024, impairment losses on property were PLN 1,582 thousand (31 December 2023: PLN 3,439 thousand).

17.Trade and other receivables

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Trade receivables from related entities	98,666	33,932
Trade receivables from other entities	2,991	2,582
	101,657	36,514

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Other receivables from related entities	2,761	4,656
Other receivables from other entities	4,926	6,954
Employee loans	-	54
	7,687	11,664

The reason for the increase in trade receivables from related entities is explained in Note 4.
For information on the Company's exposure to credit risk and currency risk related to receivables and on losses on expected credit losses, see Note 26.

18.Cash and cash equivalents

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Cash in hand	-	3
Cash in current accounts	9,110	7,640
Term deposits	-	220,000
	9,110	227,643

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

19.Equity

Share capital

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

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

On 10 October 2024, the Company's Management Board received a decision to increase the Company's share capital by PLN 62,878, to PLN 19,381,668, through the issue of Series H shares.
The registration of the share capital increase in the National Court Register was declaratory in nature. and the increase was formally effected on 23 September 2024.
The share capital was increased as part of a conditional share capital increase under Resolution No. 22/2021 of the Annual General Meeting of 16 June 2021 through the issue of 62,878 Series H shares of the Company, with a par value of PLN 1.00 per share. The issue of Series H shares was related to the exercise by eligible participants of their rights attached to subscription warrants issued as part of an incentive scheme for key management personnel of KRUK S.A. and the Group companies.

Company's shareholding structure

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

As at 31 Dec 2024	**Number of shares**	**Total par value (PLN '000)**	**Ownership interest (%)**
Shareholder			
Piotr Krupa[1]	1,716,965	1,717	8.86%
NN OFE	2,470,391	2,470	12.75%
Allianz OFE and Allianz DFE[2]	1,931,790	1,932	9.97%
Generali OFE	1,624,510	1,625	8.38%
PZU OFE	1,154,000	1,154	5.95%
Vienna OFE	1,044,523	1,045	5.39%
Other members of the Management Board	184,981	185	0.95%
Other shareholders	9,254,508	9,255	47.75%
	19,381,668	19,382	100.00%

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

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

As at 31 Dec 2023	**Number of shares**	**Total par value (PLN '000)**	**Ownership interest (%)**
Shareholder			
Piotr Krupa[1]	1,750,373	1,750	9.06%
NN PTE[2]	2,763,000	2,763	14.30%
Allianz OFE and Allianz DFE[3]	2,359,127	2,359	12.21%
Generali OFE	1,624,510	1,625	8.41%
PZU OFE	1,400,000	1,400	7.25%
Vienna OFE[4]	1,130,788	1,131	5.85%
Other members of the Management Board	217,731	218	1.13%
Other shareholders	8,073,261	8,073	41.79%
	19,318,790	19,319	100.00%

[1] *Including shares held by Piotr Krupa directly and indirectly through Krupa Fundacja Rodzinna.*
[2] *Joint shareholding of NN OFE and NN DFE, managed by NN PTE S.A.*
[3] *Joint shareholding by Allianz OFE and Allianz DFE, managed by Allianz PTE.*
[4] *Renamed from Aegon OFE.*

Other reserves

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

Share-based payments

Incentive scheme for 2021–2024

On 16 June 2021, the Annual General Meeting of KRUK S.A. passed a resolution on setting the rules of an incentive scheme for 2021-2024, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights waived in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association.
For the purposes of the 2021–2024 Incentive Scheme, the General Meeting approved a conditional increase in the Company's share capital by up to PLN 950,550.00, through an issue of up to 950,550 Series H ordinary bearer shares.
The subscription warrants are issued free of charge, may be inherited, but may not be encumbered and are not transferable.

In accordance with the terms of the Scheme, the number of warrants to be allotted and offered to members of the Management Board throughout the term of the Stock Option Plan is 40% of all warrants.
On 5 July 2022, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 1 subscription warrants in view of fulfilment in 2021 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members in Tranche 1. The warrants were acquired by Management Board members on 29 July 2022.

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

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

Therefore, on 22 August 2023 the Company's Management Board passed a resolution determining the list of persons other than Management Board members, who were eligible to acquire Tranche 2 subscription warrants in view of fulfilment in 2022 of the conditions of the 2021–2024 Incentive Scheme, whereby a total of 109,292 subscription warrants were awarded to the eligible persons.

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

In 2023, EPS grew by 36.64%, and on 10 June 2024, the Supervisory Board of KRUK S.A. passed a resolution to acknowledge that the condition set out in the 2021–2024 Incentive Scheme had been met for the purpose of issuing and offering Tranche 3 subscription warrants in view of fulfilment in 2023 of the conditions of the 2021–2024 Incentive Scheme.

Therefore, on 1 July 2024 the Company's Management Board passed a resolution determining the list of persons other than Management Board members who were eligible to acquire Tranche 3 subscription warrants in view of fulfilment in 2023 of the conditions of the 2021–2024 Incentive Scheme, whereby a total of 113,765 subscription warrants were awarded to the eligible persons.

On 1 July 2024, the Supervisory Board passed a resolution determining the list of Management Board members eligible to acquire Tranche 3 subscription warrants in view of fulfilment in 2023 of the conditions of the 2021–2024 Incentive Scheme. In line with that resolution, a total of 76,044 subscription warrants were awarded to eligible Management Board members for 2023 as part of Tranche 3. The warrants were acquired by Management Board members on 22 July 2024.

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

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

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Number of Tranche 1 warrants awarded to and acquired by Management Board members under the 2021–2024 Incentive Scheme

Full name	Number of Tranche 1 warrants awarded and acquired	Number of Tranche 2 warrants awarded and acquired	Number of Tranche 3 warrants awarded and acquired
Piotr Krupa	22,812	22,812	22,812
Piotr Kowalewski	13,308	13,308	13,308
Adam Łodygowski	13,308	13,308	13,308
Urszula Okarma	13,308	13,308	13,308
Michał Zasępa	13,308	13,308	13,308

In the reporting period and as at the issue date of this Report, members of the Management Board of the Company held no rights to KRUK S.A. shares other than the rights under the subscription warrants issued under the 2021–2024 Incentive Scheme, as shown in the table above. Members of the Supervisory Board do not hold any subscription warrants issued under the 2021–2024 Incentive Scheme.

	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Number of options		
Number of options priced under the 2021−2024 Incentive Scheme at the beginning of the reporting period*:	949,965	884,326
Number of options priced under the 2021−2024 Incentive Scheme during the reporting period*:	16,263	65,639
Number of options priced under the 2021−2024 Incentive Scheme at the end of the reporting period*:	966,228	949,965
Number of options forfeited under the 2021−2024 Incentive Scheme during the reporting period**:	5,831	17,559
Number of options exercised under the 2021−2024 Incentive Scheme during the reporting period:	62,878	-
Number of options exercisable under the 2021−2024 Incentive Scheme at the end of the reporting period:	109,260	-
Issue price of options in the 2021−2024 Incentive Scheme	**248.96**	**248.96**

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

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

The table includes options that were “reverted to the pool” (the options had been priced, but employees did not acquire the rights and the warrants were not offered to them), after which the warrants were granted to other individuals and re-priced.

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

As at 31 December 2024 and 31 December 2023, the amount of liabilities under share-based payment transactions was PLN 0. For information on costs of the Incentive Scheme, see Note 29.

Separate financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

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

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

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

Incentive scheme for 2025–2028

On 30 January 2025, the Extraordinary General Meeting of KRUK S.A. passed a resolution on setting the rules of an incentive scheme for 2025–2028, conditional increase in the Company's share capital and issue of subscription warrants with the Company existing shareholders' pre-emptive rights waived in whole with respect to the shares to be issued as part of the conditional share capital increase and subscription warrants, and amendments to the Articles of Association (Resolution 2025), (the "2025–2028 Incentive Scheme").

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

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

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

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

20.Earnings per share

Basic earnings per share

As at 31 December 2024, basic separate earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 1,043,380 thousand (2023: PLN 983,934 thousand) and the weighted average number of shares in the reporting period of 19,338 thousand (2023: 19,319 thousand). The amounts were determined as follows:

Separate net profit attributable to owners of the Company

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Net profit for period	1,043,380	983,934
Net profit attributable to owners of the Company	1,043,380	983,934

Weighted average number of ordinary shares

thousands of shares	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Number of ordinary shares as at 1 Jan	19,319	19,319
Effect of cancellation and issue	19	-
Weighted average number of ordinary shares at end of reporting period	19,338	19,319
PLN		
Earnings per share	53.95	50.93

Diluted separate earnings per share

As at 31 December 2024, diluted separate earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 1,043,380 thousand (2023: PLN 983,934 thousand) and the weighted average number of shares in the reporting period of 20,484 thousand (2023: 20,343 thousand). The amounts were determined as follows:

thousands of shares	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
Weighted average number of ordinary shares at end of reporting period	19,338	19,319
Effect of issue of unregistered shares not subscribed for	1,146	1,024
Weighted average number of ordinary shares at end of reporting period (diluted)	20,484	20,343
PLN		
Earnings per share (diluted)	50.94	48.37

Dividend per share paid

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

21. Borrowings, other debt securities and leases

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

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

PLN '000	31 Dec 2024	31 Dec 2023
Non-current liabilities		
Secured borrowings	577,239	170,239
Liabilities under debt securities (unsecured)	2,892,970	2,773,264
Lease liabilities	2,264	9,759
	3,472,473	2,953,262
Current liabilities		
Secured borrowings	6,763	216,548
Liabilities under debt securities (unsecured)	216,732	77,938
Lease liabilities	10,386	17,724
	233,881	312,210
	3,706,354	3,265,472

Realised and unrealised exchange differences affecting changes in financial liabilities were PLN 20,139 thousand in 2024 and PLN 37,036 thousand in 2023.

As at 31 December 2024, transaction costs reflected in the carrying amount were PLN 35,558 thousand (31 December 2023: PLN 34,354 thousand).

Liabilities under debt securities constitute the vast majority of the Company's long-term liabilities. Financial ratios are monitored in accordance with bond issuance terms.
As at 31 December 2024,

- Net debt to equity ratio amounted to 1.4x
- Net debt to cash EBITDA ratio amounted to 2.7x,

where:

- **Cash EBITDA** means profit (/loss) before tax plus finance costs, amortisation, depreciation and cash recoveries from purchased debt portfolios, less revenue from purchased debt portfolios and revaluation gains on assets other than purchased debt and consumer loans advanced, if their total amount in the last 12 months exceeds PLN 5 million. Cash EBITDA is computed for the KRUK Group for the last twelve months,
- **Total equity** means the total equity of the KRUK Capital Group,
- **Net debt to equity ratio** means net debt/ total equity,
- **Net debt** means the value of the KRUK Group's financial liabilities less the value of the KRUK Group's cash,
- **Financial liabilities** mean total financial liabilities under:
  - bonds or other similar debt securities; or
  - non-bank borrowings; or
  - bank borrowings; or
  - finance leases; or
  - promissory notes issued by way of security for liabilities of non-KRUK Group entities; or
  - guarantees or sureties provided in respect of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
  - accession to debt owed by non-KRUK Group entities under bank non-bank borrowings, finance leases, bonds or other similar debt securities; or
  - assumption of liabilities of non-KRUK Group entities under bank or non-bank borrowings, finance leases, bonds or other similar debt securities; or
  - liabilities arising under derivatives contracts;

The Company reviews covenants quarterly. As at 31 December 2024 and 31 December 2023, all covenants that could result in the financial liability becoming due were met.

Published forecasts

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

- financial liabilities of KRUK S.A.: PLN 3,706 million (17% above the Bonds Act Projection),
- financial liabilities of the KRUK Group: PLN 6,627 million (11% above the Bonds Act Projection),

- financing structure of KRUK S.A. (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of KRUK S.A.): 44% (1pp above the Bonds Act Projection),
- financing structure of the KRUK Group (percentage share of liabilities under borrowings, issue of debt securities and leases in total equity and liabilities of the KRUK Group): 57% (1pp below the Bonds Act Projection).

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

Liabilities repayment schedule

PLN '000	**Currency**	**Nominal interest rate**	**Maturity periods***	**31 Dec 2024**	**31 Dec 2023**
Borrowings secured over the Company's assets	PLN/EUR	1M WIBOR + margin of 1.9–2.5pp 3M WIBOR + margin of 2.0–2.7pp 1M EURIBOR + margin of 2.3–2.5pp 3M EURIBOR + margin of 2.0pp	2025-2029	584,002	386,787
Liabilities under debt securities (unsecured)	PLN/EUR	3M WIBOR + margin of 3.0–4.65pp; 4.00%-4.80 %**; 3M EURIBOR + margin of 4.0–6.5pp	2025-2030	3,109,702	2,851,202
Lease liabilities	PLN/EUR	3M WIBOR or 1M EURIBOR + margin of 3.65–4.29pp 4.74%-9.64%	2025-2028	12,650	27,483
				3,706,354	3,265,472

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

Changes in borrowings, debt securities and leases

PLN '000	**As at 31 Dec 2024**	Disbursements	Repayments	Finance costs	Interest paid	Settlement of lease payments under terminated contracts	Liabilities under guarantees	**As at 31 Dec 2023**
Secured borrowings	**584,002**	1,656,231	(1,457,707)	26,985	(34,850)	-	6,556	**386,787**
Liabilities under debt securities (unsecured)	**3,109,702**	373,724	(102,500)	275,213	(287,937)	-	-	**2,851,202**
Lease liabilities	**12,650**	4,500	(19,097)	966	(1,174)	(28)	-	**27,483**
	3,706,354	**2,034,455**	**(1,579,304)**	**303,164**	**(323,961)**	**(28)**	**6,556**	**3,265,472**

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

Impact of IBOR reform

In June 2024, the National Working Group (NWG) initiated a public consultation regarding the review and evaluation of alternative interest rate benchmarks. The purpose of the consultation was to reassess the NWG's September 2022 decision to select WIRON as the optimal replacement for the WIBOR reference rate. The consultation covered the benchmark WIRON, WIRON+, WIRF, WIRF+, and WRR, which participants were invited to evaluate based on criteria such as benchmark quality, characteristics, and their potential for the development of the financial and banking products markets. The participants also had the opportunity to comment on current market and regulatory environment and related initiatives that could help strengthen the new benchmark, the market it represents, and the instruments based on it. On 9 July 2024, the NWG announced that it had concluded the public consultation process as of 1 July 2024. The results of the consultation will be considered in the decision-making process regarding the selection of an alternative reference rate for WIBOR and the development of an updated Roadmap for the reform of reference rates in Poland, including the necessary steps for further development of the domestic money market.

At its meetings on 21 November 2024 and 6 December 2024, the Steering Committee of the NWG held discussions and decided to adopt the proposed index technically named WIRF– as the ultimate interest rate benchmark to replace the WIBOR benchmark. On 24 January 2025, the Steering Committee of the NWG decided to adopt the target name POLSTR (Polish Short Term Rate) for the proposed index technically named WIRF–.

The Company does not anticipate a material impact from IBOR reform on its financial obligations, but cannot conclusively determine its effect as not all systemic and regulatory solutions have been finalised. The Company takes measures to prepare for a change in the benchmarks underlying concluded financial instruments in the event WIBOR ceases to be published.

The Company continuously monitors regulatory changes in benchmarks, and negotiates amendments to the Master and Credit Agreements governing the hedging instruments and bank loans, to ensure optimal transition to an alternative benchmark when the WIBOR is replaced.

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Carrying amount of financial liabilities for which WIBOR is used as the benchmark		
Borrowings secured over the Company's assets	235,913	179,048
Liabilities under debt securities (unsecured)	2,326,523	2,159,898
Lease liabilities	2,958	7,922
Notional amount of hedging instruments for which WIBOR is used as the benchmark		
CIRS	1,957,500	1,750,000
IRS	-	190,000

Security over assets

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Registered pledge over portfolios and assignment of claims financed with the facility, registered pledge over shares in Secapital S.a.r.l.	1,094,700	750,850
Property, plant and equipment used under lease contracts	6,364	10,437
	1,101,064	761,287

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

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

22.Hedging instruments

Interest rate risk hedges

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

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

The interest rate risk management policy covers:

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

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

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

In 2024, the Company also entered into interest rate swaps (IRS) with a notional value of EUR 24,000 thousand, under which the Company pays a coupon based on a fixed interest rate and receives a coupon based on a variable interest rate on EUR-denominated debt covered by the transaction.

The purpose of the EUR contract was to provide a hedge against volatility of cash flows generated by liabilities in EUR due to changes in the 3M EURIBOR rate and to hedge interest payments under EUR-denominated bonds.

The Company expects cash flows to be generated and to have an effect on its results until 2029.

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

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

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

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

As at 31 December 2024, the Company held open outstanding IRS contracts with a total notional amount of PLN 184,000 thousand.

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Bank	Type of transaction	Volume	Fixed rate	Variable rate	Term
DNB Bank ASA	IRS	EUR 150,000,000	2.9640%	3M EURIBOR	10 May 2023 to 10 May 2028
DNB Bank ASA	IRS	EUR 10,000,000	2.255%	3M EURIBOR	21 Dec 2023 to 11 Dec 2028
ING Bank Śląski S.A.	IRS	EUR 24,000,000	2.405%	3M EURIBOR	21 Aug 2024 to 1 Feb 2029

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

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

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

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

The purpose of the CIRS contracts is to:

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

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

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

Separate financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

As at 31 December 2024, the Company held the following open outstanding CIRS contracts with a total notional amount of PLN 1,957,500 thousand:

Bank	Type of transaction	Volume	Fixed rate [EUR]	Variable rate [PLN]	Transaction date	Transaction maturity date
ING Bank Śląski S.A.	CCIRS	PLN 330,000,000	2.13%	3M WIBOR	14 Jun 2022	24 May 2027
ING Bank Śląski S.A.	CCIRS	PLN 140,000,000	1.90%	3M WIBOR	23 Jun 2022	24 Mar 2027
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.72%	3M WIBOR	20 Jun 2022	16 Mar 2026
Santander Bank Polska S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026
ING Bank Śląski S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026
ING Bank Śląski S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
DNB Bank ASA	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029
DNB Bank ASA	CCIRS	PLN 70,000,000	6.046%	3M WIBOR + 4%	21 Mar 2024	16 Feb 2029
ING Bank Śląski S.A.	CCIRS	PLN 90,000,000	6.19%	3M WIBOR + 4%	21 Mar 2024	26 Sep 2028

Separate financial statements for the year ended 31 December 2024 prepared in accordance with the IFRS endorsed by the EU (PLN thousand)

Alior Bank S.A.	CCIRS	PLN 125,000,000	4.40%	3M WIBOR + 3%	11 Dec 2024	13 Nov 2030

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

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

The transactions were designated for hedge accounting.

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

Currency risk hedges

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

The currency risk management policy outlines:

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

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

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

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

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

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

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

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

As at 31 December 2024, the Company had no open positions under the framework agreement.

Amounts related to open position designated as hedging instruments

Carrying amount/fair value of hedging instruments

PLN '000	**31 Dec 2024**					**31 Dec 2023**						
	Assets	**Liabilities**	**Notional amount**		**Change in fair value used to determine ineffectiveness**	**Assets**	**Liabilities**	**Notional amount**		**Change in fair value used to determine ineffectiveness**	**Item in the statement of financial position**	**Hedge type**
Instrument type:												
IRS	-	-	-	-	(4,954)	4,954	-	190,000	(PLN)	(13,852)	Hedging instruments	Hedge of future cash flows
IRS	-	19,107	184,000	(EUR)	(2,442)	29	16,694	160,000	(EUR)	(16,665)	Hedging instruments	Hedge of future cash flows
CIRS	114,326	2,245	1,957,500	(PLN)	22,825	93,445	4,189	1,750,000	(PLN)	87,551	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	114,326	**21,352**			**15,429**	**98,428**	**20,883**			**57,034**		

PLN '000	Amount of future cash flows as at 31 Dec 2024				
Instrument type:	**Less than 6 months**	**6–12 months**	**1–2 years**	**2–5 years**	**Over 5 years**
IRS					
fixed payment EUR sale	(10,775)	(8,028)	(15,416)	(818,650)	-
variable payment EUR	10,775	8,028	15,416	818,650	-
CIRS					
fixed payment	(69,810)	(91,420)	(295,906)	(1,539,570)	-
variable payment	69,810	91,420	295,906	1,539,570	-

PLN '000	Amount of future cash flows as at 31 Dec 2023				
Instrument type:	**Less than 6 months**	**6–12 months**	**1–2 years**	**2–5 years**	**Over 5 years**
IRS					
fixed payment PLN sale	(26,312)	(165,656)	-	-	-
variable payment PLN	26,312	165,656	-	-	-
IRS					
fixed payment EUR sale	(19,294)	(11,023)	(14,746)	(728,648)	-
variable payment EUR	19,294	11,023	14,746	728,648	-
CIRS					
fixed payment	(125,963)	(43,342)	(192,769)	(1,286,932)	(369,021)
variable payment	125,963	43,342	192,769	1,286,932	369,021

Change in hedging instruments

PLN '000	**As at 31 Dec 2024**	**Finance costs**	**Interest paid/received**	**Measurement of instruments charged to capital reserves**	**As at 31 Dec 2023**
IRS	**(19,107)**	-	(11,691)	4,295	**(11,711)**
CIRS	**112,081**	(1,546)	(71,874)	96,245	**89,256**
	92,974	(1,546)	(83,565)	100,540	**77,545**

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

PLN '000	Disclosure of the hedged item as at 31 Dec 2024			
	Notional amount of the hedged item	**Change in fair value of hedged item used to determine ineffectiveness**	**Reserve on measurement of continuing hedges**	**Reserve (unreleased) on measurement of discontinued hedges**
Hedge of future cash flows (interest rate risk)	-	(4,954)	-	-
Hedge of future cash flows (interest rate risk)	184,000 (EUR)	(2,442)	(15,476)	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,957,500 (PLN)	22,825	91,564	-

PLN '000	Disclosure of the hedged item as at 31 Dec 2023			
	Notional amount of the hedged item	**Change in fair value of hedged item used to determine ineffectiveness**	**Reserve on measurement of continuing hedges**	**Reserve (unreleased) on measurement of discontinued hedges**
Hedge of future cash flows (interest rate risk)	190,000 (PLN)	(13,852)	7,180	-
Hedge of future cash flows (interest rate risk)	160,000 (EUR)	(16,665)	(16,665)	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,750,000 (PLN)	87,551	68,177	-

PLN '000	1 Jan–31 Dec 2024			
Hedge reserve	**Hedge of future cash flows (interest rate risk)**	**Hedge of future cash flows (currency risk)**	**Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)**	**Total hedge reserve**
Hedge reserve as at 1 Jan 2024	(9,485)	4,082	68,177	62,774
Measurement of instruments charged to capital reserves	4,295	-	81,895	86,190
Cost of hedging	-	-	12,802	12,802
Temporary differences/reversal of temporary differences	1,405	-	(5,486)	(4,081)
Amount reclassified to profit or loss during the period	(11,691)	-	(65,824)	(77,515)
- Interest expense/income	(11,691)	-	(1,546)	(13,237)
- Cost of hedging	-	-	(64,278)	(64,278)
Hedge reserve as at 31 Dec 2024	(15,476)	4,082	91,564	80,170

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

Cost of hedging:

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

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

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

23.Employee benefit liabilities

PLN '000	31 Dec 2024	31 Dec 2023
Social benefit obligations	10,753	9,189
Salaries and wages payable	18,835	16,833
Provisions for accrued holiday entitlements	8,123	7,982
Personal income tax	3,726	3,101
Special accounts	662	538
Liabilities under employee savings plans	647	553
	42,746	38,196

Change in provision for accrued holiday entitlements

PLN '000	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023
At beginning of period	7,982	6,213
Increase	8,838	8,347
Use	(8,697)	(6,578)
At end of period	8,123	7,982

24.Provisions

PLN '000	31 Dec 2024	31 Dec 2023
Provision for tax audit result	1,607	28,554
Provision for the loyalty scheme	-	10,871
Provision for retirement gratuities	1,915	1,385
	3,522	40,810

Changes in provisions

PLN '000	Provision for retirement gratuities	Provision for the loyalty scheme	Provision for tax audit result
Carrying amount as at 1 Jan 2023	907	11,746	-
Increase	478	402	28,554
Use	-	(1,277)	-
Carrying amount as at 31 Dec 2023	1,385	10,871	28,554
Carrying amount as at 1 Jan 2024	1,385	10,871	28,554
Increase	530	329	-
Use	-	(2,248)	(26,947)
Reversed	-	(8,952)	-
Carrying amount as at 31 Dec 2024	1,915	-	1,607

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

By the issue date of these financial statements, the Company had received the audit reports for 2018-2023.
The audit results remain consistent with the calculation of the provision created by the Company at the end of 2023.

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

25.Trade and other payables

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Trade and other payables to related entities	11,926	10,606
Trade payables to other entities	15,626	15,830
Deferred income	5,296	5,296
Accrued expenses	2,178	1,394
Other liabilities	1,332	2,215
Taxes, customs duties, insurance and other benefits payable	119	111
	36,477	35,452

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

26. Management of risk arising from financial instruments

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

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

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

Key risk management policies

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

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

26.1. Credit risk

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

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

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

Trade and other receivables

The Management Board has established a credit policy whereby each creditworthiness of each business partner is evaluated before any payment and other contract terms are offered. The evaluation includes external ratings of the business partner, when available, and in some cases bank references.

Each business partner is assigned a transaction limit which represents the maximum transaction amount for which no approval from the Management Board is required.

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

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

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

The Company's exposure to credit risk results mainly from individual characteristics of each business partner. The Management Board believes that the Company's credit risk is low as its business partners are mainly reputable financial institutions and companies. The Company's largest business partner (excluding subsidiaries) accounts for 0.8% (2023: 3.2%) of total revenue from debt collection and credit management services and from other services provided by the Company. The respective percentages for the subsidiaries are 70.1% and 58.1%. Receivables from the Company's largest external business partner accounted for 1% of total gross trade receivables as at 31 December 2024 (31 December 2023: 2.3%); The respective percentages for the subsidiaries were: 73% and 33%. Therefore, there is no significant concentration of credit risk.

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

Investments in debt portfolios

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

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

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

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

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

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

- Indebted person:
  - credit amount repaid so far / amount of invoices repaid so far,
  - time elapsed from the last payment made by the indebted person,
  - region,
  - indebted person's form of incorporation,
  - indebted person's death or bankruptcy,
  - indebted person's employment.

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

Changes in credit risk assessment affect expected amounts of future cash flows which are used as a basis of valuation of investments in debt portfolios.
The Company minimises the risk by performing a valuation of each portfolio before and after it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. Debt portfolios are purchased at official auctions and prices offered by the Company in most of such auctions do not differ significantly from prices offered by the Company's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.
The market value of a portfolio and its maximum purchase price are determined based on a statistical and economic analysis. Initially, portfolios are divided into sub-portfolios based on debt amount and type of security. This is done to select debts which can be valued using statistical methods. Other sub-portfolios are valued on a case-by-case basis in a due diligence process as at the time of their purchase.

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

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

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

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

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

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

Debt collection tools used include:
- letters,
- telephone calls,
- text messages,
- partial debt cancellation,
- intermediation in securing an alternative source of financing,
- doorstep collection (at home or workplace),
- detective activities,
- amicable settlements,

- court collection,
- enforcement against collateral,
- loyalty scheme.

Loans to related parties

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

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

- the financial condition of the subsidiary deteriorated relative to the date of initial recognition of the loan;
- time past due for receivables from the asset exceeds 90 days.

As at 31 December 2024 and 31 December 2023, loans to related parties were not past due. As at 31 December 2024, due to deterioration in the financial condition of related party borrowers, the Company recognised a PLN 19,320 allowance for expected credit losses (2023: PLN 3,895 thousand).

Guarantees

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

Credit risk exposure

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Loans to related parties	1,585,407	1,400,771
Cash and cash equivalents	9,110	227,643
Hedging instruments	114,326	98,428
Trade and other receivables, net of tax receivable	107,630	44,975
Investments in debt portfolios	32,494	31,747
	1,848,967	1,803,564

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Malta	1,070,709	887,126
Poland	681,710	780,168
Romania	56,733	67,249
Czech Republic and Slovakia	39,806	69,021
Italy	9	-
	1,848,967	1,803,564

Credit risk exposure – Investments in debt portfolios

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Portfolio type		
Unsecured retail portfolios	32,041	31,370
Unsecured corporate portfolios	453	377
	32,494	31,747

Credit risk exposure – Cash

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

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Cash in accounts with banks rated below BBB – by Standard & Poor's*	655	415
Cash in accounts with banks rated BBB or higher – by Standard & Poor's*	8,455	227,225
Cash in hand	-	3
	9,110	227,643

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

As at 31 December 2024, the Company did not hold any term deposits. In 2023, 96.64% of the Company's cash was deposited with a banked rated AA- (S&P).

Allowance for expected credit losses

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

IFRS 9 classification *PLN '000*	**Period past due**	**Expected credit losses as % of gross carrying amount**	**Carrying amount as at 31 Dec 2024 (IFRS 9)**	**Carrying amount as at 31 Dec 2023 (IFRS 9)**
Trade and other receivables, net of tax receivable	<1 day		107,630	44,975
	1-90 days		175	168
	>90 days		-	-
			107,805	45,143
	<1 day	0.0%	-	-
Allowance for expected credit losses	1-90 days	0.7%	175	168
	>90 days	100.0%	-	-
			175	168
	<1 day		107,630	44,975
Net carrying amount	1-90 days		-	-
	>90 days		-	-
			107,630	44,975

Changes in allowances for expected credit losses on receivables:

PLN '000	**31 Dec 2024**	**31 Dec 2023**
Loss allowance at beginning of period	168	156
Allowance for expected credit losses recognised in the reporting period	31	30
Reversal of allowance for expected credit losses	(8)	(18)
Use of allowance for expected credit losses	(16)	-
Loss allowance at end of period	175	168

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

In 2023−2024, the Company did not recognise any general impairment losses on receivables.

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

PLN '000	**Bucket 1**	**Bucket 2**	**Bucket 3**	**Total**
Gross carrying amount of loans to related parties as at 1 Jan 2023	**95,121**	**366,882**	**-**	**462,003**
Disbursements	976,294	58,240	-	1,034,534
Repayments	(89,158)	(65,701)	-	(154,859)
Interest income on loans advanced	52,936	47,977		100,913
Foreign exchange differences	(37,925)	-	-	(37,925)
Gross carrying amount of loans to related parties as at 31 Dec 2023	**997,268**	**407,398**	**-**	**1,404,666**
Gross carrying amount of loans to related parties as at 1 Jan 2024	**997,268**	**407,398**	**-**	**1,404,666**
Transfer from bucket 1 to bucket 2	*(68,076)*	*68,076*	-	-
Transfer from bucket 2 to bucket 1	*339,916*	*(339,916)*	-	-
Disbursements	519,718	21,090	-	540,808
Repayments	(418,762)	(40,442)	-	(459,204)
Interest income on loans advanced	127,720	12,410	-	140,130
Foreign exchange differences	(20,303)	(1,370)	-	(21,673)
Gross carrying amount of loans to related parties as at 31 Dec 2024	**1,477,481**	**127,246**	**-**	**1,604,727**
Allowance for expected credit losses as at 1 Jan 2023	**-**	**28,451**	**-**	**28,451**
Recognised	-	7,856	-	7,856
Reversed	-	(32,412)	-	(32,412)
Allowance for expected credit losses as at 31 Dec 2023	**-**	**3,895**	**-**	**3,895**
Allowance for expected credit losses as at 1 Jan 2024	**-**	**3,895**	**-**	**3,895**
Recognised	15,498	491	-	15,989
Reversed	-	(564)	-	(564)
Allowance for expected credit losses as at 31 Dec 2024	**15,498**	**3,822**	**-**	**19,320**
Net carrying amount of loans to related parties as at 31 Dec 2023	**997,268**	**403,503**	**-**	**1,400,771**
Net carrying amount of loans to related parties as at 31 Dec 2024	**1,461,983**	**123,424**	**-**	**1,585,407**

In 2024, KRUK decided to discontinue investments in debt portfolios on the Czech and Slovak markets, as a result of which loans advanced to KRUK Česká a Slovenská Republika s.r.o. were transferred from bucket 1 to bucket 2.

Given the improved performance of Wonga.pl Sp. z o.o., loans advanced to that subsidiary were transferred from bucket 2 to bucket 1.

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

26.2. Liquidity risk

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

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

Exposure to liquidity risk

As at 31 Dec 2024

PLN '000

	Present value	Undiscounted contractual/ estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Cash and cash equivalents	9,110	9,110	9,110	-	-	-	-
Trade and other receivables, net of tax receivables	107,630	107,630	107,630	-	-	-	-
Investments in debt portfolios*	32,494	122,129	11,769	10,580	18,223	38,416	43,141
Loans to related parties	1,585,407	1,883,498	45,922	354,322	442,761	1,018,703	21,790
Secured borrowings	(584,002)	(696,532)	(37,094)	(30,149)	(121,521)	(507,768)	-
Liabilities under debt securities (unsecured)	(3,109,702)	(4,079,737)	(355,339)	(156,497)	(513,148)	(2,918,690)	(136,063)
Lease liabilities	(12,650)	(13,315)	(5,486)	(5,428)	(1,409)	(992)	-
Trade and other payables	(28,884)	(28,884)	(28,884)	-	-	-	-
	(2,000,597)	(2,696,101)	(252,372)	172,828	(175,094)	(2,370,331)	(71,132)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(5,028,001)	(5,028,001)	(4,833,001)	-	-	(195,000)	-
	(7,028,598)	(7,724,102)	(5,085,373)	172,828	(175,094)	(2,565,331)	(71,132)

As at 31 Dec 2023

PLN '000	Present value	Undiscounted contractual/ estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Cash and cash equivalents	227,643	227,643	227,643	-	-	-	-
Trade and other receivables, net of tax receivables	44,975	44,975	44,975	-	-	-	-
Investments in debt portfolios*	31,747	112,069	12,281	10,242	17,342	35,535	36,669
Loans to related parties	1,400,771	1,727,662	43,639	286,143	121,914	1,275,966	-
Secured borrowings	(386,787)	(462,789)	(40,668)	(33,737)	(101,856)	(286,528)	-
Liabilities under debt securities (unsecured)	(2,851,202)	(4,012,618)	(159,822)	(160,134)	(445,792)	(2,626,389)	(620,481)
Lease liabilities	(27,483)	(29,180)	(10,056)	(8,870)	(8,233)	(2,021)	-
Trade and other payables	(28,651)	(28,651)	(28,651)	-	-	-	-
	(1,588,987)	(2,420,889)	89,341	93,644	(416,625)	(1,603,437)	(583,812)
Off-balance-sheet contingent liabilities							
Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries**	(4,658,995)	(4,658,995)	(4,604,095)	-	-	(54,900)	-
	(6,247,982)	(7,079,884)	(4,514,754)	93,644	(416,625)	(1,658,337)	(583,812)

** Estimated cash flows.*
*** Off-balance-sheet contingent liabilities under sureties/guarantees provided to subsidiaries have been disclosed in nominal amounts. The surety amounts are equal to 150% of the respective debt amounts. The contingent liabilities will become actual liabilities at the time of failure to meet the respective covenants, default in payment of the debt. As at 31 December 2024 and 31 December 2023, KRUK S.A. saw nothing to indicate that its contingent liabilities under guarantees/sureties could become actual liabilities.*

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

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

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

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

The Company does not expect the projected cash flows discussed in the maturity analysis to occur significantly earlier than assumed or in amounts materially different from those presented.
As at 31 December 2024, the undrawn revolving credit facility limit available to the Company was PLN 269,682 thousand (31 December 2023: PLN 207,855 thousand). The limit is available until 31 December 2029.

26.3. Market risk

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

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

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

The currency risk management policy outlines:

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

The Company uses financial instruments to hedge its interest rate risk and currency risk (Notes 3.3.4 and 22).

As at 31 December 2024, financial assets denominated in foreign currencies accounted for 13.9% of total assets, while liabilities denominated in foreign currencies represented 13.5% of total equity and liabilities (31 December 2023: 13.9% and 12.3%, respectively).

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

Exposure to currency risk

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

Exposure to currency risk

PLN '000	**31 Dec 2024**			**31 Dec 2023**		
	EUR	**RON**	**CZK**	**EUR**	**RON**	**CZK**
Cash	2,848	639	101	497	1,124	897
Investments in debt portfolios	87	25,236	676	158	25,223	787
Loans to related parties	1,099,212	31,536	10,548	945,986	26,515	24,766
Borrowings, other debt securities and leases	(1,136,176)	-	-	(912,096)	-	-
Exposure to currency risk	(34,029)	57,411	11,325	34,545	52,862	26,450

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

PLN '000	**31 Dec 2024**			**31 Dec 2023**		
	EUR	**RON**	**CZK**	**EUR**	**RON**	**CZK**
Cash	285	64	10	50	112	90
Investments in debt portfolios	9	2,524	68	16	2,522	79
Loans to related parties	109,921	3,154	1,055	94,599	2,652	2,477
Borrowings, other debt securities and leases	(113,618)	-	-	(91,210)	-	-
Exposure to currency risk	(3,403)	5,742	1,133	3,455	5,286	2,646

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

PLN '000	**31 Dec 2024**			**31 Dec 2023**		
	EUR	**RON**	**CZK**	**EUR**	**RON**	**CZK**
Cash	(285)	(64)	(10)	(50)	(112)	(90)
Investments in debt portfolios	(9)	(2,524)	(68)	(16)	(2,522)	(79)
Loans to related parties	(109,921)	(3,154)	(1,055)	(94,599)	(2,652)	(2,477)
Borrowings, other debt securities and leases	113,618	-	-	91,210	-	-
Exposure to currency risk	3,403	(5,742)	(1,133)	(3,455)	(5,286)	(2,646)

As at 31 December 2024 and 31 December 2023, an appreciation/depreciation of PLN against EUR, RON and CZK would have resulted in an increase/decrease of profit for the current period by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

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

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

PLN	Average exchange rates*		End of period (spot rates)	
	1 Jan–31 Dec 2024	1 Jan–31 Dec 2023	31 Dec 2024	31 Dec 2023
EUR 1	4.3075	4.5284	4.2730	4.3480
USD 1	3.9815	4.1823	4.1012	3.9350
RON 1	0.8658	0.9145	0.8589	0.8742
CZK 1	0.1715	0.1889	0.1699	0.1759

**Average exchange rates were calculated as the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of each month in the period. Since 1 January 2024, the calculation has also included the mid rate quoted for the last day of the previous financial year.*

Exposure to interest rate risk

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

PLN '000	Carrying amount	
	31 Dec 2024	31 Dec 2023
Fixed-rate financial instruments*		
Financial assets	923,976	953,462
Financial liabilities	(208,915)	(207,904)
Fixed-rate financial instruments before hedging	715,061	745,558
Hedge effect (notional amount)	(2,743,732)	(2,635,680)
Fixed-rate financial instruments after hedging	(2,028,671)	(1,890,122)
Variable-rate financial instruments**		
Financial assets	924,991	850,102
Financial liabilities	(3,547,780)	(3,107,102)
Variable-rate financial instruments before hedging	(2,622,789)	(2,257,000)
Hedge effect (notional amount)	2,743,732	2,635,680
Variable-rate financial instruments after hedging	120,943	378,680

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

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

Hedging instruments are presented as variable-rate financial instruments.

Derivative instruments are presented as fixed-rate financial instruments.

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

The Company mitigates the impact of interest rate risk by entering into IRS and CIRS hedging transactions (see Note 22).

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

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

PLN '000	**Profit or loss for the current period**		**Equity excluding profit or loss for the current period**	
	100 bps increase	**100 bps decrease**	**100 bps increase**	**100 bps decrease**
31 Dec 2024				
Variable-rate financial assets	8,107	(8,107)	1,143	(1,143)
Variable-rate financial liabilities	(35,264)	35,264	(214)	214
31 Dec 2023				
Variable-rate financial assets	7,517	(7,517)	984	(984)
Variable-rate financial liabilities	(30,862)	30,862	(209)	209

27.Fair values

Comparison of fair values and carrying amounts

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

PLN '000	**31 Dec 2024**		**31 Dec 2023**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	(19,107)	(19,107)	(11,711)	(11,711)
Hedging instruments (CIRS)	112,081	112,081	89,256	89,256
Derivatives	(105)	(105)	-	-
	92,869	92,869	77,545	77,545
Financial assets and liabilities other than measured at fair value				
Investments in debt portfolios	32,494	32,084	31,747	33,021
Loans to related parties	1,585,407	1,585,407	1,400,771	1,400,771
Trade and other receivables, net of tax receivable	107,630	107,630	44,975	44,975
Trade and other payables	(28,884)	(28,884)	(28,651)	(28,651)
Secured borrowings	(584,002)	(584,002)	(386,787)	(386,787)
Liabilities under debt securities (unsecured)	(3,109,702)	(3,289,856)	(2,851,202)	(2,869,113)
	(1,997,057)	(2,177,621)	(1,789,147)	(1,805,784)

Interest rates used for fair value estimation

	31 Dec 2024	**31 Dec 2023**
Investments in debt portfolios*	8.75%-139.33%	8.32%-138.90%
Secured borrowings	4.71%-8.54%	4.41%-8.58%
Loans to related parties	5.34%-12.25%	5.95%-12.28%

** Applicable to 99.6% of debt portfolios.*

Hierarchy of financial instruments

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

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs for given assets and liabilities, other than quoted prices from Level 1, observable directly or indirectly,

- Level 3: inputs that are not based on observable market prices (unobservable inputs).

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

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

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

PLN '000		**Level 2**
	Carrying amount	**Fair value**
As at 31 December 2024		
Hedging instruments (IRS)	(19,107)	(19,107)
Hedging instruments (CIRS)	112,081	112,081
Derivatives	(105)	(105)
As at 31 December 2023		
Hedging instruments (IRS)	(11,711)	(11,711)
Hedging instruments (CIRS)	89,256	89,256

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

PLN '000		**Level 3**
	Carrying amount	**Fair value**
As at 31 December 2024		
Investments in debt portfolios	32,494	32,084
Loans to related parties	1,585,407	1,585,407
Trade and other receivables, net of tax receivable	107,630	107,630
Trade and other payables	(28,884)	(28,884)
Secured borrowings	(584,002)	(584,002)
As at 31 December 2023		
Investments in debt portfolios	31,747	33,021
Loans to related parties	1,400,771	1,400,771
Trade and other receivables, net of tax receivable	44,975	44,975
Trade and other payables	(28,651)	(28,651)
Secured borrowings	(386,787)	(386,787)

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

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

The fair value of loans is determined as the present value of future cash flows, with account taken of changes in market and credit risk factors throughout the life of a loan as well as the current interest rate.

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

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

28.Related-party transactions

Remuneration of the Management - Management Board

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

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Base pay/managerial contract (gross)	8,167	6,998
Additional benefits (incl. social security contributions)	167	115
Share-based payments*	16,807	21,951
	25,141	29,064

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

Remuneration of the Management – Supervisory Board

Remuneration of members of the Supervisory Board was as follows:

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Base pay/managerial contract (gross)	1,529	1,202
Additional benefits	37	18
	1,566	1,220

Other transactions with the Management

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

In 2024 and 2023, there were no material transactions with close family members of the Company's key management personnel that are not disclosed in these financial statements.

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

Other related-party transactions

The Company has receivables from related entities for the provision of debt collection services and support services.
The Company has liabilities towards related entities under: non-transferred recoveries collected as part of debt collection services provided by the Company and liabilities under debt collection services provided to the Company by related entities.
Receivables, liabilities, loans advanced and received are unsecured and will be settled by offsetting mutual claims. In the financial year under analysis, the Company recognised an allowance for expected credit losses on loans advanced of PLN 19,320 thousand (2023: PLN 3,895 thousand). For information on expected credit losses on loans advanced, see Note 26.1.
Transactions with related parties were made on an arm 's-length basis and are presented below.

Transactions with subsidiaries as at and for the period ended 31 December 2024 and 31 December 2023

Balance of receivables, liabilities and loans from and to subsidiaries as at 31 December 2024 and 31 December 2023

PLN '000	Liabilities	Receivables	Loans	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received	Liabilities	Receivables	Loans	Interest accrued on loans advanced	Allowance for expected credit losses	Loans received	Interest accrued on loans received
AgeCredit S.r.l.	-	38	-	-	-	-	-	-	42	-	-	-	348	7
ERIF BIG S.A.*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ERIF Business Solutions Sp. z o.o.*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bison NFW FIZ (formerly BISON NS FIZ)**	-	-	-	-	-	-	-	-	1,488	-	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	2	-	-	-	-	-	-	2	-	-	-	-	-	-
InvestCapital Ltd.	-	641	1,071,909	10,150	(11,350)	-	-	-	1,044	877,887	9,239	-	-	-
ItaCapital S.r.l.	-	9	-	-	-	-	-	-	-	-	-	-	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	1,405	3,109	7,200	-	(76)	-	-	652	5,147	-	-	-	-	-
KRUK Česká a Slovenská republika s.r.o.	41	278	38,941	593	(491)	-	-	20	684	66,875	1,201	-	-	-
Kruk Deutschland GmbH	-	18	-	-	-	-	-	-	2	-	-	-	-	-
KRUK España S.L.U.	-	1,680	-	-	-	22,220	283	-	2,712	-	-	-	15,218	230
Kruk Immobiliare S.r.l.	-	8	-	-	-	-	-	-	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	8	-	-	-	-	-	-	-	-	-	-	-	-
KRUK Italia S.r.l.	143	2,111	-	9	-	-	12	94	1,184	-	-	-	-	-
KRUK Romania S.r.l.	-	2,356	-	-	-	-	-	19	1,722	37,073	518	-	-	-
KRUK TECH s.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	1	74,373	-	-	-	-	-	-	9,997	-	-	-	-	-
Novum Finance Sp. z o.o.	24	1,401	86,742	-	(2,337)	-	-	542	-	65,742	-	(2,463)	-	-
Presco Investments S.a.r.l.	368	1,049	-	-	-	-	-	888	1,934	-	-	-	-	-
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)	4	347	-	-	-	-	-	34	331	-	-	-	-	-
Prokura NFW FIZ (formerly Prokura NS FIZ)	5,415	13,933	-	-	-	-	-	3,922	12,230	-	-	-	-	-
Rocapital IFN S.A.	-	7	31,693	177	(334)	-	-	-	-	4,371	104	-	-	-
SeCapital S.à.r.l	4,455	-	-	-	-	-	-	4,389	56	-	-	-	-	-
Wonga.pl Sp. z o.o.	68	52	356,343	-	(3,738)	-	-	44	12	339,910	6	-	-	-
Zielony Areał Sp. z o.o.	-	9	970	-	(994)	-	-	-	3	1,740	-	(1,432)	-	-
	11,926	101,427	1,593,798	10,929	(19,320)	22,220	295	10,606	38,588	1,393,598	11,068	(3,895)	15,566	237

Income from intra-group transactions in the periods ended 31 December 2024 and 31 December 2023

	1 Jan–31 Dec 2024			1 Jan–31 Dec 2023		
PLN '000	**Revenue from sale of materials and services**	**Revenue from debt collection and credit management services**	**Interest**	**Revenue from sale of materials and services**	**Revenue from debt collection and credit management services**	**Interest**
AgeCredit S.r.l.	102	-	-	80	-	-
Bison NFW FIZ (formerly BISON NS FIZ)**	-	-	-	-	-	-
Corbul Capital S.r.l	-	-	-	-	-	-
ERIF BIG S.A.*	-	-	-	67	-	-
ERIF Business Solutions Sp. z o.o.*	-	-	-	9	-	-
InvestCapital Ltd.	41,761	-	83,691	30,926	-	45,326
ItaCapital S.r.l.	5	-	-	2	-	-
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	-	-	-	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	23,377	-	304	19,016	-	16
KRUK Česká a Slovenská republika s.r.o.	1,672	-	3,423	3,123	-	4,989
Kruk Deutschland GmbH	-	-	-	2	-	-
KRUK España S.L.U.	7,125	-	-	5,895	-	-
KRUK Italia S.r.l.	7,301	-	77	4,897	-	-
Kruk Immobiliare S.r.l.	-	-	-	-	-	-
Kruk Investimenti s.r.l.	-	-	-	-	-	-
KRUK TECH s.r.l.	-	-	-	-	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	1,506	293,003	-	306	131,302	-
KRUK Romania S.r.l.	7,528	-	845	6,369	-	2,175
Novum Finance Sp. z o.o.	1,621	2,225	8,869	1,725	1,698	6,093
Presco Investments S.a.r.l.	11	1,031	-	9	851	-
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)	-	-	-	-	-	-
Prokura NFW FIZ (formerly Prokura NS FIZ)	10,815	-	-	5,028	-	-
Rocapital IFN S.A.	62	-	471	-	-	430
SeCapital S.à.r.l	11	65	-	9	46	-
Wonga.pl Sp. z o.o.	389	56	42,333	156	67	41,776
Zielony Areał Sp. z o.o.	35	-	117	31	-	108
	103,321	296,380	140,130	77,650	133,964	100,913

Expenses on intra-group transactions in the periods ended 31 December 2024 and 31 December 2023

	1 Jan–31 Dec 2024		1 Jan–31 Dec 2023	
PLN '000	**Purchase of services**	**Interest**	**Purchase of services**	**Interest**
AgeCredit S.r.l.	-	6	-	7
ERIF Business Solutions Sp. z o.o.*	-	-	1	-
ERIF BIG S.A.*	-	-	20	39
GANTOI, FURCULITA SI ASOCIATII-S.P.A.R.L.	-	-	22	-
Kancelaria Prawna RAVEN P.Krupa Sp. k.	4,698	-	3,669	-
KRUK Česká a Slovenská republika s.r.o.	505	-	276	-
KRUK España S.L.U.	-	1,069	-	613
KRUK Italia S.r.l.	541	200	338	594
KRUK Romania S.r.l.	4,386	-	5,088	-
Wonga.pl Sp. z o.o.	253	-	434	-
	10,383	1,275	9,848	1,253

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

***Entity merged with Prokura NFW FIZ fund in the third quarter of 2024.*

29.Share-based payments

PLN '000

	Value of benefits granted
Period ending	
31 Dec 2003	226
31 Dec 2004	789
31 Dec 2005	354
31 Dec 2006	172
31 Dec 2007	587
31 Dec 2008	91
31 Dec 2010	257
31 Dec 2011	889
31 Dec 2012	2,346
31 Dec 2013	2,578
31 Dec 2014	7,335
31 Dec 2015	13,332
31 Dec 2016	7,702
31 Dec 2017	10,147
31 Dec 2018	8,118
31 Dec 2019	9,658
31 Dec 2020	(1,156)
31 Dec 2021	18,576
31 Dec 2022	27,694
31 Dec 2023	21,951
31 Dec 2024	16,807
Total	148,453

The management stock option plan is described in Note 19.

30.Other notes

30.1. Notes to the separate statement of cash flows

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

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Change in trade and other receivables presented in the separate statement of financial position	**(61,166)**	**(1,601)**
Receivables under redeemed investment certificates and dividends not paid	(432)	7,260
Offset against accounts receivable and dividends declared but not paid	13,014	-
Foreign exchange differences	238	(74)
Change in trade and other receivables presented in the separate statement of cash flows	**(48,346)**	**5,585**

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Net finance costs presented in the separate statement of profit or loss	**102,828**	**70,951**
Other exchange differences	(556)	(2,261)
Net finance costs presented in the separate statement of cash flows	**102,272**	**68,690**

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Change in trade and other payables presented in the separate statement of financial position	**1,025**	**4,807**
Offset against accounts receivable and dividends declared but not paid	-	3,243
Foreign exchange differences	(114)	1,182
Change in trade and other payables presented in the separate statement of cash flows	**911**	**9,232**

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Change in provisions presented in the separate statement of financial position	**(37,288)**	**28,157**
Provision for tax audit result	26,947	(28,554)
Change in provisions presented in the separate statement of cash flows	**(10,341)**	**(397)**

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

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

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

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

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

30.3. Risk of negative impacts on the natural environment

As part of the ESG strategy integral to its business strategy, KRUK S.A. has set a general course of action and, wherever possible, specific objectives pertaining to its environmental impact. These objectives are based on the UN Sustainable Development Goals and on the European Green Deal.
Under the environmental policy implemented in 2021, the Company has committed to adopt a conscious approach to managing the organisation's environmental and climate impact area. Despite limited adverse impacts of its operations, the Company is able to control its own emissions and emissions generated along its value chain, and actively contribute to raising awareness of the need to protect the environment among its various stakeholder groups. The Company also examines the impact of potential climate risks on its operations and assets.
In line with the Scope 1 and Scope 2 guidance of GHG Protocol, an action plan has been implemented in each country where the KRUK Group is present to achieve 70% reduction in carbon emissions by 2040. The plan will be revised based on the results of the double materiality assessment conducted in 2024 under the Corporate Sustainability Reporting Directive, which has been implemented into Polish law by the Act Amending the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Oversight, and Certain Other Acts of 6 December 2024, for instance by improving the efficiency of the car fleet, using renewable energy sources, and cutting energy consumption in office buildings. For the first time, the Group implemented the Scope 3 guidance of GHG Protocol and included Scope 3 emissions (emissions from activities in the value chain) in its carbon footprint measurement list.
In 2024, the KRUK Group conducted a detailed study of potential climate and environmental risks that could directly impact its operations covering the regions where it operates. The analysis identified and assessed risks associated with extreme weather events, temperature changes, water resource availability and other environmental factors that could potentially affect operational continuity. As a result, the operational risk maps were expanded to include new climate risk categories, integrating them into KRUK's broader operational risk framework.

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

31.Auditor's fees

PLN '000	**1 Jan–31 Dec 2024**	**1 Jan–31 Dec 2023**
Audit of financial statements	2,154	2,518
Other assurance services, including review of financial statements	795	700
	2,949	3,218

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

Security established over KRUK S.A.'s assets as at 31 December 2024 is presented below:

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NFW FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 210,000 thousand	No later than 18 December 2032	Prokura NFW FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 195,000 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	up to PLN 195,000 thousand*	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Amendment 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NFW FIZ under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. and PROKURA NFW FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., PEKAO S.A.,	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., PEKAO S.A.	EUR 975,000 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied No later than 31 December 2032	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 15,624 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement

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Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 34,320 thousand	No later than 13 December 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NFW FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between PROKURA NFW FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 105,000 thousand	No later than 31 January 2031	Prokura NFW FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NFW FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 22 August 2022 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 43,560 thousand	No later than 21 August 2030	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated 7 July 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of 7 July 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of 7 July 2022.
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 8 February 2024 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 52,745 thousand	No later than 7 February 2032	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCO Sp. z o.o.	EUR 341 thousand and PLN 271 thousand	No later than 31 May 2025	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	Vastint Poland Sp. z o.o.	EUR 471 thousand	No later than 6 November 2025	KRUK S.A.'s failure to repay its liabilities and properly perform its obligations under the rental agreement secured with the Guarantee

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

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NFW FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 180,000 thousand	No later than 3 July 2030	Prokura NFW FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand*	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Amendment 3 of 21 June 2018 to the master agreement on the procedure for execution and settlement of treasury transactions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NFW FIZ under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. and PROKURA NFW FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., and PEKAO S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A. PEKAO S.A.	EUR 862,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 24,552 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement

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

** The surety amount depends on the limit available to InvestCapital Ltd; as at 31 December 2024 and 31 December 2023, the limit was 0.*

Granting of credit sureties or guarantees, security pledges

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

Accordingly:

- On 10 January 2024, an amendment to the agreement on financial pledge over a bank account of 2 July 2015 was executed between Prokura NFW FIZ and mBank S.A. under which the security period was extended until 18 December 2031;
- On 10 January 2024, an amendment to the surety agreement of 2 July 2015 was executed between mBank S.A. and KRUK S.A. under which the surety amount was increased to PLN 210,000 thousand and the surety expiry date was extended until 18 December 2031;
- On 11 January 2024, KRUK S.A. submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031;
- On 12 January 2024, Prokura NFW FIZ submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031;
- On 12 January 2024, an amendment to the agreement on registered pledge over a set of rights of 20 March 2023 was executed between Prokura NFW FIZ and mBank S.A. under which the maximum secured amount was increased to PLN 210,000 thousand;
- Additionally, on 11 January 2024, Prokura NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a pool of rights (debt portfolios held by Prokura NFW FIZ) in order to secure the payment of liabilities under the agreement. The registered pledge was created up to the maximum amount of PLN 210,000 thousand.

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

- On 11 January 2024, KRUK S.A. submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before 31 December 2031;
- On 14 February 2024, an agreement was executed between KRUK S.A. and Alior Bank S.A. to create a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 150,000 thousand.

On 8 February 2024, a non-revolving working capital facility agreement was executed between Prokura NFW FIZ, KRUK S.A. and PKO BP S.A. of Warsaw. The facility has a maximum amount of PLN 39,300 thousand and matures on 7 February 2029. In order to secure the repayment of Prokura NFW FIZ's liabilities under the agreement:

- On 8 February 2024, an amendment to the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between Prokura NFW FIZ and PKO BP S.A.;

- on 8 February 2024, an agreement amending the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between KRUK S.A. and PKO BP S.A.,
- on 8 February 2024, a surety agreement was executed between KRUK S.A. and PKO BP S.A. under which KRUK S.A. provided a surety for the borrower's liabilities of up to PLN 58,950 thousand,
- On 14 February 2024, Prokura NFW FIZ and KRUK S.A. submitted notarised consents to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 58,950 thousand, which will expire on or before 7 February 2032;
- On 10 July 2024, Prokura NFW FIZ entered into an agreement with PKO BP S.A. to create a registered pledge over a set of rights (debt portfolios owned by Prokura NFW FIZ).The registered pledge was created up to the maximum amount of PLN 58,950 thousand.

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

- KRUK S.A. submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 177,000 thousand, which will expire on or before 1 March 2031;
- An agreement was executed between KRUK S.A. and VeloBank S.A. creating a financial and registered pledge over investment certificates. The registered pledge was created up to the maximum amount of PLN 177,000 thousand.

On 28 February 2024, an amendment to the non-revolving working capital facility agreement of 22 December 2021 was executed between KRUK S.A. and VeloBank S.A. of Warsaw, extending the availability period of the facility until 31 December 2028. In order to secure the repayment of liabilities arising under the agreement, on 7 March 2024, KRUK S.A. submitted a notarised consent to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 150,000 thousand, which will expire on or before 31 December 2030.

On 26 April 2024, all amounts due under the credit facility agreement executed between KRUK S.A. and VeloBank S.A. (formerly Getin Noble Bank S.A.) on 31 March 2014 were fully prepaid. The facility had a maturity date of 1 May 2024.
In connection with the revolving credit agreement No. K0007111 dated 8 April 2011, as amended, between KRUK S.A. and Santander Bank Polska S.A., Amendment 25 was signed on 2 September 2024, increasing the credit limit by PLN 150,000 thousand. The updated credit limits are as follows:

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

As a result, on 4 September 2024:

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

On 12 November 2024, an amendment to the revolving credit facility agreement of 2 July 2015, as amended, was executed between Prokura NFW FIZ, KRUK S.A. and mBank S.A. of Warsaw under which the availability period of the facility was extended until 18 December 2029.

Accordingly:

- On 19 November 2024, an amendment to the financial pledge agreement of 2 July 2015 was executed between Prokura NFW FIZ and mBank S.A. under which the security period was extended until 18 December 2032;
- On 19 January 2024, an amendment to the surety agreement of 2 July 2015 was executed between mBank S.A. and KRUK S.A. under which the surety expiry date was extended until 18 December 2032;
- On 20 November 2024, KRUK S.A. and Prokura NFW FIZ submitted notarised consents to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 31 December 2032.

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

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

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

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

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

On 20 December 2024, a non-revolving working capital facility agreement was executed between Prokura NFW FIZ, KRUK S.A. and PKO BP S.A. of Warsaw. The facility has a maximum amount of PLN 40,000 thousand and matures on 19 December 2029. In order to secure the payment by Prokura NFW FIZ of its liabilities under the agreement, subsequent to the reporting date:

- On 8 January 2025, a surety agreement was executed between KRUK S.A. and PKO BP S.A. under which KRUK S.A. provided a surety for the borrower's liabilities of up to PLN 60,000 thousand;
- On 9 January 2025, an amendment to the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between Prokura NFW FIZ and PKO BP S.A.;
- On 9 January 2025, an amendment to the agreement creating a financial pledge over a bank account of 5 October 2021 was executed between KRUK S.A. and PKO BP S.A.;
- On 9 January 2025, Prokura NFW FIZ and KRUK S.A. submitted notarised consents to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 60,000 thousand, which will expire on or before 31 December 2032;
- On 31 January 2025, Prokura NFW FIZ entered into an agreement with PKO BP S.A. to create a registered pledge over a set of rights (debt portfolios owned by Prokura NFW FIZ) The registered pledge was created up to the maximum amount of PLN 60,000 thousand.

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

In connection with a PLN 60,000 thousand share capital cancellation at InvestCapital Ltd., carried out on 14 September 2023, on 14 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 60,000 thousand for the benefit of InvestCapital Ltd. The guarantee expired on 9 January 2024. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who could challenge the share cancellation by 9 January 2024.

In connection with a PLN 180,000 thousand share capital cancellation at InvestCapital Ltd, carried out on 22 September 2023, on 22 September 2023 KRUK S.A. issued a corporate guarantee of up to PLN 180,000 thousand for the benefit of InvestCapital Ltd. The guarantee expired on 9 January 2024. The purpose of the guarantee was to secure the interests of InvestCapital Ltd.'s creditors, who could challenge the share cancellation by 9 January 2024.

Until the date of issue of this Report, there were no changes in other contingent liabilities or contingent assets. Events subsequent to the reporting date had no impact on the financial data as at 31 December 2024 presented in these separate financial statements.

33.Events subsequent to the reporting date

On 5 February 2025, unsecured Series AP3 bonds with a nominal value of PLN 100,000 thousand were issued. The bonds bear interest at a floating rate based on 3M WIBOR plus a margin of 2.80pp and mature on 5 February 2031.

On 5 March 2025 the Company's share capital was increased from PLN 19,381,668.00 to PLN 19,396,218.00, i.e. by PLN 14,550.00 due to execution of incentive program.

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

Piotr Krupa
CEO and President of the Management Board

Urszula Okarma
Member of the Management Board

Piotr Kowalewski
Member of the Management Board

Adam Łodygowski
Member of the Management Board

Michał Zasępa
Member of the Management Board

Sylwia Bomba
Person responsible for keeping the accounting records

Hanna Stempień
Person responsible for preparation of the financial statements

Wrocław, 26 March 2025