



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

for the period January 1st–  
June 30th 2023

## Financial highlights

Financial highlights	PLN '000		EUR '000	
	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited
<b>For the period</b>				
Revenue	1,299,284	1,101,926	281,657	237,346
Operating profit	707,712	598,373	153,417	128,885
Profit before tax	585,093	519,552	126,836	111,907
Net profit attributable to owners of the Parent	528,042	488,838	114,468	105,292
Net cash from operating activities	(75,252)	71,764	(16,313)	15,457
Purchase of debt portfolios at prices as per agreement	1,177,556	757,009	255,269	163,054
Cash recoveries	1,500,773	1,279,256	325,336	275,541
Net cash from investing activities	(8,042)	(10,823)	(1,743)	(2,331)
Net cash from financing activities	45,187	(83,480)	9,796	(17,981)
Net change in cash	(38,107)	(22,539)	(8,261)	(4,855)
Diluted earnings per share (PLN/EUR)	26.13	24.78	5.66	5.34
Average number of shares ('000)	19,319	19,052	19,319	19,052
Earnings per share (PLN/EUR)	27.33	25.66	5.93	5.53
<b>As at</b>	<b>Jun 30 2023</b>	<b>Dec 31 2022</b>	<b>Jun 30 2023</b>	<b>Dec 31 2022</b>
	<b>unaudited</b>		<b>unaudited</b>	
Total assets	8,405,241	7,681,082	1,888,691	1,637,792
Non-current liabilities	3,982,386	3,729,520	894,858	795,224
Current liabilities	974,121	698,265	218,889	148,887
Equity	3,448,734	3,253,297	774,944	693,682
Share capital	19,319	19,319	4,341	4,119
Book value per ordinary share	178.52	168.40	40.11	35.91

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

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

**for the reporting period**                      **4.6130**

**for the comparative period**                **4.6427**

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

**at the end of the reporting period**      **4.4503**

**at the end of the comparative period**   **4.6899**



# **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

for the period January 1st–  
June 30th 2023

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## I. Consolidated statement of financial position

PLN '000		Jun 30	Mar 31	Dec 31	Jun 30 2022
	Note	2023	2023	2022	unaudited
		unaudited	unaudited		
<b>Assets</b>					
Cash and cash equivalents	10.16	164,053	229,437	202,160	176,625
Hedging instruments	10.10	124,051	51,944	46,091	29,316
Trade receivables	10.15	15,723	14,967	13,033	20,134
Other receivables	10.15	46,121	46,323	41,156	38,283
Income tax receivable		28,453	-	-	-
Inventories	10.14	15,799	15,141	16,369	20,100
Investments	9	7,792,422	7,481,872	7,137,530	5,979,813
Deferred tax asset	10.8	35,926	40,061	44,921	43,437
Property, plant and equipment		80,306	74,991	71,422	73,114
Goodwill	10.13	16,474	17,204	17,026	24,241
Other intangible assets		68,334	69,295	70,833	41,986
Other assets		17,579	19,745	20,541	18,482
<b>Total assets</b>		<b>8,405,241</b>	<b>8,060,980</b>	<b>7,681,082</b>	<b>6,465,531</b>
<b>Equity and liabilities</b>					
<b>Liabilities</b>					
Trade and other payables	10.18	163,237	151,552	158,271	155,360
Liabilities under dividends	15	289,782	-	-	-
Hedging instruments	10.10	-	-	9,824	20,422
Employee benefit obligations	10.17	58,875	56,345	59,639	55,080
Income tax payable		3,972	9,518	16,406	10,747
Borrowings, debt securities and leases	10.9	4,146,627	4,076,761	3,945,794	3,115,579
Provisions	10.19	35,043	35,569	36,431	43,822
Deferred tax liability	10.8	258,971	226,193	201,420	182,623
<b>Total liabilities</b>		<b>4,956,507</b>	<b>4,555,938</b>	<b>4,427,785</b>	<b>3,583,633</b>
<b>Equity</b>					
Share capital		19,319	19,319	19,319	19,128
Share premium		358,506	358,506	358,506	342,740
Hedge reserve		103,904	47,745	32,627	12,158
Measurement reserve (defined benefit plans)		4,155	4,155	4,155	-
Translation reserve		(23,123)	97,884	100,448	98,203
Other capital reserves		159,184	154,514	149,896	137,524
Retained earnings		2,827,326	2,823,467	2,589,066	2,272,922
<b>Equity attributable to owners of the Parent</b>		<b>3,449,271</b>	<b>3,505,590</b>	<b>3,254,017</b>	<b>2,882,675</b>
<b>Non-controlling interests</b>		<b>(537)</b>	<b>(548)</b>	<b>(720)</b>	<b>(777)</b>
<b>Total equity</b>		<b>3,448,734</b>	<b>3,505,042</b>	<b>3,253,297</b>	<b>2,881,898</b>
<b>Total equity and liabilities</b>		<b>8,405,241</b>	<b>8,060,980</b>	<b>7,681,082</b>	<b>6,465,531</b>

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

## II. Consolidated statement of profit or loss

PLN '000

	Note	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
<b>Continuing operations</b>					
Interest income on debt portfolios and loans measured at amortised cost	10.1	815,251	412,526	640,650	328,760
Interest income on loans measured at fair value	10.1	2,707	1,212	7,818	3,405
Revenue from sale of debts and loans	10.1	2,506	1,243	11,626	4,211
Other income/expenses from purchased debt portfolios	10.1	(10,538)	(7,312)	(7,243)	(2,325)
Revenue from other services	10.1	32,905	16,161	37,145	18,656
Other income	10.1	18,478	512	2,097	1,160
Change in investments measured at fair value	10.1	(672)	(188)	(759)	(310)
Gain/(loss) on expected credit losses	10.1	438,647	260,372	410,592	203,518
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>		<b>1,299,284</b>	<b>684,526</b>	<b>1,101,926</b>	<b>557,075</b>
Employee benefits expense	10.3	(250,959)	(126,817)	(223,575)	(116,291)
Depreciation and amortisation		(28,400)	(14,256)	(23,550)	(11,976)
Services	10.2	(111,435)	(57,097)	(93,092)	(49,578)
Other expenses	10.4	(200,778)	(108,012)	(163,336)	(86,563)
		(591,572)	(306,182)	(503,553)	(264,408)
<b>Operating profit</b>		<b>707,712</b>	<b>378,344</b>	<b>598,373</b>	<b>292,667</b>
Finance income	10.5	5,477	4,113	418	218
Finance costs	10.6	(128,096)	(65,874)	(79,239)	(38,711)
		(1,695)	(828)	(1,219)	(621)
<i>including interest expense relating to lease liabilities</i>					
<b>Net finance costs</b>		<b>(122,619)</b>	<b>(61,761)</b>	<b>(78,821)</b>	<b>(38,493)</b>
<b>Profit/(loss) before tax</b>		<b>585,093</b>	<b>316,583</b>	<b>519,552</b>	<b>254,174</b>
Income tax	10.8	(56,703)	(22,768)	(30,733)	(9,303)
<b>Net profit/(loss) for period</b>		<b>528,390</b>	<b>293,815</b>	<b>488,819</b>	<b>244,871</b>
<b>Net profit/(loss) attributable to:</b>					
Owners of the Parent		528,042	293,641	488,838	244,905
Non-controlling interests		348	174	(19)	(34)
<b>Net profit/(loss) for period</b>		<b>528,390</b>	<b>293,815</b>	<b>488,819</b>	<b>244,871</b>
<b>Earnings/(loss) per share</b>					
Basic (PLN)	10.11	27.33	15.20	25.66	12.83
Diluted (PLN)	10.11	26.13	14.48	24.78	12.37

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

### III. Consolidated statement of comprehensive income

PLN '000

	<i>Note</i>	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
<b>Net profit/(loss) for period</b>		528,390	293,815	488,819	244,871
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translating foreign operations		(123,584)	(121,018)	22,494	1,361
Instruments hedging cash flows and net investment in a foreign operation		86,441	71,323	(5,727)	(13,743)
<b>Other comprehensive income for period, gross</b>		<u>(37,143)</u>	<u>(49,695)</u>	<u>16,767</u>	<u>(12,382)</u>
Income tax on instruments hedging cash flows and net investment in a foreign operation		(15,164)	(15,164)	-	-
<b>Other comprehensive income for period, net</b>		<u>(52,307)</u>	<u>(64,859)</u>	<u>16,767</u>	<u>(12,382)</u>
<b>Total comprehensive income for period</b>		<u>476,083</u>	<u>228,956</u>	<u>505,586</u>	<u>232,489</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent		475,748	228,793	505,606	232,524
Non-controlling interests		335	163	(20)	(35)
<b>Total comprehensive income for period</b>		<u>476,083</u>	<u>228,956</u>	<u>505,586</u>	<u>232,489</u>

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



## IV. Consolidated statement of changes in equity

For the six months ended June 30th 2023 (PLN '000)

Note	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2023</b>	<b>19,319</b>	<b>358,506</b>	<b>32,627</b>	<b>4,155</b>	<b>100,448</b>	<b>149,896</b>	<b>2,589,066</b>	<b>3,254,017</b>	<b>(720)</b>	<b>3,253,297</b>
<b>Comprehensive income for period</b>										
Net profit for period	-	-	-	-	-	-	528,042	528,042	348	528,390
<b>Other comprehensive income</b>										
- Exchange differences on translating foreign operations	-	-	-	-	(123,571)	-	-	(123,571)	(13)	(123,584)
- Measurement of hedging instruments	-	-	71,277	-	-	-	-	71,277	-	71,277
- Measurement of defined benefit plans	-	-	-	-	-	-	-	-	-	-
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>71,277</b>	<b>-</b>	<b>(123,571)</b>	<b>-</b>	<b>-</b>	<b>(52,294)</b>	<b>(13)</b>	<b>(52,307)</b>
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>71,277</b>	<b>-</b>	<b>(123,571)</b>	<b>-</b>	<b>528,042</b>	<b>475,748</b>	<b>335</b>	<b>476,083</b>
<b>Contributions from and distributions to owners</b>										
- Payment of dividends	-	-	-	-	-	-	(289,782)	(289,782)	(152)	(289,934)
- Issue of shares	-	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	-	9,288	-	9,288	-	9,288
<b>Total contributions from and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,288</b>	<b>(289,782)</b>	<b>(280,494)</b>	<b>(152)</b>	<b>(280,646)</b>
<b>Total equity as at Jun 30 2023</b>	<b>19,319</b>	<b>358,506</b>	<b>103,904</b>	<b>4,155</b>	<b>(23,123)</b>	<b>159,184</b>	<b>2,827,326</b>	<b>3,449,271</b>	<b>(537)</b>	<b>3,448,734</b>

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

For the reporting period ended December 31st 2022 (PLN '000)

<i>Note</i>	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
<b>Equity as at Jan 1 2022</b>	<b>19,013</b>	<b>333,264</b>	<b>17,885</b>	<b>-</b>	<b>75,708</b>	<b>122,202</b>	<b>2,032,745</b>	<b>2,600,817</b>	<b>(590)</b>	<b>2,600,227</b>
<b>Comprehensive income for period</b>										
Net profit for period	-	-	-	-	-	-	804,982	804,982	36	805,018
<b>Other comprehensive income</b>										
- Exchange differences on translating foreign operations	-	-	-	-	24,740	-	-	24,740	1	24,741
- Measurement of hedging instruments	-	-	14,742	-	-	-	-	14,742	-	14,742
- Measurement of defined benefit plans	-	-	-	4,155	-	-	-	4,155	-	4,155
<b>Total other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>14,742</b>	<b>4,155</b>	<b>24,740</b>	<b>-</b>	<b>-</b>	<b>43,637</b>	<b>1</b>	<b>43,638</b>
<b>Total comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>14,742</b>	<b>4,155</b>	<b>24,740</b>	<b>-</b>	<b>804,982</b>	<b>848,619</b>	<b>37</b>	<b>848,656</b>
<b>Contributions from and distributions to owners</b>										
- Payment of dividends	-	-	-	-	-	-	(248,661)	(248,661)	(167)	(248,828)
- Issue of shares	306	25,242	-	-	-	-	-	25,548	-	25,548
- Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
- Share-based payments	-	-	-	-	-	27,694	-	27,694	-	27,694
<b>Total contributions from and distributions to owners</b>	<b>306</b>	<b>25,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,694</b>	<b>(248,661)</b>	<b>(195,419)</b>	<b>(167)</b>	<b>(195,586)</b>
<b>Total equity as at Dec 31 2022</b>	<b>19,319</b>	<b>358,506</b>	<b>32,627</b>	<b>4,155</b>	<b>100,448</b>	<b>149,896</b>	<b>2,589,066</b>	<b>3,254,017</b>	<b>(720)</b>	<b>3,253,297</b>

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

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

## V. Consolidated statement of cash flows

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
<b>Cash flows from operating activities</b>				
<b>Net profit for period</b>	528,390	293,815	488,819	244,871
<i>Adjustments</i>				
Depreciation of property, plant and equipment	17,710	8,977	16,649	8,476
Amortisation of intangible assets	10,690	5,279	6,901	3,500
Net finance costs	122,619	61,761	78,821	38,493
(Gain)/loss on sale of property, plant and equipment	(737)	(149)	(158)	28
(Gain) /loss on sale of subsidiaries	(15,103)	-	-	-
Equity-settled share-based payments	9,288	4,670	15,322	7,703
Interest income	(817,958)	(413,738)	(648,468)	(332,165)
Income tax	56,703	22,768	30,733	9,303
Change in loans	(33,012)	(20,623)	(33,438)	(21,526)
Change in debt portfolios purchased	(739,099)	(416,938)	(500,572)	(356,937)
Change in inventories	570	(658)	195	955
Change in trade and other receivables	(7,655)	(554)	(465)	18,524
Change in other assets	2,962	2,166	(1,931)	(1,829)
Change in trade and other payables	4,966	11,685	(7,626)	16,743
Change in employee benefit obligations	(764)	2,530	6,419	4,093
Change in provisions	(1,388)	(526)	762	(426)
Minority interest share of profit	(348)	(174)	19	34
Interest received	817,958	413,738	648,468	332,165
Income tax paid	(31,044)	(19,854)	(28,686)	(17,346)
<b>Net cash from operating activities</b>	<b>(75,252)</b>	<b>(45,825)</b>	<b>71,764</b>	<b>(45,341)</b>
<b>Cash flows from investing activities</b>				
Interest received	723	327	418	218
Sale of intangible assets and property, plant and equipment	313	141	253	32
Proceeds from sale of subsidiaries	16,777	-	-	-
Purchase of intangible assets and property, plant and equipment	(25,855)	(20,832)	(11,494)	(4,859)
<b>Net cash from investing activities</b>	<b>(8,042)</b>	<b>(20,364)</b>	<b>(10,823)</b>	<b>(4,609)</b>
<b>Cash flows from financing activities</b>				
Net proceeds from issue of shares	-	-	9,591	9,591
Proceeds from issue of debt securities	902,320	732,320	450,000	50,000
Increase in borrowings	844,993	310,475	1,148,131	798,050
Repayment of borrowings	(1,525,248)	(947,600)	(945,952)	(398,143)
Payments under lease contracts	(12,975)	(5,500)	(15,234)	(8,904)
Dividends paid	(152)	(152)	(248,828)	(248,828)
Redemption of debt securities	-	-	(392,926)	(242,926)
Interest paid	(163,751)	(88,738)	(88,262)	(53,102)
<b>Net cash from financing activities</b>	<b>45,187</b>	<b>805</b>	<b>(83,480)</b>	<b>(94,262)</b>
Total net cash flows	(38,107)	(65,384)	(22,539)	(144,212)
Cash and cash equivalents at beginning of period	202,160	229,437	199,164	320,837
Cash and cash equivalents at end of period	164,053	164,053	176,625	176,625
<i>of which:</i>				
- effect of exchange rate fluctuations on cash held	3,625	2,539	(487)	288

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

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

### 1. Organisation of the KRUK Group

#### Parent

Name:

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

Registered office:

ul. Wołowska 8

51-116 Wrocław, Poland

Poland

Registration in the National Court Register:

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

Date of registration: September 7th 2005

Registration number: KRS NO. 0000240829

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

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

These interim condensed consolidated financial statements for the reporting period January 1st – June 30th 2023 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at June 30th 2023, the composition of the Parent’s Management Board was as follows:

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

In the three months ended June 30th 2023 and until the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at June 30th 2023, the composition of the Parent's Supervisory Board was as follows:

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

In the three months to June 30th 2023 and until the issue date of this interim report, the composition of the Supervisory Board of KRUK S.A. did not change.

### KRUK Group

As at the issue date of this report, the Group comprised KRUK S.A. of Wrocław, 23 subsidiaries, and two entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
<b>DEBT MANAGEMENT</b>		
AgeCredit S.r.l.	Cesena	Credit management in Italy
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Deutschland GmbH	Berlin	Collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Espana S.L.U.	Madrid	Credit management services and collection of debt purchased by the KRUK Group in Spain and other European countries, investing in debt portfolios
KRUK Italia S.r.l.	Milan	Credit management services and collection of debt purchased by the KRUK Group in Italy and other European countries
KRUK Romania S.r.l.	Bucharest	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
<b>INVESTMENTS IN DEBT PORTFOLIOS</b>		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NS FIZ, P.R.E.S.C.O. Investment I NS FIZ, and Bison NS FIZ funds
Bison NS FIZ (closed-end investment fund)	Wrocław	Non-Standard Securitisation Closed-End Investment Fund;
P.R.E.S.C.O. Investment I NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund;
Prokura NS FIZ securitisation fund	Wrocław	Non-Standard Securitisation Closed-End Investment Fund;
InvestCapital Ltd.	Malta	Investing in debt or debt-backed assets
Elleffe Capital S.r.l.	La Spezia	Investing in debt portfolios
ItaCapital S.r.l.	Milan	Investing in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios



Subsidiary	Registered office	Principal business activity
Secapital S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
<b>CONSUMER LENDING</b>		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
<b>DEBT MANAGEMENT SUPPORT ACTIVITIES</b>		
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for litigation and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
Zielony Areal sp. z o.o.	Wrocław	Buying and selling own real estate; services supporting crop production
KRUK TECH s.r.l.	Bucharest	Software development and provision of IT services
KRUK Immobiliare S.a r.l.s	Milan	Buying and selling own real estate

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

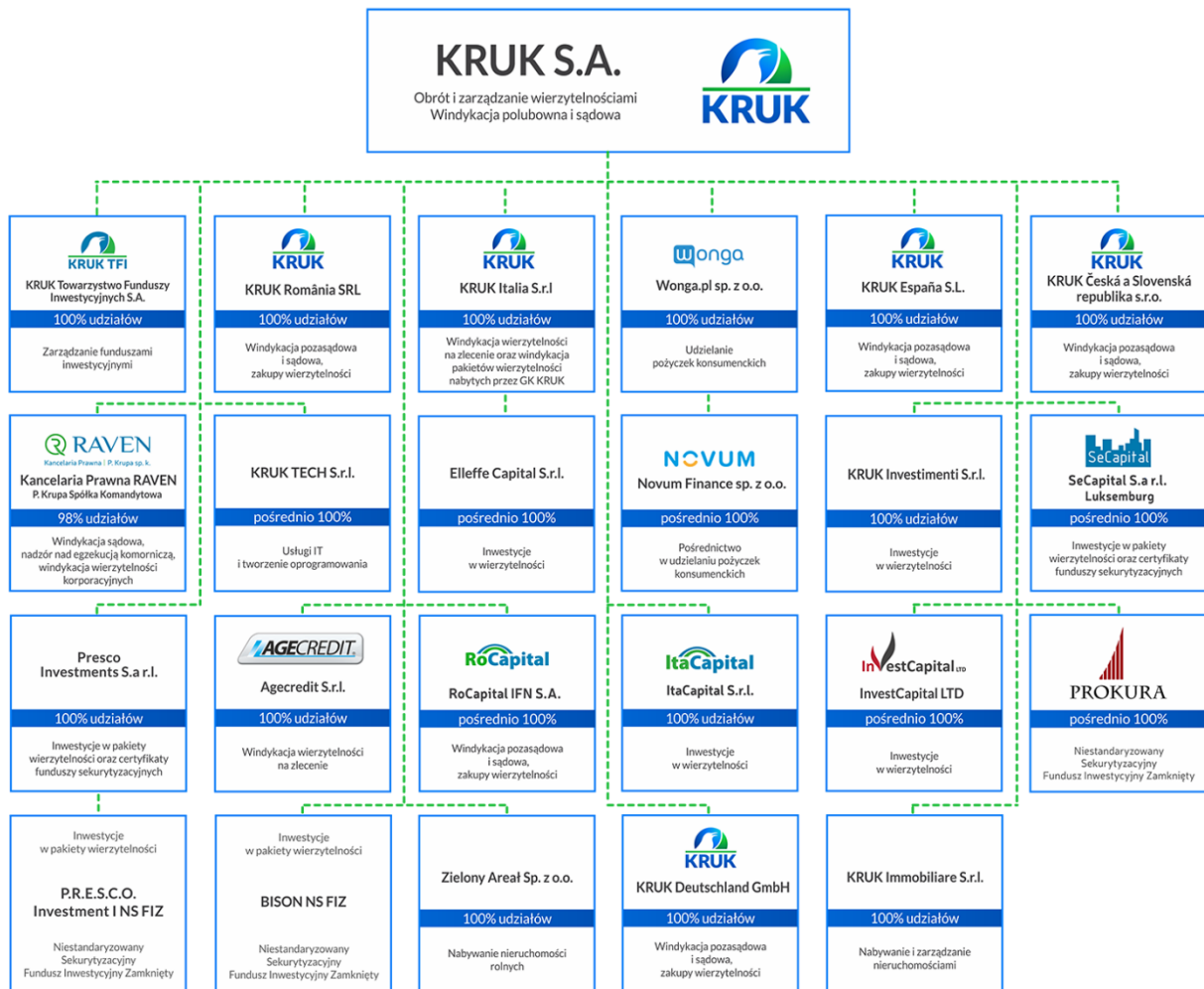
All the subsidiaries listed above are included in these condensed consolidated financial statements as at June 30th 2023 and for the period January 1st – June 30th 2023.

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

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

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

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



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

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

	Country	Ownership interest and share in total voting rights	
		Jun 30 2023	Dec 31 2022
SeCapital S.a.r.l. <sup>1</sup>	Luxembourg	100%	100%
ERIF Business Solutions Sp. z o.o. <sup>4</sup>	Poland	-	100%
ERIF Biuro Informacji Gospodarczej S.A. <sup>4</sup>	Poland	-	100%
Novum Finance Sp. z o.o. <sup>1</sup>	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna Raven P. Krupa Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ <sup>1</sup>	Poland	100%	100%
InvestCapital Ltd <sup>1</sup>	Malta	100%	100%
RoCapital IFN S.A. <sup>1</sup>	Romania	100%	100%
Kruk Deutschland GmbH	Germany	100%	100%
KRUK Italia S.r.l.	Italy	100%	100%
ItaCapital S.r.l.	Italy	100%	100%
KRUK España S.r.l.	Spain	100%	100%
ProsperoCapital S.a.r.l. (in liquidation) <sup>2</sup>	Luxembourg	-	100%
Presco Investments S.a.r.l.	Luxembourg	100%	100%
Presco Investments I NS FIZ <sup>1</sup>	Poland	100%	100%
BISON NS FIZ <sup>1</sup>	Poland	100%	100%
Elleffe Capital S.r.l. <sup>1</sup>	Italy	100%	100%
Corbul S.r.l. <sup>3</sup>	Romania	n/a	n/a
Gantoi, Furculita Si Asociatii S.p.a.r.l. <sup>3</sup>	Romania	n/a	n/a
AgeCredit S.r.l.	Italy	100%	100%
Wonga.pl Sp. z o.o.	Poland	100%	100%
KRUK Investimenti S.r.l.	Italy	100%	100%
Zielony Areał Sp. z o.o.	Poland	100%	100%
Kruk TECH S.r.l. <sup>1</sup>	Romania	100%	100%
Kruk Immobiliare S.r.l. <sup>5</sup>	Italy	100%	-

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

<sup>2</sup> Entity dissolved through liquidation in the three months ended March 31st 2023.

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

<sup>4</sup> Entity sold outside the Group in the three months ended March 31st 2023.

<sup>5</sup> Entity established in the three months ended June 30th 2023.

## 2. Reporting period

The reporting period is the period from January 1st to June 30th 2023 and the comparative period is the period from January 1st to June 30th 2022. The consolidated statement of financial position has been prepared as at June 30th 2023 and the comparative data is presented as at March 31st, June 30th 2022 and December 31st 2022. The consolidated statement of changes in equity has been prepared for the period from January 1st to June 30th 2023 and the comparative periods are from January 1st to June 30th 2022 and from January 1st to December 31st 2022.

The financial data presented on a quarterly basis are for the periods from April 1st to June 30th 2023 and from April 1st to June 30th 2022.

The presented data has not been audited.

These financial statements do not contain all the information required to prepare full-year financial statements and should therefore be read in conjunction with the Group's consolidated financial statements prepared as at and for the year ended December 31st 2022 (available on the web page: [Interim reports / KRUK S.A.](#)).

## 3. Statement of compliance

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

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

These interim condensed financial statements were authorised for issue by the Parent's Management Board (the "Management Board") on August 9th 2023.

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

The Polish złoty is the functional currency of the Parent.

#### 4. Significant accounting policies

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

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

The accounting policies applied to prepare these interim condensed financial statements are consistent with those applied in the most recent full-year consolidated financial statements as at and for the year ended December 31st 2022.

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

- IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 12 Deferred Tax on Assets and Liabilities Arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules;
- IFRS 17 Insurance Contracts, amendments to IFRS 17
- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of Accounting Policies
- Amendment to IAS 8 Definition of Accounting Estimates

The amendments do not have a significant impact on consolidated financial statements of Group.

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

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

Standards and interpretations endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures: Supplier Finance Arrangements	The amendments mandate the disclosure of information about how supply chain finance arrangements affect an entity's liabilities and cash flows and what is their effect on the entity's exposure to liquidity risk.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	January 1st 2024



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

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

## 5. Accounting estimates and judgements

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

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

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

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2023 (PLN '000)	Dec 31 2022 (PLN '000)		
Investments in debt portfolios	7,389,967	6,768,087	9	<p>The value of purchased debt portfolios as at the valuation date is determined using an estimation model relying on expected discounted cash flows. The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons/entities (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The Kruk Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>The original forecast of estimated cash receipts, taking into account the initial value, is used to determine an effective interest rate equal to the internal rate of return including a credit risk component, which is used for discounting estimated cash flows, and which remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	Jun 30 2023 (PLN '000)	Dec 31 2022 (PLN '000)		
Goodwill	16,474	17,026	10.13	Goodwill impairment is estimated based on the expected discounted cash flows to be derived from a cash-generating unit. The discount rate used to discount expected cash flows reflects the current market assessment of the asset risk for the debt collection industry.
Loans measured at amortised cost	394,314	357,003	9	Gross loans are calculated based on expected cash flows discounted with the effective interest rate. The expected cash flows are determined for homogeneous groups of loans, based on historical prepayment data. The probability of prepayment varies, among other things, depending on the time elapsed since the grant of loan. Life tables are subject to periodic review, which may result in their change. The amount of gross loans is reduced by the amount of expected credit losses. It is determined based on, among other things, probability of default (PD), loss given default (LGD), and exposure at default (EAD).
Loans at fair value through profit or loss	8,141	12,440	9	Loans that do not meet the SPPI test are measured at fair value. The fair value of loans was determined based on Level 3, that is based on the projection of expected cash flows.  The main parameter that affects the fair value of loans is the interest rate used to discount expected cash flows to the present value and the amount of expected credit losses on the portfolio.

Item	Amount subject to judgement		Note	Assumptions underlying judgements
	Jun 30 2023 (PLN '000)	Dec 31 2022 (PLN '000)		
Deferred tax assets and liabilities	35,926 (assets)	44,921 (assets)	10.8	<p>The Group exercises control over the timing of temporary differences regarding subsidiaries, and thus recognizes deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans.</p> <p>The Kruk Group assesses the recoverability of deferred tax assets based on its approved financial forecast for the following years.</p> <p>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:</p> <ul style="list-style-type: none"> <li>• KRUK S.A.'s liquidity needs and the amount of raised and projected new debt financing available to KRUK S.A.,</li> <li>• raised and projected new debt financing available to the investment companies,</li> <li>• the planned expenditure on debt portfolios – its amount determines the projected liquidity position of the investment companies,</li> <li>• planned recoveries from purchased debt portfolios at the investment companies.</li> </ul> <p>Therefore, the amount of deferred tax liability for <i>expected future cash flows from subsidiaries</i> may be subject to material changes in individual reporting periods.</p>
	258,921 (liabilities)	201,420 (liabilities)		
Functional currency at InvestCapital	-18,340	102,571		<p>InvestCapital carries out material transactions in three different currencies: EUR, PLN, and RON. Under IAS 21, the Kruk Group assesses the correctness of applying the functional currency for executed transactions on a quarterly basis, taking into account both historical and planned transactions. Given the volume of planned and held investments in debt portfolios, InvestCapital's functional currency is the euro.</p>

## 6. Financial risk management

The principles of financial risk management are presented in the most recent consolidated full-year financial statements prepared as at and for the financial year ended December 31st 2022. In the period from January 1st to June 30th 2023, there were no significant changes in the approach to financial risk management.

## 7. Reporting and geographical segments

### Reportable segments

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

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

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

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

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

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

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

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

There was no revenue from inter-segment transactions.

## Reportable segments

For the reporting period ended June 30th 2023

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>531,802</b>	<b>74,008</b>	<b>290,593</b>	<b>215,176</b>	<b>141,650</b>	<b>27,577</b>	<b>18,478</b>	-	<b>1,299,284</b>
Purchased debt portfolios <i>including revaluation of projected recoveries</i>	503,505 95,471	-	287,527 96,662	209,876 22,543	132,693 4,579	27,577 1,352	-	-	<b>1,161,178</b> <b>220,607</b>
Credit management services	16,445	-	136	5,300	8,957	-	-	-	<b>30,838</b>
Other products	11,852	74,008	2,930	-	-	-	-	-	<b>88,790</b>
Other income	-	-	-	-	-	-	18,478	-	<b>18,478</b>
<b>Direct and indirect costs</b>	<b>(134,704)</b>	<b>(24,691)</b>	<b>(59,928)</b>	<b>(98,138)</b>	<b>(77,207)</b>	<b>(15,531)</b>	<b>(5,340)</b>	-	<b>(415,539)</b>
Purchased debt portfolios	(117,463)	-	(57,797)	(94,065)	(69,432)	(15,531)	-	-	<b>(354,288)</b>
Credit management services	(10,921)	-	(4)	(4,073)	(7,775)	-	-	-	<b>(22,773)</b>
Other products	(6,320)	(24,691)	(2,127)	-	-	-	-	-	<b>(33,138)</b>
Unallocated expenses	-	-	-	-	-	-	(5,340)	-	<b>(5,340)</b>
<b>Gross profit<sup>1</sup></b>	<b>397,098</b>	<b>49,317</b>	<b>230,665</b>	<b>117,038</b>	<b>64,443</b>	<b>12,046</b>	<b>13,138</b>	-	<b>883,745</b>
Purchased debt portfolios	386,042	-	229,730	115,811	63,261	12,046	-	-	<b>806,890</b>
Credit management services	5,524	-	132	1,227	1,182	-	-	-	<b>8,065</b>
Other products	5,532	49,317	803	-	-	-	-	-	<b>55,652</b>
Unallocated income / expenses	-	-	-	-	-	-	13,138	-	<b>13,138</b>
Administrative expenses	(36,234)	(5,394)	(14,742)	(18,340)	(11,087)	(7,739)	-	(54,096)	<b>(147,633)</b>
<b>EBITDA<sup>2</sup></b>	<b>360,865</b>	<b>43,923</b>	<b>215,923</b>	<b>98,698</b>	<b>53,354</b>	<b>4,307</b>	<b>13,138</b>	<b>(54,096)</b>	<b>736,112</b>
Depreciation and amortisation									<b>(28,400)</b>
Finance income/(costs)									<b>(122,619)</b>
Profit before tax									<b>585,093</b>
Income tax									<b>(56,703)</b>
<b>Net profit</b>									<b>528,390</b>
<b>Carrying amount of debt portfolios</b>	<b>2,894,574</b>	-	<b>1,275,193</b>	<b>1,826,425</b>	<b>1,216,949</b>	<b>176,826</b>	-	-	<b>7,389,967</b>
<b>Carrying amount of loans</b>	<b>60,296</b>	<b>325,061</b>	<b>17,098</b>	-	-	-	-	-	<b>402,455</b>
<b>Cash recoveries</b>	<b>667,044</b>	-	<b>321,921</b>	<b>288,424</b>	<b>155,203</b>	<b>68,181</b>	-	-	<b>1,500,773</b>



For the reporting period ended June 30th 2022

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
<b>Revenue</b>	<b>501,723</b>	<b>57,901</b>	<b>308,027</b>	<b>179,182</b>	<b>21,243</b>	<b>31,753</b>	<b>2,097</b>	-	<b>1,101,926</b>
Purchased debt portfolios	474,027	-	299,199	175,141	12,894	31,753	-	-	<b>993,014</b>
<i>including revaluation of projected recoveries</i>	<i>105,128</i>	-	<i>145,218</i>	<i>31,300</i>	<i>(42,364)</i>	<i>4,601</i>	-	-	<b>243,883</b>
Credit management services	13,592	-	7,285	4,041	8,349	-	-	-	<b>33,267</b>
Other products	14,104	57,901	1,543	-	-	-	-	-	<b>73,548</b>
Other income	-	-	-	-	-	-	2,097	-	<b>2,097</b>
<b>Direct and indirect costs</b>	<b>(135,651)</b>	<b>(23,128)</b>	<b>(51,506)</b>	<b>(84,868)</b>	<b>(44,889)</b>	<b>(11,665)</b>	<b>(3,906)</b>	-	<b>(355,614)</b>
Purchased debt portfolios	(119,334)	-	(46,114)	(81,057)	(37,993)	(11,665)	-	-	<b>(296,163)</b>
Credit management services	(9,917)	-	(4,089)	(3,812)	(6,896)	-	-	-	<b>(24,714)</b>
Other products	(6,400)	(23,128)	(1,302)	-	-	-	-	-	<b>(30,831)</b>
Unallocated expenses	-	-	-	-	-	-	(3,906)	-	<b>(3,906)</b>
<b>Gross profit<sup>1</sup></b>	<b>366,072</b>	<b>34,773</b>	<b>256,521</b>	<b>94,313</b>	<b>(23,646)</b>	<b>20,088</b>	<b>(1,809)</b>	-	<b>746,312</b>
Purchased debt portfolios	354,693	-	253,084	94,084	(25,099)	20,088	-	-	<b>696,851</b>
Credit management services	3,675	-	3,196	229	1,453	-	-	-	<b>8,553</b>
Other products	7,704	34,773	240	-	-	-	-	-	<b>42,717</b>
Unallocated income / expenses	-	-	-	-	-	-	(1,809)	-	<b>(1,809)</b>
Administrative expenses	(27,575)	(4,914)	(12,733)	(13,925)	(8,885)	(4,602)	-	(51,756)	<b>(124,389)</b>
<b>EBITDA<sup>2</sup></b>	<b>338,498</b>	<b>29,859</b>	<b>243,787</b>	<b>80,388</b>	<b>(32,530)</b>	<b>15,486</b>	<b>(1,809)</b>	<b>(51,756)</b>	<b>621,923</b>
Depreciation and amortisation									<b>(23,550)</b>
Finance income/(costs)									<b>(78,821)</b>
Profit before tax									<b>519,552</b>
Income tax									<b>(30,733)</b>
<b>Net profit</b>	-	-	-	-	-	-	-	-	<b>488,819</b>
<b>Carrying amount of debt portfolios</b>	<b>2,653,058</b>	-	<b>1,075,738</b>	<b>1,176,333</b>	<b>579,818</b>	<b>145,092</b>	-	-	<b>5,630,039</b>
<b>Carrying amount of loans</b>	<b>43,264</b>	<b>287,097</b>	<b>19,413</b>	-	-	-	-	-	<b>349,774</b>
<b>Cash recoveries</b>	<b>636,656</b>	-	<b>286,724</b>	<b>208,198</b>	<b>96,750</b>	<b>50,928</b>	-	-	<b>1,279,256</b>

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

## 8. Seasonality or cyclicity of business

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

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

### Investments

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
Investments in debt portfolios	7,389,967	6,768,087	5,630,039
Loans measured at amortised cost	394,314	357,003	330,128
Loans measured at fair value	8,141	12,440	19,646
	<u>7,792,422</u>	<u>7,137,530</u>	<u>5,979,813</u>

### Investments measured at amortised cost

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
Investments in debt portfolios	7,389,967	6,768,087	5,630,039
Loans measured at amortised cost	394,314	357,003	330,128
	<u>7,784,281</u>	<u>7,125,090</u>	<u>5,960,167</u>

### Debt portfolios

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
<b>Carrying amount of purchased debt portfolios</b>			
Unsecured portfolios	6,584,383	6,008,230	4,856,721
Secured portfolios	805,584	759,857	773,318
	<u>7,389,967</u>	<u>6,768,087</u>	<u>5,630,039</u>

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

- discount rate in case of change in the amount of the purchased debt portfolio;
- cash flows estimation period;
- expected future cash flows estimated using the current data and debt collection processes.
- The Group analyses the impact of macroeconomic factors on projected recoveries; historically, no correlation between recoveries from purchased debt portfolios and the macroeconomic situation has been found.

*Assumptions adopted in the valuation of debt portfolios*

	<b>Jun 30 2023</b> <b>unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022</b> <b>unaudited</b>
Discount rate <sup>1</sup>	8.00–147.10%	8.00–147.10%	8.00–147.10%
Cash flows estimation period	Jul 2023–Aug 2043	Jan 2022–Jun 2043	Jul 2022–Jul 2042
Undiscounted value of future recoveries	15,271,265	13,764,663	11,139,382

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

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

<i>PLN '000</i>	<b>Jun 30 2023</b> <b>unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022</b> <b>unaudited</b>
<b>Period</b>			
Up to 12 months	2,352,252	2,181,714	1,923,194
From 1 to 2 years	2,190,781	1,979,975	1,651,508
From 2 to 3 years	1,910,550	1,745,420	1,487,569
From 3 to 4 years	1,539,198	1,453,870	1,264,169
From 4 to 5 years	1,276,047	1,172,660	946,253
From 5 to 6 years	1,058,750	948,012	753,581
From 6 to 7 years	859,578	785,290	610,080
From 7 to 8 years	715,556	632,161	490,463
From 8 to 9 years	614,337	538,006	406,490
From 9 to 10 years	525,146	453,222	350,953
From 10 to 11 years	460,115	392,846	295,951
From 11 to 12 years	400,630	345,127	258,904
From 12 to 13 years	338,693	294,225	223,647
From 13 to 14 years	280,010	243,635	188,050
From 14 to 15 years	215,778	186,276	123,280
Over 15 years	533,844	412,224	165,290
	<b>15,271,265</b>	<b>13,764,663</b>	<b>11,139,382</b>

<i>PLN '000</i>	<b>Jun 30 2023</b> <b>unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022</b> <b>unaudited</b>
discount rate:			
< 25%	10,709,540	9,392,269	6,714,402
25–50%	3,849,439	3,753,717	3,735,483
> 50%	712,286	618,677	689,496
	<b>15,271,265</b>	<b>13,764,663</b>	<b>11,139,382</b>

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

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

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

PLN '000	Unsecured portfolios	Secured portfolios	TOTAL
<b>Carrying amount of investments in debt portfolios at January 1st 2023</b>	<b>6,008,230</b>	<b>759,857</b>	<b>6,768,087</b>
Purchase of debt portfolios	1,064,096	113,460	1,177,556
Cash recoveries	(1,343,841)	(156,932)	(1,500,773)
Increase/(decrease) in liabilities to indebted persons due to overpayments	2,152	-	2,152
Valuation of loyalty scheme*	2,995	-	2,995
Revenue from purchased debt portfolios	1,064,673	96,505	1,161,178
Carrying amount of property foreclosed	-	(1,533)	(1,533)
Carrying amount of property sold	-	2,072	2,072
Translation differences on debt portfolios**	(213,922)	(7,845)	(221,767)
<b>Carrying amount of investments in debt portfolios at June 30th 2023</b>	<b>6,584,383</b>	<b>805,584</b>	<b>7,389,967</b>

PLN '000	Unsecured portfolios	Secured portfolios	TOTAL
<b>Carrying amount of investments in debt portfolios at January 1st 2022</b>	<b>4,344,965</b>	<b>755,211</b>	<b>5,100,176</b>
Purchase of debt portfolios	2,130,808	180,264	2,311,072
Cash recoveries	(2,293,628)	(333,715)	(2,627,343)
Increase/(decrease) in liabilities to indebted persons due to overpayments	7,998	-	7,998
Valuation of loyalty scheme*	6,624	-	6,624
Revenue from purchased debt portfolios	1,758,830	153,846	1,912,676
Carrying amount of property foreclosed	-	(4,866)	(4,866)
Carrying amount of property sold	-	9,166	9,166
Translation differences on debt portfolios**	52,633	(49)	52,584
<b>Carrying amount of investments in debt portfolios at December 31st 2022</b>	<b>6,008,230</b>	<b>759,857</b>	<b>6,768,087</b>

PLN '000	Unsecured portfolios	Secured portfolios	TOTAL
<b>Carrying amount of investments in debt portfolios at January 1st 2022</b>	<b>4,344,965</b>	<b>755,211</b>	<b>5,100,176</b>
Purchase of debt portfolios	620,446	136,563	757,009
Purchase price adjustment for discount	-	-	-
Cash recoveries	(1,106,762)	(172,494)	(1,279,256)
Receivables from debt sold	(4,000)	-	(4,000)
Increase/(decrease) in liabilities to indebted persons due to overpayments	3,491	-	3,491
Valuation of loyalty scheme*	4,405	-	4,405
Payments from original creditor	-	-	-
Revenue from purchased debt portfolios	938,316	54,698	993,014
Carrying amount of property foreclosed	-	(3,552)	(3,552)
Carrying amount of property sold	-	3,905	3,905
Translation differences on debt portfolios**	55,860	(1,013)	54,847
<b>Carrying amount of investments in debt portfolios at June 30th 2022</b>	<b>4,856,721</b>	<b>773,318</b>	<b>5,630,039</b>

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

\*\* Including purchased debt portfolios in currencies other than PLN. The item results from exchange rate movements in the respective periods, mainly EUR/PLN fluctuations. As at the end of June 2023, the most significant effect of translation

differences was seen for debt portfolios purchased until December 2022, whose functional currency is EUR (EUR/PLN exchange rate as at December 31st 2022: 4.6899 vs 4.4503 as at June 30th 2023).

In the reporting period, the Group incurred expenditure on the purchase of debt portfolios in the amount of PLN 1,177,556 thousand (six months ended June 30th 2022: PLN 757,009 thousand; 2022: PLN 2,311,072 thousand), while the amount of recoveries from indebted persons was PLN 1,500,773 thousand (six months ended June 30th 2022: PLN 1,279,256 thousand; 2022: PLN 2,627,343 thousand).

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Dec 31 2022</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
<b>Cumulative expected credit losses on purchased debt portfolios at beginning of period</b>	<b>2,328,752</b>	<b>1,600,562</b>	<b>1,600,562</b>
Revaluation of projected recoveries, including:			
<i>unsecured portfolios</i>	220,607	383,860	243,883
<i>secured portfolios</i>	222,061	441,314	298,309
Deviations from actual recoveries, decreases on early collections in collateralised cases, including:			
<i>unsecured portfolios</i>	(1,454)	(57,454)	(54,426)
<i>secured portfolios</i>	251,195	344,330	182,900
<i>unsecured portfolios</i>	220,198	295,489	168,760
<i>secured portfolios</i>	30,997	48,841	14,140
<b>Cumulative expected credit losses on purchased debt portfolios at end of period</b>	<b>2,800,554</b>	<b>2,328,752</b>	<b>2,027,345</b>

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

## Loans

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
Loans measured at amortised cost	394,314	357,003	330,128
Loans measured at fair value	8,141	12,440	19,646
	<b>402,455</b>	<b>369,443</b>	<b>349,774</b>

## Loans measured at amortised cost

The structure of loans measured at amortised cost at the end of the reporting periods was as follows:

IFRS 9 classification	Carrying amount as at Jun 30 2023 unaudited	Carrying amount as at Dec 31 2022	Carrying amount as at Jun 30 2022 unaudited
<b>Gross carrying amount of loans measured at amortised cost</b>			
Basket 1	241,703	216,799	208,848
Basket 2	119,078	117,473	115,828
Basket 3	247,486	182,377	114,298
POCI loans	1,231	1,478	2,249
	<b>609,498</b>	<b>518,127</b>	<b>441,223</b>
<b>Allowance for expected credit losses</b>			
Basket 1	11,402	9,769	10,956
Basket 2	17,282	17,316	16,300
Basket 3	186,500	134,039	83,839
	<b>215,184</b>	<b>161,124</b>	<b>111,095</b>
<b>Net carrying amount</b>			
Basket 1	230,301	207,030	197,892
Basket 2	101,796	100,157	99,528
Basket 3	60,986	48,338	30,459
POCI loans	1,231	1,478	2,249
	<b>394,314</b>	<b>357,003</b>	<b>330,128</b>

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

PLN '000	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
<b>Carrying amount of loans measured at amortised cost at beginning of period</b>	<b>357,003</b>	<b>279,213</b>	<b>279,213</b>
Acquisition of loans as part of portfolio purchase	-	8,530	8,530
New disbursements	271,042	593,852	305,153
Repayments	(318,419)	(663,700)	(325,379)
Interest income	120,093	220,864	94,466
Allowance for expected credit losses	(34,417)	(72,944)	(22,054)
Gain/(loss) on sale of loans	-	(9,263)	(10,638)
Translation differences on loans	(988)	451	837
Other differences	-	-	-
<b>Carrying amount of loans measured at amortised cost at end of period</b>	<b>394,314</b>	<b>357,003</b>	<b>330,128</b>

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

PLN '000	Jan 1–Jun 30 2023 unaudited				Jan 1–Dec 31 2022			
	Basket 1	Basket 2	Basket 3	TOTAL	Basket 1	Basket 2	Basket 3	TOTAL
Loss allowance as at Jan 1	9,769	17,316	134,039	161,124	9,657	7,538	71,977	89,172
Loss allowance as at acquisition date	-	-	-	-	1,272	338	129	1,739
Transfer from basket 1 to basket 2	(11,519)	11,519	-	-	(3,489)	3,489	-	-
Transfer from basket 1 to basket 3	(14,157)	-	14,157	-	(3,707)	-	3,707	-
Transfer from basket 2 to basket 1	422	(422)	-	-	89	(89)	-	-
Transfer from basket 2 to basket 3	-	(26,191)	26,191	-	-	(4,959)	4,959	-
Transfer from basket 3 to basket 1	1	-	(1)	-	1	-	(1)	-
Transfer from basket 3 to basket 2	-	2	(2)	-	-	4	(4)	-
Allowance for expected credit losses recognised in the reporting period and changes reflecting loans advanced and repaid	26,886	15,058	12,116	54,060	5,946	10,996	53,271	70,213
Loss allowance at end of period	<b>11,402</b>	<b>17,282</b>	<b>186,500</b>	<b>215,184</b>	<b>9,769</b>	<b>17,316</b>	<b>134,039</b>	<b>161,124</b>

The amount of the allowance is determined for individual expected loss recognition buckets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss at the end of the reporting period covers 35.3% of the gross carrying amount of loans measured at amortised cost (at the end of 2022: 31.1%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at June 30th 2023 was PLN 21,816 thousand (December 31st 2022: PLN 21,525 thousand).

### Loans measured at fair value

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

PLN '000	Jan 1–Jun 30 2023 unaudited	Jan 1–Dec 31 2022	Jan 1–Jun 30 2022 unaudited
<b>Carrying amount of loans measured at fair value at beginning of period</b>	<b>12,440</b>	<b>37,123</b>	<b>37,123</b>
New disbursements	-	-	-
Repayments	(6,334)	(38,212)	(24,536)
Interest income	2,707	10,129	7,818
Remeasurement	(672)	3,400	(759)
Other remeasurement differences	-	-	-
<b>Carrying amount of loans measured at fair value at end of period</b>	<b>8,141</b>	<b>12,440</b>	<b>19,646</b>

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

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

#### Breakdown by type of activity

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revenue from purchased debt portfolios	1,161,178	623,524	993,014	499,741
Revenue from credit management services	30,838	15,162	33,267	17,278
Revenue from other services	88,790	45,328	73,548	38,896
Other income	18,478	512	2,097	1,160
	<u>1,299,284</u>	<u>684,526</u>	<u>1,101,926</u>	<u>557,075</u>

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

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revenue from purchased debt portfolios	1,161,178	623,524	993,014	499,741
Revenue from loans	84,688	43,305	62,611	34,423
	<u>1,245,866</u>	<u>666,829</u>	<u>1,055,625</u>	<u>534,164</u>

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

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income on debt portfolios	695,158	352,971	546,184	276,278
Interest income on loans	120,093	59,555	94,466	52,482
	<u>815,251</u>	<u>412,526</u>	<u>640,650</u>	<u>328,760</u>

#### Revenue from sale of debts and loans

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Gain/(loss) on sale of debts	2,506	1,243	22,264	8,403
Profit/(loss) on loans	-	-	(10,638)	(4,192)
	<u>2,506</u>	<u>1,243</u>	<u>11,626</u>	<u>4,211</u>



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

PLN '000

	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Apr 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>
Gain/(loss) on expected credit losses from debt portfolios	474,052	276,622	431,809	217,385
Gain/(loss) on expected credit losses from loans	(35,405)	(16,250)	(21,217)	(13,867)
	<b>438,647</b>	<b>260,372</b>	<b>410,592</b>	<b>203,518</b>

**Revenue from purchased debt portfolios**

PLN '000

	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Apr 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>
Interest income	695,158	352,971	546,184	276,278
Other income/expenses from purchased debt portfolios	(10,538)	(7,312)	(7,243)	(2,325)
Gain/(loss) on expected credit losses from purchased debt portfolios	474,052	276,622	431,809	217,385
Revenue from sale of debts	2,506	1,243	22,264	8,403
	<b>1,161,178</b>	<b>623,524</b>	<b>993,014</b>	<b>499,741</b>

**Other income/expenses from purchased debt portfolios**

PLN '000

	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Apr 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>
Foreign currency gains/(losses)	(5,391)	(4,661)	653	617
Costs of loyalty scheme valuation	(2,995)	(1,668)	(4,405)	(1,988)
Costs of provision for overpayments	(2,152)	(983)	(3,491)	(954)
	<b>(10,538)</b>	<b>(7,312)</b>	<b>(7,243)</b>	<b>(2,325)</b>

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

PLN '000

	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Apr 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>
Revaluation of projected recoveries	220,607	133,739	243,883	108,816
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	253,445	142,883	187,926	108,569
	<b>474,052</b>	<b>276,622</b>	<b>431,809</b>	<b>217,385</b>

## Revenue from loans

### Revenue from loans measured at amortised cost

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income	120,093	59,555	94,466	52,482
Allowance for expected credit losses	(34,417)	(15,365)	(22,054)	(14,898)
Gain/(loss) on sale of loans	-	-	(10,638)	(4,192)
Foreign currency gains/(losses)	(988)	(885)	837	1,031
	84,688	43,305	62,611	34,423

### Revenue from loans measured at fair value

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income	2,707	1,212	7,818	3,405
Remeasurement	(672)	(188)	(759)	(310)
	2,035	1,024	7,059	3,095

## Revenue from other services

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Revenue from credit management services	30,838	15,162	33,267	17,278
Revenue from collection, processing and provision of credit information on natural persons and business entities, financial intermediation and agency services, and auxiliary services provided to small and medium-sized enterprises	2,067	999	3,878	1,378
	32,905	16,161	37,145	18,656

## Other income

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Sale of shares in subsidiaries*	15,103	-	-	-
Rental	894	872	503	383
Recharged costs of services and court fees	743	(387)	511	503
Gain on sale of property, plant and equipment	737	149	158	(28)
Other cooperation	233	148	6	3
Recovery of written-off receivables and expenses	9	4	262	107
Compensation for motor damage	-	-	242	85
Other	759	(274)	415	107
	18,478	512	2,097	1,160

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

## 10.2. Services

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Credit management services <sup>1</sup>	(22,634)	(12,327)	(21,744)	(10,016)
Legal assistance services <sup>2</sup>	(19,485)	(8,042)	(15,363)	(8,720)
IT services	(19,245)	(11,951)	(14,840)	(7,371)
Postal and courier services	(11,525)	(5,183)	(8,951)	(5,635)
Administrative and accounting support services	(10,758)	(5,000)	(7,152)	(4,282)
Banking services	(6,285)	(3,267)	(5,511)	(3,025)
Communications services	(5,701)	(3,199)	(4,212)	(2,380)
Space rental and service charges	(4,911)	(2,503)	(4,355)	(2,398)
Marketing and management services	(4,642)	(2,381)	(4,575)	(2,195)
Printing services	(1,597)	(732)	(1,851)	(1,334)
Security	(1,237)	(586)	(1,161)	(725)
Recruitment services	(980)	(392)	(917)	(449)
Other auxiliary services	(895)	(546)	(786)	(280)
Repair and maintenance services	(607)	(426)	(409)	(52)
Repair of vehicles	(558)	(328)	(742)	(360)
Other rental	(223)	(142)	(377)	(274)
Transport services	(98)	(65)	(78)	(48)
Packing services	(54)	(27)	(68)	(34)
	<b>(111,435)</b>	<b>(57,097)</b>	<b>(93,092)</b>	<b>(49,578)</b>

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

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

## 10.3. Employee benefits expense

PLN '000

	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Salaries and wages	(190,467)	(96,028)	(166,574)	(86,091)
Old-age and disability pension contributions	(14,453)	(7,375)	(12,565)	(6,648)
Other social security contributions	(35,679)	(18,190)	(28,209)	(15,385)
Contribution to the State Fund for the Disabled	(1,072)	(554)	(905)	(464)
Equity-settled cost of stock option plan	(9,288)	(4,670)	(15,322)	(7,703)
	<b>(250,959)</b>	<b>(126,817)</b>	<b>(223,575)</b>	<b>(116,291)</b>

## 10.4. Other expenses

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Court fees	(168,268)	(88,784)	(129,695)	(69,232)
Taxes and charges	(13,451)	(9,099)	(17,204)	(9,340)
Raw materials and consumables used	(5,937)	(2,980)	(6,322)	(3,786)
Staff training	(2,209)	(1,322)	(1,723)	(1,254)
Entertainment expenses	(2,180)	(1,365)	(554)	(385)
Business trips	(1,973)	(1,191)	(942)	(706)
Advertising	(1,876)	(930)	(3,961)	(628)
Non-deductible VAT	(1,147)	(681)	(1,151)	(558)
Refund of litigation costs	(322)	163	(616)	(351)
Property insurance	(447)	(232)	(409)	(190)
Motor insurance	(443)	(221)	(634)	(321)
Non-compete agreements	(188)	(81)	(253)	(109)
Membership fees	(66)	(33)	(170)	(160)
Losses caused by motor damage	(57)	(30)	(102)	(48)
Provision for possible differences related to straight-line basis settlement	1,031	436	1,678	1,224
Other	(3,245)	(1,662)	(1,278)	(719)
	<u>(200,778)</u>	<u>(108,012)</u>	<u>(163,336)</u>	<u>(86,563)</u>

## 10.5. Finance income

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest income on bank deposits	723	327	418	218
Net foreign exchange gains	4,754	3,786	-	-
	<u>5,477</u>	<u>4,113</u>	<u>418</u>	<u>218</u>

## 10.6. Finance costs

PLN '000	Jan 1–Jun 30 2023 unaudited	Apr 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Apr 1–Jun 30 2022 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(161,210)	(83,518)	(86,857)	(48,453)
<i>including interest</i>	<i>(153,393)</i>	<i>(80,628)</i>	<i>(79,812)</i>	<i>(44,991)</i>
Net foreign exchange gains	-	-	5,318	7,151
Interest income/expense on hedging instruments – IRS	6,659	7,531	1,481	1,772
Hedging costs	25,963	13,149	824	824
Interest income/expense on hedging instruments – CIRS	492	(3,036)	(5)	(5)
	<u>(128,096)</u>	<u>(65,874)</u>	<u>(79,239)</u>	<u>(38,711)</u>

The large increase in interest in the six months ended June 30th 2023 relative to the six months ended June 30th 2022 was attributable to a higher debt amount (borrowings and bonds) and significantly higher 1M/3M WIBOR rates in 2023.

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

<i>PLN '000</i>	<i>Note</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
Realised exchange gains/(losses)	10.6	774	(954)
Unrealised exchange gains/(losses)	10.6	3,980	6,272
Remeasurement of debt portfolios due to exchange rate movements	10.1	(5,391)	653
Remeasurement of loans due to exchange rate movements	10.1	(988)	837
		<u>(1,625)</u>	<u>6,808</u>

### 10.8. Income tax

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Apr 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>	<b>Apr 1–Jun 30 2022 unaudited</b>
<b>Current income tax recognised in profit or loss</b>				
Current income tax payable	(5,321)	(1,019)	(21,065)	(14,191)
<b>Deferred income tax recognised in profit or loss</b>				
Related to temporary differences and their reversal	(51,382)	(21,749)	(9,668)	4,888
<b>Income tax recognised in profit or loss</b>	<u>(56,703)</u>	<u>(22,768)</u>	<u>(30,733)</u>	<u>(9,303)</u>
<b>Deferred income tax recognised in other comprehensive income</b>				
Related to temporary differences and their reversal	(15,164)	(15,164)	-	-
<b>Income tax recognised in other comprehensive income</b>	<u>(15,164)</u>	<u>(15,164)</u>	<u>-</u>	<u>-</u>
<b>Income tax recognised in comprehensive income</b>	<u>(71,867)</u>	<u>(37,932)</u>	<u>(30,733)</u>	<u>(9,303)</u>

## Reconciliation of effective income tax rate

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
Profit before tax	585,093	519,552
Tax calculated at the Parent's enacted income tax rate (19%)	(111,168)	(98,715)
Effect of application of other income tax rates abroad and effect of deferred tax	(3,371)	1,902
Differences resulting from ability to control the timing of reversal of temporary differences relating to the measurement of net assets of subsidiaries and the probability of their reversal in the foreseeable future, and other non-deductible expenses/non-taxable income	57,836	66,080
Income tax recognised in profit or loss	<u>(56,703)</u>	<u>(30,733)</u>
Effective income tax rate (%)	9.69%	5.92%

**Deferred tax assets and liabilities**

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

PLN '000	Assets		Provisions		Net carrying amount	
	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2023 unaudited	Dec 31 2022
Property, plant and equipment	6,616	8,725	(4,888)	(4,983)	1,728	3,742
Intangible assets	-	-	(5,481)	(5,148)	(5,481)	(5,148)
Tax losses deductible in future periods	12,868	11,920	-	-	12,868	11,920
Trade and other receivables	-	-	(343)	(413)	(343)	(413)
Borrowings and other debt instruments	22,644	16,633	-	-	22,644	16,633
Employee benefit obligations	3,194	2,590	-	-	3,194	2,590
Provisions and liabilities	50	-	-	(109)	50	(109)
Investments in debt portfolios	-	-	(6,996)	(7,058)	(6,996)	(7,058)
Investments in loans	22,644	32,923	-	-	22,644	32,923
Derivative hedging instruments	-	-	(18,458)	(3,294)	(18,458)	(3,294)
Expected future outflows of income from investments in subsidiaries	-	-	(254,895)	(208,285)	(254,895)	(208,285)
<b>Deferred tax assets/liabilities</b>	68,016	72,791	(291,061)	(229,290)	(223,045)	(156,499)
Deferred tax assets offset against liabilities	(32,090)	(27,870)	32,090	27,870	-	-
<b>Deferred tax assets/liabilities in the statement of financial position</b>	35,926	44,921	(258,971)	(201,420)	(223,045)	(156,499)

**Change in temporary differences in the period**

PLN '000

	Net amount of income tax as at Jan 1 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at Jun 30 2023	Net amount of income tax as at Jan 1 2022	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at Dec 31 2022
Property, plant and equipment	3,742	(2,014)	1,728	81	3,661	3,742
Intangible assets	(5,148)	(333)	(5,481)	(1,745)	(3,403)	(5,148)
Tax losses deductible in future periods	11,920	948	12,868	8,155	3,765	11,920
Trade and other receivables	(413)	70	(343)	(245)	(168)	(413)
Borrowings and other debt instruments	16,633	6,011	22,644	7,775	8,858	16,633
Employee benefit obligations	2,590	604	3,194	2,392	198	2,590
Provisions and liabilities	(109)	159	50	40	(149)	(109)
Investments in debt portfolios	(7,058)	62	(6,996)	(6,974)	(84)	(7,058)
Investments in loans	32,923	(10,279)	22,644	29,328	3,595	32,923
Expected future outflows of income from investments in subsidiaries	(208,285)	(46,610)	(254,895)	(168,325)	(39,960)	(208,285)
	(153,205)	(51,382)	(204,587)	(129,518)	(23,687)	(153,205)

PLN '000

	Net amount of income tax as at Jan 1 2023	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at Jun 30 2023	Net amount of income tax as at Jan 1 2022	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at Dec 31 2022
Derivative hedging instruments	(3,294)	(15,164)	(18,458)	-	(3,294)	(3,294)
	(3,294)	(15,164)	(18,458)	-	(3,294)	(3,294)



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 Group takes advantage of the exemption under IAS 12 and does not recognise a deferred tax liability in respect of retained earnings in its related entities where it is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The total amount of temporary differences underlying the unrecognised deferred tax liability on retained earnings as at June 30th 2023 was PLN 4,381,811 thousand (as at December 31st 2022: PLN 3,676,475 thousand).

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

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
<b>Non-current liabilities</b>			
Secured borrowings	1,535,806	2,155,455	1,479,512
Liabilities under debt securities (unsecured)	2,159,093	1,308,234	1,279,201
Lease liabilities	27,607	40,463	25,014
	<u>3,722,506</u>	<u>3,504,152</u>	<u>2,783,727</u>
<b>Current liabilities</b>			
Secured borrowings	278,674	339,401	215,430
Liabilities under debt securities (unsecured)	108,311	73,781	82,684
Lease liabilities	37,136	28,460	33,738
	<u>424,121</u>	<u>441,642</u>	<u>331,852</u>

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

<i>PLN '000</i>	Currency	Nominal interest rate	Maturity periods <sup>1</sup>	Jun 30 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.0–2.7pp; 3M WIBOR + margin of 2.7pp; 1M EURIBOR + 2.2–2.95pp	2023-2028	1,814,480	2,494,856	1,694,942
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.2–4.5pp; 4.00–4.80% <sup>2</sup> ; 3M WIBOR + margin of 6.5pp;	2023-2029	2,267,404	1,382,015	1,361,885
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 0.8–9.7pp; 3.00–6.80%	2023-2030	64,743	68,923	58,752
				<b>4,146,627</b>	<b>3,945,794</b>	<b>3,115,579</b>

<sup>1</sup> Maturity of the last liability.

<sup>2</sup> Fixed interest rate.

**Impact of IBOR reform**

The Group does not anticipate a material impact from IBOR reform on its financial obligations, but cannot conclusively determine its effect as not all systemic and regulatory solutions have been finalised. The Group takes measures to prepare for a change in the benchmarks underlying concluded financial instruments in the event 3M WIBOR ceases to be published. The Group continuously monitors regulatory changes in benchmarks, and negotiates amendments to the Master and Credit Agreements governing the hedging instruments and bank loans used by the Group companies, to ensure optimal transition to an alternative benchmark when the WIBOR is replaced.

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

<i>PLN thousand</i>	Jun 30 2023 unaudited	Dec 31 2022
<b>Carrying amount of financial liabilities for which WIBOR is used as the benchmark</b>		
Borrowings secured over the Group's assets	304,610	814,934
Liabilities under debt securities (unsecured)	1,605,257	1,382,015
Lease liabilities	10,267	13,771
<b>Notional amount of hedging instruments for which WIBOR is used as the benchmark</b>		
CIRS	1,135,000	940,000
IRS	255,000	255,000

## 10.10. Hedging instruments

### Interest rate risk hedges

Open outstanding IRS contracts held by the KRUK Group companies as at June 30th 2023, with a total notional amount of PLN 255,000 thousand and EUR 360,000 thousand:

Bank	Group company	Type of transaction	Notional amount	Fixed rate	Variable rate	Term
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 30,000,000.00	1.65%	3M WIBOR	Sep 5 2019 to Nov 27 2023
Santander Bank Polska S.A.	KRUK S.A.	IRS	PLN 25,000,000.00	1.65%	3M WIBOR	Sep 5 2019 to Feb 6 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 35,000,000.00	1.6050%	3M WIBOR	Sep 4 2019 to Oct 12 2023
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 115,000,000.00	1.5775%	3M WIBOR	Sep 4 2019 to Sep 27 2024
ING Bank Śląski S.A.*	KRUK S.A.	IRS	PLN 50,000,000.00	1.5775%	3M WIBOR	Sep 4 2019 to Sep 28 2024
ING Bank Śląski S.A.	InvestCapital Ltd.	IRS	EUR 210,000,000.00	2.6535%	EUR 1M	Nov 29 2022 to Jun 30 2027
DNB Bank ASA	KRUK S.A.	IRS	EUR 150,000,000.00	2.9640%	3M EURIBOR	May 10 2023 to May 10 2028

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

Open outstanding CIRS contracts held by Kruk Group companies as at June 30th 2023, with a total volume of PLN 1,135,000 thousand:

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

### **Currency risk hedges**

In 2019-2022, the Group took steps to hedge against currency risk arising from the translation of net assets in a foreign entity, which involved execution of hedging transactions by Group companies. The Group's objective is to mitigate the effect of exchange differences arising on consolidation of foreign subsidiaries on the consolidated financial statements. The transactions were entered into by KRUK S.A. and settled on a net basis, with no physical delivery. For details of the executed and settled transactions, see the most recent consolidated full-year financial statements as at and for the financial year ended December 31st 2022.

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

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

PLN '000

	Jun 30 2023 unaudited				Dec 31 2022				Item in the statement of financial position	Hedge type
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
<b>Instrument type:</b>										
<b>IRS</b>	11,030	-	255,000 (PLN)	(7,776)	18,806	-	255,000 (PLN)	5,003	Hedging instruments	Hedge of future cash flows
<b>IRS</b>	5,095	-	150,000 (EUR)	5,095	-	-	-	-	Hedging instruments	Hedge of future cash flows
<b>IRS</b>	18,628	-	210,000 (EUR)	2,872	15,756	-	210,000 (EUR)	15,756	Hedging instruments	Hedge of future cash flows
<b>CIRS</b>	89,299	-	1,135,000 (PLN)	87,594	11,529	9,824	940,000 (PLN)	1,705	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	<b>124,051</b>	<b>-</b>		<b>87,784</b>	<b>46,091</b>	<b>9,824</b>		<b>22,464</b>		

PLN '000

## Disclosure of the hedged item as at Jun 30 2023

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	(7,776)	12,506	-
Hedge of future cash flows (interest rate risk)	150,000 (EUR)	5,095	5,095	-
Hedge of future cash flows (interest rate risk)	210,000 (EUR)	2,872	18,628	-
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)	1,135,000 (PLN)	87,594	63,593	-

PLN '000

Disclosure of the hedged item as at Dec 31 2022

	Nominal amount of the hedged item	Change in the fair value of the hedged item	Reserve for measurement of continuing hedges	Reserve (unsettled) for measurement of discontinued hedges
Hedge of future cash flows (interest rate risk)	255,000 (PLN)	5,003	18,806	-
Hedge of future cash flows (interest rate risk)	210,000 (EUR)	15,756	15,756	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	940,000 (PLN)	1,705	(6,017)	-



PLN '000

Jan 1–Jun 30 2023 unaudited

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
<b>Hedge reserve at beginning of period</b>	34,562	4,082	(6,017)	32,627
<b>Measurement of instruments charged to capital reserves</b>	6,849	-	32,295	39,144
<b>Cost of hedging</b>	-	-	80,411	80,411
<b>Temporary differences/reversal of temporary differences</b>	1,477	-	(16,641)	(15,164)
<b>Amount reclassified to profit or loss during the period</b>	(6,659)	-	(26,455)	(33,114)
- Interest income / expense	(6,659)	-	(492)	(7,151)
- Cost of hedging	-	-	(25,963)	(25,963)
<b>Hedge reserve at end of period</b>	36,229	4,082	63,593	103,904

PLN '000

Jan 1–Dec 31 2022

Hedge reserve	Hedge of future cash flows (interest rate risk)	Hedge of net investment (currency risk)	Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	Total hedge reserve
<b>Hedge reserve at beginning of period</b>	13,803	4,082	-	17,885
<b>Measurement of instruments charged to capital reserves</b>	29,660	-	(19,995)	9,665
<b>Cost of hedging</b>			37,109	37,109
<b>Temporary differences/reversal of temporary differences</b>			(3,294)	(3,294)
<b>Amount reclassified to profit or loss during the period</b>	(8,901)	-	(19,837)	(28,738)
- Interest income / expense	(8,901)	-	(67)	(8,968)
- Cost of hedging	-	-	(19,770)	(19,770)
<b>Hedge reserve at end of period</b>	34,562	4,082	(6,017)	32,627

## 10.11. Earnings per share

### Basic earnings per share

<i>thousands of shares</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Dec 31 2022</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
Number of ordinary shares as at Jan 1	19,319	19,013	19,013
Effect of redemption and issue	-	123	39
Weighted average number of ordinary shares at end of reporting period	19,319	19,136	19,052
<i>PLN</i>			
Earnings per share	27.33	42.07	25.66

### Diluted earnings per share

<i>thousands of shares</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Dec 31 2022</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
Weighted average number of ordinary shares at end of reporting period	19,319	19,136	19,052
Effect of issue of unregistered shares not subscribed for	889	636	679
Weighted average number of ordinary shares at end of reporting period (diluted)	20,208	19,772	19,731
<i>PLN</i>			
Earnings per share (diluted)	26.13	40.71	24.78

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

PLN '000	Jun 30 2023 unaudited	Mar 31 2023 unaudited	Dec 31 2022	Jun 30 2022 unaudited
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	80,306	74,991	71,422	73,114
Other intangible assets	68,334	69,295	70,833	41,986
Goodwill	16,474	17,204	17,026	24,241
Investments	5,408,519	5,165,870	4,951,442	4,030,585
Hedging instruments	121,785	48,518	42,762	29,316
Deferred tax asset	35,926	40,061	44,921	43,437
<b>Total non-current assets</b>	<b>5,731,344</b>	<b>5,415,939</b>	<b>5,198,406</b>	<b>4,242,679</b>
<b>Current assets</b>				
Inventories	15,799	15,141	16,369	20,100
Investments	2,383,903	2,316,002	2,186,088	1,949,228
Trade receivables	15,723	14,967	13,033	20,134
Other receivables	46,121	46,323	41,156	38,283
Income tax receivable	28,453	-	-	-
Hedging instruments	2,266	3,426	3,329	-
Other assets	17,579	19,745	20,541	18,482
Cash and cash equivalents	164,053	229,437	202,160	176,625
<b>Total current assets</b>	<b>2,673,897</b>	<b>2,645,041</b>	<b>2,482,676</b>	<b>2,222,852</b>
<b>Total assets</b>	<b>8,405,241</b>	<b>8,060,980</b>	<b>7,681,082</b>	<b>6,465,531</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital	19,319	19,319	19,319	19,128
Share premium	358,506	358,506	358,506	342,740
Hedge reserve	103,904	47,745	32,627	12,158
Measurement reserve (defined benefit plans)	4,155	4,155	4,155	-
Translation reserve	(23,123)	97,884	100,448	98,203
Other capital reserves	159,184	154,514	149,896	137,524
Retained earnings	2,827,326	2,823,467	2,589,066	2,272,922
<b>Equity attributable to owners of the Parent</b>	<b>3,449,271</b>	<b>3,505,590</b>	<b>3,254,017</b>	<b>2,882,675</b>
<b>Non-controlling interests</b>	<b>(537)</b>	<b>(548)</b>	<b>(720)</b>	<b>(777)</b>
<b>Total equity</b>	<b>3,448,734</b>	<b>3,505,042</b>	<b>3,253,297</b>	<b>2,881,898</b>
<b>Non-current liabilities</b>				
Borrowings, debt securities and leases	3,722,506	3,717,435	3,504,152	2,783,727
Deferred tax liability	258,971	226,193	201,420	182,623
Provisions	909	909	14,124	936
Hedging instruments	-	-	9,824	20,422
<b>Total non-current liabilities</b>	<b>3,982,386</b>	<b>3,944,537</b>	<b>3,729,520</b>	<b>2,987,708</b>
<b>Current liabilities</b>				
Borrowings, debt securities and leases	424,121	359,326	441,642	331,852
Trade and other payables	163,237	151,552	158,271	155,360
Liabilities under dividends	289,782	-	-	-
Income tax payable	3,972	9,518	16,406	10,747
Employee benefit obligations	58,875	56,345	59,639	55,080
Provisions	34,134	34,660	22,307	42,886
<b>Total current liabilities</b>	<b>974,121</b>	<b>611,401</b>	<b>698,265</b>	<b>595,925</b>
<b>Total liabilities</b>	<b>4,956,507</b>	<b>4,555,938</b>	<b>4,427,785</b>	<b>3,583,633</b>
<b>Total equity and liabilities</b>	<b>8,405,241</b>	<b>8,060,980</b>	<b>7,681,082</b>	<b>6,465,531</b>

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

### 10.13. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	Kruk Espana S.L.	ERIF BIG S.A.	Total
<b>Gross carrying amount as at Jan 1 2022</b>	299	47,867	725	48,891
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	448	-	448
<b>Gross carrying amount as at Dec 31 2022</b>	299	48,315	725	49,339
<b>Gross carrying amount as at Jan 1 2023</b>	299	48,315	725	49,339
Increase	-	-	-	-
Decrease	-	-	(725)	(725)
Translation differences	-	173	-	173
<b>Gross carrying amount as at Jun 30 2023</b>	299	48,488	-	48,787
<b>Impairment losses</b>				
<b>Impairment losses as at Jan 1 2022</b>	-	(25,051)	-	(25,051)
Increase	-	(7,262)	-	(7,262)
Decrease	-	-	-	-
<b>Impairment losses as at Dec 31 2022</b>	-	(32,313)	-	(32,313)
<b>Impairment losses as at Jan 1 2023</b>	-	(32,313)	-	(32,313)
Increase	-	-	-	-
Decrease	-	-	-	-
<b>Impairment losses as at Jun 30 2023</b>	-	(32,313)	-	(32,313)
<b>Net carrying amount</b>				
As at Jan 1 2022	299	22,816	725	23,840
As at Dec 31 2022	299	16,002	725	17,026
As at Jan 1 2023	299	16,002	725	17,026
As at Jun 30 2023	299	16,175	-	16,474

As at June 30th 2023, there were no indications of goodwill impairment.

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

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022 unaudited</b>
Real property	15,604	16,243	19,979
Other inventories	195	126	121
	<b>15,799</b>	<b>16,369</b>	<b>20,100</b>

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

<i>PLN '000</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Dec 31 2022</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
<b>Carrying amount of property held at beginning of period</b>	<b>16,243</b>	<b>20,295</b>	<b>20,295</b>
Carrying amount of property foreclosed	3,309	5,378	4,064
Carrying amount of property sold	(2,072)	(5,716)	(1,972)
Impairment losses	(1,776)	(3,689)	(2,472)
Translation differences on property	(100)	(25)	64
<b>Carrying amount of property held at end of period</b>	<b>15,604</b>	<b>16,243</b>	<b>19,979</b>

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

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Short-term trade receivables	15,723	13,033
	<b>15,723</b>	<b>13,033</b>

**Other receivables**

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Taxes receivable (other than income tax)	28,329	24,606
Receivables under collected debts	9,194	7,666
Receivables under security deposits and bid bonds	7,836	8,405
Employee loans	210	248
Other receivables	115	115
Receivables for court fees and stamp duty	437	116
	<b>46,121</b>	<b>41,156</b>

**10.16. Cash and cash equivalents**

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Cash in hand	403	128
Cash in current accounts	163,650	196,341
Cash proceeds from bond issues deposited in brokerage account	-	5,691
	<u>164,053</u>	<u>202,160</u>

**10.17. Employee benefit obligations**

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Salaries and wages payable	23,972	24,753
Social benefit obligations	20,117	20,983
Accrued holiday entitlements	10,151	8,017
Personal income tax	3,795	5,156
Special accounts	840	730
	<u>58,875</u>	<u>59,639</u>

**10.18. Trade and other payables**

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Trade payables	92,298	109,702
Other liabilities	52,800	29,231
Tax and duties payable	4,789	7,113
Accrued expenses	5,888	5,932
Deferred income	7,463	6,293
	<u>163,237</u>	<u>158,271</u>

**10.19. Provisions**

<i>PLN '000</i>	<b>Jun 30 2023 unaudited</b>	<b>Dec 31 2022</b>
Provisions for retirement gratuity payments	14,157	14,124
Provision for the loyalty scheme	11,356	11,746
Other provisions	9,530	10,561
	<u>35,043</u>	<u>36,431</u>

	Provision for retirement gratuities	Provision for the loyalty scheme	Other provisions
Carrying amount as at Jan 1 2022	16,433	11,750	14,876
Increase / accrual	-	1,865	
Used / reversed	(2,309)	(1,869)	
Reversal of provision for possible differences relative to straight-line basis settlement			(4,315)
Carrying amount as at Dec 31 2022	<u>14,124</u>	<u>11,746</u>	<u>10,561</u>
Carrying amount as at Jan 1 2023	14,124	11,746	10,561
Increase / accrual	33	165	
Use	-	(555)	
Reversal of provision for possible differences relative to straight-line basis settlement			(1,031)
Carrying amount as at Jun 30 2023	<u>14,157</u>	<u>11,356</u>	<u>9,530</u>

On September 11th 2019, after hearing the request of the District Court of Lublin for a preliminary ruling on the interpretation of Article 16(1) of Directive 2008/48/EC of the European Parliament and of the Council on credit agreements for consumers, the Court of Justice of the European Union ruled that the article should be interpreted in such a way that the consumer's right to reduce the total cost of credit in the event of early repayment covers all the costs imposed on the consumer.

In connection with the decisions of the Office of Competition and Consumer Protection and its position on the straight-line method of fee refunds, the Group reassessed the level of provisions for the difference between the applied refund method and the straight-line method. The provision reflects the Group's estimate of the probability of an outflow of funds. Since September 18th 2020, the Group has applied the straight-line method to account for fee refunds on early loan repayment.

## 11. Related-party transactions

### *Remuneration of the management personnel - Management Board*

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

<i>PLN '000</i>	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited
Base pay/ managerial contract (gross)	3,830	3,547
Additional benefits	140	47
Share-based payments	9,288	15,322
	<u>13,258</u>	<u>18,916</u>



*Remuneration of members of the Supervisory Board*

Remuneration of members of the Parent's Supervisory Board:

<i>PLN '000</i>	<b>Jan 1–Jun 30 2023 unaudited</b>	<b>Jan 1–Jun 30 2022 unaudited</b>
Base pay (gross)	613	538
Additional benefits	8	4
	<u>621</u>	<u>542</u>

*Other transactions with the Company's directors*

As at June 30th 2023, members of the Management Board and persons closely related to them jointly held 10.2% of the total voting rights in the Parent's General Meeting (December 31st 2022: 10.5%).

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

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

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

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

*Key risk management policies*

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

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

**Credit risk**

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

**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:

	<b>Jun 30 2023</b>	<b>Dec 31 2022</b>
	<b>unaudited</b>	
Investments in debt portfolios	7,389,967	6,768,087
Loans	402,455	369,443
Hedging instruments	124,051	46,091
Trade and other receivables, excluding tax receivables	33,515	29,583
Cash and cash equivalents	164,053	202,160
	<u>8,114,041</u>	<u>7,415,364</u>

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

PLN '000

	<b>Jun 30 2023</b>	<b>Dec 31 2022</b>
	<b>unaudited</b>	
Poland	3,424,524	3,229,373
Romania	1,310,973	1,290,022
Italy	1,917,068	1,566,139
Spain	1,225,423	1,113,564
Other foreign markets	236,053	216,266
	<u>8,114,041</u>	<u>7,415,364</u>

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

PLN '000

	<b>Carrying</b>	<b>Carrying</b>	<b>Carrying</b>
	<b>amount as at</b>	<b>amount as at</b>	<b>amount as at</b>
	<b>Jun 30 2023</b>	<b>Dec 31 2022</b>	<b>Jun 30 2022</b>
Unsecured retail portfolios	6,382,346	5,798,186	4,654,969
Secured retail portfolios	262,382	281,444	284,514
Unsecured corporate portfolios	202,037	210,044	201,753
Secured corporate portfolios	543,202	478,413	488,803
	<u>7,389,967</u>	<u>6,768,087</u>	<u>5,630,039</u>

## Credit risk exposure – Loans

PLN '000		Carrying amount as at Jun 30 2023				
Risk classification	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL	
<b>Gross carrying amount of loans measured at amortised cost</b>						
low	203,330	105,766	102,162	-	411,258	
medium	35,527	12,203	42,807	483	91,020	
high	2,676	948	13,671	-	17,295	
not classified	170	161	88,846	748	89,925	
	241,703	119,078	247,486	1,231	609,498	
<b>Allowance for expected credit losses</b>						
low	8,363	13,650	70,049	-	92,062	
medium	2,635	3,232	31,079	-	36,946	
high	392	390	10,702	-	11,484	
not classified	12	10	74,670	-	74,692	
	11,402	17,282	186,500	-	215,184	
<b>Net carrying amount</b>						
low	194,967	92,116	32,113	-	319,196	
medium	32,892	8,971	11,728	483	54,074	
high	2,284	558	2,969	-	5,811	
not classified	158	151	14,176	748	15,233	
	230,301	101,796	60,986	1,231	394,314	

PLN '000		Carrying amount as at Dec 31 2022				
Risk classification	Basket 1	Basket 2	Basket 3	POCI loans	TOTAL	
<b>Gross carrying amount of loans measured at amortised cost</b>						
low	181,244	103,390	58,243	-	342,877	
medium	32,202	12,740	34,974	-	79,916	
high	3,256	1,224	13,224	548	18,252	
not classified	97	119	75,936	930	77,082	
	216,799	117,473	182,377	1,478	518,127	
<b>Allowance for expected credit losses</b>						
low	7,190	13,549	36,824	-	57,563	
medium	2,177	3,314	24,774	-	30,265	
high	398	450	10,174	-	11,022	
not classified	4	3	62,267	-	62,274	
	9,769	17,316	134,039	-	161,124	
<b>Net carrying amount</b>						
low	174,054	89,841	21,419	-	285,314	
medium	30,025	9,426	10,200	-	49,651	
high	2,858	774	3,050	548	7,230	
not classified	93	116	13,669	930	14,808	
	207,030	100,157	48,338	1,478	357,003	

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

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

## Liquidity risk

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

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

The key objectives of liquidity management include:

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

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

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

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

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

**Exposure to liquidity risk****As at Jun 30 2023**

PLN '000

	Carrying amount	Undiscounted contractual/estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	7,389,967	15,271,265	1,178,166	1,174,086	2,190,781	4,725,795	6,002,437
Loans	402,455	601,870	258,028	127,854	121,348	63,359	31,281
Trade and other receivables, excluding tax receivables	33,515	33,515	33,515	-	-	-	-
Cash and cash equivalents	164,053	164,053	164,053	-	-	-	-
Secured borrowings	(1,814,480)	(2,233,210)	(76,707)	(87,006)	(167,702)	(1,901,795)	-
Unsecured bonds in issue	(2,267,404)	(3,213,620)	(177,689)	(133,521)	(401,026)	(2,371,078)	(130,306)
Lease liabilities	(64,743)	(65,102)	(15,301)	(14,322)	(20,292)	(13,265)	(1,922)
Trade and other payables	(145,097)	(145,097)	(145,097)	-	-	-	-
	<b>3,698,266</b>	<b>10,413,674</b>	<b>1,218,968</b>	<b>1,067,091</b>	<b>1,723,109</b>	<b>503,016</b>	<b>5,901,490</b>

**As at Dec 31 2022**

PLN '000

	Carrying amount	Undiscounted contractual/estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
<b>Non-derivative financial assets and liabilities</b>							
Investments in debt portfolios	6,768,087	13,764,663	1,109,132	1,072,582	1,979,975	4,371,950	5,231,024
Loans	369,443	490,554	188,793	107,084	113,785	52,962	27,930
Trade and other receivables, excluding tax receivables	29,583	29,583	29,583	-	-	-	-
Cash and cash equivalents	202,160	202,160	202,160	-	-	-	-
Secured borrowings	(2,494,856)	(3,095,404)	(152,934)	(86,748)	(256,371)	(2,549,374)	(49,977)
Unsecured bonds in issue	(1,382,015)	(1,928,811)	(67,451)	(132,349)	(175,021)	(1,195,002)	(358,988)
Lease liabilities	(68,923)	(70,960)	(17,216)	(14,568)	(24,141)	(12,321)	(2,714)
Trade and other payables	(138,933)	(138,933)	(138,933)	-	-	-	-
	<b>3,284,546</b>	<b>9,252,852</b>	<b>1,153,134</b>	<b>946,001</b>	<b>1,638,227</b>	<b>668,215</b>	<b>4,847,275</b>

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

Contractual cash flows were determined based on interest rates effective as at June 30th 2023 and December 31st 2022, as appropriate.

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

As at June 30th 2023, the undrawn revolving credit facility limit available to the Group was PLN 958,480 thousand (December 31st 2022: PLN 382,997 thousand). The limit is available until January 31st 2028.

## Market risk

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

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

As at June 30th 2023, financial assets denominated in foreign currencies accounted for 56% of total assets, while liabilities denominated in foreign currencies represented 24% of total equity and liabilities (December 31st 2022: 55% and 25%, respectively).

**Exposure to currency risk and sensitivity analysis**

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

PLN '000

	Jun 30 2023					Jun 30 2023				
	Exposure to currency risk					Analysis of sensitivity of currency risk exposure to +10% increase in exchange rates				
	PLN	EUR	RON	CZK	TOTAL	PLN	EUR	RON	CZK	TOTAL
Trade and other receivables	-	3,297	-	-	<b>3,297</b>	-	330	-	-	<b>330</b>
Investments	-	282	1,238,749	13,542	<b>1,252,573</b>	-	28	123,875	1,354	<b>125,257</b>
Cash	2,122	2,145	11,494	858	<b>16,619</b>	212	215	1,149	86	<b>1,662</b>
Borrowings, debt securities and leases	-	(689,061)	-	-	<b>(689,061)</b>	-	(68,906)	-	-	<b>(68,906)</b>
Trade and other payables	(527)	(7,342)	(13,042)	-	<b>(20,911)</b>	(53)	(734)	(1,304)	-	<b>(2,091)</b>
<b>Currency risk exposure – effect on profit or loss</b>	<b>1,595</b>	<b>(690,679)</b>	<b>1,237,201</b>	<b>14,400</b>	<b>562,517</b>	<b>160</b>	<b>(68,557)</b>	<b>123,720</b>	<b>1,440</b>	<b>56,252</b>
Trade and other receivables	-	8,504	36,995	685	<b>46,184</b>	-	850	3,700	69	<b>4,619</b>
Investments	-	3,083,133	55,625	152,620	<b>3,291,378</b>	-	308,313	5,563	15,262	<b>329,138</b>
Cash	-	84,299	16,353	7,536	<b>108,188</b>	-	8,430	1,635	754	<b>10,819</b>
Borrowings, debt securities and leases	-	(1,269,483)	(3,540)	(282)	<b>(1,273,305)</b>	-	(126,948)	(354)	(28)	<b>(127,330)</b>
Trade and other payables	-	(56,929)	(11,713)	(4,091)	<b>(72,733)</b>	-	(5,693)	(1,171)	(409)	<b>(7,273)</b>
<b>Currency risk exposure – effect on other comprehensive income</b>	<b>-</b>	<b>1,849,524</b>	<b>93,720</b>	<b>156,468</b>	<b>2,099,712</b>	<b>-</b>	<b>184,952</b>	<b>9,373</b>	<b>15,648</b>	<b>209,973</b>
<b>Exposure to currency risk</b>	<b>1,595</b>	<b>1,158,845</b>	<b>1,330,921</b>	<b>170,868</b>	<b>2,662,229</b>	<b>160</b>	<b>115,884</b>	<b>133,092</b>	<b>17,087</b>	<b>266,223</b>
Hedge effect		(1,135,000)			<b>(1,135,000)</b>	-	(113,500)	-	-	<b>(113,500)</b>
Currency risk exposure after hedging	1,595	23,845	1,330,921	170,868	<b>1,527,229</b>	160	2,384	133,092	17,087	<b>152,723</b>



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)	
	Jan 1–Jun 30 2023 unaudited	Jan 1–Jun 30 2022 unaudited	Jun 30 2023 unaudited	Dec 31 2022
1 EUR	4.6130	4.6427	4.4503	4.6899
1 USD	4.2711	4.2744	4.1066	4.4018
1 RON	0.9332	0.9385	0.8967	0.9475
1 CZK	0.1951	0.1884	0.1875	0.1942

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

### Exposure to interest rate risk

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

PLN '000	Carrying amount	
	Jun 30 2023 unaudited	Dec 31 2022
<b>Fixed-rate financial instruments</b>		
Financial assets	7,989,990	7,369,273
Financial liabilities	(324,005)	(317,046)
Fixed-rate financial instruments before hedging	7,665,985	7,052,227
Hedge effect (nominal amount)	(2,992,108)	(2,179,879)
Fixed-rate financial instruments after hedging	4,673,877	4,872,348
<b>Variable-rate financial instruments</b>		
Financial assets	124,051	46,091
Financial liabilities	(3,967,719)	(3,777,505)
Variable-rate financial instruments before hedging	(3,843,668)	(3,731,414)
Hedge effect (nominal amount)	2,992,108	2,179,879
Variable-rate financial instruments after hedging	(851,560)	(1,551,535)

## Fair value

### Comparison of fair values and carrying amounts

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

PLN '000	Jun 30 2023 unaudited		Dec 31 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets and liabilities measured at fair value</b>				
Hedging instruments (IRS)	34,752	34,752	34,562	34,562
Hedging instruments (CIRS)	89,299	89,299	1,705	1,705
Loans	8,141	8,141	12,440	12,440
	<u>132,192</u>	<u>132,192</u>	<u>48,707</u>	<u>48,707</u>
<b>Financial assets and liabilities other than measured at fair value</b>				
Investments in debt portfolios	7,389,967	7,354,277	6,768,087	6,358,969
Loans	394,314	396,966	357,003	346,876
Trade and other receivables, excluding tax receivables	33,515	33,515	42,019	42,019
Trade and other payables	(145,097)	(145,097)	(138,204)	(138,204)
Secured borrowings	(1,814,480)	(1,811,600)	(2,494,856)	(2,498,822)
Liabilities under debt securities (unsecured)	(2,267,404)	(2,288,512)	(1,382,015)	(1,366,416)
	<u>3,590,815</u>	<u>3,539,549</u>	<u>3,152,034</u>	<u>2,744,422</u>

### Interest rates used for fair value estimation

	Jun 30 2023 unaudited	Dec 31 2022
Investments in debt portfolios	0.00–216.23%	0.00–216.23%
Loans	18.83–44.01%	10.20–57.02%
Secured borrowings	5.60–9.60%	4.08–9.78%

## Hierarchy of financial instruments

### Hierarchy of financial instruments measured at fair value

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

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

### Hierarchy of financial instruments – Level 1

PLN '000	Level 1	
	Carrying amount	Fair value
<b>As at Dec 31 2022</b>		
Liabilities under debt securities (unsecured)	(1,382,015)	(1,366,416)
<b>As at Jun 30 2023</b>		
Liabilities under debt securities (unsecured)	(2,267,404)	(2,288,512)

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

### Hierarchy of financial instruments – Level 2

PLN '000	Level 2	
	Carrying amount	Fair value
<b>As at Dec 31 2022</b>		
Hedging instruments (IRS)	34,562	34,562
Hedging instruments (CIRS)	1,705	1,705
Secured borrowings	(2,494,856)	(2,498,822)
<b>As at Jun 30 2023</b>		
Hedging instruments (IRS)	34,752	34,752
Hedging instruments (CIRS)	89,299	89,299
Secured borrowings	(1,814,480)	(1,811,600)

The fair value of derivative and hedging instruments is determined on the basis of future cash flows from the executed transactions, calculated on the basis of the difference between the forecast 3M WIBOR and 3M

WIBOR as at the transaction date. To determine the fair value, the Group uses a 3M WIBOR forecast provided by an external company.

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

### *Hierarchy of financial instruments – Level 3*

PLN '000

	Level 3	
	Carrying amount	Fair value
<b>As at Dec 31 2022</b>		
Investments in debt portfolios	6,768,087	6,358,969
Loans	369,443	359,316
Trade and other receivables, excluding tax receivables	42,019	42,019
Trade and other payables	(138,204)	(138,204)
<b>As at Jun 30 2023</b>		
Investments in debt portfolios	7,389,967	7,354,277
Loans	402,455	405,107
Trade and other receivables, excluding tax receivables	33,515	33,515
Trade and other payables	(145,097)	(145,097)

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.

For trade and other receivables, excluding receivables on account of taxes and for trade and other payables, the Group determines fair value using Level 3 inputs.

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

#### Financial results for the three months ended June 30th 2023

Profit earned in the three months ended June 30th 2023 was PLN 293,815 thousand, up by PLN 48,944 thousand year on year. Cash EBITDA for the period came in at PLN 545,391 thousand, up by PLN 83,739 thousand, or 18% year on year.

#### Revenue

Total revenue generated in the three months to June 30th 2023 was PLN 684,526 thousand, up from the level recorded for the three months to June 30th 2022, when the Group recorded revenue of PLN 557,075 thousand, which represents a year-on-year increase of PLN 127,451 thousand, or 23%. Revenue from purchased debt portfolios in the three months ended June 30th 2023 amounted to PLN 623,528 thousand, up by 25% (PLN 123,788 thousand) year on year.

In the three months ended June 30th 2023, the Group booked a PLN 133,738 thousand revaluation of projected recoveries, up by PLN 24,922 thousand on the same period a year earlier.

#### Costs of operations

Costs of operations incurred by the Kruk Group in the three months to June 30th 2023 (excluding depreciation and amortisation) amounted to PLN 291,926 thousand, having risen by PLN 39,494 thousand (+16%) year on year. Their increase reflected mainly higher salaries, wages and employee expenses (up by PLN 16,458 thousand), as well as higher court fees (up by PLN 18,356 thousand).

#### Finance costs

In the three months ended June 30th 2023, net finance costs reached PLN 61,761 thousand, up by PLN 23,268 thousand year on year. The increase was attributable to a higher debt amount (up by PLN 1,027,870 thousand) and elevated 1M/3M EURIBOR rates (the average of quotations for the last day of each month in the three-month period to June 30th 2022 was -0.53%/-0.32%, compared with 3.22%/3.44% for the same period of 2023).

#### Investment in new debt portfolios

In the three months ended June 30th 2023, the KRUK Group invested PLN 653,150 thousand in debt portfolios worth nominally PLN 2,637,995 thousand. In the three months to June 30th 2022, it invested PLN 494,995 thousand in debt portfolios with a nominal value of PLN 2,478,626 thousand. Purchases made in the second quarter of 2023 included primarily unsecured retail debt portfolios (over 88%). The Group invested in each of its operating markets.

#### Recoveries and revaluation of portfolios

Amounts recovered in the three months to June 30th 2023 from portfolios purchased by the KRUK Group reached PLN 776,320 thousand, up 7% quarter on quarter and 18% year on year. The year-on-year increase of PLN 119,571 thousand was attributable mainly to PLN 34,514 thousand growth in recoveries on the Italian market (up 31% year on year), PLN 33,953 thousand growth in recoveries on the Spanish market (up 66% year on year), and PLN 19,805 thousand growth in recoveries on the Polish market (up 6% year on year).

## Impact of inflation on the business of the Group

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

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

## Russia's invasion of Ukraine

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

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

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

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

In the period between January 1st and June 30th 2023, the Group issued new bonds:

- on January 4th 2023 – unsecured Series AL3 bonds with a nominal value of PLN 120,000 thousand, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.50pp, maturing on January 4th 2029;
- on February 20th 2023 – unsecured Series AN3 bonds with a nominal value of PLN 50,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp, maturing on February 20th 2028.
- on June 12th 2023 – unsecured Series AN4 bonds with a nominal value of PLN 50,000 thousand (issued in a public offering), bearing interest at a variable rate based on 3M WIBOR plus a margin of 4.00pp, maturing on June 13th 2028;
- on May 10th 2023 – unsecured Series NO0012903444 bonds with a nominal value of EUR 150,000 thousand issued in a public offering, bearing interest at a floating rate based on 3M EURIBOR plus a margin of 6.50pp, maturing on May 10th 2028.

After the end of the reporting period, on August 8th 2023 – unsecured AO1 bonds with a nominal value of PLN 75,000 thousand, bearing interest at a variable rate based on 3M WIBOR plus a margin of 4.00pp, maturing on August 8th 2028.

No bonds were redeemed in the reporting period.

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

On May 17th 2023, the Management Board of KRUK S.A. passed a resolution recommending that the Parent's Annual General Meeting approve dividend payment to the Parent's shareholders of PLN 15.00 per share. The dividend would be distributed from the Parent's net profit earned in 2022. The dividend recommendation is consistent with the dividend policy adopted by the Management Board on December 2nd 2021. The recommendation was endorsed by the Parent's Supervisory Board on May 22nd 2023.

The recommendation took into account the current financial condition of the KRUK Group, further implementation of the strategy, as well as the Group's plans and growth prospects.

On June 20th 2023, the General Meeting of KRUK S.A. passed a resolution to distribute a dividend of PLN 15.00 per share to the Parent's shareholders. The dividend of PLN 289,781,850.00 will be distributed from the Parent's net profit earned in 2022. The dividend record date is September 7th 2023, while the dividend payment date has been set for September 28th 2023.

As at June 30th 2023, the related liability was disclosed under *Liabilities under dividend*.

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

### KRUK Group's assets pledged as security

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

Security created over the Group's assets as at June 30th 2023 is presented below.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
<b>Guarantees provided/promissory notes issued</b>				
Surety for PROKURA NS FIZ's liabilities under the revolving credit facility of July 2nd 2015, as amended, between PROKURA NS FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 180,000 thousand	No later than July 3rd 2030	Prokura NS FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of June 13th 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	up to PLN 54,900 thousand*	No later than July 31st 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Annex 3 of June 21st 2018 to the master agreement on the procedure for execution and settlement of treasury transactions



Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for liabilities of InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S. L. U. and PROKURA NS FIZ under the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S. R. L., Kruk Espana S.L.U. and PROKURA NS FIZ (the borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A. and PKO BP S.A. and Bank Handlowy w Warszawie S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A.	EUR 669,000 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of February 7th 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of September 21st 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 29,016 thousand	No later than September 20th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of December 14th 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 60,060 thousand	No later than December 13th 2029	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NS FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of February 1st 2022 between PROKURA NS FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 120,000 thousand	No later than January 31st 2031	Prokura NS FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of August 22nd 2022 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 67,320 thousand	No later than August 21st 2030	PROKURA NS FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
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 July 7th 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of July 7th 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of July 7th 2022.
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCo Sp. z o.o.	EUR 300 thousand and PLN 215 thousand	No later than December 30th 2023	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

\* surety amount depends on the limit available to InvestCapital Ltd, the limit as at 30/06/2023 is 0

### Credit sureties or guarantees, security pledges

On March 2nd 2023, Kruk S.A. and its subsidiaries InvestCapital LTD, Kruk Romania S.R.L., Prokura NS FIZ and Kruk España S.L.U. (the borrowers) executed an annex amending the revolving multi-currency credit facility agreement of July 3rd 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw and PKO BP S.A. of Warsaw and Bank Handlowy w Warszawie S.A. of Warsaw (the Lenders) (the Annex). Under the Annex, the facility amount was increased up to EUR 446,000 thousand and, in accordance with its provisions, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers under the revolving multi-currency credit facility agreement, and the borrowers signed relevant annexes to the pledge agreements reflecting the amendments made under the Annex. In addition, on March 6th 2023 KRUK S.A. and Prokura NS FIZ made declarations on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 669,000 thousand, which will expire on or before December 31st 2031.

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

- on January 10th, March 22nd, June 15th 2023 and, after the reporting date, on July 12th 2023 InvestCapital LTD and the Lenders signed agreements under Spanish law creating pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market;
- on January 18th 2023, additional bonds issued by KRUK Investimenti S.R.L. were pledged pursuant to the agreement of January 24th 2022 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds issued by KRUK Investimenti S.R.L. and the bank account of InvestCapital LTD to which proceeds from the bonds are paid;
- on February 1st 2023, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed agreements under Romanian law creating pledges over debt portfolios purchased by InvestCapital LTD on the Romanian market;
- on February 2nd 2023, InvestCapital LTD, Kruk Romania S.R.L. and DNB Bank ASA, acting as the security agent, signed an annex under Romanian law to the agreement creating pledges over bank accounts held by Kruk Romania S.R.L.;
- on February 20th 2023, additional bonds issued by ItaCapital S.r.l. were pledged pursuant to an agreement of July 3rd 2017 made between InvestCapital LTD and DNB Bank ASA, as the security agent, under Italian law, creating pledges over bonds and the bank account of InvestCapital LTD to which proceeds from the bonds are paid;
- on May 22nd 2023, Prokura NS FIZ and DNB Bank ASA, acting as the security agent, signed an agreement under Polish law creating a registered pledge over debt portfolios purchased by Prokura NS FIZ on the Polish market.

As at June 30th 2023, the value of the security created in favour of the Lenders was PLN 4,489,776 thousand.

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

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

As at June 30th 2023, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 143,528 thousand.

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

- on March 20th 2023, PROKURA NS FIZ entered into an agreement with mBank S.A. to create a registered pledge over a set of rights (debt portfolios owned by PROKURA NS FIZ). The pledge was created up to the maximum amount of PLN 180,000 thousand.

As at June 30th 2023, the value of all portfolios pledged in favour of mBank S.A. was PLN 182,420 thousand.

On February 27th 2023, the credit facility agreement between KRUK S.A., its subsidiary PROKURA NS FIZ and ING Bank Śląski S.A. of December 20th 2018, as amended, was terminated by mutual agreement between the parties. Following the termination of the credit facility agreement:

- on February 27th 2023, the surety for up to PLN 300,000 thousand provided by KRUK S.A. to secure repayment of the borrower's (Prokura NS FIZ's) liabilities expired;
- on February 27th 2023, the following pledge agreements were terminated by mutual agreement between the parties:
  - the agreement of January 4th 2019 between PROKURA NS FIZ and ING Bank Śląski S.A. creating a registered and financial pledge over receivables under a bank account agreement;
  - the agreement of December 20th 2018 between KRUK S.A. and ING Bank Śląski S.A. creating a financial pledge over receivables under a bank account agreement;
- on June 2nd and June 6th 2023, based on decisions issued by the District Court for Wrocław–Fabryczna in Wrocław, 7th Commercial Division, the registered pledges created over debt portfolios held by PROKURA NS FIZ and over PROKURA NS FIZ's bank account were deleted from the pledge register.

In order to secure the repayment of KRUK S.A.'s liabilities under the revolving credit facility agreement of June 2nd 2023 between KRUK S.A. and Alior Bank S.A.:

- on June 21st 2023, KRUK S.A. made a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 75m, which will expire on or before June 1st 2028;
- after the reporting date, on July 21st 2023, 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 75,000 thousand.

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

After the end of the second quarter of 2023, there were no events with a potential material bearing on the Company's future performance.

**Piotr Krupa**

*CEO and President of the Management Board*

**Piotr Kowalewski**

*Member of the Management Board*

**Adam Łodygowski**

*Member of the Management Board*

**Urszula Okarma**

*Member of the Management Board*

**Michał Zasępa**

*Member of the Management Board*

**Monika Grudzień-Wiśniewska**

*Person keeping the accounting records*

**Hanna Stempień**

*Prepared by*

*Wrocław, August 9th 2023*