



FINANCIAL HIGHLIGHTS

OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the period 1 January –
30 June 2024



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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I. Consolidated statement of financial position

PLN '000	Note	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Assets				
Cash and cash equivalents	10.17	181,045	388,461	164,053
Hedging instruments	10.11	136,502	98,428	124,051
Trade receivables	10.16	16,778	24,440	15,723
Other receivables	10.16	46,372	58,970	46,121
Income tax receivable		6,401	22,398	28,453
Inventories	10.15	11,641	15,038	15,799
Investments	9	9,611,557	9,091,893	7,792,422
Deferred tax asset	10.9	44,202	45,958	35,926
Property, plant and equipment		80,417	91,777	80,306
Goodwill	10.14	8,011	8,084	16,474
Other intangible assets		64,449	67,206	68,334
Other assets		14,380	15,852	17,579
Total assets		10,221,755	9,928,505	8,405,241
Equity and liabilities				
Liabilities				
Trade and other payables	10.19	272,886	220,448	163,237
Liabilities under dividends	16	-	-	289,782
Hedging instruments	10.11	2,615	32,614	-
Employee benefit obligations	10.18	68,026	76,469	58,875
Income tax payable		6,824	11,785	3,972
Borrowings, debt securities and leases	10.10	5,524,538	5,531,167	4,146,627
Provisions	10.20	62,192	62,905	35,043
Deferred tax liability	10.9	177,772	202,307	258,971
Total liabilities		6,114,853	6,137,695	4,956,507
Equity				
Share capital		19,319	19,319	19,319
Share premium		358,506	358,506	358,506
Hedge reserve		113,363	51,043	103,904
Measurement reserve (defined benefit plans)		3,331	3,331	4,155
Translation reserve		(105,971)	(95,871)	(23,123)
Other capital reserves		180,672	171,847	159,184
Retained earnings		3,538,137	3,283,218	2,827,326
Equity attributable to owners of the Parent		4,107,357	3,791,393	3,449,271
Non-controlling interests		(455)	(583)	(537)
Total equity		4,106,902	3,790,810	3,448,734
Total equity and liabilities		10,221,755	9,928,505	8,405,241

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	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Interest income on debt portfolios and loans measured at amortised cost	10.1	992,190	501,342	815,251	412,526
Interest income on loans measured at fair value	10.1	1,191	522	2,707	1,212
Revenue from sale of debts and loans	10.1	5,733	4,274	2,506	1,243
Other income/expenses from purchased debt portfolios	10.1	(5,782)	(3,460)	(10,538)	(7,312)
Revenue from other services	10.1	29,358	14,066	32,905	16,161
Other income	10.1	5,505	3,982	18,478	512
Change in investments measured at fair value	10.1	(363)	(159)	(672)	(188)
Gain/(loss) on expected credit losses	10.1	452,737	211,865	438,647	260,372
Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios		1,480,569	732,432	1,299,284	684,526
Employee benefits expense	10.3	(274,867)	(141,903)	(250,959)	(126,817)
Depreciation and amortisation		(31,668)	(15,695)	(28,400)	(14,256)
Court fees	10.4	(221,416)	(126,056)	(168,268)	(88,784)
Services	10.2	(147,007)	(75,760)	(111,435)	(57,097)
Other expenses	10.5	(34,925)	(20,335)	(32,510)	(19,228)
		(709,883)	(379,749)	(591,572)	(306,182)
Operating profit		770,686	352,683	707,712	378,344
Finance income	10.6	5,617	445	5,477	4,113
Finance costs	10.7	(190,280)	(92,589)	(128,096)	(65,874)
including interest expense relating to lease liabilities		(1,472)	(703)	(1,695)	(828)
Net finance costs		(184,663)	(92,144)	(122,619)	(61,761)
Profit before tax		586,023	260,539	585,093	316,583
Income tax	10.9	16,831	4,121	(56,703)	(22,768)
Net profit for period		602,854	264,660	528,390	293,815
Net profit attributable to:					
Owners of the Parent		602,657	264,323	528,042	293,641
Non-controlling interests		197	337	348	174
Net profit for period		602,854	264,660	528,390	293,815
Earnings per share					
Basic (PLN)	10.12	31.20	13.69	27.33	15.20
Diluted (PLN)	10.12	29.46	12.91	26.13	14.48

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	Note	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Net profit for period		602,854	264,660	528,390	293,815
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations		(10,063)	6,014	(123,584)	(121,018)
Instruments hedging cash flows and net investment in a foreign operation		72,547	27,763	86,441	71,323
Other comprehensive income for period, gross		<u>62,484</u>	<u>33,777</u>	<u>(37,143)</u>	<u>(49,695)</u>
Income tax on instruments hedging cash flows and net investment in a foreign operation		(10,227)	(4,265)	(15,164)	(15,164)
Other comprehensive income for period, net		<u>52,257</u>	<u>29,512</u>	<u>(52,307)</u>	<u>(64,859)</u>
Total comprehensive income for period		<u>655,111</u>	<u>294,172</u>	<u>476,083</u>	<u>228,956</u>
Total comprehensive income attributable to:					
Owners of the Parent		654,877	293,836	475,748	228,793
Non-controlling interests		234	336	335	163
Total comprehensive income for period		<u>655,111</u>	<u>294,172</u>	<u>476,083</u>	<u>228,956</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 30 June 2024 (PLN '000)

	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
Equity as at 1 Jan 2024	19,319	358,506	51,043	3,331	(95,871)	171,847	3,283,218	3,791,393	(583)	3,790,810
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	602,657	602,657	197	602,854
Other comprehensive income										
- Exchange differences on translating foreign operations	-	-	-	-	(10,100)	-	-	(10,100)	37	(10,063)
- Measurement of hedging instruments	10.11	-	62,320	-	-	-	-	62,320	-	62,320
Total other comprehensive income	-	-	62,320	-	(10,100)	-	-	52,220	37	52,257
Total comprehensive income for period	-	-	62,320	-	(10,100)	-	602,657	654,877	234	655,111
Contributions from and distributions to owners										
- Payment of dividends	-	-	-	-	-	-	(347,738)	(347,738)	(106)	(347,844)
- Share-based payments	-	-	-	-	-	8,825	-	8,825	-	8,825
Total contributions from and distributions to owners	-	-	-	-	-	8,825	(347,738)	(338,913)	(106)	(339,019)
Total equity as at 30 Jun 2024	19,319	358,506	113,363	3,331	(105,971)	180,672	3,538,137	4,107,357	(455)	4,106,902

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 31 December 2023 (PLN '000)

								Equity attributable to owners of the Parent	Non- controlling interests	Total equity
Note	Share capital	Share premium	Hedge reserve	Measurement reserve (defined benefit plans)	Translation reserve	Other capital reserves	Retained earnings			
Equity as at 1 Jan 2023	19,319	358,506	32,627	4,155	100,448	149,896	2,589,066	3,254,017	(720)	3,253,297
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	983,934	983,934	267	984,201
Other comprehensive income										
- Exchange differences on translating foreign operations	-	-	-	-	(196,319)	-	-	(196,319)	22	(196,297)
- Measurement of hedging instruments	10.11	-	18,416	-	-	-	-	18,416	-	18,416
- Measurement of defined benefit plans	-	-	-	(824)	-	-	-	(824)	-	(824)
Total other comprehensive income	-	-	18,416	(824)	(196,319)	-	-	(178,727)	22	(178,705)
Total comprehensive income for period	-	-	18,416	(824)	(196,319)	-	983,934	805,207	289	805,496
Contributions from and distributions to owners										
- Payment of dividends	-	-	-	-	-	-	(289,782)	(289,782)	(152)	(289,934)
- Share-based payments	-	-	-	-	-	21,951	-	21,951	-	21,951
Total contributions from and distributions to owners	-	-	-	-	-	21,951	(289,782)	(267,831)	(152)	(267,983)
Total equity as at 31 Dec 2023	19,319	358,506	51,043	3,331	(95,871)	171,847	3,283,218	3,791,393	(583)	3,790,810

For the six months ended 30 June 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
Equity as at 1 Jan 2023	19,319	358,506	32,627	4,155	100,448	149,896	2,589,066	3,254,017	(720)	3,253,297
Comprehensive income for period										
Net profit for period	-	-	-	-	-	-	528,042	528,042	348	528,390
Other comprehensive income										
- Exchange differences on translating foreign operations	-	-	-	-	(123,571)	-	-	(123,571)	(13)	(123,584)
- Measurement of hedging instruments	10.11	-	71,277	-	-	-	-	71,277	-	71,277
Total other comprehensive income	-	-	71,277	-	(123,571)	-	-	(52,294)	(13)	(52,307)
Total comprehensive income for period	-	-	71,277	-	(123,571)	-	528,042	475,748	335	476,083
Contributions from and distributions to owners										
- Payment of dividends	-	-	-	-	-	-	(289,782)	(289,782)	(152)	(289,934)
- Share-based payments	-	-	-	-	-	9,288	-	9,288	-	9,288
Total contributions from and distributions to owners	-	-	-	-	-	9,288	(289,782)	(280,494)	(152)	(280,646)
Total equity as at 30 Jun 2023	19,319	358,506	103,904	4,155	(23,123)	159,184	2,827,326	3,449,271	(537)	3,448,734

V. Consolidated statement of cash flows

PLN '000	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Cash flows from operating activities				
Net profit for period	602,854	264,660	528,390	293,815
<i>Adjustments</i>				
Depreciation of property, plant and equipment	19,133	9,641	17,710	8,977
Amortisation of intangible assets	12,535	6,054	10,690	5,279
Net finance costs	184,663	92,144	122,619	61,761
(Gain)/loss on sale of property, plant and equipment	(305)	(294)	(737)	(149)
Write-off of development work	899	-	-	-
(Gain)/loss on sale of subsidiaries	-	-	(15,103)	-
Equity-settled share-based payments	8,825	4,413	9,288	4,670
Interest income	(993,381)	(501,864)	(817,958)	(413,738)
Income tax	(16,831)	(4,121)	56,703	22,768
Change in loans	(50,424)	(42,055)	(33,012)	(20,623)
Change in debt portfolios purchased	(490,949)	(359,552)	(739,099)	(416,938)
Change in inventories	3,397	3,064	570	(658)
Change in trade and other receivables	20,260	25,176	(7,655)	(554)
Change in other assets	1,472	2,383	2,962	2,166
Change in trade and other payables	52,438	105,357	4,966	11,685
Change in employee benefit obligations	(8,443)	(2,045)	(764)	2,530
Change in provisions	(713)	(1,002)	(1,388)	(526)
Minority interest share of profit	(197)	(337)	(348)	(174)
Interest received	993,381	501,864	817,958	413,738
Income tax paid	(5,139)	(1,591)	(31,044)	(19,854)
Net cash from operating activities	333,475	101,895	(75,252)	(45,825)
Cash flows from investing activities				
Interest received	5,617	445	723	327
Sale of intangible assets and property, plant and equipment	387	370	313	141
Proceeds from sale of subsidiaries	-	-	16,777	-
Purchase of intangible assets and property, plant and equipment	(11,449)	(5,549)	(25,855)	(20,832)
Net cash from investing activities	(5,445)	(4,734)	(8,042)	(20,364)
Cash flows from financing activities				
Proceeds from issue of debt securities	173,724	-	902,320	732,320
Increase in borrowings	1,192,045	968,865	844,993	310,475
Repayment of borrowings	(1,275,676)	(723,533)	(1,525,248)	(947,600)
Payments under lease contracts	(17,920)	(8,562)	(12,975)	(5,500)
Payment of dividends	(347,844)	(347,844)	(152)	(152)
Redemption of debt securities	(77,500)	-	-	-
Interest received and paid on hedging instruments	50,013	23,079	31,973	5,039
Interest paid	(232,288)	(112,963)	(195,724)	(93,777)
Net cash from financing activities	(535,446)	(200,958)	45,187	805
Total net cash flows	(207,416)	(103,797)	(38,107)	(65,384)
Cash and cash equivalents at beginning of period	388,461	284,842	202,160	229,437
Cash and cash equivalents at end of period	181,045	181,045	164,053	164,053
<i>of which:</i>				
- effect of exchange rate fluctuations on cash held	2,422	2,570	3,625	2,539

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: 7 September 2005

Registration number: KRS NO. 0000240829

Principal business activities of the Parent and its subsidiaries

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

These interim condensed consolidated financial statements for the reporting period 1 January–30 June 2024 include the financial statements of the Parent and its subsidiaries (jointly the “Group”).

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

As at 30 June 2024, the composition of the Parent’s Management Board was as follows:

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

In the six months ended 30 June 2024 and until the issue date of this interim report, the composition of the Management Board of KRUK S.A. did not change.

As at 30 June 2024, the composition of the Parent's Supervisory Board was as follows:

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

In the six months ended 30 June 2024 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, 21 subsidiaries, and two entities controlled through personal links:

Subsidiary	Registered office	Principal business activity
DEBT MANAGEMENT		
AgeCredit S.r.l.	Cesena	Credit management in Italy
KRUK Česká a Slovenská republika s.r.o.	Hradec Kralove	Credit management services and collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK Deutschland GmbH	Berlin	Collection of debt purchased by the KRUK Group, investing in debt portfolios
KRUK 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
INVESTMENTS IN DEBT PORTFOLIOS		
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Wrocław	Management of Prokura NFW FIZ, Presco NFW FIZ and Bison NFW FIZ funds
Presco NFW FIZ (formerly P.R.E.S.C.O. Investment I NS FIZ)	Wrocław	Non-standardised Debt Closed-End Investment Fund
Prokura NFW FIZ (formerly Prokura NS FIZ)	Wrocław	Non-Standardised Debt Closed-End Investment Fund
InvestCapital Ltd.	Malta	Investing in debt or debt-backed assets
ItaCapital S.r.l.	Milan	Investing in debt portfolios
KRUK INVESTIMENTI S.R.L.	Milan	Investing in debt portfolios
Secapital S.a r.l.	Luxembourg	Investing in debt or debt-backed assets
Presco Investments S.a r.l.	Luxembourg	Investing in debt or debt-backed assets

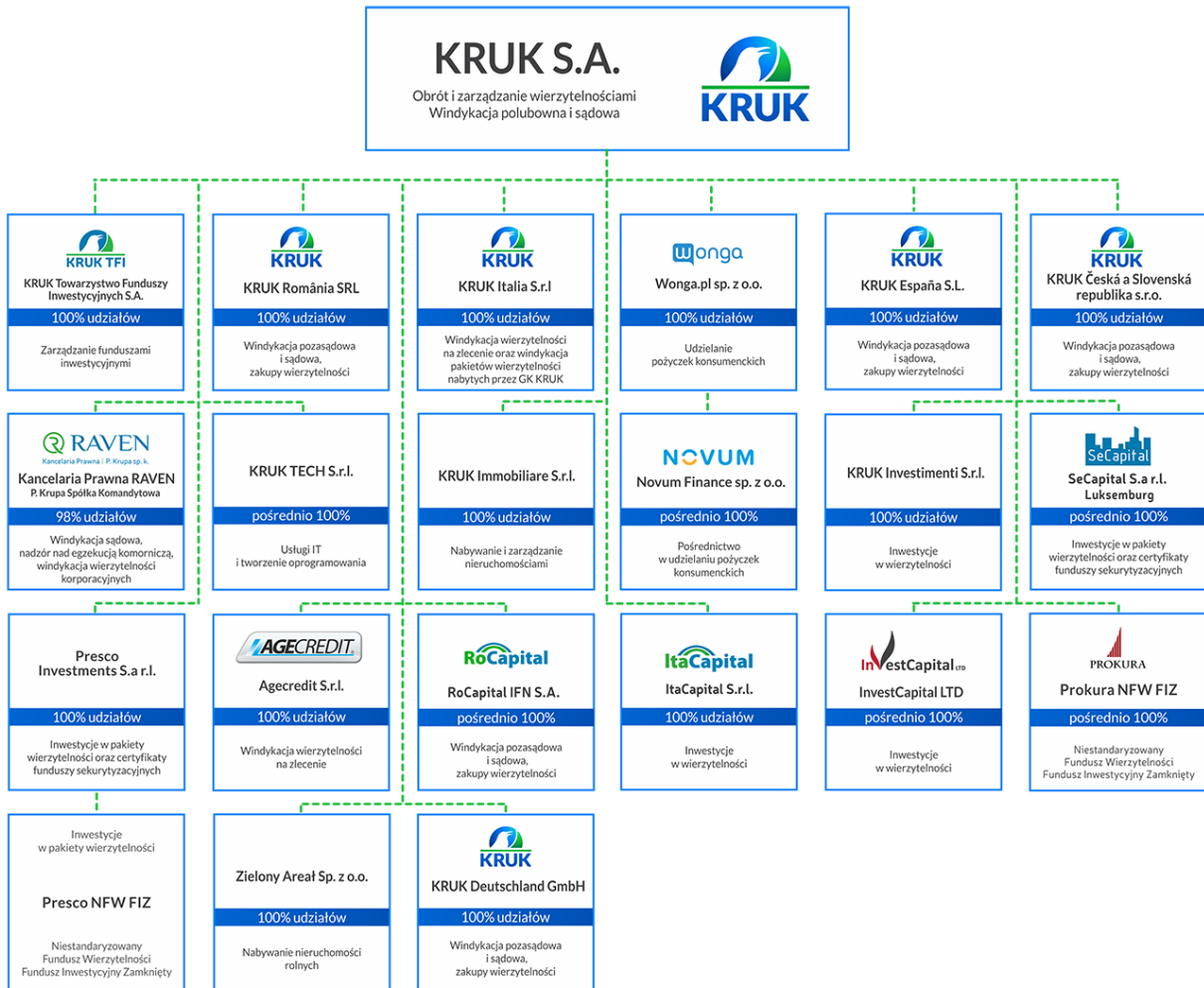
Subsidiary	Registered office	Principal business activity
CONSUMER LENDING		
NOVUM FINANCE sp. z o.o.	Wrocław	Granting consumer loans
Wonga.pl sp. z o.o.	Warsaw	Granting consumer loans
RoCapital IFN S.A.	Bucharest	Granting consumer loans
DEBT MANAGEMENT SUPPORT ACTIVITIES		
Kancelaria Prawna Raven P. Krupa sp.k.	Wrocław	Comprehensive support for legal action and enforcement proceedings as part of debt collection processes carried out by the KRUK Group and its partners
Zielony Areal sp. z o.o.	Wrocław	Buying and selling own real estate; services supporting crop production
KRUK TECH s.r.l.	Bucharest	Software development and provision of IT services
KRUK Immobiliare S.a r.l.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 30 June 2024 and for the period 1 January–30 June 2024.

After the end of the reporting period, the funds Prokura NFW FIZ and Bison NFW FIZ merged. As of 30 July 2024, Bison was removed from the Register of Investment Funds.

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

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

² The Parent controls the company through a personal link.

2. Reporting period

The reporting period is the period from 1 January to 30 June 2024 and the comparative period is the period from 1 January to 30 June 2023. The consolidated statement of financial position has been prepared as at 30 June 2024 and the comparative data is presented as at 30 June 2023 and 31 December 2023. The consolidated statement of changes in equity has been prepared for the period from 1 January to 30 June 2024 and the comparative periods are from 1 January to 30 June 2023 and from 1 January to 31 December 2023.

The financial data presented on a quarterly basis for the periods from 1 April to 30 June 2024 and from 1 April to 30 June 2023 was not subject to a separate review or audit by an auditor.

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 31 December 2023 (available on the web page: [Periodic 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 26 August 2024.

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.

Changes in accounting policies

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 31 December 2023, save for the presentation change discussed under '*Change of presentation*'.

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

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

The amendments had no significant effect on the interim condensed consolidated financial statements of the 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 1 January 2024.

Change of presentation

- To better reflect the relevant economic substance and enhance the usefulness of presented data, the Group has changed the presentation of court fees from 'Other expenses' to a separate line item 'Court fees'.

The data reported in the consolidated financial statements issued for the period 1 January–30 June 2023 was restated to ensure comparability. The effect of the change on the consolidated statement of profit or loss is presented below.

PLN '000	1 Jan–30 Jun 2023 Reported	Change	1 Jan–30 Jun 2023 Data restated to ensure comparability
Employee benefits expense	(250,959)		(250,959)
Depreciation and amortisation	(28,400)		(28,400)
Court fees	-	(168,268)	(168,268)
Services	(111,435)		(111,435)
Other expenses	(200,778)	168,268	(32,510)
	(591,572)	-	(591,572)

PLN '000	1 Apr–30 Jun 2023 Reported	Change	1 Apr–30 Jun 2023 Data restated to ensure comparability
Employee benefits expense	(126,817)		(126,817)
Depreciation and amortisation	(14,256)		(14,256)
Court fees	-	(88,784)	(88,784)
Services	(57,097)		(57,097)
Other expenses	(108,012)	88,784	(19,228)
	(306,182)	-	(306,182)

- To better reflect the relevant economic substance and enhance the usefulness of the presented data, the Group has changed the presentation of cash flows from interest on hedging instruments. In the previous reporting period, they were recorded under 'Interest paid', and now they are presented as a separate item under 'Interest received and paid on hedging instruments'.

The data reported in the consolidated financial statements issued for the period 1 January–30 June 2023 was restated to ensure comparability. The effect of the change on the consolidated statement of cash flows is presented below.

PLN '000	1 Jan–30 Jun 2023 Reported	Change	1 Jan–30 Jun 2023 Data restated to ensure comparability
Cash flows from financing activities			
Proceeds from issue of shares	-		-
Proceeds from issue of debt securities	902,320		902,320
Increase in borrowings	844,993		844,993
Repayment of borrowings	(1,525,248)		(1,525,248)
Payments under finance lease contracts	(12,975)		(12,975)
Payment of dividends	(152)		(152)
Redemption of debt securities	-		-
Interest received and paid on hedging instruments		31,973	31,973
Interest paid	(163,751)	(31,973)	(195,724)
Net cash from financing activities	45,187	-	45,187

PLN '000	1 Apr–30 Jun 2023 Reported	Change	1 Apr–30 Jun 2023 Data restated to ensure comparability
Cash flows from financing activities			
Proceeds from issue of shares	-		-
Proceeds from issue of debt securities	732,320		732,320
Increase in borrowings	310,475		310,475
Repayment of borrowings	(947,600)		(947,600)
Payments under finance lease contracts	(5,500)		(5,500)
Payment of dividends	(152)		(152)
Redemption of debt securities	-		-
Interest received and paid on hedging instruments		17,062	17,062
Interest paid	(88,738)	(17,062)	(105,800)
Net cash from financing activities	805	-	805

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

Standards and interpretations not yet endorsed by the EU	Type of expected change in accounting policies	Possible effect on the financial statements	Effective for periods beginning on and after
IFRS 19 Subsidiaries without Public Accountability: Disclosures	The new standard specifies reduced disclosure requirements that an eligible entity may apply instead of the disclosure requirements in other IFRSs.	The Group does not expect the amendments to have a significant impact on its consolidated financial statements.	1 January 2027
IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	The standard is to replace IAS 1 Presentation of Financial Statements.	The Group is assessing the impact of the amendments on its consolidated financial statements.	1 January 2027
Annual Improvements to IFRS Accounting Standards—Volume 11	These annual improvements introduce minor amendments to IFRS 1 First-time Adoption of IFRSs, IFRS 7 Financial Instruments – Disclosures, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IAS 41 Agriculture and IAS 7 Statement of Cash Flows.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2026
Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7)	The amendments will address diversity in accounting practice by making the requirements more understandable and consistent.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2026
Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rate – Lack of Exchangeability</i>	The amendments clarify how an entity should assess whether a currency is exchangeable and determine the exchange rate when it is not as well as require certain additional disclosures in such cases.	The Group is assessing the potential impact of the amendments on its consolidated financial statements.	1 January 2025

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
	30 Jun 2024 (PLN '000)	31 Dec 2023 (PLN '000)		
Investments in debt portfolios	9,143,005	8,673,765	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.</p> <p>The expected cash flows were estimated with the use of analytical methods (portfolio analysis) or based on a legal and economic analysis of individual claims or indebted persons/entities (case-by-case analysis). The method of estimating cash flows from a debt portfolio is selected based on the available data on the portfolio, debt profiles as well as historical data collected in the course of managing the portfolio.</p> <p>The Kruk Group prepares projections for recoveries from debt portfolios separately for each market. The projections account for historical performance of the process of debt portfolio recovery, legal regulations currently in force and planned, type and nature of debt and security, current collection strategy and macroeconomic considerations, among other factors.</p> <p>Initial projections of expected cash flows that take into account the initial value are the basis for calculating the effective interest rate, equal to the internal rate of return including an element that reflects credit risk, which is used for discounting estimated cash flows, and which remains unchanged throughout the life of a portfolio.</p>

Item	Amount estimated		Note	Assumptions and estimate calculation
	30 Jun 2024 (PLN '000)	31 Dec 2023 (PLN '000)		
Goodwill	8,011	8,084	10.14	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	464,514	412,510	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. 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	4,038	5,618	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
	30 Jun 2024 (PLN '000)	31 Dec 2023 (PLN '000)		
Deferred tax assets and liabilities	44,202 (assets)	45,958 (assets)	10.9	<p>The Group exercises control over the timing of temporary differences regarding subsidiaries, and thus recognises deferred tax liabilities. These liabilities are based on estimates of future income tax payments, which are derived from three-year plans.</p> <p>The Group assesses the recoverability of the 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"> • 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. <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>
	177,772 (liabilities)	202,307 (liabilities)		
Functional currency at InvestCapital	-94,734	-67,772		<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 31 December 2023. In the period from 1 January to 30 June 2024, there were no significant changes in the approach to financial risk management.

7. Reportable and geographical segments

Reportable segments

Based on the criterion of materiality of revenue in the consolidated statement of profit or loss, the Group has identified the principal reportable segments presented below. The 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 the following geographical segments:

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

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

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

There was no revenue from inter-segment transactions.

Reportable segments

For the reporting period ended 30 June 2024

	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	620,367	80,970	300,855	279,885	166,232	26,755	5,505	-	1,480,569
Purchased debt portfolios	593,127	-	298,017	273,477	157,500	26,755	-	-	1,348,876
<i>including revaluation of projected recoveries</i>	<i>152,533</i>	-	<i>92,137</i>	<i>40,722</i>	<i>(28,845)</i>	<i>1,527</i>	-	-	258,074
Credit management services	13,472	-	334	6,408	8,732	-	-	-	28,946
Other products	13,768	80,970	2,504	-	-	-	-	-	97,242
Other income	-	-	-	-	-	-	5,505	-	5,505
Direct and indirect costs	(149,692)	(31,723)	(64,913)	(119,794)	(116,578)	(11,642)	(6,005)	-	(500,347)
Purchased debt portfolios	(133,284)	-	(63,033)	(115,138)	(110,201)	(11,642)	-	-	(433,298)
Credit management services	(9,958)	-	(24)	(4,656)	(6,377)	-	-	-	(21,015)
Other products	(6,450)	(31,723)	(1,856)	-	-	-	-	-	(40,029)
Unallocated expenses	-	-	-	-	-	-	(6,005)	-	(6,005)
Gross profit ¹	470,675	49,247	235,942	160,091	49,654	15,113	(500)	-	980,222
Purchased debt portfolios	459,843	-	234,984	158,339	47,299	15,113	-	-	915,578
Credit management services	3,514	-	310	1,752	2,355	-	-	-	7,931
Other products	7,318	49,247	648	-	-	-	-	-	57,213
Unallocated income / expenses	-	-	-	-	-	-	(500)	-	(500)
Administrative expenses	(44,571)	(7,010)	(15,468)	(21,188)	(12,613)	(6,069)	-	(70,949)	(177,868)
EBITDA ²	426,104	42,237	220,474	138,903	37,041	9,044	(500)	(70,949)	802,354
Depreciation and amortisation									(31,668)
Finance income/(costs)									(184,663)
Profit before tax									586,023
Income tax									16,831
Net profit									602,854
Carrying amount of debt portfolios	3,444,617	-	1,486,300	2,271,942	1,770,530	169,616	-	-	9,143,005
Carrying amount of loans	97,149	349,165	22,238	-	-	-	-	-	468,552
Cash recoveries	733,709	-	337,918	373,227	245,188	47,505	-	-	1,737,547

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For the reporting period ended 30 June 2023	Poland		Romania	Italy	Spain	Other foreign markets	Unallocated income / expenses	Head Office	TOTAL
	Poland excluding Wonga.pl	Wonga.pl							
Revenue	531,802	74,008	290,593	215,176	141,650	27,577	18,478	-	1,299,284
Purchased debt portfolios	503,505	-	287,527	209,876	132,693	27,577	-	-	1,161,178
<i>including revaluation of projected recoveries</i>	<i>95,471</i>	-	<i>96,662</i>	<i>22,543</i>	<i>4,579</i>	<i>1,352</i>	-	-	220,607
Credit management services	16,445	-	136	5,300	8,957	-	-	-	30,838
Other products	11,852	74,008	2,930	-	-	-	-	-	88,790
Other income	-	-	-	-	-	-	18,478	-	18,478
Direct and indirect costs	(134,704)	(24,691)	(59,928)	(98,138)	(77,207)	(15,531)	(5,340)	-	(415,539)
Purchased debt portfolios	(117,463)	-	(57,797)	(94,065)	(69,432)	(15,531)	-	-	(354,288)
Credit management services	(10,921)	-	(4)	(4,073)	(7,775)	-	-	-	(22,773)
Other products	(6,320)	(24,691)	(2,127)	-	-	-	-	-	(33,138)
Unallocated expenses	-	-	-	-	-	-	(5,340)	-	(5,340)
Gross profit ¹	397,098	49,317	230,665	117,038	64,443	12,046	13,138	-	883,745
Purchased debt portfolios	386,042	-	229,730	115,811	63,261	12,046	-	-	806,890
Credit management services	5,524	-	132	1,227	1,182	-	-	-	8,065
Other products	5,532	49,317	803	-	-	-	-	-	55,652
Unallocated income / expenses	-	-	-	-	-	-	13,138	-	13,138
Administrative expenses	(36,234)	(5,394)	(14,742)	(18,340)	(11,087)	(7,739)	-	(54,096)	(147,633)
EBITDA ²	360,865	43,923	215,923	98,698	53,354	4,307	13,138	(54,096)	736,112
Depreciation and amortisation									(28,400)
Finance income/(costs)									(122,619)
Profit before tax									585,093
Income tax									(56,703)
Net profit									528,390
Carrying amount of debt portfolios	2,894,574	-	1,275,193	1,826,425	1,216,949	176,826	-	-	7,389,967
Carrying amount of loans	60,296	325,061	17,098	-	-	-	-	-	402,455
Cash recoveries	667,044	-	321,921	288,424	155,203	68,181	-	-	1,500,773

¹ Gross profit = revenue – direct and indirect costs

² EBITDA = gross profit – administrative expenses

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>	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Investments in debt portfolios	9,143,005	8,673,765	7,389,967
Loans measured at amortised cost	464,514	412,510	394,314
Loans measured at fair value	4,038	5,618	8,141
	<u>9,611,557</u>	<u>9,091,893</u>	<u>7,792,422</u>

Investments measured at amortised cost

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Investments in debt portfolios	9,143,005	8,673,765	7,389,967
Loans measured at amortised cost	464,514	412,510	394,314
	<u>9,607,519</u>	<u>9,086,275</u>	<u>7,784,281</u>

Debt portfolios

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Carrying amount of purchased debt portfolios			
Unsecured portfolios	8,363,594	7,822,296	6,584,383
Secured portfolios	779,411	851,469	805,584
	<u>9,143,005</u>	<u>8,673,765</u>	<u>7,389,967</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

	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Discount rate ¹	8.00%–147.10%	8.00%–147.10%	8.00%–147.10%
Cash flows estimation period	Jul 2024–Jul 2045	Jan 2024–Dec 2043	Jul 2023–Aug 2043
<i>PLN '000</i>			
Undiscounted value of future recoveries, including: discount rate:	19,831,609	18,397,175	15,271,265
< 25%	13,788,320	12,779,718	10,709,540
25%–50%	5,177,625	4,837,595	3,849,439
> 50%	865,664	779,862	712,286

¹ Interest rate range applicable to 99% of debt portfolios

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

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Period			
Up to 12 months	2,854,272	2,687,036	2,352,252
From 1 to 2 years	2,635,067	2,526,899	2,190,781
From 2 to 3 years	2,344,949	2,239,826	1,910,550
From 3 to 4 years	2,010,298	1,869,962	1,539,198
From 4 to 5 years	1,668,704	1,573,277	1,276,047
From 5 to 6 years	1,366,959	1,307,232	1,058,750
From 6 to 7 years	1,140,212	1,054,058	859,578
From 7 to 8 years	976,256	886,242	715,556
From 8 to 9 years	841,175	756,219	614,337
From 9 to 10 years	738,971	657,862	525,146
From 10 to 11 years	652,946	576,293	460,115
From 11 to 12 years	574,150	504,106	400,630
From 12 to 13 years	477,202	430,353	338,693
From 13 to 14 years	397,493	340,383	280,010
From 14 to 15 years	310,428	272,407	215,778
Over 15 years	842,527	715,020	533,844
	19,831,609	18,397,175	15,271,265

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

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

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

PLN '000	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 January 2024	7,822,296	851,469	8,673,765
Purchase of debt portfolios	889,969	9,760	899,729
Cash recoveries***	(1,570,724)	(166,823)	(1,737,547)
Increase/(decrease) in liabilities to indebted persons due to overpayments*	1,861	-	1,861
Valuation of loyalty scheme*	3,641	-	3,641
Payments from original creditor	(1,949)	-	(1,949)
Revenue from purchased debt portfolios***	1,261,215	87,661	1,348,876
Carrying amount of property foreclosed	-	(940)	(940)
Translation differences on debt portfolios**	(42,715)	(1,716)	(44,431)
Carrying amount of investments in debt portfolios at 30 June 2024	8,363,594	779,411	9,143,005

PLN '000	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 Jan 2023	6,008,230	759,857	6,768,087
Purchase of debt portfolios	2,717,933	254,298	2,972,231
Cash recoveries	(2,730,606)	(331,867)	(3,062,473)
Increase/(decrease) in liabilities to indebted persons due to overpayments*	5,917	-	5,917
Valuation of loyalty scheme*	6,153	-	6,153
Revenue from purchased debt portfolios	2,167,039	176,719	2,343,758
Carrying amount of property foreclosed	-	(3,321)	(3,321)
Carrying amount of property sold	-	4,623	4,623
Translation differences on debt portfolios**	(352,370)	(8,840)	(361,210)
Carrying amount of investments in debt portfolios at 31 December 2023	7,822,296	851,469	8,673,765

PLN '000	Unsecured portfolios	Secured portfolios	Total
Carrying amount of investments in debt portfolios at 1 Jan 2023	6,008,230	759,857	6,768,087
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)
Carrying amount of investments in debt portfolios at 30 June 2023	6,584,383	805,584	7,389,967

* 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 of the current period, the presentation of income from the sale of properties and the carrying amount of property sold was reclassified. The change has no effect on the carrying amount of investments in debt portfolios.

Expenditure on debt portfolios is presented in the operating activities section of the statement of cash flows under *Change in debt portfolios purchased*.

In the reporting period, the Group incurred expenditure to purchase of debt portfolios of PLN 899,729 thousand (H1 2023: PLN 1,177,556 thousand; 2023: PLN 2,972,231 thousand), while recoveries from indebted persons amounted to PLN 1,737,547 thousand (H1 2023: PLN 1,500,773 thousand; 2023: PLN 3,062,473 thousand).

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Cumulative expected credit losses on purchased debt portfolios at beginning of period	3,189,274	2,328,752	2,328,752
Revaluation of projected recoveries, including:	258,074	438,985	220,607
<i>unsecured portfolios</i>	270,738	455,770	222,061
<i>secured portfolios</i>	(12,663)	(16,785)	(1,454)
Deviations from actual recoveries, decreases on early collections in collateralised cases, including:	204,555	421,537	251,195
<i>unsecured portfolios</i>	179,321	369,171	220,198
<i>secured portfolios</i>	25,234	52,366	30,997
Cumulative expected credit losses on purchased debt portfolios at end of period	3,651,903	3,189,274	2,800,554

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

Sensitivity analysis – revaluation of projected recoveries

The 1% increase in all projected collections would result in an increase in the value of portfolios and thus in net profit/(loss) for the reporting period by PLN 82,153 thousand, while the 1% decrease in all projected collections would result in a decrease in the value of portfolios, thus reducing net profit/(loss) by PLN 82,153 thousand for the data as at 30 June 2024 (a PLN 77,888 thousand increase/decrease, respectively, for the data as at 31 December 2023).

<i>PLN '000</i>	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
30 Jun 2024		
Investments in debt portfolios	82,153	(82,153)
31 Dec 2023		
Investments in debt portfolios	77,888	(77,888)

Sensitivity analysis – time horizon

The sensitivity analysis assumes extension or shortening of the projection period with a simultaneous increase or decrease in projected recoveries (in the case of extension by one year, projected recoveries increased by PLN 22,283 thousand, in the case of shortening by one year, projected recoveries decreased by PLN 55,458 thousand; for 2023, the amounts were PLN 28,445 thousand and PLN 57,887 thousand, respectively).

PLN '000

	Profit or loss for the current period	
	<u>extension by one year</u>	<u>shortening by one year</u>
30 Jun 2024		
Investments in debt portfolios	322	(982)
31 Dec 2023		
Investments in debt portfolios	427	(1,062)

Loans

PLN '000	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Loans measured at amortised cost	464,514	412,510	394,314
Loans measured at fair value	4,038	5,618	8,141
	<u>468,552</u>	<u>418,128</u>	<u>402,455</u>

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	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Gross carrying amount of loans measured at amortised cost:			
Basket 1	312,240	263,129	241,703
Basket 2	101,475	111,884	119,078
Basket 3	346,090	302,324	247,486
POCI loans	1,849	1,323	1,231
	<u>761,654</u>	<u>678,660</u>	<u>609,498</u>
Allowance for expected credit losses			
Basket 1	18,323	17,202	11,402
Basket 2	21,404	24,182	17,282
Basket 3	257,413	224,766	186,500
	<u>297,140</u>	<u>266,150</u>	<u>215,184</u>
Net carrying amount			
Basket 1	293,917	245,927	230,301
Basket 2	80,071	87,702	101,796
Basket 3	88,677	77,558	60,986
POCI loans	1,849	1,323	1,231
	<u>464,514</u>	<u>412,510</u>	<u>394,314</u>

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Carrying amount of loans measured at amortised cost at beginning of period	412,510	357,003	357,003
Acquisition of loans as part of portfolio purchase	25,234	-	-
New disbursements	316,278	559,747	271,042
Repayments	(385,340)	(666,112)	(318,419)
Interest income	108,782	233,725	120,093
Allowance for expected credit losses	(12,780)	(70,268)	(34,417)
Translation differences on loans	(170)	(1,585)	(988)
Carrying amount of loans measured at amortised cost at end of period	464,514	412,510	394,314

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited				1 Jan–31 Dec 2023			
	Basket 1	Basket 2	Basket 3	Total	Basket 1	Basket 2	Basket 3	Total
Loss allowance as at 1 Jan	17,202	24,182	224,766	266,150	9,769	17,316	134,039	161,124
Transfer from basket 1 to basket 2	(14,448)	14,448	-	-	(5,478)	5,478	-	-
Transfer from basket 1 to basket 3	(12,095)	-	12,095	-	(7,394)	-	7,394	-
Transfer from basket 2 to basket 1	799	(799)	-	-	694	(694)	-	-
Transfer from basket 2 to basket 3	-	(20,206)	20,206	-	-	(36,100)	36,100	-
Transfer from basket 3 to basket 1	-	-	-	-	-	-	-	-
Transfer from basket 3 to basket 2	-	-	-	-	-	-	-	-
Allowance for expected credit losses recognised in the reporting period and changes reflecting loans advanced and repaid	26,865	3,778	347	30,990	19,611	38,182	47,233	105,026
Loss allowance at end of period	18,323	21,403	257,414	297,140	17,202	24,182	224,766	266,150

The amount of the allowance is determined for individual expected loss recognition baskets, based on estimates that reflect the risk of incurring the expected loss, made taking into account the stage of delinquency. The amount of the impairment loss at the end of the reporting period covers 39.0% of the gross carrying amount of loans measured at amortised cost (at the end of 2023: 39.2%). The total amount of undiscounted expected credit losses on impaired financial assets due to credit risk as at 30 June 2024 was PLN 22,670 thousand (31 December 2023: PLN 22,124 thousand).

Sensitivity analysis – revaluation of projected recoveries

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

PLN '000

	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
30 Jun 2024		
Loans measured at amortised cost	4,591	(4,591)
31 Dec 2023		
Loans measured at amortised cost	4,120	(4,120)

Sensitivity analysis – time horizon

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

PLN '000

	Profit or loss for the current period	
	extension by one month	shortening by one month
30 Jun 2024		
Loans measured at amortised cost	(8,575)	8,214
31 Dec 2023		
Loans measured at amortised cost	(9,005)	8,417

Loans measured at fair value

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Carrying amount of loans measured at fair value at beginning of period	5,618	12,440	12,440
Repayments	(2,408)	-	(6,334)
Interest income	1,191	(11,352)	2,707
Remeasurement	(363)	4,529	(672)
Carrying amount of loans measured at fair value at end of period	4,038	5,618	8,141

Sensitivity analysis – revaluation of projected recoveries

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

<i>PLN '000</i>	Profit or loss for the current period	
	100 bps increase in recoveries	100 bps decrease in recoveries
30 Jun 2024		
Loans measured at fair value	(40)	40
31 Dec 2023		
Loans measured at fair value	56	(56)

Sensitivity analysis – time horizon

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

PLN '000	Profit or loss for the current period	
	extension by one month	shortening by one month
30 Jun 2024		
Loans measured at fair value	(109)	111
31 Dec 2023		
Loans measured at fair value	(150)	145

Sensitivity analysis – interest rate

The interest rate on loans measured at fair value is 31.2% (31 December 2023: 31%). Presented below is a sensitivity analysis for the interest rate applied to the fair-value measurement of loans:

PLN '000	Profit or loss for the current period	
	1 pp increase in interest rate	1 pp decrease in interest rate
30 Jun 2024		
Loans measured at fair value	(32)	33
31 Dec 2023		
Loans measured at fair value	45	(44)

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

PLN '000

1 Jan–30 Jun 2024 unaudited

1 Jan–30 Jun 2023 unaudited

	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other income	Total	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other income	Total
Interest income on debt portfolios and loans measured at amortised cost	883,408	-	108,782	-	992,190	695,158	-	120,093	-	815,251
Interest income on loans measured at fair value	-	-	1,191	-	1,191	-	-	2,707	-	2,707
Revenue from sale of debts and loans	5,733	-	-	-	5,733	2,506	-	-	-	2,506
Other income/expenses from purchased debt portfolios	(5,782)	-	-	-	(5,782)	(10,538)	-	-	-	(10,538)
Revenue from other services	-	28,946	412	-	29,358	-	30,838	2,067	-	32,905
Other income	-	-	-	5,505	5,505	-	-	-	18,478	18,478
Change in investments measured at fair value	-	-	(363)	-	(363)	-	-	(672)	-	(672)
Gain/(loss) on expected credit losses	465,517	-	(12,780)	-	452,737	474,052	-	(35,405)	-	438,647
	1,348,876	28,946	97,242	5,505	1,480,569	1,161,178	30,838	88,790	18,478	1,299,284

PLN '000

	1 Apr–30 Jun 2024 unaudited					1 Apr–30 Jun 2023 unaudited				
	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other income	Total	Purchased debt portfolios	Revenue from credit management services	Revenue from other services	Other income	Total
Interest income on debt portfolios and loans measured at amortised cost	446,711	-	54,631	-	501,342	352,971	-	59,555	-	412,526
Interest income on loans measured at fair value	-	-	522	-	522	-	-	1,212	-	1,212
Revenue from sale of debts and loans	4,274	-	-	-	4,274	1,243	-	-	-	1,243
Other income/expenses from purchased debt portfolios	(3,460)	-	-	-	(3,460)	(7,312)	-	-	-	(7,312)
Revenue from other services	-	14,014	52	-	14,066	-	15,162	999	-	16,161
Other income	-	-	-	3,982	3,982	-	-	-	512	512
Change in investments measured at fair value	-	-	(159)	-	(159)	-	-	(188)	-	(188)
Gain/(loss) on expected credit losses	216,698	-	(4,833)	-	211,865	276,622	-	(16,250)	-	260,372
	664,223	14,014	50,213	3,982	732,432	623,524	15,162	45,328	512	684,526

Other income/expenses from purchased debt portfolios

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Foreign currency gains/(losses)	(280)	(1,486)	(5,391)	(4,661)
Costs of loyalty scheme valuation	(3,641)	(1,292)	(2,995)	(1,668)
Costs of provision for overpayments	(1,861)	(682)	(2,152)	(983)
	(5,782)	(3,460)	(10,538)	(7,312)

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Revaluation of projected recoveries	258,074	114,098	220,607	133,739
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	207,443	102,600	253,445	142,883
	465,517	216,698	474,052	276,622

Revenue from loans

Revenue from loans measured at amortised cost

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Interest income	108,782	54,631	120,093	59,555
Allowance for expected credit losses	(12,780)	(4,833)	(35,405)	(16,250)
Gain/(loss) on sale of loans	-	-	-	-
	96,002	49,798	84,688	43,305

Revenue from loans measured at fair value

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Interest income	1,191	522	2,707	1,212
Remeasurement	(363)	(159)	(672)	(188)
	828	363	2,035	1,024

Revenue from other services

PLN '000	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Revenue from credit management services	28,946	14,014	30,838	15,162
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	412	52	2,067	999
	<u>29,358</u>	<u>14,066</u>	<u>32,905</u>	<u>16,161</u>

Other income

PLN '000	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Sale of shares in subsidiaries	-	-	15,103	-
Gain (loss) on sale of property*	4,813	4,009	-	-
Gain on sale of property, plant and equipment	305	294	737	149
Recharged costs of services and court fees	117	(376)	743	(387)
Rental	36	16	894	872
Other cooperation	-	-	233	148
Recovery of written-off receivables and expenses	-	-	9	4
Other markets	234	39	759	(274)
	<u>5,505</u>	<u>3,982</u>	<u>18,478</u>	<u>512</u>

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

10.2. Services

PLN '000	1 Jan–30 Jun	1 Apr–30	1 Jan–30 Jun	1 Apr–30
	2024	Jun 2024	2023	Jun 2023
	unaudited	unaudited	unaudited	unaudited
Credit management services ¹	(33,871)	(16,008)	(22,634)	(12,327)
IT services	(30,707)	(16,116)	(19,245)	(11,951)
Administrative and accounting support services	(18,416)	(12,647)	(10,758)	(5,000)
Legal assistance services ²	(15,777)	(8,159)	(19,485)	(8,042)
Banking services	(14,048)	(6,076)	(6,285)	(3,267)
Postal and courier services	(11,325)	(5,388)	(11,525)	(5,183)
Communications services	(6,530)	(3,102)	(5,701)	(3,199)
Marketing and management services	(4,902)	(2,405)	(4,642)	(2,381)
Space rental and service charges	(4,650)	(2,239)	(4,911)	(2,503)
Printing services	(1,953)	(964)	(1,597)	(732)
Security	(1,188)	(651)	(1,237)	(586)
Other auxiliary services	(676)	(397)	(895)	(546)
Recruitment services	(801)	(477)	(980)	(392)
Repair and maintenance services	(766)	(382)	(607)	(426)
Repair of vehicles	(694)	(400)	(558)	(328)
Other rental	(571)	(279)	(223)	(142)
Transport services	(73)	(40)	(98)	(65)
Packing services	(59)	(30)	(54)	(27)
	(147,007)	(75,760)	(111,435)	(57,097)

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

² Legal assistance mainly relates to debt portfolio management.

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

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

10.3. Employee benefits expense

PLN '000	1 Jan–30	1 Apr–30	1 Jan–30	1 Apr–30
	Jun 2024	Jun 2024	Jun 2023	Jun 2023
	unaudited	unaudited	unaudited	unaudited
Salaries and wages	(207,978)	(106,618)	(190,467)	(96,028)
Other social security contributions	(40,663)	(22,037)	(35,679)	(18,190)
Old-age and disability pension contributions	(16,355)	(8,322)	(14,453)	(7,375)
Equity-settled cost of stock option plan	(8,825)	(4,413)	(9,288)	(4,670)
Contribution to the State Fund for the Disabled	(1,046)	(513)	(1,072)	(554)
	(274,867)	(141,903)	(250,959)	(126,817)

10.4. Court fees

PLN '000

	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Legal costs	(156,556)	(93,651)	(114,998)	(62,496)
Bailiff fees	(63,504)	(31,726)	(52,726)	(25,979)
Stamp duties	(1,356)	(679)	(544)	(309)
	<u>(221,416)</u>	<u>(126,056)</u>	<u>(168,268)</u>	<u>(88,784)</u>

10.5. Other expenses

PLN '000

	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Taxes and charges	(10,855)	(6,657)	(13,451)	(9,099)
Raw materials and consumables used	(5,818)	(3,101)	(5,937)	(2,980)
Staff training	(4,482)	(2,921)	(2,209)	(1,322)
Advertising	(2,630)	(1,100)	(1,876)	(930)
Business trips	(2,230)	(1,200)	(1,973)	(1,191)
Recharged costs of services and fees	(2,212)	(2,175)	-	-
Entertainment expenses	(2,194)	(1,121)	(2,180)	(1,365)
Non-deductible VAT	(1,136)	(484)	(1,147)	(681)
Write-off of development work	(899)	-	-	-
Refund of litigation costs	(542)	(451)	(322)	163
Property insurance	(488)	(239)	(447)	(232)
Motor insurance	(415)	(208)	(443)	(221)
Losses caused by motor damage	(236)	(200)	(57)	(30)
Non-compete agreements	(133)	(67)	(188)	(81)
Membership fees	(106)	(75)	(66)	(33)
Contractual penalties	-	-	-	470
Provision for possible differences related to straight-line basis settlement	57	25	1,031	436
Other markets	(606)	(361)	(3,245)	(2,132)
	<u>(34,925)</u>	<u>(20,335)</u>	<u>(32,510)</u>	<u>(19,228)</u>

10.6. Finance income

PLN '000	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Interest income on bank deposits	5,617	445	723	327
Net foreign exchange losses	-	-	4,754	3,786
	<u>5,617</u>	<u>445</u>	<u>5,477</u>	<u>4,113</u>

10.7. Finance costs

PLN '000	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Interest and commission expense on financial liabilities measured at amortised cost	(234,467)	(116,918)	(161,210)	(83,518)
<i>including interest</i>	(224,267)	(111,226)	(153,393)	(80,628)
Net foreign exchange losses	(893)	1,353	-	-
Interest income/expense on hedging instruments – IRS	13,859	6,820	6,659	7,531
Hedging income/expense	31,337	16,193	25,963	13,149
Interest income/expense on hedging instruments – CIRS	(116)	(38)	492	(3,036)
	<u>(190,280)</u>	<u>(92,589)</u>	<u>(128,096)</u>	<u>(65,874)</u>

In the six months ended 30 June 2024, there was a significant year-on-year increase in interest expense, primarily due to higher debt (bonds and notes).

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

PLN '000	Note	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Realised exchange gains/(losses)	10.6; 10.7	(2,489)	(1,094)	774	478
Unrealised exchange gains/(losses)	10.6; 10.7	1,596	2,447	3,980	3,308
Remeasurement of debt portfolios due to exchange rate movements	10.1	(280)	(1,486)	(5,391)	(4,661)
		<u>(1,173)</u>	<u>(133)</u>	<u>(637)</u>	<u>(875)</u>

10.9. Income tax

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Current income tax recognised in profit or loss				
Current income tax payable	(16,175)	(12,171)	(5,321)	(1,019)
Deferred income tax recognised in profit or loss				
Related to temporary differences and their reversal	33,006	16,292	(51,382)	(21,749)
Income tax recognised in profit or loss	<u>16,831</u>	<u>4,121</u>	<u>(56,703)</u>	<u>(22,768)</u>
Deferred income tax recognised in other comprehensive income				
Related to temporary differences and their reversal	(10,227)	(4,265)	(15,164)	(15,164)
Income tax recognised in other comprehensive income	<u>(10,227)</u>	<u>(4,265)</u>	<u>(15,164)</u>	<u>(15,164)</u>
Income tax recognised in comprehensive income	<u>6,604</u>	<u>(144)</u>	<u>(71,867)</u>	<u>(37,932)</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>	1 Jan–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited
Profit before tax	586,023	585,093
Tax calculated at the Parent's enacted income tax rate (19%)	(111,344)	(111,168)
Effect of application of other income tax rates abroad and effect of deferred tax	(2,929)	(3,371)
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	131,104	57,836
Income tax recognised in profit or loss	<u>16,831</u>	<u>(56,703)</u>
Effective income tax rate (%)	-2.87%	9.69%

The KRUK Group does not recognise CIT based on an estimated average annual effective rate as this would not eliminate tax fluctuations over a financial year.

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	
	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2024 unaudited	31 Dec 2023
Property, plant and equipment	3,345	5,222	(3,296)	(4,234)	49	988
Intangible assets	-	-	(4,432)	(5,000)	(4,432)	(5,000)
Tax losses deductible in future periods	13,699	13,260	-	-	13,699	13,260
Trade and other receivables	-	-	(260)	(241)	(260)	(241)
Borrowings and other debt instruments	23,587	21,776	-	-	23,587	21,776
Employee benefit obligations	3,055	5,230	-	-	3,055	5,230
Provisions and liabilities	140	186	-	-	140	186
Investments in debt portfolios	-	-	(7,337)	(7,411)	(7,337)	(7,411)
Investments in loans	30,231	32,050	-	-	30,231	32,050
Derivative hedging instruments	-	-	(23,994)	(13,767)	(23,994)	(13,767)
Expected future outflows of income from investments in subsidiaries	-	-	(168,308)	(203,420)	(168,308)	(203,420)
Deferred tax assets/liabilities	74,057	77,724	(207,627)	(234,073)	(133,570)	(156,349)
Deferred tax assets offset against liabilities	(29,855)	(31,766)	29,855	31,766	-	-
Deferred tax assets/liabilities in the statement of financial position	44,202	45,958	(177,772)	(202,307)	(133,570)	(156,349)

Change in temporary differences in the period

PLN '000

	Net amount of income tax as at 1 Jan 2024	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 30 Jun 2024	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in profit or loss for the period	Net amount of income tax as at 31 Dec 2023
Property, plant and equipment	988	(939)	49	3,742	(2,754)	988
Intangible assets	(5,000)	568	(4,432)	(5,148)	148	(5,000)
Tax losses deductible in future periods	13,260	439	13,699	11,920	1,340	13,260
Trade and other receivables	(241)	(19)	(260)	(413)	172	(241)
Borrowings and other debt instruments	21,776	1,811	23,587	16,633	5,143	21,776
Employee benefit obligations	5,230	(2,175)	3,055	2,590	2,640	5,230
Provisions and liabilities	186	(46)	140	(109)	295	186
Investments in debt portfolios	(7,411)	74	(7,337)	(7,058)	(353)	(7,411)
Investments in loans	32,050	(1,819)	30,231	32,923	(873)	32,050
Expected future outflows of income from investments in subsidiaries	(203,420)	35,112	(168,308)	(208,285)	4,865	(203,420)
	(142,582)	33,006	(109,576)	(153,205)	10,623	(142,582)

PLN '000

	Net amount of income tax as at 1 Jan 2024	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 30 Jun 2024	Net amount of income tax as at 1 Jan 2023	Change in temporary differences recognised in other comprehensive income	Net amount of income tax as at 31 Dec 2023
Derivative hedging instruments	(13,767)	(10,227)	(23,994)	(3,294)	(10,473)	(13,767)
	(13,767)	(10,227)	(23,994)	(3,294)	(10,473)	(13,767)

The amount of deferred tax liabilities is affected by changes in expected future cash flows from investment companies to KRUK S.A. in the foreseeable future. The level of the cash flows depends on such factors as:

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

Therefore, the amount of deferred tax liability for *expected future cash flows from subsidiaries* may be subject to material changes in individual reporting periods.

The decrease in the related provision for the current period is due to:

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

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 30 June 2024 was PLN 4,620,024 thousand (as at 31 December 2023: PLN 3,727,864 thousand).

Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union is expected to be effectively implemented into Polish law by the end of 2024. The Directive provides that the effective tax rate for multinational corporate groups whose consolidated revenue exceeds EUR 750 million should not be lower than 15% and that operate in more than six countries (possibility of deferring the application of the regulations for a period of five years).

As at the issue date of this consolidated report, this requirement does not apply to the KRUK Group as it does not meet the revenue criterion. However, the Group cannot rule out that the new legislation will affect its financial statements in future periods.

10.10. Borrowings, finance lease liabilities and other financial liabilities

PLN '000	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Non-current liabilities			
Secured borrowings	2,492,077	2,324,607	1,535,806
Liabilities under debt securities (unsecured)	2,725,290	2,773,264	2,159,093
Lease liabilities	27,416	40,213	27,607
	<u>5,244,783</u>	<u>5,138,084</u>	<u>3,722,506</u>
Current liabilities			
Secured borrowings	32,916	285,551	278,674
Liabilities under debt securities (unsecured)	218,128	77,938	108,311
Lease liabilities	28,711	29,594	37,136
	<u>279,755</u>	<u>393,083</u>	<u>424,121</u>

Terms and repayment schedule of borrowings, debt securities and leases

PLN '000	Currency	Nominal interest rate	Maturity periods ¹	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Borrowings secured over the Group's assets	EUR/PLN	1M WIBOR + margin of 1.8–2.60pp; 3M WIBOR + margin of 1.8–2.7pp; 1M EURIBOR + margin of 2.4–2.95pp.	2024-2028	2,524,993	2,610,158	1,814,480
Liabilities under debt securities (unsecured)	PLN EUR	3M WIBOR + margin of 3.2–4.65pp; 4.00%–4.80% ² ; 3M EURIBOR + margin of 4.0–6.5pp	2024-2029	2,943,418	2,851,202	2,267,404
Lease liabilities	EUR/PLN CZK	3M WIBOR or 1M EURIBOR + margin of 2.8–4.58pp 3.00%–11.26%	2024-2030	56,127	69,807	64,743
				<u>5,524,538</u>	<u>5,531,167</u>	<u>4,146,627</u>

¹ Maturity of the last liability.

² Fixed interest rate.

Impact of IBOR reform

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

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

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

<i>PLN '000</i>	30 Jun 2024	31 Dec 2023	30 Jun 2023
	unaudited	unaudited	unaudited
Carrying amount of financial liabilities for which WIBOR is used as the benchmark			
Borrowings secured over the Group's assets	469,886	454,154	304,610
Liabilities under debt securities (unsecured)	2,153,253	2,159,898	1,605,257
Lease liabilities	4,813	7,922	10,267
Notional amount of hedging instruments for which WIBOR is used as the benchmark			
CIRS	1,832,500	1,750,000	1,135,000
IRS	165,000	190,000	255,000

10.11. Hedging instruments

Interest rate risk hedges

The interest rate risk management policy covers:

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

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

Open outstanding IRS contracts held by the KRUK Group companies as at 30 June 2024, with a total notional amount of PLN 165,000 thousand and EUR 408,500 thousand:

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

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

The purpose of the PLN contracts was to provide a hedge against volatility of cash flows generated by liabilities denominated in PLN due to changes in the 3M WIBOR rate and to hedge coupons paid on issued PLN-denominated bonds. The purpose of the EUR contracts was to provide a hedge against volatility of cash flows generated by liabilities in EUR due to changes in the 1M and 3M EURIBOR rate and to hedge interest payments under a credit facility and EUR-denominated bonds.

Open outstanding CIRS contracts held by Kruk Group companies as at 30 June 2024, with a total notional amount of PLN 1,832,500 thousand:

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

Santander Bank Polska S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	1.56%	3M WIBOR	21 Jun 2022	16 Mar 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 105,000,000	1.21%	3M WIBOR	15 Jul 2022	23 Jan 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 52,500,000	0.96%	3M WIBOR	15 Jul 2022	22 Jan 2025
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	1.40%	3M WIBOR	20 Jul 2022	2 Mar 2026
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 60,000,000	1.96%	3M WIBOR	12 Dec 2022	27 Jul 2027
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 25,000,000	2.05%	3M WIBOR	21 Dec 2022	27 Nov 2026
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 75,000,000	2.49%	3M WIBOR	10 Jan 2023	26 Mar 2025
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 120,000,000	2.02%	3M WIBOR	27 Jan 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.475%	3M WIBOR	25 Jul 2023	26 Jan 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 50,000,000	2.435%	3M WIBOR	25 Jul 2023	7 Jun 2028
DNB Bank ASA	KRUK S.A.	CCIRS	PLN 75,000,000	2.61%	3M WIBOR	22 Sep 2023	29 Mar 2028
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 85,000,000	2.48%	3M WIBOR	31 Oct 2023	10 Dec 2026
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 355,000,000	2.34%	3M WIBOR	31 Oct 2023	11 Oct 2029
DNB Bank ASA.	KRUK S.A.	CCIRS	PLN 70,000,000	6.046%	3M WIBOR + 4%	21 Mar 2024	16 Feb 2029
ING Bank Śląski S.A.	KRUK S.A.	CCIRS	PLN 90,000,000	6.19%	3M WIBOR + 4%	21 Mar 2024	26 Sep 2028

The transactions were designated for hedge accounting.

The purpose of the CIRS contracts is to:

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

Currency risk hedges

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

The currency risk management policy outlines:

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

In 2019–2022, 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 31 December 2023.

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

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

As at 30 June 2024, the Group had no open positions under the framework agreement.

Amounts related to items designated as hedging instruments

PLN '000

	30 Jun 2024 unaudited				31 Dec 2023				Item in the statement of financial position	Hedge type
	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness	Assets	Liabilities	Nominal amount	Change in fair value used to determine ineffectiveness		
Instrument type:										
IRS	1,752	-	165,000 (PLN)	(3,202)	4,954	-	190,000 (PLN)	(13,852)	Hedging instruments	Hedge of future cash flows
IRS	7,983	2,615	408,500 (EUR)	33,764	29	28,425	408,500 (EUR)	(44,152)	Hedging instruments	Hedge of future cash flows
CIRS	126,767	-	1,832,500 (PLN)	37,511	93,445	4,189	1,750,000 (PLN)	87,551	Hedging instruments	Hedge of future cash flows/Hedge of net investment in a foreign operation
	136,502	2,615		68,073	98,428	32,614		29,547		

PLN '000

Disclosure of the hedged item as at 30 Jun 2024

	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)	165,000 (PLN)	(3,202)	1,728	-
Hedge of future cash flows (interest rate risk)	408,500 (EUR)	33,764	5,368	-
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)	1,832,500 (PLN)	37,511	102,185	-

PLN '000

Disclosure of the hedged item as at 31 Dec 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)	190,000 (PLN)	(13,852)	7,180	-
Hedge of future cash flows (interest rate risk)	408,500 (EUR)	(44,152)	(28,396)	-
Hedge of net investment in a foreign operation (currency risk)	-	-	-	4,082
Hedge of future cash flows/Hedge of investment in a subsidiary (currency risk/interest rate risk)	1,750,000 (PLN)	87,551	68,177	-

PLN '000

Instrument type:	Amount of future cash flows as at 30 Jun 2024				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	(167,335)	-	-	-	-
variable payment PLN	167,335	-	-	-	-
IRS					
fixed payment EUR sale	(29,303)	(25,084)	(43,958)	(1,657,444)	-
variable payment EUR	29,303	25,084	43,958	1,657,444	-
CIRS					
fixed payment	(20,915)	(67,697)	(272,365)	(1,518,100)	-
variable payment	20,915	67,697	272,365	1,518,100	-

Instrument type:	Amount of future cash flows as at 31 Dec 2023				
	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
IRS					
fixed payment PLN sale	(26,312)	(165,656)	-	-	-
variable payment PLN	26,312	165,656	-	-	-
IRS					
fixed payment EUR sale	(39,325)	(26,169)	(35,886)	(1,843,653)	-
variable payment EUR	39,325	26,169	35,886	1,843,653	-
CIRS					
fixed payment	(125,963)	(43,342)	(192,769)	(1,286,932)	(369,021)
variable payment	125,963	43,342	192,769	1,286,932	369,021

PLN '000

1 Jan–30 Jun 2024 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
Hedge reserve at beginning of period	(21,216)	4,082	68,177	51,043
Measurement of instruments charged to capital reserves	44,420	-	56,309	100,729
Cost of hedging	-	-	16,898	16,898
Temporary differences/reversal of temporary differences	(2,249)	-	(7,978)	(10,227)
Amount reclassified to profit or loss during the period	(13,859)	-	(31,221)	(45,080)
- Interest income / expense	(13,859)	-	116	(13,743)
- Cost of hedging	-	-	(31,337)	(31,337)
Hedge reserve at end of period	7,096	4,082	102,185	113,363

PLN '000

1 Jan–31 Dec 2023

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

PLN '000

1 Jan–30 Jun 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
Hedge reserve at beginning of period	34,562	4,082	(6,017)	32,627
Measurement of instruments charged to capital reserves	6,849	-	32,295	39,144
Cost of hedging	-	-	80,411	80,411
Temporary differences/reversal of temporary differences	1,477	-	(16,641)	(15,164)
Amount reclassified to profit or loss during the period	(6,659)	-	(26,455)	(33,114)
- Interest income / expense	(6,659)	-	(492)	(7,151)
- Cost of hedging	-	-	(25,963)	(25,963)
Hedge reserve at end of period	36,229	4,082	63,593	103,904

10.12. Earnings per share

Basic earnings per share

<i>thousands of shares</i>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Number of ordinary shares as at 1 Jan	19,319	19,319	19,319
Effect of redemption and issue	-	-	-
Weighted average number of ordinary shares at end of reporting period	19,319	19,319	19,319
<i>PLN</i>			
Earnings per share	31.20	50.93	27.33

Diluted earnings per share

<i>thousands of shares</i>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Weighted average number of ordinary shares at end of reporting period	19,319	19,319	19,319
Effect of issue of unregistered shares not subscribed for	1,138	1,024	889
Weighted average number of ordinary shares at end of reporting period (diluted)	20,457	20,343	20,208
<i>PLN</i>			
Earnings per share (diluted)	29.46	48.37	26.13

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

PLN '000	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Assets			
Non-current assets			
Property, plant and equipment	80,417	91,777	80,306
Other intangible assets	64,449	67,206	68,334
Goodwill	8,011	8,084	16,474
Investments	6,752,680	6,416,303	5,408,519
Hedging instruments	121,947	82,848	121,785
Deferred tax asset	44,202	45,958	35,926
Total non-current assets	7,071,706	6,712,176	5,731,344
Current assets			
Inventories	11,641	15,038	15,799
Investments	2,858,877	2,675,590	2,383,903
Trade receivables	16,778	24,440	15,723
Other receivables	46,372	58,970	46,121
Income tax receivable	6,401	22,398	28,453
Hedging instruments	14,555	15,580	2,266
Other assets	14,380	15,852	17,579
Cash and cash equivalents	181,045	388,461	164,053
Total current assets	3,150,049	3,216,329	2,673,897
Total assets	10,221,755	9,928,505	8,405,241
Equity and liabilities			
Equity			
Share capital	19,319	19,319	19,319
Share premium	358,506	358,506	358,506
Hedge reserve	113,363	51,043	103,904
Measurement reserve (defined benefit plans)	3,331	3,331	4,155
Translation reserve	(105,971)	(95,871)	(23,123)
Other capital reserves	180,672	171,847	159,184
Retained earnings	3,538,137	3,283,218	2,827,326
Equity attributable to owners of the Parent	4,107,357	3,791,393	3,449,271
Non-controlling interests	(455)	(583)	(537)
Total equity	4,106,902	3,790,810	3,448,734
Non-current liabilities			
Borrowings, debt securities and leases	5,244,783	5,138,084	3,722,506
Deferred tax liability	177,772	202,307	258,971
Provisions	1,340	12,211	909
Hedging instruments	2,615	32,614	-
Total non-current liabilities	5,426,510	5,385,216	3,982,386
Current liabilities			
Borrowings, debt securities and leases	279,755	393,083	424,121
Trade and other payables	272,886	220,448	163,237
Liabilities under dividends	-	-	289,782
Income tax payable	6,824	11,785	3,972
Employee benefit obligations	68,026	76,469	58,875
Provisions	60,852	50,694	34,134
Total current liabilities	688,343	752,479	974,121
Total liabilities	6,114,853	6,137,695	4,956,507
Total equity and liabilities	10,221,755	9,928,505	8,405,241

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

10.14. Goodwill

PLN '000

	Kancelaria Prawna RAVEN	Kruk España S.L.	ERIF BIG S.A.	Total
Gross carrying amount as at 1 Jan 2023	299	48,315	725	49,339
Increase	-	-	-	-
Decrease	-	-	(725)	(725)
Translation differences	-	(214)	-	(214)
Gross carrying amount as at 31 Dec 2023	299	48,101	-	48,400
Gross carrying amount as at 1 Jan 2024	299	48,101	-	48,400
Increase	-	-	-	-
Decrease	-	-	-	-
Translation differences	-	(73)	-	(73)
Gross carrying amount as at 30 Jun 2024	299	48,028	-	48,327
Impairment losses				
Impairment losses as at 1 Jan 2023	-	(32,313)	-	(32,313)
Increase	-	(8,003)	-	(8,003)
Decrease	-	-	-	-
Impairment losses as at 31 Dec 2023	-	(40,316)	-	(40,316)
Impairment losses as at 1 Jan 2024	-	(40,316)	-	(40,316)
Increase	-	-	-	-
Decrease	-	-	-	-
Impairment losses as at 30 Jun 2024	-	(40,316)	-	(40,316)
Net carrying amount				
As at 1 Jan 2023	299	16,002	725	17,026
As at 31 Dec 2023	299	7,785	-	8,084
As at 1 Jan 2024	299	7,785	-	8,084
As at 30 Jun 2024	299	7,712	-	8,011

As at 30 June 2024, there were no indications of goodwill impairment.

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

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Real property	11,490	14,893	15,604
Other inventories	151	145	195
	11,641	15,038	15,799

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>	1 Jan–30 Jun 2024 unaudited	1 Jan–31 Dec 2023	1 Jan–30 Jun 2023 unaudited
Carrying amount of property held at beginning of period	14,893	16,243	16,243
Carrying amount of property foreclosed	2,205	3,321	3,309
Carrying amount of property sold	(4,342)	(13)	(2,072)
Impairment losses	(1,265)	(4,610)	(1,776)
Translation differences on property	(1)	(48)	(100)
Carrying amount of property held at end of period	11,490	14,893	15,604

10.16. Trade and other receivables**Trade receivables**

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023
Short-term trade receivables	16,778	24,440
	16,778	24,440

Other receivables

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023
Taxes receivable (other than income tax)	15,129	38,265
Receivables under collected debts	23,253	12,809
Receivables under security deposits and bid bonds	6,996	7,502
Employee loans	100	163
Other receivables	115	115
Receivables for court fees and stamp duty	779	116
	46,372	58,970

10.17. Cash and cash equivalents

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023
Cash in hand	213	118
Cash in current accounts	180,832	168,343
Term deposits	-	220,000
	<u>181,045</u>	<u>388,461</u>

10.18. Employee benefit obligations

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023
Salaries and wages payable	22,648	36,777
Social benefit obligations	22,465	19,879
Accrued holiday entitlements	17,106	14,136
Personal income tax	4,586	4,778
Special accounts	1,221	899
	<u>68,026</u>	<u>76,469</u>

10.19. Trade and other payables

<i>PLN '000</i>	30 Jun 2024 unaudited	31 Dec 2023
Trade payables	187,196	163,254
Other liabilities	68,705	41,488
Tax and duties payable	4,432	2,823
Accrued expenses	6,071	6,193
Deferred income	6,482	6,690
	<u>272,886</u>	<u>220,448</u>

10.20. Provisions

PLN '000	30 Jun 2024 unaudited	31 Dec 2023
Provisions for retirement gratuity payments	17,344	15,945
Provision for the loyalty scheme	8,816	10,871
Provision for tax inspection outcome	28,554	28,554
Other provisions	7,478	7,535
	<u>62,192</u>	<u>62,905</u>

	Provisions for retirement gratuity payments	Provision for the loyalty scheme	Provision for tax inspection outcome	Other provisions
Carrying amount as at 1 Jan 2023	14,124	11,746	-	10,561
Increase / accrual	2,202	402	28,554	
Use	(381)	(1,277)	-	
Reversal of provision for possible differences relative to straight-line basis settlement				(3,026)
Carrying amount as at 31 Dec 2023	<u>15,945</u>	<u>10,871</u>	<u>28,554</u>	<u>7,535</u>
Carrying amount as at 1 Jan 2024	15,945	10,871	28,554	7,535
Increase / accrual	1,404	192	-	
Use	(5)	(2,247)	-	
Reversal of provision for possible differences relative to straight-line basis settlement				(57)
Carrying amount as at 30 Jun 2024	<u>17,344</u>	<u>8,816</u>	<u>28,554</u>	<u>7,478</u>

In connection with the ongoing inspection of corporate income tax settlements for 2018–2020 conducted by the Customs and Tax Office in Kraków, Kruk S.A. has recognised a provision totalling PLN 28,554 thousand to settle a potential tax underpayment for the years under review and subsequent years, together with interest, in its profit or loss for 2023. The outcome of the proceedings will result in a change of the methodology for determining transfer prices between related parties with respect to the management and collection services performed by the Parent for its related parties which will be implemented by the end of 2024. For years, the Parent has consistently applied the comparable uncontrolled price (CUP) method to determine the consideration due for its management and collection services. The Customs and Tax Office has indicated the need to switch to the cost-plus method, which seeks to cover the service cost and add an appropriate mark-up. As at issue the date of this report, the Parent has received the audit report for the year 2018 (with audits for the remaining years still ongoing). The audit results for 2018 match the Parent's calculations of the provision recognised for the tax liability in question as at the end of 2023.

11. Related-party transactions

Remuneration of the management personnel - Management Board

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

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Base pay/ managerial contract (gross)	4,268	2,348	3,830	1,920
Additional benefits	90	47	140	98
Share-based payments	8,825	4,413	9,288	4,670
	<u>13,183</u>	<u>6,808</u>	<u>13,258</u>	<u>6,688</u>

Remuneration of members of the Supervisory Board

Remuneration of members of the Parent's Supervisory Board:

<i>PLN '000</i>	1 Jan–30 Jun 2024 unaudited	1 Apr–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	1 Apr–30 Jun 2023 unaudited
Base pay (gross)	613	306	613	307
Additional benefits	16	6	8	4
	<u>629</u>	<u>312</u>	<u>621</u>	<u>311</u>

Other transactions with the Company's directors

As at 30 June 2024, members of the Management Board and persons closely related to them jointly held 9.9% of the total voting rights at the Parent's General Meeting (31 December 2023: 10.2%).

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:

	30 Jun 2024 unaudited	31 Dec 2023
Investments in debt portfolios	9,143,005	8,673,765
Loans	468,552	418,128
Hedging instruments	136,502	98,428
Trade and other receivables, excluding tax receivables	48,021	45,145
Cash and cash equivalents	181,045	388,461
	<u>9,977,125</u>	<u>9,623,927</u>

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

PLN '000

	30 Jun 2024 unaudited	31 Dec 2023
Poland	4,073,608	3,987,968
Romania	1,528,536	1,484,091
Italy	2,364,187	2,227,282
Spain	1,778,453	1,711,748
Other foreign markets	232,341	212,838
	<u>9,977,125</u>	<u>9,623,927</u>

Credit risk exposure – Investments in debt portfolios

PLN '000

	30 Jun 2024 unaudited	31 Dec 2023	30 Jun 2023 unaudited
Unsecured retail portfolios	8,145,811	7,601,776	6,382,346
Secured retail portfolios	257,908	281,025	262,382
Unsecured corporate portfolios	217,783	220,520	202,037
Secured corporate portfolios	521,503	570,444	543,202
	<u>9,143,005</u>	<u>8,673,765</u>	<u>7,389,967</u>

Credit risk exposure – Loans

PLN '000

Risk classification	Carrying amount as at 30 Jun 2024				
	Basket 1	Basket 2	Basket 3	POCI loans	Total
Gross carrying amount of loans measured at amortised cost					
low	255,974	84,892	223,179	-	564,045
medium	50,187	14,418	66,392	414	131,411
high	5,802	1,976	11,923	833	20,534
not classified	277	189	44,596	602	45,664
	<u>312,240</u>	<u>101,475</u>	<u>346,090</u>	<u>1,849</u>	<u>761,654</u>
Allowance for expected credit losses					
low	13,812	16,442	160,296	-	190,550
medium	4,053	4,608	48,977	-	57,638
high	421	322	9,165	-	9,908
not classified	37	32	38,975	-	39,044
	<u>18,323</u>	<u>21,404</u>	<u>257,413</u>	<u>-</u>	<u>297,140</u>
Net carrying amount					
low	242,162	68,450	62,883	-	373,495
medium	46,134	9,810	17,415	414	73,773
high	5,381	1,654	2,758	833	10,626
not classified	240	157	5,621	602	6,620
	<u>293,917</u>	<u>80,071</u>	<u>88,677</u>	<u>1,849</u>	<u>464,514</u>

PLN '000

Carrying amount as at 31 Dec 2023

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

Loans are classified into different risk segments upon being granted.

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

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

During their lifespan, risks are classified into baskets.

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 30 Jun 2024

PLN '000

	Carrying amount	Undiscounted contractual/ estimated cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Non-derivative financial assets and liabilities							
Investments in debt portfolios	9,143,005	19,831,609	1,415,734	1,438,538	2,635,067	6,023,951	8,318,319
Loans	468,552	637,056	200,947	147,796	155,079	67,391	65,843
Trade and other receivables, excluding tax receivables	48,021	48,021	48,021	-	-	-	-
Cash and cash equivalents	181,045	181,045	181,045	-	-	-	-
Secured borrowings	(2,524,993)	(3,314,691)	(111,105)	(120,913)	(244,376)	(2,838,297)	-
Unsecured bonds in issue	(2,943,418)	(3,983,412)	(164,213)	(350,446)	(419,120)	(2,575,922)	(473,711)
Lease liabilities	(56,127)	(62,350)	(15,629)	(12,562)	(14,043)	(18,468)	(1,648)
Trade and other payables	(255,901)	(255,901)	(255,901)	-	-	-	-
	<u>4,060,184</u>	<u>13,081,377</u>	<u>1,298,899</u>	<u>1,102,413</u>	<u>2,112,607</u>	<u>658,655</u>	<u>7,908,803</u>

* Cash flows based on estimates.

As at 31 Dec 2023

PLN '000

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

* Cash flows based on estimates.

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 30 June 2024 and 31 December 2023, respectively.

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

As at 30 June 2024, the undrawn revolving credit facility limit available to the Group was PLN 1,110,204 thousand (31 December 2023: PLN 768,121 thousand). The limit is available until 1 March 2029.

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 30 June 2024, financial assets denominated in foreign currencies accounted for 58% of total assets, while liabilities denominated in foreign currencies represented 29% of total equity and liabilities (31 December 2023: 57% and 31%, 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	30 Jun 2024					30 Jun 2024				
	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	-	3,420	12,320	-	15,739	-	342	1,232	-	1,574
Investments	-	191	1,467,760	11,485	1,479,437	-	19	146,776	1,149	147,944
Cash	2,199	34	17,930	64	20,228	220	3	1,793	6	2,022
Borrowings, debt securities and leases	-	(803,796)	-	-	(803,796)	-	(80,380)	-	-	(80,380)
Trade and other payables	(982)	(7,306)	(1,337)	-	(9,625)	(98)	(731)	(134)	-	(963)
Currency risk exposure – effect on profit or loss	1,217	(807,456)	1,496,673	11,549	701,983	122	(80,746)	149,667	1,155	70,197
Trade and other receivables	-	12,261	8,794	47,684	68,740	-	1,226	879	4,768	6,873
Investments	-	4,088,006	42,622	112,106	4,242,734	-	408,801	4,262	11,211	424,274
Cash	-	96,646	16,529	5,538	118,714	-	9,665	1,653	554	11,872
Borrowings, debt securities and leases	-	(2,086,014)	(12,854)	(1,310)	(2,100,178)	-	(208,601)	(1,285)	(131)	(210,017)
Trade and other payables	-	(49,566)	(10,190)	(2,063)	(61,819)	-	(4,957)	(1,019)	(206)	(6,182)
Currency risk exposure – effect on other comprehensive income	-	2,061,333	44,902	161,956	2,268,190	-	206,134	4,490	16,196	226,820
Exposure to currency risk	1,217	1,253,877	1,541,575	173,505	2,970,174	122	125,388	154,157	17,351	297,018
Hedge effect		(1,832,500)			(1,832,500)	-	(183,250)	-	-	(183,250)
Currency risk exposure after hedging	1,217	(578,623)	1,541,575	173,505	1,137,674	122	(57,862)	154,157	17,351	113,768

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

PLN	Average exchange rates*		End of period (spot rates)	
	1 Jan–30 Jun 2024 unaudited	1 Jan–30 Jun 2023 unaudited	30 Jun 2024 unaudited	31 Dec 2023
EUR 1	4.3162	4.6130	4.3130	4.3480
USD 1	3.9889	4.2711	4.0320	3.9350
RON 1	0.8677	0.9332	0.8665	0.8742
CZK 1	0.1726	0.1951	0.1724	0.1759

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

Exposure to interest rate risk

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

PLN '000	Carrying amount	
	30 Jun 2024 unaudited	31 Dec 2023
Fixed-rate financial instruments		
Financial assets	9,478,376	9,199,664
Financial liabilities	(435,467)	(383,995)
Fixed-rate financial instruments before hedging	9,042,909	8,815,669
Hedge effect (nominal amount)	(3,759,361)	(3,716,158)
Fixed-rate financial instruments after hedging	5,283,549	5,099,511
Variable-rate financial instruments		
Financial assets	498,749	424,263
Financial liabilities	(5,347,587)	(5,384,528)
Variable-rate financial instruments before hedging	(4,848,838)	(4,960,265)
Hedge effect (nominal amount)	3,759,361	3,716,158
Variable-rate financial instruments after hedging	(1,089,478)	(1,244,107)

Sensitivity analysis of fair value of fixed-rate financial instruments

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

Sensitivity analysis of cash flows from variable-rate financial instruments

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

PLN '000	Profit or loss for the current period		Equity excluding profit or loss for the current period	
	increase by 100 bps	decrease by 100 bps	increase by 100 bps	decrease by 100 bps
30 Jun 2024				
Variable-rate financial assets	3,622	(3,622)	1,365	(1,365)
Variable-rate financial liabilities	(53,450)	53,450	(26)	26
31 Dec 2023				
Variable-rate financial assets	3,258	(3,258)	984	(984)
Variable-rate financial liabilities	(53,519)	53,519	(326)	326

13. Fair value

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	30 Jun 2024 unaudited		31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets and liabilities measured at fair value				
Hedging instruments (IRS)	7,120	7,120	(23,442)	(23,442)
Hedging instruments (CIRS)	126,767	126,767	89,256	89,256
Loans	4,038	4,038	5,618	5,618
	137,925	137,925	71,432	71,432
Financial assets and liabilities other than measured at fair value				
Investments in debt portfolios	9,143,005	8,853,669	8,673,765	8,827,759
Loans	464,514	451,702	412,510	418,318
Trade and other receivables, excluding tax receivables	48,021	48,021	45,145	45,145
Trade and other payables	(255,901)	(255,901)	(204,742)	(204,742)
Secured borrowings	(2,524,993)	(2,539,102)	(2,610,158)	(2,622,718)
Liabilities under debt securities (unsecured)	(2,943,418)	(3,075,213)	(2,851,202)	(2,869,113)
	3,931,228	3,483,176	3,465,318	3,594,649

Interest rates used for fair value estimation

	30 Jun 2024 unaudited	31 Dec 2023
Investments in debt portfolios*	3.01%–87.18%	2.55%–65.08%
Loans	18.50%–46.66%	17.67%–45.83%
Secured borrowings	6.58%–8.55%	6.05%–8.75%

* Applicable to 97% of the debt portfolio value

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

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

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

Hierarchy of financial instruments – Level 1

<i>PLN '000</i>	Level 1	
	Carrying amount	Fair value
As at 31 December 2023		
Liabilities under debt securities (unsecured)	(2,851,202)	(2,869,113)
As at 30 Jun 2024		
Liabilities under debt securities (unsecured)	(2,943,418)	(3,075,213)

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

Hierarchy of financial instruments – Level 2

PLN '000

	Level 2	
	Carrying amount	Fair value
As at 31 December 2023		
Hedging instruments (IRS)	(23,442)	(23,442)
Hedging instruments (CIRS)	89,256	89,256
As at 30 Jun 2024		
Hedging instruments (IRS)	7,120	7,120
Hedging instruments (CIRS)	126,767	126,767

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

Hierarchy of financial instruments – Level 3

PLN '000

	Level 3	
	Carrying amount	Fair value
As at 31 December 2023		
Investments in debt portfolios	8,673,765	8,827,759
Loans	418,128	423,936
Trade and other receivables, excluding tax receivables	45,145	45,145
Secured borrowings	(2,610,158)	(2,622,718)
Trade and other payables	(204,742)	(204,742)
As at 30 Jun 2024		
Investments in debt portfolios	9,143,005	8,853,669
Loans	468,552	455,740
Trade and other receivables, excluding tax receivables	48,021	48,021
Secured borrowings	(2,524,993)	(2,539,102)
Trade and other payables	(255,901)	(255,901)

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

The difference between the fair value and the carrying amount calculated using the amortised cost method results from a different methodology for calculating both these amounts. The carrying amount is affected by

estimated remaining collections on debt portfolios and the exchange rate as at the reporting date, while the fair value is additionally affected by projected costs of debt collection and the risk-free rate.

The fair value of loans was determined based on the projection of expected cash flows.

The fair value of financial liabilities under borrowings is determined on the basis of future cash flows from the executed transactions.

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

14. Factors and events with material bearing on the Group's financial results

H1 2024 results

The Group's net profit as at 30 June 2024 came in at PLN 602,854 thousand, representing an increase from net profit earned in the corresponding period of 2023, which amounted to PLN 528,390 thousand (PLN +74,464 thousand, or +14% year on year). Cash EBITDA for the first six months of 2024 was PLN 1,191,025 thousand, having improved 11% year on year.

Revenue

In the six months ended 30 June 2024, the KRUK Group generated PLN 1,480,569 thousand in revenue, up by 14% (PLN +181,285 thousand) year on year. Revenue from purchased debt portfolios amounted to PLN 1,348,876 thousand, up by 16% (PLN +187,698 thousand) year on year. The largest increase by far was recorded in the Polish market (PLN +89,622 thousand, or +18%), with significant increases achieved also in Italy (PLN +63,601 thousand, or +30%) and Spain (PLN +24,807 thousand, or +19%).

In the six months to 30 June 2024, the Group booked PLN 258,074 thousand in total revaluation of projected recoveries, compared with PLN 220,607 thousand a year earlier.

Costs of operations

In the six months to 30 June 2024, costs of operations excluding depreciation and amortisation (direct and indirect costs, administrative expenses and other expenses) amounted to PLN 678,215 thousand, having increased by PLN 115,043 thousand (20%) on the corresponding period of the previous year. The increase was driven mainly by a rise in services and court and bailiff fees.

Finance costs

In the six months to 30 June 2024, net finance costs amounted to PLN 184,663 thousand, having gone up by PLN 62,044 thousand year on year on account of a PLN 1,377,911 thousand increase in debt.

Investment in new debt portfolios

Total expenditure on debt portfolios in the six months ended 30 June 2024 was PLN 899,729 thousand, down by 24% from PLN 1,177,556 thousand in the corresponding period of the previous year.

Recoveries and revaluation of portfolios

Amounts recovered in the six months ended 30 June 2024 from portfolios purchased by the KRUK Group reached PLN 1,737,547 thousand, up by 16% year on year, with over half of this amount collected in the foreign markets. The year-on-year increase of PLN 236,774 thousand in the six months ended 30 June 2024 was attributable mainly to PLN 89,985 thousand growth in recoveries on the Spanish market (up by 58% year on year), PLN 84,803 thousand growth in recoveries on the Italian market (up by 29% year on year), and PLN 66,665 thousand growth in recoveries on the Polish market (up by 10% 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 the Group's income 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,
- 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 24 February 2022. The KRUK Group does not hold any assets in Ukraine or Russia, nor does it carry out any business activity in these countries. Accordingly, the Group assesses the impact of the conflict on its operations to be only 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.

15. Issue, redemption and repayment of non-equity and equity securities

In the period from 1 January to 30 June 2024, the following series of bonds were redeemed in accordance with their respective terms and conditions:

- Series AL2 bonds, with a nominal value of PLN 52,500 thousand, on 2 February 2024 (first tranche);
- Series AG2 bonds, with a nominal value of PLN 25,000 thousand, on 6 February 2024.

In the period from 1 January to 30 June 2024, the Group issued new bonds:

- On 1 February 2024, unsecured AO5EUR bonds with a nominal value of EUR 10,000 thousand were issued. The bonds bear interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp and mature on 1 February 2029.
- On 12 February 2024, unsecured AO6EUR bonds with a nominal value of EUR 14,000 thousand were issued. The bonds bear interest at a floating rate based on 3M EURIBOR plus a margin of 4.00pp and mature on 1 February 2029.

- On 23 February 2024, unsecured Series AO7 bonds with a nominal value of PLN 70,000 thousand were issued. The bonds bear interest at a floating rate based on 3M WIBOR plus a margin of 4.00pp and mature on 23 February 2029.

On 25 March 2024, Series AO3 and Series AO4 bonds with a total nominal value of EUR 10,000 thousand were assimilated, which was followed by the assimilation of Series AO5 and Series AO6 bonds with a total nominal value of EUR 14,000 on 3 June 2024.

On 19 April 2024, the Management Board of KRUK S.A. passed a resolution to establish the 11th Bond Issue Programme with a total nominal value of up to PLN 900,000 thousand, allowing the Parent to issue public bonds.

16. Dividends paid (or declared)

On 27 March 2024, 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 18.00 per share. The resolution provided that the dividend would be distributed from the Parent's net profit earned in 2023 and that the remaining balance of the Parent's net profit for 2023 should be transferred to statutory reserve funds. The dividend recommendation was consistent with the Dividend Policy adopted by the Management Board on 2 December 2021 and 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. The recommendation was endorsed by the Parent's Supervisory Board on 27 March 2024.

On 10 May 2024, the Annual General Meeting resolved to distribute a dividend of PLN 18.00 per share to the Parent's shareholders. The dividend, totalling PLN 347,738,220.00, was distributed from the Parent's net profit earned in 2023. The record date for the payment of dividend for the financial year ended 31 December was set for 15 May 2024, and the dividend payment date for 20 May 2024. The dividend was distributed on the payment date on 19,318,790 eligible KRUK shares.

17. 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 30 June 2024 is presented below.

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Guarantees provided/promissory notes issued				
Surety for PROKURA NFW FIZ's liabilities under the revolving credit facility of 2 July 2015, as amended, between PROKURA NFW FIZ, KRUK S.A. and mBank S.A.	mBank S.A.	PLN 210,000 thousand	No later than 18 December 2031	Prokura NFW FIZ's failure to pay amounts owed to the bank under the revolving credit facility agreement
Blank promissory note	Santander Bank Polska S.A.	PLN 162,398 thousand	Until the derivative transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to repay its liabilities under treasury transactions made on the basis of the master agreement on the procedure for execution and settlement of treasury transactions of 13 June 2013, as amended
Surety for InvestCapital LTD's liabilities under the transactions executed under the master agreement between KRUK S.A., InvestCapital LTD and Santander Bank Polska S.A.	Santander Bank Polska S.A.	PLN 54,900 thousand*	No later than 31 July 2027	InvestCapital LTD's failure to repay its liabilities under treasury transactions made on the basis of Amendment Agreement 3 of 21 June 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 NFW FIZ under the revolving multi-currency credit facility agreement of 3 July 2017, as amended, between KRUK S.A., InvestCapital Ltd, Kruk Romania S.R.L., Kruk Espana S.L.U. and PROKURA NFW FIZ (the Borrowers) and DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., and PEKAO S.A.	DNB Bank ASA, ING Bank Śląski S.A., Santander Bank Polska S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A. PEKAO S.A.	EUR 937,500 thousand	Until all obligations under the multi-currency revolving credit facility agreement are satisfied	Borrower's failure to pay amounts due under the multicurrency revolving credit facility agreement
Blank promissory note	mBank S.A.	PLN 7,500 thousand	Until the transactions are settled and the bank's claims thereunder are satisfied	KRUK S.A.'s failure to pay its liabilities under financial market transactions executed under the master agreement of 7 February 2019
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 21 September 2021 between PROKURA NS FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 20,088 thousand	No later than 20 September 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 14 December 2021 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 42,900 thousand	No later than 13 December 2029	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement

Type	Beneficiary	Amount	Expiry date	Terms and conditions
Surety for PROKURA NFW FIZ's liabilities towards Pekao S.A. under the overdraft facility agreement of 1 February 2022 between PROKURA NFW FIZ, KRUK S.A. and Pekao S.A.	Pekao S.A.	PLN 105,000 thousand	No later than 31 January 2031	Prokura NFW FIZ's failure to pay amounts owed to the bank under the overdraft facility agreement
Surety for PROKURA NFW FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 22 August 2022 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 51,480 thousand	No later than 21 August 2030	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Surety for InvestCapital Ltd's obligations to BANKINTER S.A. of Madrid, under the direct debit collection management contract between BANKINTER S.A. and InvestCapital Ltd. dated 7 July 2022.	BANKINTER S.A.	EUR 1,600 thousand	Until all obligations under the direct debit collection management contract of 7 July 2022 are satisfied.	InvestCapital Ltd's failure to pay amounts due to the Bank under the direct debit collection management contract of 7 July 2022.
Surety for PROKURA NS FIZ's liabilities towards PKO BP S.A. under the non-renewable working capital facility agreement of 8 February 2024 between PROKURA NFW FIZ, KRUK S.A. and PKO BP S.A.	PKO BP S.A.	PLN 58,950 thousand	No later than 7 February 2032	PROKURA NFW FIZ's failure to pay amounts owed to the bank under the non-renewable working capital facility agreement
Guarantees obtained				
Guarantee issued by Santander Bank Polska S.A. for KRUK S.A.'s liabilities under the rental agreement	DEVCO Sp. z o.o.	EUR 325 thousand and PLN 245 thousand	No later than 30 December 2024	KRUK S.A.'s failure to repay its liabilities under the rental agreement secured with the guarantee

* As at 30 June 2024, InvestCapital Ltd had no obligations that would be covered by the surety.

Credit sureties or guarantees, security pledges

On 21 May 2024, Kruk S.A. and its subsidiaries: InvestCapital Ltd., KRUK Romania S.R.L., PROKURA NFW FIZ and KRUK Espana S.L.U. (the borrowers) executed an agreement amending the revolving multi-currency credit facility agreement of 3 July 2017, as amended, with the bank syndicate comprising DNB Bank ASA of Oslo, ING Bank Śląski S.A. of Katowice, Santander Bank Polska S.A. of Warsaw, PKO BP S.A. of Warsaw, Bank Handlowy w Warszawie S.A. of Warsaw, and Bank Polska Kasa Opieki S.A. (the Lenders) (the Amendment Agreement). The Amendment Agreement provided for an increase in the facility limit up to EUR 625,000 thousand. In accordance with the Amendment Agreement, KRUK S.A., KRUK Romania S.R.L. and Kruk España S.L.U. issued a surety for all liabilities of the borrowers under the revolving multi-currency credit facility agreement, and the borrowers signed relevant amendments to the pledge agreements reflecting the Amendment Agreement. In addition, Prokura NFW FIZ (on 23 May 2024) and KRUK S.A. (on 27 May 2024) made declarations on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to EUR 937,500 thousand, which will expire on or before 31 December 2032.

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

- on 16 January 2024, on 26 April 2024, and, subsequent to the reporting date, on 23 July 2024 InvestCapital LTD and the Lenders signed agreements under Spanish law creating pledges over debt portfolios purchased by InvestCapital LTD on the Spanish market;
- on 19 January 2024, InvestCapital Ltd and DNB Bank ASA, acting as the security agent, signed an agreement to amend the agreement creating a pledge under Italian law over bonds issued by Kruk Investimenti S.r.l. The amendment agreement confirms extension of the pledge to apply to the increased nominal amount of the bonds,
- on 2 February 2024, InvestCapital LTD and DNB Bank ASA, acting as the security agent, signed an agreement under Romanian to create a pledge over debt portfolios purchased by InvestCapital LTD on the Romanian market.

As at 30 June 2024, the value of the security created in favour of the Lenders was PLN 5,569,298 thousand.

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

Accordingly:

- on 10 January 2024, an agreement amending the financial pledge agreement of 2 July 2015 was executed between Prokura NFW FIZ and mBank S.A. under which the security period was extended until 18 December 2031,
- on 10 January 2024, an agreement amending the surety agreement of 2 July 2015 was executed between mBank S.A. and KRUK S.A. under which the surety amount was increased to PLN 210,000 thousand and the surety expiry date was extended until 18 December 2031,
- on 11 January 2024, KRUK S.A. provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031,

- on 12 January 2024, Prokura NFW FIZ provided a declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 210,000 thousand, which will expire on or before 19 December 2031,
- on 12 January 2024, an agreement amending the agreement on registered pledge over a set of rights of 20 March 2023 was executed between Prokura NFW FIZ and mBank S.A. under which the maximum secured amount was increased to PLN 210,000 thousand,
- additionally, on 11 January 2024, Prokura NFW FIZ entered into an agreement with mBank S.A. to create a registered pledge over a pool of rights (debt portfolios held by Prokura NFW FIZ) in order to secure the payment of liabilities under the agreement. The pledge was created up to the maximum amount of PLN 210,000 thousand.

As at 30 June 2024, the value of all portfolios pledged in favour of mBank S.A. was PLN 234,899 thousand.

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

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

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

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

As at 30 June 2024, the value of all portfolios pledged in favour of PKO BP S.A. was PLN 137,278 thousand.

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

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

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

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

18. 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 first half of 2024, there were no events with potential material bearing on the Group's future performance.

19. Representation by the Management Board

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

The statutory auditor which reviewed these interim condensed financial statements was selected in compliance with applicable laws and regulations and met the conditions for issuing an objective and independent review report in accordance with applicable laws and professional standards.

Piotr Krupa
President
of the Management Board

Piotr Kowalewski
Member
of the Management Board

Adam Łodygowski
Member
of the Management Board

Urszula Okarma
Member
of the Management Board

Michał Zasępa
Member
of the Management Board

Monika Grudzień-Wiśniewska
Person keeping the
accounting records

Hanna Stempień
Prepared by

Wrocław, 26 August 2024