Kredyt Inkaso S.A. Capital Group

Management Report of the Group and the Company for three months ended **30 June 2023**

Warsaw, 29 August 2023

1. SIGNIFICANT ACHIEVEMENTS AND FAILURES OF THE GROUP ENTITIES, INCLUDING KEY EVENTS RELATING TO THE GROUP

In the period of three months ended 30 June 2023, the Group reported recoveries of debt portfolios in the amount of PLN 93.2 million, which was an increase by PLN 13.6 million (+17% year-on-year) compared to the same period last year. The proceeds exceeded the expected level by PLN 34.6 in that period. Interest income was higher than in the corresponding period of the previous year (PLN 34.6 million vs PLN 29.6 million) and the Group's total net revenue was PLN 62.6 million in the current period compared to PLN 56.5 million in the comparative period (+11% year-on-year).

Operating expenses in the first quarter were PLN 39.8 million which marked an increase of PLN 4.5 million (+13% year-on-year) from the same period of the previous financial year. Payroll expenses (PLN 2.1m, +17% y-o-y), court and enforcement fees (PLN 0.7m, +8% y-o-y) and third-party services (PLN 1.2m, +11% y-o-y) are attributed to most of this increase. The higher payroll expenses were caused by, among other factors, the Group's consistent preparation for the significant expansion of the scale of its operations (i.e. the value and number of debt portfolios managed) and to the inflation stress, while the increase in court and enforcement charges in future quarters will translate into better enforcement of recoveries. The Group monitors the level of operating expenses on an ongoing basis, in particular in the context of the ratio of key expense items (payroll expense, court and enforcement charges) to the proceeds of the Group – its ratios are in the range of top benchmarks in the debt portfolio management sector.

In the first quarter of 2023/24, the Group recorded higher financial expenses: up by PLN 5.8 million (+72% year-on-year) from PLN 8.1 million in the first quarter of the previous financial year to PLN 13.9 million currently, mainly due to unfavourable exchange rate changes that translated into high currency losses (PLN 3.4 million vs foreign exchange gains of PLN 1.0 million in the same period last year).

The developments described above impacted the Group's operating profit of PLN 22.8 million (+7% y-o-y) and net profit of PLN 8.7 million (-41% y-o-y) in the three-month period ended 30 June 2023, as compared to operating profit of PLN 21.3 million and net profit of PLN 14.7 million, respectively, in the same period of the previous year.

	01/04/2023-30/06/2023	01/04/2022-30/06/2022	Change	Change %
Profit (loss) on operating activities	**22,806**	**21,265**	**1,541**	**7.2%**
Interest income on debt portfolios calculated using the effective interest rate method (-)	(34,582)	(29,624)	(4,958)	16.7%
Revaluation of portfolios (-)	(27,320)	(25,808)	(1,512)	5.9%
Depreciation (+)	2,124	1,920	204	10.6%
Recoveries (+)	93,172	79,604	13,568	17.0%
Cash EBITDA	**56,200**	**47,357**	**8,843**	**18.7%**

Kredyt Inkaso S.A. (the parent entity in the Capital Group) increased its net revenue in the reporting period by PLN 1.8 million (+7% y-o-y) thanks to the higher revenues from debt management. The cost base rose by PLN 2.1m (+11% y-o-y) to PLN 22.0 million. Payroll and employee benefits attributed to the increase in the cost (up by PLN 2.0 million, +25% year-on-year). Depreciation and other operating costs remained at similar levels. Finally, the net result decreased by PLN 1.0 million compared to the same period last year, to PLN 2.4 million in the current reporting period.

2. OPINION OF THE MANAGEMENT BOARD ON THE FEASIBILITY OF PREVIOUSLY PUBLISHED PROFIT FORECASTS IN THE CURRENT FINANCIAL YEAR

Neither Kredyt Inkaso S.A. Capital Group nor the Parent published financial performance forecasts.

3. SIGNIFICANT PROCEEDINGS IN COURTS, ARBITRATION AUTHORITIES OR PUBLIC ADMINISTRATION.

3.1. Court and enforcement proceedings

The Group's business model involves purchasing debt portfolios resulting from the sale of universal services (usually from several thousand to even tens of thousands of claims in a portfolio) and seeking their repayment through litigation. The Group's activities include mass quantities of court and enforcement proceedings (involving court enforcement officers). However, due to the relatively low debt balances, there is no risk of concentration of one or more bad debt claims (i.e. one that would have characteristics significantly worse than originally calculated).

As at the date of approval, the following legal proceedings involving the Group as a party are pending, arising from:

- the action brought by Best S.A. to cancel the resolutions of the Annual General Meeting against which has filed an objection, namely: (i) Resolution 12/2016 approving the management report of Kredyt Inkaso S.A. and the separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (ii) Resolution 13/2016 approving the management report of the Capital Group and the consolidated financial statements of the Capital Group for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (iii) Resolution 15/2016 granting discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (iv) Resolution 16/2016 granting discharge to a member of the Management Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (v) Resolution 17/2016 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (vi) Resolution 18/2016 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016; (vii) Resolution 19/2016 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 vii ending on 31 March 2016; (viii) Resolution 20/2016 granting discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016; (ix) Resolution 21/2016 granting discharge to a member of the Supervisory Board for the financial year beginning 1 April 2015 and ending 31 March 2016; (x) Resolution 22/2016 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2015 and ending on 31 March 2016 (current report 93/2016); (xi) Resolution 7/2017 granting discharge to a member of the Management Board; (xii) Resolution 8/2017 granting discharge to a member of the Management Board; (xiii) Resolution 9/2017 granting discharge to a member of the Management Board; (xiv) Resolution 14/2017 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017; (xv) Resolution 15/2017 granting discharge to a member of the Supervisory Board for the financial year beginning on 1 April 2016 and ending on 31 March 2017 (current report 65/2017); (xvi) Resolution 4/2018 approving the separate financial statements of Kredyt Inkaso S.A. for the financial year beginning on 1 April 2017 and ending on 31 March 2018; (xvii) Resolution 5/2018 approving the consolidated financial statements of the Capital Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018; (xviii) Resolution 6/2018 approving the management report of the Company and the Capital Group for the financial year beginning on 1 April 2017 and ending on 31 March 2018 (current report 56/2018). On 14 May 2021, the Regional Court in Warsaw, 20th Commercial Department, issued a decision to discontinue the proceedings with respect to Resolutions 15/2016 and 7/2017 as groundless considering that the Company's Annual General Meeting adopted Resolution 17/2020 of 27 November 2020 amending the resolutions granting discharges to the former Management Board member who is referred to above, under which the previous discharge for the above periods above were cancelled;
- the action brought by Best S.A. on 09 January 2019 for the payment of PLN 51,847,764 jointly and severally by the Company, Mr Paweł Szewczyk, Mr Jan Paweł Lisicki and Grant Thornton Frąckowiak spółka z ograniczoną odpowiedzialnością sp. k., however with the claim against the latter being limited by the claimant to PLN 2,260,000 plus court costs, including attorney charges according to the statutory standards. This action is baed on the alleged

damage caused to BEST S.A. by the defendants as a result of the purchase of Company's shares at an inflated price, which had been determined on the basis of the Company's financial statements for 2014/2015, later corrected in subsequent financial years. Kredyt Inkaso S.A. treats BEST S.A.'s claims as groundless and informed about it in Current Report 8/2019;

- the action brought by Best S.A. on 28 June 2019 to declare invalid or cancel Resolution 4/2019 of the Extraordinary General Meeting of Kredyt Inkaso S.A. of 30 May 2019 approving certain transactions that encumbered the Company's assets or the assets of other Capital Group entities in connection with the issue of Series F1 bonds by the Company. The Company treats the claims as groundless and has been actively defending it in court (Current Report 34/2019);
- the action brought by John Harvey van Kannel against the Company (i) to establish a resolution dismissingMr Maciej Jerzy Szymański from the Management Board of the Company, and (ii) to declare invalid Resolution 38/2020 of the Annual General Meeting of the Company of 27 November 2020 which appointed Daniel Dąbrowski to the Supervisory Board of the Company for a new term of office. The injunction request filed to the court was entirely dismissed in a final and binding decision, which the Company communicated in Current Report 11/2021 of 29 April 2021. The Company treats the claims as completely groundless and has been defending it in the court (Current Report 26/2021). BEST Capital FIZAN takes part in the litigation as the so-called supplemental claimant [*interwenient uboczny*];
- the second action brought by John Harvey van Kannel against the Company to cancel Resolution 12/2021 of the Company's Extraordinary General Meeting of 24 May 2021 appointing Daniel Dąbrowski as member of the Supervisory Board, of which the Company informed in Current Report 31/2021 of 23 August 2021, was finally ruled by the Court of Appeals in favour of the Company in a judgment of 4 April 2023 which entirely rejected the complaint of John Harvey van Kennel (Current Report 8/2023). On 1 August 2023, the Company was informed that its attorney received a Supreme Court appeal for an extraordinary measure in the case, filed by Best Capital FIZAN against the judgment that had entirely rejected the original action for the cancelletion of the Extraordinary General Meeting's Resolution 12/2021 of 24 May 2021 (Current Report 32/2023), which had appointed Daniel Dąbrowski to the Supervisory Board. The Company's attorney timely replied to that extraordinary appeal to the Suprevem Court;
- the action brought against the following defendants jointly and severally: Best S.A. and Mr Krzysztof Borusowski, requesting that they jointly and severally pay the Company PLN 60,734,500 plus statutory default interest accrued from the date of filing the claim until the date of actual payment, as well as reimburse the Company any court costs according to the statutory standards, unless a detailed listing of such costs will be submitted at the last hearing. The claimed amount results from the Company's damage the rectification of which the Company seeks from the Defendants, which had been caused by the Defendants spreading untrue and slanderous information concerning the Company's Management Board, allegation of irregularities inside the Company, allegations of financial statements forgery and lack of authorisations held by the Company's Management Board, which the Company claims to have been the direct cause of the termination by the following closed-end investment funds: Lumen Profit 14 NS FIZ ("Lumen Profit 14 NS FIZ"), Lumen Profit 15 NS FIZ ("Lumen Profit 15 NS FIZ"), Lumen Profit 16 NS FIZ ("Lumen Profit 16 NS FIZ"), AGIO Wierzytelności Plus NS FIZ ("AWP NS FIZ") and AGIO Wierzytelności Plus 2 NS FIX ("AWP 2 NS FIZ"), of debt portfolio management agreements signed with the Company as well as legal services agreements. The disputed amount is the sum of the actual losses incurred by the Company and its estimated lost profits of future years, as the Company communicated in Current Report 57/2016 of 10 August 2016, and any other lost profits as may be additionally assessed, resulting from, among other facts, the termination of the portfolio management agreements by Lumen Profit 14 NS FIZ, Lumen Profit 15 NS FIZ, Lumen Profit 16 NS FIZ. The Company informed about the reasons and the impact of the termination of the above agreements on the Company's financial situation, in particular the loss of further regular income as well as the potential litigation by the Company to seek relevant compensation, in the Consolidated Quarterly Report for Q1 2016/2017 which was published on 12 August 2016;
- the action brought by the Company against the following defendants jointly and severally: Mr Paweł Szewczyk, Ion Melnic and KI Servcollect SRL, requesting that the Defendants jointly and severally pay the Company PLN 21,320,000 as indirect damages suffered by the Company due to the Defendants' actions, plus the statutory default interest accruing from 26 May 2020 to the date of actual payment, PLN 30,000 of the cost of a court expert's opinion, plus statutory default interest accruing from date of delivery of the statement of claim to the last Respondent to the date of actual payment, and PLN 44,000 of the cost of certified translations of the statement of claim with its attachments, plus statutory default interest accruing from the date of delivery of the statement to the last Respondent until the date of actual payment. The company also requested injunction (Current Report 13/2020). The injunction request was rejected by the Court and the Company's attorney appealed against such decision to an upper court which, however, likewise refused such request.
- the action brought by two members of the Supervisory Board to cancel the resolution of a group of shareholders entitled to appoint Supervisory Board members by the so-called block voting procedure, namely Resolution 13/2021 of the Extraordinary General Meeting of 24 May 2021 appointing Karol Szymański as a member of the Company's Supervisory Board for a new term of office and his mandate to individually perform supervisory duties on a permanent basis. The Company is planning to take active part in the court proceedings (Current Report 53/2021);
- the action brought by two members of the Supervisory Board to cancel the resolution of a group of shareholders entitled to appoint Supervisory Board members by the so-called block voting procedure, namely Resolution 6/2022 of the Extraordinary General Meeting of 25 May 2022 appointing Karol Szymański as a member of the Company's Supervisory Board for a new term of office and his mandate to individually perform supervisory duties on a permanent

basis. On 6 July 2022, the Court issued an injunction securing the claimants' claim for the cancellation of the above resolution, therefore suspending its legal effect until the litigation will be legally ended. The Company is planning to take active part in the court proceedings (Current Report 36/2022);

3.2. Tax proceedings

On 29 December 2022, Kredyt Inkaso RUS Limited Liability Company (LLC) ("KI RUS") received a notice of inspection from the Inter-District Inspectorate of Federal Tax Service. The subject of the inspection was all taxes, charges and social security contributions in the period from 1 January 2019 to 31 December 2021. On 22 June 2023, a tax inspection report was issued which challenged settlements between KI RUS and Kredyt Inkaso Portfolio Investments (Luxembourg) Societe Anonyme (hereinafter: "KI LUX") under the assignments of claims concluded between them on 16 May 2014 and 2 July 2014 as well as under the agency agreement of 5 May 2014.

The following arrears were raised in the tax inspection report:

- RUB 19,443,349 (no interest) for the underpaid corporate income tax for 2019-2021 plus a fine of 40%, which the company assessed as 7,777,341 roubles;
- RUB 28,650,930 (no interest) for the withholding tax due from KI LUX, which the remitter failed to withhold, plus a fine of 20%, which the company assessed as 5,730,186 roubles; and

RUB 2,330,579 of overpaid VAT for 2019-2021.

KI RUS raised objections against the inspection report in writing and during a meeting with the tax authorities. On 21 August 2023, the Company paid the tax arrears (no interest and fines) for a total value of RUB 31,532,425 (net of the overpaid VAT) as such sum has been agreed during the meeting with the tax authority on 18 August 2023. The Company is awaiting a concluding decision in which the authorities will specify the final rates and amounts of the fines. The decision should be served on the Company by 8 September 2023. Upon its receipt of the Company will pay the fines set out in the decision and interest on the tax arrears. KI RUS will decide any further procedural strategy after receiving the concluding decision. There is an appeal procedure available with upper tax authorities. If such appeal is rejected, a taxable person can also complain to a commercial arbitration tribunal. Regardless what will be legal measures taken, as at 30 June 2023 the Group has set up a provision for liabilities under the claim sum of RUB 79,800,499.28 (which includes the tax arrears and the expected interest and fines), equivalent to PLN 3,798,503.77 based on the exchange rate of 30 June 2023.

3.3. Other inspections

There have been no significant inspections or investigations during the reporting period.

4. RELATED PARTY TRANSACTIONS OTHER THAN ON ARM'S LENGTH CONDITIONS

All transactions executed by Group entities with related parties were typical and routine transactions entered into on terms which did not differ from market terms, and the nature and terms thereof resulted from current operating activities pursued by the Group entities.

5. FACTORS AFFECTING GROUP RESULTS IN THE NEXT OR LATER QUARTERS

5.1. Strategic assumptions of the Group in the following years

After returning to significant investments in debt portfolios The main objective of the Group's activities is to continue their dynamic growth in the coming years, mainly on the Polish, Romanian and Bulgarian markets, and to improve net profitability and return on invested capital.

The Group is seeking successive improvement of its operating margin by increasing the efficiency of the debt recovery, optimising the strategy of collection activities and fully implementing the advanced statistical decision-making models that have been consistently developed over the recent years.

An equally key area is the development of information technology and technological innovation. In Poland, the Group has been continuously working on the development of an operating system. In the Romanian market, it is migrating the system to the latest cloud-based version and plans its further implementation in the Bulgarian market. The Group has launched an online customer service portal as the first such solution in the Polish market and wants to pursue the same in other markets, as well. The upgrade of the operating system and the launch of the self-service portal in Romania is expected to happen by the end of the first quarter in 2024, and by the end of 2024 in Bulgaria.

The Group has been stressing the transformation of its corporate culture, the improvement of its operating processes and the further roll-out of the lean management model.

In April 2023, the Parent's Management Board decided to initiate a review of strategic options, based on the Annual General Meeting resolution of 30 September 2022. Accordingly, a contract was signed in April with a transaction advisor which together with other advisors supports the Management Board in conducting the strategic review. Currently, no decision has been made regarding the choice of any specific strategic option and it is uncertain if and when such a decision will be made.

5.2. External factors key for the Group's growth

The external factors driving the growth of the Group are:

- evolution of the approach to the debt claim sale by universal service providers and banking sector players;
- absence of legal or organisational efforts on the part of the public administration and the legislators that would seek formal or actual restriction of claim sales to or debt recovery by non-original creditors;
- macroeconomic situation that makes it economically justified to keep raising debt or equity finance for further development of the business;
- absence of high inflation in the longer horizon;
- current unemployment rate;
- no legislation changes that would lead to excessive rise of the tax burden.

5.3. Internal factors key for the Group's growth

Among the internal factors, the most important ones for the growth of the Group are:

- continued ability to handle claims - the efficiency and security of IT and telecommunications systems;
- financial position enabling the Group to raise debt or equity finance for the development of its business;
- development of staff competences to ensure efficient operation of Kredyt Inkaso S.A. as the primary decision-maker;
- retention of key employees in the Group;
- development of the middle management.

6. MAIN THREATS AND RISKS

The Group has an internal control system in place that supports management processes by ensuring the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with risk management principles and compliance with laws, internal regulations, and market standards.

The internal control system includes:

- the control function – its purpose is to ensure compliance with control mechanisms and assurance of process quality;
- the compliance unit (Compliance Officer) whose task is to identify, assess, control, and monitor compliance risk with regard to law regulations, internal regulations, and market standards, and to present periodic reports in this regard;
- an independent internal audit unit (Internal Audit Division) tasked with examining and evaluating, in an independent and objective manner, the adequacy and effectiveness of the risk management system and the internal control system.

The Group manages risk by keeping abreast of current market trends and developments, as well as changes in the legal and regulatory environment. In terms of risk management, the Group identifies and analyses risks to which it is exposed and defines the actions to be taken in handling of the risks, as well as control mechanisms that safeguard the process.

Kredyt Inkaso Capital Group has a Risk Committee. Its tasks and procedures are defined in Risk Committee Regulations of Kredyt Inkaso Capital Group.

Risk factors and threats are presented in the table below.

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
Risks of increased operating costs	A significant increase in the Group's operating costs may be affected by increases in such cost groups as: (i) costs of court, notary, bailiff and other litigation fees related to the management of receivables through legal means and costs of tax liabilities; (ii) costs of postal and banking fees; (iii) labour costs; (iv) costs of services and materials purchased by the Group and (v) costs of obtaining financing. The costs indicated under items (i) and (ii) above may increase in particular due to possible changes in legislation. In connection with rising inflation, there is a risk that the costs of services and materials will continue to increase (i) and put pressure on wage growth (iii), and a risk that the interest rates will continue to rise, which would directly translate into higher financing acquisition costs (v). A disproportionate increase in any of the aforementioned cost groups, particularly in relation to the growth rate of generated revenues, may adversely affect the Group's development rate and results of its activities and, consequently, the ability to settle its liabilities	As the Group has no influence on the growth of most of these costs, its activities are mainly focused on reducing the negative impact of these risks on the financial results of its activities. In order to minimise the risk of increased operating costs, the Group takes the following measures: ▪ increases operational efficiency; ▪ reduces cost-creating activities by selectively choosing cases with potential for cost recovery; ▪ chooses the less costly action if the probability of obtaining the expected returns is similar; ▪ refrains from costly legal action if the cost is greater than the likely benefits; ▪ for reasons of costs, discontinues enforcement upon request in cases where this is related to the repayment of the debt or to an agreement with the debtor on its	High

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		repayment and at the same time where the creditor is able to demonstrate this fact to the court enforcement officer; ▪ monitors cases with suspended enforcement proceedings with a view to their adoption within the statutory period; ▪ in cases where this is appropriate, the creditor lodges a complaint against the action of the judicial officer concerning the costs to be borne by the creditor. Preventive measures consist of tracking changes that lead to potential cost increases. Where possible, the Group implements these measures in advance even before these costs increase.	
Risk of negative revaluation of the carrying amount of purchased debt portfolios	The Group acquires debt portfolios for its own account. If the purchased debt portfolios do not generate the expected cash flows over the assumed time horizon, it may be necessary to revalue them downwards. This risk is relatively higher in new markets or portfolios with unusual characteristics where the Group does not yet have sufficient historical data. Risks can also materialise should the economic situation deteriorate. An additional element affecting this risk is the potential change in foreign exchange rates, which may translate into higher or lower PLN inflows from foreign portfolios (currency risk).	The Group analyses current repayments from debt portfolios with reference to forecasts and the current economic situation and changes in the law. Based on its analyses, the Group continuously updates the valuation of its debt portfolios based on the most up-to-date cash flow projections.	High
Risk of related-party transactions	Due to the nature of the Group's operations and structure, Group entities and related parties enter into business transactions referred to as related party transactions. These transactions may be subject to examination by tax authorities, both in Poland and in other countries where the Group operates. For each audit, the key criterion is the analysis of compliance of financial and non-financial parameters with so-called market conditions. Despite the application of internal rules for determining the terms of transactions between related parties, the Group cannot exclude that the applied transfer pricing and the transfer pricing documentation may be questioned by the tax authorities conducting audits in the Group. This may in turn lead to a change in the Group's accrued taxable income base and the need to pay additional tax, together with default interest and possible extra fines.	In order to reduce this risk, the Company analyses the marketability of transactions on the basis of applicable law and prepares the transfer pricing documentation required by law. In doing so, it uses tools for professional economic analysis as well as the services of professional consulting bodies.	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	The occurrence of significant differences between the Group and the tax authorities with respect to the determination of tax income on the basis of transactions of significant value for the Group could have a material adverse effect on the Group's operations, financial position and results of operations.		
Risk of legal restrictions on claim sale transactions	The Group pursues activity consisting in the acquisition and management of debt portfolios sold by original creditors, in particular such as financial institutions, telecommunications operators and cable television networks. The scope of that activity, including restrictions on its conduct, arises in particular from: • legal regulations and legislative changes; • decisions and rulings of public administration authorities, e.g. Polish Financial Supervision Authority (KNF), Office for Competition and Consumer Protection (UOKiK), President of the Office of Personal Data Protection (PUODO); • announcements, guidelines, and interpretations of public administration authorities. In order to minimise the negative consequences of changes in the environment of debt collection activities, it is necessary to have effective tools to monitor possible changes and their implementation in the Group.	The Group continuously monitors the scope of legislative changes being drafted and entering into force, with particular emphasis on regulations relating to its main business areas. In addition, it monitors communications (guidelines, decisions, etc.) addressed to market players by public administration authorities on an ongoing basis. If it determines that a change or a communication may affect the Group's operations, it takes appropriate adjustment measures. Where it assesses that a change or announcement may affect the Group's business, it takes adaptive action in this regard on an ongoing basis. The Group has separate organisational units: • responsible for the debt management area; • Compliance Officer; that monitor the Group's compliance with the law and update internal regulations as necessary.	Medium
Risk of default under obligations other than related to issued bonds	If the Group's liquidity deteriorates, it is possible that it will be temporarily or permanently unable to repay previously contracted debt or that it will be in breach of f its obligations under the financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, while the collateral assets may be repossessed by financial institutions, which could have a material adverse effect on the Group's business, financial condition and results of operations. Calling external finance to maturity would result in a loss of liquidity for the Group.	Based on conclusions of ongoing internal analyses and financial data forecasts, the risk of default towards its creditors in the Group is minimal. In order to reduce risk, the Group diversifies its external financing and manages its liquidity in a way that minimises the risk of its liabilities falling due through an event of default in its financing agreements.	Medium
Liquidity risk	Expenditure on debt portfolio purchases is financed both from equity and from debt financing, the sources of which are bond issues (indirectly) and bank loans. If the Group's liquidity deteriorates, it is possible that it will be temporarily or permanently unable to repay previously contracted debt or that it will be in breach of its obligations under the financing agreements. As a result, some or all of the Group's debt may become immediately due and payable, the collateral assets	As part of the measures taken to manage liquidity risk, the Group conducts: • planning and ongoing monitoring of financial flows; • management of cash flows between Group entities;	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	may be repossessed by creditors, which could have a material adverse effect on the Group's business, financial condition and results of operations.	• recovery of debts on a continuous basis, in accordance with the strategy adopted; • an analysis of the possibilities of using external sources of financing.	
Risks of the Group's debt level	The scale of financing operations with foreign capital is at a moderate level. Existing debt levels can affect the level of financial costs, particularly if market interest rates continue to rise. The occurrence of any of the above events may adversely affect the Company's ability to make payments on the bonds and their timely redemption, as well as the value of the bonds. Taking into account the conclusions arising from the ongoing internal analysis of financial data, as at the Approval Date there are no grounds for identifying a threat of loss of liquidity due to the level of the Group's indebtedness, in particular due to liabilities incurred through the issue of bonds, which, however, does not eliminate the risk of a change in this state in the future.	The Group continually analyses conclusions of internal analyses of the Group's debt financial data and, based on them, decides on the level of the Group's debt and the hedging of interest rate risk.	Medium
Risk of consumer bankruptcies	Consumer bankruptcy as a legal institution entered into force in 2009 and has been successively modified since then, beginning with the first major amendment in 2016. However, the legal provisions in force did not allow natural persons not conducting business activity to fully utilise that debt reduction institution. Accordingly, the Act of 30 August 2019 amending the Act – Bankruptcy Law and Certain Other Acts (Dziennik Ustaw 2020, item 1288), which entered into force as of 24 March 2020, made it much easier for consumers to declare bankruptcy, which in turn lead to a significant increase in the number of bankruptcy proceedings. At present, insolvency of the debtor is the only condition for declaring bankruptcy, which means that practically all applications result in the declaration of bankruptcy. However, the mere declaration of bankruptcy is not tantamount to debt reduction. According to the available statistical data of the Central Economic Information Centre, approximately 15.6 thousand consumer bankruptcies were declared in Poland in 2022, compared to over 18 thousand in 2021 and 13 thousand in 2020. In the first half of 2023, there have been 10,500 people already declaring bankruptcy. The high inflation rate and excessive interest rates, as well as the de-bottlenecking of the National Debt Register application procedure, will most likely contribute to more consumer bankruptcies appearing in the future. In 2023, provided the upward trend of the first half of the year continues, the number of consumer bankruptcies is likely to exceed the cap of 20,000, thus breaking the previous record of 2021 (18 thousand).	In order to reduce risk, the Group has streamlined and structured the processes responsible for the correct, efficient and timely handling of cases in which bankruptcy information has been received. To minimise the risk of incurring additional costs of filing a claim, which have to be borne in the case of filing a petition after the statutory deadline, a mechanism for quick search of debtors who declared bankruptcy was applied, allowing for timely access to bankruptcy.	Medium
Regulatory risk	The risk of changes in the regulatory environment refers in particular to changes in the legal area applicable to the Group's operations. Changes in the legal regulations concerning the debt collection sector, civil procedure, securitisation funds,	The Group, through a dedicated organisational unit, monitors changes in the legal and regulatory environment. Notwithstanding the above,	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	functioning of capital and public companies, as well as conducting activities supervised by public administration bodies in the area of securitisation fund management, as well as general rules of conducting business activity, trading in financial instruments and tax regulations, may prove significant from this point of view. The Group has foreign subsidiaries and, in addition to its operations in Poland, it operates in the jurisdictions of Luxembourg, Romania, Bulgaria, Croatia and Russia as well as within the boundaries of the generally applicable laws of the European Union. Therefore, there are risks associated with the possibility of regulatory changes in other jurisdictions as well. Addditionally, conducting operations in a volatile regulatory environment in individual legal jurisdictions generates an increased risk of incorrect identification of tax liabilities by the Group. Changes in the legal regulations may be connected with interpretation problems, short vacatio legis period, inconsistent court decisions, legal restrictions related to conducting business activity and unfavourable interpretations adopted by public administration authorities. Any such change in regulations may cause an increase in the Group's operating costs, affect its financial results and cause difficulties in assessing the effects of future events or decisions, and consequently affects the Group's payment capabilities.	in cases falling within the purview of individual organisational units, eahc of them is under an obligation to stay up-to-date with changes in legislation, prudential regulations, internal regulations, recommendations and guidelines of supervisory bodies, which have an impact on the activities of the organisational unit managed, and to take necessary adjustment actions. In addition, as a member of the Association of Financial Companies in Poland, the Company takes an active part in issuing opinions on regulatory changes and shaping the debt market in Poland. The Group also cooperates with renowned consulting firms, both locally and internationally. The Group also collaborates with renowned consultancies, both locally and internationally.	
Risk of significant decrease in recoveries on acquired portfolios	A significant decrease in the level of repayments from acquired portfolios could have a negative impact on the financial and operating position. The Group does not have any individual receivables for which non-payment could materially reduce liquidity of the Group, but such a situation cannot be ruled out in the future. Repayments from bulk processes involve many customers whose repayment is independent. Thus, risks may materialise, but mainly as a result of significant macroeconomic developments. High inflation readings and rising interest rates may result in a decrease in the real domestic budget of customers who settle their liabilities towards the Group, and dynamic changes in tax regulations may have an ambiguous impact on the level of repayments from purchased portfolios.	The Group mitigates the risk of a significant decline in repayments by monitoring daily receipts on an ongoing basis and, in the event of a significant deviation from the expected level of recoveries, by updating its short- and/or long-term servicing strategy, intensifying or adjusting its collection activities on selected debt portfolios. The service strategy and product offer are changed in line with the changing business environment in order to optimise the results obtained.	Medium
Risk of debt portfolio investment	The development of the debt trading market in Poland is increasing the number and variety of parameters of the debt portfolios offered and, consequently, the data that the Group must analyse before making an investment decision. Valuation of debt portfolios is a complex process of statistical and expert assessment. In view of the fact that each debt portfolio offered for sale is different, and there are differences even at the level of portfolios originating in the same country and from the same original creditor, there is a risk of inappropriate valuation of its value, and thus the inability to recover the amounts spent on the	The models used to valuate debt portfolios are continually adapted and updated to the business conditions in which the Group operates. Not only the current state is taken into account, but also projected future changes in repayments. Not only is the current state taken into account, but also the projected changes in repayments in the future.	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	purchase of the portfolio and the operating costs of debt recovery. In addition, one of the main criteria for investment in debt portfolios is the expectation of the distribution of cash flows that the Group will receive from debt recovery. When making an investment, however, the Group cannot be certain that the cash flows from its receivables will be consistent with its original estimates of the amounts and repayment deadlines. The main reasons for the risk of recording lower cash flows include the deterioration of the debtors' financial position for economic reasons, lower than expected efficiency of the debt collection process and incorrect assumptions made by the Group at the investment date. The main reasons for the risk of recording lower cash flows include the deterioration of the debtors' financial situation for economic reasons, the lower-than-expected efficiency of the debt collection process and the Group's erroneous assumptions made at the investment date. Inappropriate valuation of the acquired debt portfolios may result in overestimation of their value, which may adversely affect the Group's result and thus the value of its equity. In turn, lower than expected or postponed cash flows from the purchased portfolios may negatively affect the ability of the Company to settle its liabilities. In turn, lower-than-expected or deferred cash flows from acquired portfolios may adversely affect the Company's ability to meet its obligations.		
Compliance risk	Due to the scale, scope, and specific nature of our business, which is affected by, among other things, laws, prudential regulations, recommendations of supervisory authorities or standards of conduct applied in the market, there is a risk of inadequate compliance with the above, which may result in administrative penalties (including financial penalties) imposed by supervisory authorities, loss of reputation or loss of licence. It should be noted that the activity conducted by the Company is a regulated activity, which means that in order to carry out this activity the Company must obtain a permit from the Financial Supervision Authority and, consequently, is also subject to the supervision of this authority. Failure to comply with, or misapplication of, supervisory requirements may consequently lead to sanctions by these authorities. As an entity listed on the Stock Exchange, the Company is additionally obliged to comply with the rules and standards set by the WSE as well as legal regulations applicable to public companies.	The Group has adopted internal regulations in the area of compliance, such as compliance risk management, conflict of interest management, anti-corruption, protection of professional secrecy, information security, whistleblowing, and ethical principles. In addition, an independent and autonomous organisational unit competent for compliance has been established, which is responsible for coordinating the management process in the aforementioned areas. Base mechanisms ensuring compliance include: a) internal regulations and adopted rules of conduct; b) the distribution of tasks and powers assigned to employees holding specific organisational positions within a given process aimed to prevent situations where an	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		employee controls him- or herself or where there is a potential conflict of interest between employees with personal ties, c) training for employees, d) access control – understood as a set of access privileges to a specific area, system, process, data; e) physical control – understood as a set of access privileges to a specific area; f) kept registers and lists; g) documenting exceptions as part of the performance of specific actions arising from the rules of procedure; h) any automatic control mechanisms embedded in IT systems, other control mechanisms embedded in processes, internal regulations, aimed at ensuring compliance.	
Risk of deteriorated financial position of debtors	The amount of proceeds from the recovery of receivables from debt portfolios depends on the financial health of the debtors. Deterioration of the economic situation in Poland and on foreign markets may consequently result in a halt in economic growth, an increase in the unemployment rate, a fall in demand, a fall in real income and thus a deterioration of debtors' financial condition and their ability to settle their liabilities.The volume of recovery proceeds from debt portfolios depends on the financial health of the debtors. In an environment of high inflation and rising interest rates, the situation of debtors may deteriorate, while dynamic changes in tax legislation may have an ambiguous impact on debtors' ability to pay amounts owed. Any deterioration in the financial condition of debtors, regardless of their type (individuals or businesses), may directly affect the return on investments in debt portfolios, which may have a material adverse effect on the Group's operations, financial position and results of operations.	The Group continuously monitors the situation related to the effects of rising inflation and conducts an analysis regarding the need to take measures to reduce the scale of its impact on the Group's future financial performance. However, due to the dynamics of the situation related to changes in interest rates, which is linked to external factors beyond the Group's control, the Group is unable to definitively determine the impact of this situation on the permanent deterioration of the financial condition of its debtors. As the Group has no influence on the growth of inflation, its activities are mainly focused on reducing the negative impact of these risks on the results of its activities.	Medium
Risk of inability to acquire debt portfolios and seek collection orders	Due to the activities of competitors, both those already operating on the Group's markets and new players or due to changes in the methods used by debt sellers, in particular changes to the formula for selling debt portfolios or acquiring debt servicing entities, the Group may face limitations on acquisition of new debt portfolios attractive to the Group and	In order to reduce this risk, the Group continuously monitors the market for debt purchases and the market for debt collection services, both in terms of the activities of competitors and the formula for selling debt portfolios or	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	new orders for management of debt portfolios or outsourcing debt collection. The acquisition of further debt portfolios may also be constrained by the Group's restrictions on access to capital and the development by the original creditors of their own specialised debt collection and restructuring departments. These factors could have a material adverse effect on the Group's operations and its revenue outlook.	attracting entities to cooperate.	
Risk of increase in debt portfolio prices	In the short-term, there may be a further increase in transaction prices – at present, there is a noticeable increase in prices for certain portfolio sale transactions on the market. The growing interest in investments into debt portfolio and persisting low supply of portfolios may result in further rise in the price of portfolios. In the short-term, the price increase may translate into increased negative cash flows for the Group, while in the medium- and long-term it may translate into lower profitability of the debt collection business. This may have an adverse effect on the Group's operations and its revenue outlook.	The Group continuously monitors the debt purchase market and the level of transaction prices of debt portfolios available on the market.	Medium
Risk of increasing debt portfolio size available for acquisition	The situation on the market may result in significant growth in the volume and value of debt portfolios put up for sale in the near future. There is a risk that with significant growth, the Group may find it difficult or impossible to independently participate in tenders for the purchase of the largest and most attractive debt portfolios. As a consequence, the Group may be forced to form consortia in order to participate in some, especially the most attractive, tenders or to focus on purchasing smaller portfolios whose price attractiveness is significantly lower due to significantly higher competition. This may have a material adverse effect on the Group's business, financial condition and results of operations.	In order to reduce this risk, the Group takes steps to attract potential investors for the purchase of debt portfolios with high volumes.	Medium
Risk of further increases in statutory interest rates	As of September 2022, the interest rate for late payments is 12.25% per annum. In recent years, statutory interest rates have first decreased to 5.6% in May 2020 (as a result of interest rates being gradually lowered). Rising inflation in 2021 has forced appropriate action to be taken and in the period since October 2021 the Monetary Policy Council has already raised interest rates eleven times, with the most recent increase taking place on 7 September 2022. In the last months of 2022 and the first half of 2023, the Monetary Policy Council did not raise interest rates – reference rate is 6.75%. According to analysts, this could mark the end of the hike cycle, while the Monetary Policy Council's next move may be an interest rate cut, which could come as early as the autumn. The statutory interest rate has a direct impact on the Group's interest income on past due receivables, but at the same time it increases the cost of financing and adversely affects the financial condition of debtors. Given the current level of rates, the risk of further rate increases in the near term is unlikely. A downward pressure on rates seems more likely.	The Group manages this risk by analysing the macroeconomic situation and announced interest rate changes, without the ability to influence the Monetary Policy Council and its decisions.	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
Risk of negative image	The recovery of debt conducted by the Group often concerns individuals and legal entities in a debt spiral. Some individuals against whom debts are pursued or individuals from their environment may resort to the intervention of media interested in catchy topics and decide to create the so-called black PR against the Group or the debt collection sector. These actions can be based on facts as well as slander and false information, including those bearing the hallmarks of unfair competition. These actions may be based on facts as well as on slander and false information, including that constituting unfair competition. If such cases gain publicity in the media, each of them may have a direct or indirect impact on the credibility of the Group in the eyes of investors, entities providing financing, sellers of debt portfolios and other trading partners. This may contribute to a reduction in the valuation of financial instruments issued by the Company or a reduction in the availability of external financing and a reduction in the number of debt portfolio purchase transactions entered into by the Group.	The Company monitors the media for information in the context of the Company and the Capital Group, and responds to it. Communication is carried out both by a professional in-house team and in cooperation with an external PR agency. Being a member of the Polish Association of Financial Enterprises (ZPF), the Company participates in a PR initiative called “Debt collection - clearly”. It has an educational purpose, familiarising both the media and their audiences with how debt management companies operate and the legal basis on which they operate. The Group conducts educational campaigns in social media (educational posts and Kredyt Inkaso Academy cycle) and on the website. The Group also prepares materials to improve the financial knowledge of consumers (guides) and provide information about the role and operations of businesses from the debt management industry.	Medium
Risks of macroeconomic and socio-economic situation in Poland	The activity and level of financial results generated by the Group, as well as the pace of implementation of strategic plans, depend on the macroeconomic situation. The Group’s operations are influenced by factors such as the level and trends of GDP, inflation, government fiscal and monetary policies, availability of financial resources, the growth of real incomes of the population, unemployment levels, changes in the economic situation at national, regional and global levels, changes in the political situation at central and local government levels, as well as the economic situation of households. Possible adverse trends in macroeconomic, social and political factors could adversely affect the Group’s results, financial position and outlook.	The Group continuously analyses the macroeconomic situation and changes in the banking and financial sector, although it has no direct influence on them. The level of debt repayments and the level of costs associated with debt management are monitored. The Group adapts its operating model to the changing external environment by creating financial forecasts over the short, medium and long term.	Medium
Risks of exchange rate volatility	The Group operates in foreign markets and is therefore exposed to currency risk, mainly from investments in debt portfolios and the servicing of receivables purchased outside Poland. Exchange rate fluctuations affect the financial result through: 1) changes in the value of revenues from foreign markets expressed in Polish zloty and costs expressed in Polish zloty in the part related to operating activities in foreign markets; 2) changes in the value of foreign debt portfolios (purchase price and valuation), the value of which expressed in PLN is dependent on exchange rates;	Much of the Group’s activity takes place on the Polish market, however, due to its foreign operations, the Group continuously measures currency risk and open currency positions. Based on framework agreements with the bank, the Group may enter into additional derivative contracts to hedge its currency risk.	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	3) unrealised exchange differences on the valuation of settlements as at the balance sheet date. The Group is exposed to foreign currency risk arising from short-term receivables and payables, cash and cash equivalents, capital expenditures and investments (net asset value) in the Group's foreign subsidiaries. The volatility of exchange rates, caused in particular by the deterioration of macroeconomic indicators and the increase in political risks of the countries in which the Group operates, could have a material adverse effect on the Group's operations and financial position.		
Risk of failed strategic objectives of the Group	Delay, partial or complete lack of possibility to implement the Group's strategic assumptions, e.g. due to changes in the market situation, macroeconomic or regulatory environment, mistakes of persons responsible for implementation of the Group's strategy, may significantly affect operating activities of the Company and the Group, and indirectly their financial results. This, in turn, may translate into a slowdown in the acquisition of further debt portfolios due to a weaker capital base, both in terms of equity and third-party capital. Delays in achieving strategic objectives or the occurrence of any of the above circumstances could have a material adverse effect on the Group's business, financial condition or performance.	The Group conducts ongoing monitoring of its operational and financial performance and the progress of its strategy. The Group implemented numerous control measures to ensure numerical and regular analysis of the correctness of the strategic activities carried out. In addition, the Group prevents the risk of misdefining its strategic objectives, in annual cycles, before preparing the budget for subsequent years, by carrying out an analysis of the strategy including verification of the opportunities and threats arising from the macroeconomic environment.	Medium
Risk of corporate disputes with a shareholder	BEST S.A. of Gdynia holds 33.09% of the total number of votes at the General Meeting. BEST S.A. conducts business activity competitive to Kredyt Inkaso S.A. Given the competitive nature of the Shareholder's business and the existing disputes between the Shareholder and the Company, there is a likelihood that the Shareholder will take actions that impede the development of the Company or that will be detrimental to its reputation. The on-going dispute has a multi-faceted dimension, and BEST S.A., having corporate rights as a shareholder, effectively uses various legal means to escalate the conflict.	The Company employs qualified lawyers and cooperates with reputable law firms in order to minimise the effects of potential actions of that Shareholder that could hinder the Company's development or be otherwise detrimental to its reputation.	Medium
Risk of exceeded investment limits by the Group's closed-end investment funds	In connection with the Group's holding of closed-end investment funds (closed-end non-standardised securitisation investment funds), there is a risk of exceeding the investment limits set by applicable legislation or the funds' articles of association, for individual funds or subfunds. This risk may also materialise in overexposure to one market sector, type of debt or other assets, which may result in adverse financial consequences if the value of the assets held by the fund or subfund decreases, also as a result of changes in the debt market. The risk of exceeding investment limits may be updated as a result of an investment decision by the company	The Company, as manager of the debt portfolios of closed-end non-standardised securitisation investment funds, in cooperation with investment fund management companies, monitors on an ongoing basis the limits assigned to individual investment funds and prepares and applies procedures, strategies, operational guidelines and	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	managing a given closed-end investment fund, a decision by the managing entity or a passive change in the value of assets.	plans aimed at reducing the above risks.	
Risks of Russian Federation's hostilities in Ukraine	The military hostilities of the Russian Federation in the territory of Ukraine may result in further rapid legislative and factual changes to introduce restrictions in the pursuit of economic activity, including the effective exercise of corporate control over the Russian member of the Group, in which a majority interest is held by an entity based in Luxembourg, i.e. Kredyt Inkaso Portfolio Investments (Luxembourg) S.A. It is possible that there may be negative media comments that the Group continues to operate in Russia. The longer it takes to terminate this activity, the more the risk of posssible negative PR will grow. In accordance with the provisions of the Act on Counteracting Money Laundering and Terrorism Financing, the Group must apply enhanced financial security measures if the customer's transaction involves high-risk countries. This means: a) withholding for up to 5 business days at most of incoming and outgoing transfers; b) requesting: additional information and documents related to transactions (e.g. invoices) and information on the sources of origin of the property and assets of the client and all of its beneficial owners. If this information and documents are not received within the specified time frame, it will not be possible to execute the withheld transaction; and as a last resort, relations with the client may be terminated. In addition, at the end of April 2022, the first Polish sanctions list was created, which initially included over 50 people and economic entities (420 people and entities as 12 August 2023). The Polish sanctions list is a supplement to the EU sanctions list and includes oligarchs and Russian entities with real interests in Poland. Notwithstanding the risks associated with the operation of a subsidiary in the territory of the Russian Federation, prolonged warfare just beyond Poland's border has a direct negative impact on social sentiments, further increase in inflation, and persisting high interest rates. All these factors may have a negative impact on the ability of debtors to generate financial surpluses and their willingness to pay their debts. In particular, this will apply to voluntary payments. This will particularly apply to voluntary contributions.	The Group monitors legislative and regulatory changes on an ongoing basis, with particular focus on any restrictions in the pursuit of economic activity by foreign-owned entities and assesses their impact on the ongoing operations of the entity and the Group. The Group has implemented internal regulation to counteract money laundering and terrorism financing. It also actively takes into account changes made to sanctions lists, including Polish, EU, UN, OFAC sanctions lists, in its current business decisions and activities. As regards technology, the Group implemented a technological separation of the Russian company outside the Group's infrastructure. An active response to the situation in Russia safeguards the Group in the event of unexpected actions taken by Russia (e.g. acquisition of the Russian company forced by legislative changes, hacker attacks). Trends related to the level of repayments are analysed depending on the source of these payments, however the Group does not have an impact on the development of economic situation and resulting economic consequences. Actions are being taken to encourage debtors to repay debts with partial debt cancellation and by breaking debt down into instalments, bringing forward the argument that this will	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		result in the reduction of high interest expenses.	
Risk of legislation changes related to debt recovery	A threat to the Group's operations is the instability of the legal system in Poland. Frequently changing regulations and their interpretation significantly hamper business operations and significantly reduce the predictability of financial results. Another risk for the Group are changes in regulations in many areas of law, in particular changes in legal acts relating directly or indirectly to the Company's activities. As a result of unfavourable legislative changes, the risk of increased costs or workload, prolonged litigation or reduced legal recovery may materialise. A change in these laws or in their application or interpretation could have an adverse effect on the Group's business, financial condition and results of operations.	As the Group's impact on the legislative change process is negligible, preparing the organisation for the announced changes seems to be the most appropriate way to mitigate this risk. Monitoring potential changes in legislation becomes crucial in this respect. The Company is a member of the Association of Financial Enterprises and actively participates in the work related to monitoring and providing opinions on legislative changes concerning the financial industry. In particular, the Company continuously monitors and participates in the process of issuing opinions on the draft *Act on Debt Collection Activities and Debt Collector Profession*, the draft *Act amending other acts to ensure development of the financial market and protection of its investors*, and monitors and follows the work on the implementation of the *Directive of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit buyers and amending Directives 2008/48/EC and 2014/17/EU*, while preparing for the implementation of changes in operational processes resulting from the draft regulations. The company has introduced a mechanism for selecting cases referred to court and enforcement proceedings on the basis of predictive models, eliminating cases with a low potential for obtaining a title and enforcing the debt by way of compulsory bailiff enforcement. For cases with less potential, less costly forms of recovery are used, bypassing the legal stage.	Medium
Risk of interest rate fluctuation	One of the most important factors influencing the situation of households and enterprises, including, inter alia, their ability to meet their obligations, is the level of interest rates. An increase in interest rates	The Group controls financial ratios under loan agreements and terms of bond issue, and measures interest rate risk.	Medium

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
	most often translates into an increase in the cost of financing, which in turn may translate into an increase in the ability of individual debtors to service their debt. A reduction or loss of this capacity could translate negatively into the Group's financial performance. In order to finance its operations and development plans, the Group uses debt capital in the form of bank loans and bonds. In the loan agreements entered into and the terms and conditions of the bond issue, the interest rate on the financing provided is usually set at a variable interest rate plus a margin. Therefore, there is a risk that an increase in interest rates will translate into an increase in the Group's financial costs associated with the repayment of its liabilities, which may consequently translate into a deterioration in its financial performance. Changes in interest rates also have an impact on the fair value of debt portfolios purchased by the Group, which is estimated using a discount rate. However, it should be noted that the change in market interest rates does not directly affect the value of the portfolios accounted for in the Group's balance sheet at amortised cost. Unfavourable changes in interest rates may have a material adverse effect on the Group's business, financial condition and results of operations.	Based on master agreements with the bank, the Group may enter derivative contracts to hedge the interest rate risk.	
Risk of processing security and personal data protection	Due to the nature of its business, the Group processes personal data on a large scale and manages personal data sets of significant size. Personal data are processed in accordance with the regulations on personal data protection in force in Poland and in the European Union, as well as in individual countries where the Group's entities operate. However, it cannot be ruled out that, despite the technical and organisational measures in place to ensure the protection of personal data processed, a breach of legal obligations in this regard will occur, in particular an incidental disclosure of personal data to unauthorised persons. In the event of a breach of the legal provisions relating to the protection of personal data, in particular the unlawful disclosure of personal data, the Group may be exposed to criminal or administrative sanctions, including in particular those provided for by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC ("GDPR"). Unlawful disclosure of personal data may also result in the Group being exposed to liability for infringement of personal rights or liability for damages under the GDPR, as well as adversely affect the image of the Group or any of its entities, which could have a material adverse effect on the Group's business. Such situations may occur despite the Group's use of technical and organisational measures ensuring the protection of personal data being processed.	In order to reduce the likelihood of the risk materialising, the Group, acting both as Controller and Processor (within the meaning of the General Data Protection Regulation), has implemented a number of technical and organisational measures. They serve to protect data, including personal data, regardless of their form, against loss, damage, destruction or the unwanted leakage outside the Group, as well as the use or processing to the extent not permitted by law. All activities are based on the following principles: • compliance of data processing activities with the law and the agreements concluded; • fulfilment of the legal obligations to provide information to those whose data is collected and processed; • continuous and comprehensive training of employees in data protection and data processing methods; • prevention of unauthorised direct access to data, data	Low

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		files or data processing systems; • prevention of unauthorised electronic access to or acquisition of control over an IT system or its functions;	
Risk of 60% majority required to adopt General Meeting resolutions	Pursuant to the Articles of Association of the Company, a majority of more than 60% of the votes cast is required for the adoption of a resolution by the General Meeting, unless the Commercial Companies Code or the Articles of Association provide for more far-reaching requirements (qualified majority vote). In a dispersed shareholding environment, this solution raises the risk that in the event of a divergent position between shareholders the General Meeting may not be able to adopt resolutions due to the impossibility of obtaining a majority of more than 60% of votes cast in favour of a given resolution. Such provisions of the Articles of Association of the Company and the provisions of the Commercial Companies Code may, if Waterland's shareholding in the Company is reduced in a manner that does not ensure a majority of 60% of the votes represented at a given General Meeting or in respect of matters requiring a greater majority of votes under the Commercial Companies Code or the Articles of Association, hinder the adoption of resolutions and, in extreme circumstances, paralyse the work of the General Meeting, which could have a material adverse effect on the Company's corporate credibility and, indirectly, the Group's business.	It is in the interest of the majority shareholder to hold such a number of shares as to be able to pass resolutions at the General Meeting which do not require a qualified majority of votes on its own. However, the adoption of resolutions requiring a qualified majority is not necessary for the continuation of current operations at this time.	Low
Risk of copyrights in software used by the Group	In the course of its business, the Group uses, among other things, software for which it has obtained licences or economic copyrights from third parties, as well as subcontracts programming services for the creation or development of software to external providers of such services. The legal basis for the Group's use of such software is the relevant licence agreements or agreements transferring copyrights. The Company cannot assure that third parties will not bring claims against Group companies alleging infringement of their intellectual property rights, or that the protection of the rights to use such software will be carried out effectively by the Group. It cannot be guaranteed that in every case the Group will be able to extend the licence period, and thus continue to use the software in question, beyond the end of the originally envisaged licence period. In addition, in the course of internal work on our own IT solutions carried out with the participation of persons cooperating with the Group companies under civil law contracts, it cannot be excluded that doubts may arise as to whether the Group companies have effectively acquired, or have acquired to the appropriate extent, the copyrights to the IT solutions created by such persons The Group may therefore be exposed to the risk of third parties making claims regarding the software used by the Group, which, if found to be valid, could have a material adverse effect on the Group's business, results, condition, or perspectives.	The Company has implemented an internal regulation dedicated to the management of intellectual property, including licences, which describes, among other things: ▪ the rules for acquiring intellectual property rights depending on the source of acquisition (e.g. under employment contracts, other legal forms of engagement); ▪ the conditions for concluding contracts for the acquisition of intellectual property rights (e.g. subject matter of the licence, fields of exploitation, time of transfer of rights, indemnity against third party claims, contractual penalties); ▪ the rules for documenting and updating intellectual property rights;	Low

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		▪ the rules of procedure in the case of infringements of intellectual property rights. The Company has additionally created in its organisational structure separate units dedicated to legal services, ensuring compliance and internal audit to ensure compliance with the aforementioned regulations as well as a special purpose vehicle conducting strictly IT activities.	
Risk of violation of collective consumer interest	The Group's activity in Poland is controlled by, among others, the President of the Office of Competition and Consumer Protection. There is a risk of interpretation that the Group's activities in certain areas may violate the collective interest of consumers. If the President of the Office of Competition and Consumer Protection finds that the collective interest of consumers has been violated, this may result in administrative sanctions, including financial penalties, being imposed on the Group. Notwithstanding the above, there is a possible risk of class actions when consumer groups assert their rights. Similar risks apply to the Group's activities in other countries in which it operates. The materialisation of these risks may have a material effect on the Group's business, financial condition and results of operations. The Group's activities are essentially based on the process of collecting debts owed by individual debtors, i.e. consumers, on a mass scale. Potential financial consequences may arise from loss of reputation, increased complaints and claims, increased supervisory scrutiny activity and financial penalties.	As part of the compliance process carried out by the Group, regardless of the actions taken by the Compliance unit, laws, regulations, recommendations and expectations of supervisory authorities (in particular the President of the OCCP) are reviewed on an ongoing basis. Once areas for change are identified, improvements are implemented. The entire process is supported by a Compliance Officer who continuously analyses changes in the legal and regulatory environment and informs the relevant organisational units of these changes. The Compliance Officer then performs periodic independent verification of the status of the changes made.	Low
Risk of discontinuation of services for external securitisation funds	Part of the Group's revenue comes from the provision of portfolio management services to external securitisation funds. A temporary or permanent reduction in the scale of cooperation or discontinuation of cooperation with the entities for which the Group manages debt portfolios, as well as the Group's inability to attract new entities to cooperate in this area, may adversely affect the Group's revenue, which could have an adverse effect on the Group's business, financial condition and results of operations. The risk is specific to the Group, which manages debt portfolios as part of its activities, and real, as the termination of cooperation with certain investment fund companies in the management of debt portfolios of securitisation funds has already taken place, although this does not significantly affect the financial position of the Company and the Group.	In order to reduce this risk, the Group emphasises diversification of revenue sources and monitors the market with a view to entering into partnerships with new securitisation funds.	Low

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
Risks of the majority shareholder's influence on the Company	As at the Approval Date, WPEF VI Holding 5 B.V., with its registered office in Bussum, the Netherlands, which belongs to the Waterland Private Equity Investments B.V. Group ("Waterland"), holds 7,929,983 shares in the Issuer, representing 61.49% of the Issuer's share capital and 61.49% of the total number of votes at the General Meeting. This limits the ability of minority shareholders to influence the Company and the Group, particularly as Waterland exercises voting rights on the majority of shares at the General Meeting. Therefore, Waterland has a decisive influence, through its participation in the General Meeting, on the adoption of resolutions on the payment of dividends or the appointment and removal of members of the Supervisory Board, which is authorised to appoint and dismiss members of the Management Board of the Company. A dominant shareholding position allows Waterland to exercise effective control over the Company's and the Group's operations, including, as a result of its shareholding, exercising significant influence over such important matters as management decisions and the implementation of investment policies and business strategies. The interests of the majority shareholder and the Company are coinciding and consist in maximising profits, while the possible influence of the majority shareholder on the Group's activities is regulated by mandatory legislation.	It is in the interest of the majority shareholder to maintian a block of the Company's shares that allows them to control the Company and independently adopt resolution at the General Meeting to the extent required to pursue current activity in line with the interest of the Company.	Low
Risk of privileged position of Group securitisation fund bondholders	Given the business model adopted by the Group, funds raised through bond issues may be used to acquire investment certificates of securitisation funds acquiring debt portfolios. In addition to the issue of investment certificates, which are subscribed for, among others, by the Group, these funds may also raise funds by issuing bonds and taking out bank loans, up to the amounts specified in the Act on Funds. Receivables of bondholders for taking up bonds of the funds may be privileged over receivables for investment certificates held by the Group, which in the case of liquidity problems or permanent problems with payment of liabilities by securitisation funds creates the risk of inability to recover funds invested by the Group in investment certificates, which could have a material adverse effect on the Group's business, financial condition and results of operations.	The Group, being aware of the risk of preference of bondholders of bonds issued by securitisation funds, as an investor recommends raising funds from other sources to avoid the risk. The funds whose investment certificates are held by the Group are not bond issuers as at the Approval Date.	Low
Risk of technology advancements	There is a risk that new solutions will appear on the market which will make the services offered by the Group unattractive and will not provide the Group with the revenues expected at the stage of their creation and development. In addition, there is a risk that new technological solutions, which the Group is currently or will be working to create or develop in the future, will not achieve the expected parameters, which would have a negative impact on the recovery of the expenditure incurred. Failure to develop and invest in modern IT solutions may result in reduced efficiency of service delivery, which may in turn translate into operational efficiency.	The Group analyses emerging market trends in the development of information technologies and products and possible ways of using them - especially in the FinTech area, including AI. In addition, it establishes and maintains commercial relations with technology partners in order to test and implement modern technologies and ensures that the high technological level of its own solutions is	Low

Risk	Description of the risk and the Company's and Group's exposure to it	Risk management	Risk level
		maintained. As part of the adopted IT strategy, the Company established a team responsible for the analysis, verification and implementation of innovative solutions.	
Risk of failure to find finance for new debt portfolio acquisitions	The Group's main activity involves the acquisition of debt portfolios for its own account and it requires the commitment of significant finance which is partly external bank loans and funds from issue of own bonds. It cannot be ruled out that due to the possibility that the perception and assessment of the Group's financial credibility may deteriorate in the future or due to a deterioration in external conditions, such as the perception of debt instruments, regulatory changes, changes in market interest rates, there may be a reduction in the availability of external financing, which may reduce the Group's potential to acquire new debt portfolios and consequently translate negatively into the Group's financial results and the Company's ability to make payments on the bonds, including their timely redemption.	The risk mitigating factor is the Company's long history of active participation in the bond issue market. With regard to the series of bonds issued by the Company and traded on the stock exchange, the Company holds quarterly meetings with investors during which it presents its current results and business development prospects.	Low

President of Management Board	Vice President of Management Board	Vice President of Management Board	Member of Management Board
Barbara Rudziks	Maciej Szymański	Iwona Słomska	Mateusz Boguta