



# Presentation of 2020 results

## KRUK Group

# Agenda

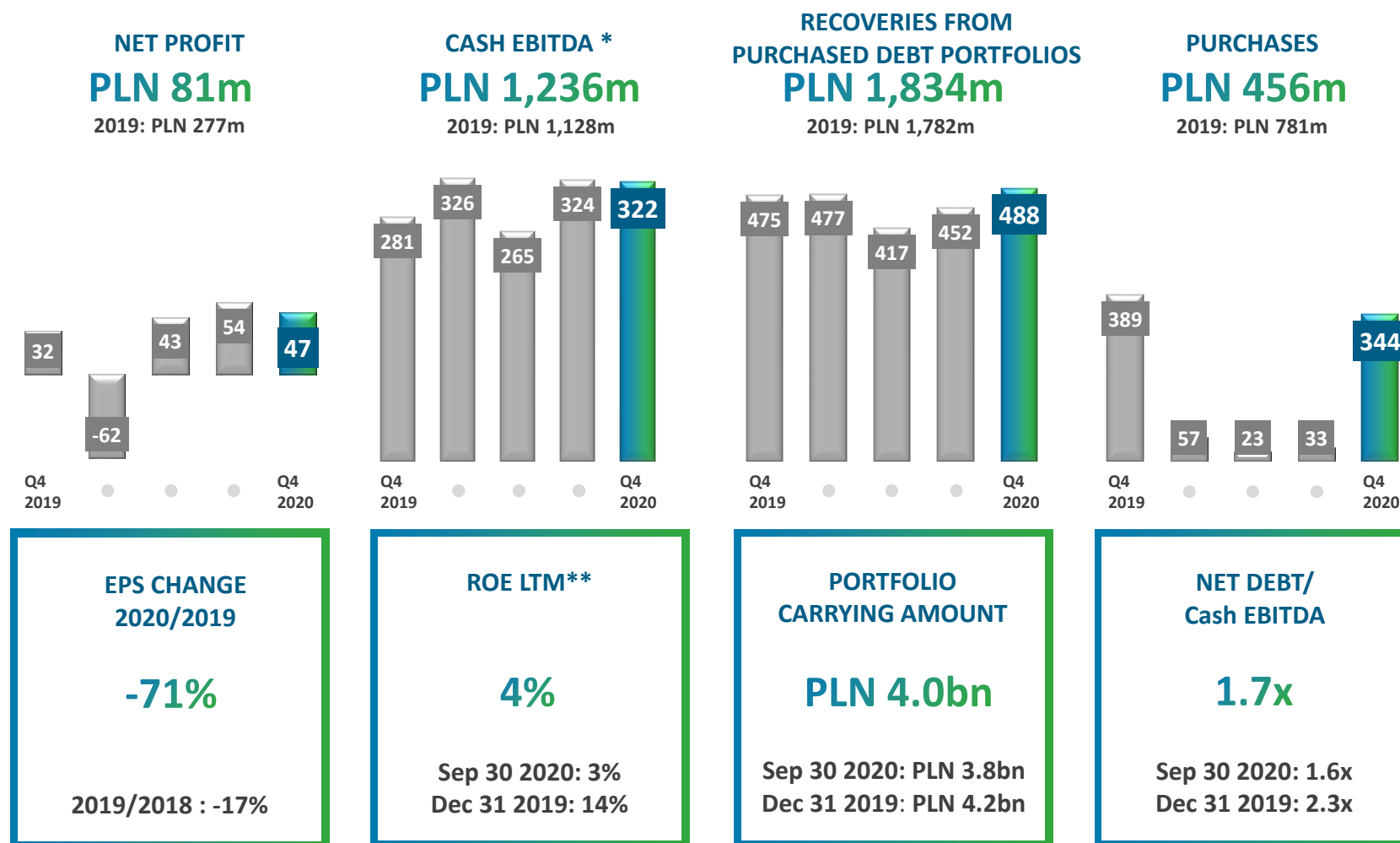
## Summary

**Geographical and operating segments**

**Financial results**

**Additional information**

# KRUK posted record recoveries of PLN 1.8bn and record cash EBITDA of PLN 1.2bn in 2020 despite the COVID-19 pandemic



\* Cash EBITDA = operating profit - depreciation/amortisation + recoveries from purchased debt portfolios - revenue from collection of purchased debt.  
 \*\* LTM consolidated net profit divided by equity at end of the period.

# KRUK posts PLN 81m in net profit for 2020, with record cash EBITDA of PLN 1,236m (up PLN 108m, or +10%, year on year)

## Financial results

In 2020, the KRUK Group earned a net profit of PLN 81m. Cash EBITDA was PLN 1,236m, up 10% year on year. In the fourth quarter of 2020, KRUK's net profit reached PLN 47m, with cash EBITDA of PLN 322m.

## Revenue

In 2020, the KRUK Group's revenue totalled PLN 1,138m, down 10% on 2019. Revenue from purchased debt portfolios was PLN 976m (-14% y/y). The decrease in revenue from purchased debt portfolios resulted mainly from lower-than-planned recoveries from debt portfolios and a PLN 205m downward revision of recovery projections. The downward revision of recovery projections recognised in the first half of the year (PLN -121m in the first and PLN -72m in the second quarter) was attributable to the coronavirus pandemic and its impact on the KRUK Group's countries of operation. In the third quarter, the downward revision of recovery projections amounted to PLN -10m and was attributable to weaker recoveries from secured portfolios. In the fourth quarter, the downward revision of recovery projections totalled PLN -2m and was the outcome of an upward revision for retail portfolios (PLN +44m) and a downward revision for secured portfolios (PLN -46m).

## Costs

Operating and administrative expenses totalled PLN 766m, down by PLN 12m (-1%) on 2019. The expenses were lower than budgeted by PLN 52m (-6%), or by PLN 77m (-9%) if the impairment loss of PLN -25m on the Spanish company is not accounted for in 2020 expenses. The reduction in expenses was driven by the savings plan implemented by the Group since the second quarter of 2020. The biggest savings were achieved in management costs (-37% y/y), fleet, fuel and business travel expenses (-52% y/y), employment and employee training costs (-34% y/y), and in advertising and marketing expenses (-54% y/y). Some of the savings were of temporary nature (e.g. a three-month pay cut) and other consisted in postponing certain expenses, such as court fees.

## Deferred tax

Income tax in 2020 amounted to PLN 123m. The largest part of the tax is deferred tax, amounting to PLN 97m. The main component of deferred tax is a deferred tax liability of PLN 100m, arising from expected income distributions by the Group's investment companies to KRUK S.A. over the next three years. The assumed income distributions were based on expected cash flows within the KRUK Group.

# KRUK ended the year with very good recoveries from unsecured retail portfolios and lower-than-expected recoveries from secured and corporate portfolios

## Recoveries from purchased debt portfolios

- The annual value of recoveries from purchased debt portfolios was the highest in the Group’s history and amounted to PLN 1,834m, up by 3% year on year.
- In 2020, the Group recorded recoveries representing 93% of its overall Operational Target set in the 2020 budget (the Operational Target consists of a forecast set out in the 2020 budget (portfolio purchases until October 2019) and pre-purchase valuations of portfolios purchased from November 2019).
- April was the weakest month of 2020, with the Group’s recoveries amounting only to 85% of the Operational Target, but then recoveries slowly rebounded in May and June (coming to 86% and 89%, respectively, of the Operational Target).
- In the third quarter, the Group’s recoveries reached 90% of the Operational Target, while in the fourth quarter – as much as 97%. In December 2020, the Group achieved 100% of the Operational Target.
- For unsecured retail portfolios, the Group delivered 99% of the Operational Target for 2020, and 69% for secured retail and corporate portfolios. In the fourth quarter, the Operational Target delivery was 106% for unsecured retail portfolios and 65% for secured retail and corporate portfolios.
- Recoveries in Poland and Romania account for 77% of the KRUK Group’s total recoveries and remained stable year on year (up by 1%). In 2020, the Group recorded a significant, 35% year-on-year increase in recoveries on the Italian market.

## New portfolio purchases

- In 2020, the KRUK Group invested PLN 456m to purchase debt portfolios worth nominally over PLN 3.1bn, with PLN 344m of that amount invested in the fourth quarter alone representing 75% of its total portfolio investments in 2020.
- The Group deliberately scaled down its investment activity over the period of material uncertainty triggered by the coronavirus pandemic and its consequences in the second and third quarter of 2020.
- At the same time, in the second and third quarter of 2020 most of the markets where the KRUK Group operates saw the supply of debt portfolios and the number of transactions fall due to the Covid-19 pandemic. Only at the end of the third quarter did banks and financial institutions resume debt auctions, suspended or cancelled in previous months due to the pandemic.
- In 2020, KRUK’s market share measured by the value of expenditure was 35% in Poland and 30% in Romania.

# KRUK enjoys a good liquidity position. In 2020, it paid income to shareholders and recommends payment of dividend in 2021

## Stable financial and liquidity position

- The KRUK Group holds equity of PLN 2.0bn, representing 44% of its financing sources. With a net interest-bearing debt to equity ratio of 1.0x and a net interest-bearing debt to cash EBITDA of 1.7x, KRUK's financial position is strong and stable.
- As at December 31st 2020, the amount of cash and cash equivalents was PLN 146m. The Group decreased its cash by PLN 5m relative to 2019 and repaid some of its credit facilities (PLN -451m), which increased the amount available under the facilities to PLN 1,046m.
- In 2020, under an open public issue prospectus, KRUK issued bonds for retail investors. The issue comprised PLN 25m of five-year bonds with a fixed coupon of 4.8%. The proportional reduction rate applied to subscription orders was 61.4%. In February 2021, KRUK issued another series of five-year bonds, with a nominal value of PLN 20m and a fixed coupon of 4.2%, under the public issue prospectus. The proportional reduction rate applied to subscription orders was 82.27%.

## Income distribution

- In 2020, KRUK paid income to shareholders by buying back its shares with a total value of PLN 95m.
- The KRUK Management Board recommended payment of dividend of PLN 8 per share in 2021.
- As a listed company since 2011, KRUK distributed an aggregate income of PLN 383m to its shareholders between 2015 and 2020.
- The intention of KRUK's Management Board, within the period covered by its 2019–2024 strategy, is to make the amount of income distributions to shareholders dependent on the Company's financial standing and prevailing market conditions, allowing for re-investment of profit in the Company's growth with a view to increasing its value.

## Shareholders

- According to the investment funds' reports of December 2020, the total shareholding of open-end investment funds in KRUK increased to 57.1% of total voting rights.
- Shareholders holding more than 5% of total voting rights at the Company's General Meeting are OFE NN (13.66%), Piotr Krupa (9.63%), OFE PZU (9.39%), OFE Aviva Santander (8.97%) and OFE Allianz (5.31%).

# KRUK adapted its business to the conditions created by the COVID-19 pandemic in 2020

## Operations

- As at the date of issue of the periodic report, KRUK was continuing its operations across all markets without any major obstacles.
- We switched to remote working smoothly and fast; most of our employees can and continue to work from home.
- We took care of the employees' safety by adapting the rooms or providing the required sanitisers and disinfectants; we reduce the need for and frequency of face-to-face meetings.
- We temporarily suspended visits from field advisors, who resumed face-to-face meetings with clients in late May and early June while observing the sanitary regime.
- We further developed our existing online tools and accelerated the implementation of new ones (e-KRUK, e-payments, e-signature, online settlement, self-service process) to enable efficient process management and to enable our clients to pay their liabilities safely and comfortably, regardless of any movement restrictions.
- We reduced our lending activity and simultaneously implemented additional verification of clients applying for a loan. We reduced non-interest costs in compliance with legislative changes introduced in Poland.
- We temporarily lowered the remuneration of members of the management and supervisory boards and our employees.
- We suspended pay rises and fringe benefits, and curtailed recruitment of new staff.
- We used additional cost cutting measures, some of which consisted in postponing certain expenses, and some may be of a recurring nature.
- In Poland, Romania and Spain, we received subsidies to salaries and wages under governmental assistance plans.
- We followed a prudent investment policy, taking into account the additional risk related to the pandemic in our valuations.
- We factored in the probable impact of the pandemic on recoveries, which represented the bulk of the PLN 211m downward revision of recovery projections in 2020.

# In 2020 KRUK developed online solutions

## Development of online solutions

- We are expanding our digital tools – the client service process can be handled online via e-KRUK.
- We have implemented the e-signature capability in Poland and Spain, among other countries. Spain also emerged as a leader in the use of e-signature.
- We are developing omnichannel access to cases.
- We have deployed electronic payment tools across all markets (BLIK in Poland).
- We have considerably increased the share of agreements originating in the electronic channel (issued or signed in the online channel). In Spain, the share of online agreements reached 95% in December.
- We are increasing the role of self-service (cost-free service) – in December 2020, 25% of settlements in Poland were concluded using this channel (without other tools).
- We have implemented automatic messaging (emails, text messages) to encourage clients to self-manage their cases online, where they can, for example, enter into a settlement or pay their debts.
- We are constantly increasing the share of online payments at the amicable settlement stage – in Poland in 2020 online payments accounted for approximately 20% of all payments.
- We have switched most areas into the online mode of operation (including CC). Currently, out of concern for the safety of our employees, we continue to work online.



# KRUK has updated its mission, vision and values

## Mission

- We safeguard compliance with social and legal norms requiring that everyone must fulfil their obligations, always being respectful to people.

## Vision

- **Values** – We live our values in all we do.
- **People** – We want to attract people who share our values and believe that the need for progress never ceases, even if we succeed.
- **Lean** – We believe in striving to continually improve the efficiency of our processes. We are not afraid to pin down a problem and look for the best solutions.

## Values

- **Respect** – Mutual respect is the cornerstone of our business. We treat everyone the way we want to be treated.
- **Cooperation** – Together we can do more. We build relationships based on partnership and clear rules. We call a spade a spade.
- **Accountability** – Everyone is responsible for their decisions, actions or inaction and their consequences.
- **Development** – We are committed to continuous improvement. We have an incessant inner drive to progress, even when we succeed.
- **Simplicity** – Simple is beautiful. We simplify our processes and eliminate waste. Getting things done is more important than striving for perfection.

# KRUK Group and corporate social responsibility

## Our mission

- We safeguard compliance with social and legal norms requiring that everyone must fulfil their obligations, while being respectful to people.

## Cooperation with customers

- We treat indebted persons with respect and enable them to pay their debts while making them aware of the consequences of default.
- The client decides on the form of cooperation with us.
- For several years now, we have conducted client satisfaction surveys among clients who have had interaction with the KRUK Group – clients have been highly appreciative of the work and attitude of our advisors.
- The KRUK Group handles judicial and enforcement processes in accordance with applicable laws.

## Ethics at the KRUK Group

- For over 20 years, we have been engaged in building the general image of the credit management industry in Poland and wider Europe.
- KRUK is a member of a number of bodies, including the Association of Financial Companies in Poland, United Nations Global Compact, PKPP Lewiatan, ACA International, Polish Association of Listed Companies.
- KRUK contributed to the writing of, and in 2019 to amending, a code of ethics called the Code of Best Practice (as part of a project run by the Association of Financial Companies in Poland), which aims to ensure higher standards of service for clients (including indebted persons).
- In 2020, KRUK was awarded the title of Super Ethical Company in a prestigious competition organised by the Puls Biznesu daily (following a thorough audit conducted by PwC).
- KRUK S.A. and ERIF BIG S.A. have successfully passed an ethical audit by the Ethics Committee of the Association of Financial Companies in Poland (ZPF) and received a certificate confirming compliance with ethical principles.

## Our activities in 2020

- During the pandemic, educational campaigns were carried out across of all our markets, encouraging clients to use online services, including the e-KRUK platform, to manage their debt without leaving home.
- In the pursuit of Sustainable Development Goals (SDG 3 “Good health and well-being”), the Group made a donation for the purchase of protective equipment for the medical staff of the infectious diseases hospital in Wrocław, extended thanks to the medical staff of the hospital in LaSpezi for their fight against COVID-19, and in Spain supported the Federation of Spanish Food Banks to help those left destitute during Christmas as a consequence of the pandemic.
- The support programme for employees and the Psychological Support Centre for clients (indebted persons) – gaining relevance.
- The 2020 Ecological Debt Date – educating the public about how consumption has decreased and how the approach to spending money has changed in the era of the pandemic. In addition, about how the changes have affected the environment.
- Day without Debts 2020 – promotion of the ‘Live without Debts’ course and the ‘Portrait of Indebted Poles During the COVID-19 Pandemic’ survey
- Help for children in danger of digital exclusion – donation of computer equipment.
- Our CSR initiatives are described in the ‘Responsible Business Report. Best Practices 2019’ published in 2020 by the Responsible Business Forum.

# Agenda

## Summary

### Geographical and operating segments

### Financial results

### Additional information

# KRUK Group in 2020, by segment

2020

2019

(PLNm)

	Poland		Romania		Italy		Other markets		Head Office	Total	
	2020	2019	2020	2019	2020	2019	2020	2019		2020	2019
Expenditure on debt portfolios	346	338	48	254	0	99	63	90	N/A	456	781
Recoveries	863	820	525	561	250	185	196	217	N/A	1,834	1,782
Carrying amount of purchased debt portfolios (PLNbn)	1,9	1,9	0,9	1,0	0,7	0,8	0,5	0,5	N/A	4.0	4.2
Revenue	622	602	315	400	117	172	84	91	N/A	1,138	1,264
Purchased debt portfolios	498	516	299	385	107	160	73	77	N/A	976	1,138
Credit management services	22	25	13	14	10	12	11	14	N/A	57	65
Wonga	78	36							N/A	78	36
Other activities	24	24	3	1	0	0	0	0	N/A	26	25
EBITDA	293	308	221	294	-29	-7	-61	-38	-45 -73	379	484
Cash EBITDA	658	612	447	470	113	18	62	102	-45 -73	1,236	1,128

# Debt purchase market in Poland



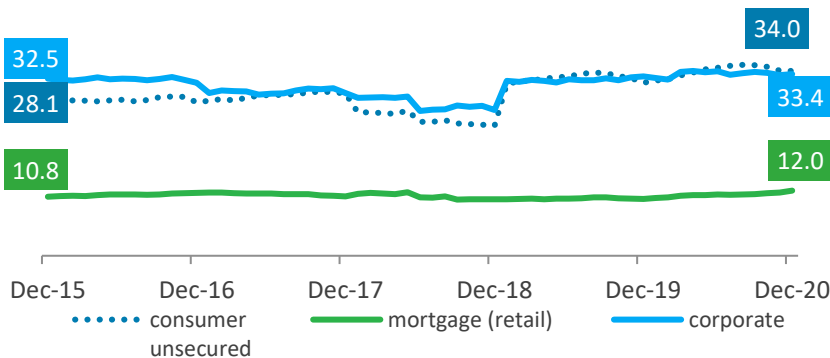
GDP growth in 2020

**-2.8%**  
(2019: 4.0%)\*

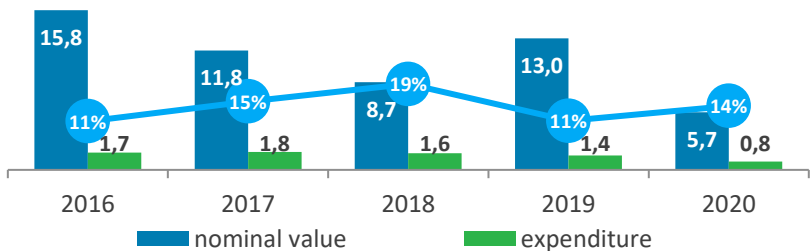
Unemployment as at Dec 2020

**6.2%**  
(Dec 2019: 5.2%)\*

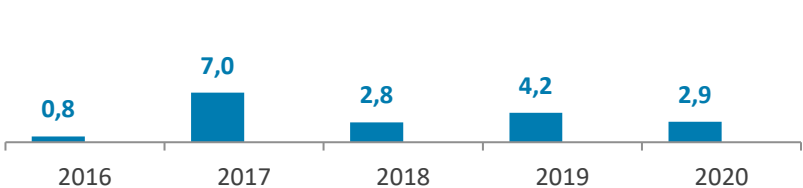
Non-performing bank loans (PLNbn)



Supply of retail and mortgage debt portfolios (PLNbn)



Corporate portfolio supply\*\* (PLNbn)

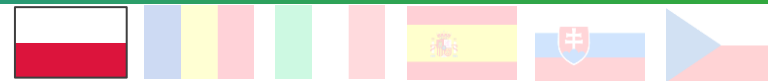


- Polish banks have maintained a flat level of non-performing debts. The total value of non-performing bank debts in Poland was PLN 79bn, of which 43% are unsecured consumer debts, 15% are mortgage debts, and 42% are corporate debts.
- The supply of retail debts in 2020 was PLN 5.7bn, with the expenditure of PLN 1.4bn. The low supply was due to reduced transaction activity from both sellers and buyers due to COVID-19.
- Unsecured retail debt accounted for 91% of the aggregate nominal amount of (PLN 5.2bn), and 94% of the expenditure (PLN 0.8bn) on, retail portfolios in Poland. KRUK's main competitors on the Polish market were foreign entities.
- KRUK estimates that the average price of unsecured consumer debt, which is the asset most preferred by KRUK, was approximately 15%.
- The share of KRUK's expenditure on the Polish market is estimated at 35%.
- KRUK expects a higher supply of debt portfolios in 2021 compared with 2020.

\* Source: Statistics Poland, preliminary data

\*\* at nominal value; figure for 2017 includes the purchase of a large corporate portfolio by KRUK on the secondary market.

# KRUK Group's operations in Poland (excluding Wonga)



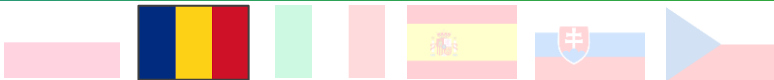
(PLNm)	2020	2019	yoy
Expenditure on debt portfolios	346	338	2%
Recoveries	863	820	5%
Portfolio carrying amount	1,876	1,884	0%
Revenue	544	566	-4%
Including from purchased debt portfolios	498	516	-4%
Including from revision of recovery projection	-38	36	-207%
Credit management services	22	25	-14%
Other activities	24	24	-1%
EBITDA	277	318	-13%
Cash EBITDA	642	622	3%
Portfolio profitability (LTM)*	26%	27%	-5%

The Other activities section does not include WONGA's results.

- Although COVID-19 reduced investment sending in Poland, the KRUK Group's expenditure on portfolio purchases on the Polish market was PLN 346m, more than in 2019, and accounted for 76% of the Group's expenditure in 2020. 83% of the expenditure in Poland was made on unsecured retail portfolios. KRUK expects more transactions in 2021.
- Recoveries in 2020 totalled PLN 863m, up 5% year on year. Recoveries in Poland accounted for 47% of the Group's total recoveries.
- Despite the difficult conditions created by the pandemic, the Group met the Operational Target\*\* for recoveries, set in the 2020 budget for the Polish retail portfolios. Total recoveries from both retail and secured portfolios in Poland came in below the Operational Target, with the deviation less pronounced than the Group-wide percentage deviation, while recoveries on retail unsecured portfolios exceeded the Operational Target.
- As at the date of issue of this report, the KRUK Group was not aware of any new or proposed regulations related to COVID-19 that could affect the value of its debt portfolios.

\* LTM portfolio profitability calculated as the sum of 12 months revenue from portfolios purchased divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.  
 \*\* Operational target is comprised of a forecast set in the 2020 budget (purchases of portfolios until October 2019) and pre-purchase valuations of portfolios purchased from November 2019.

# Debt purchase market in Romania



GDP growth in 2020

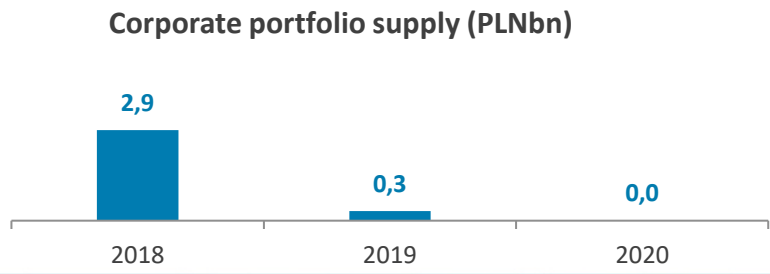
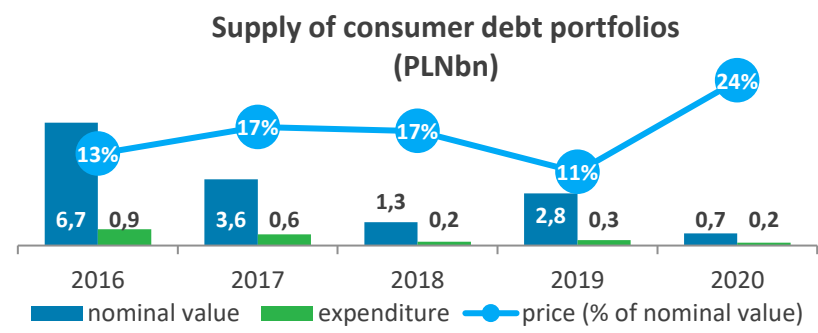
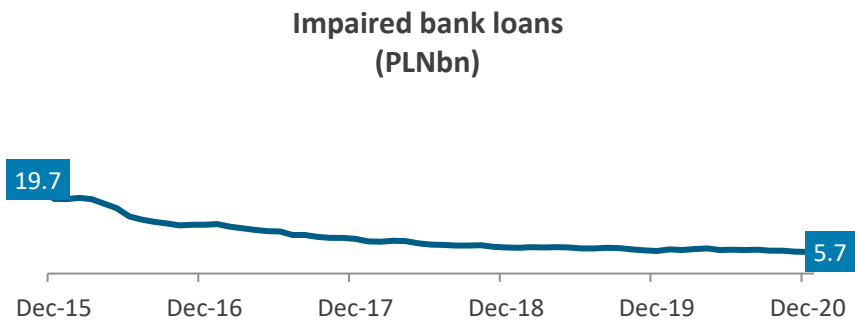
**-4.4%**

(2019: 4.2%)\*

Unemployment as at Dec 2020

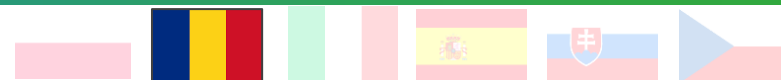
**4.9%**

(Dec 2019: 3.9%)\*



- In December 2020, non-performing debts in the Romanian banking system fell to PLN 5.7bn.
- In 2020, the nominal value of debts sold for collection by third parties was PLN 0.7bn (2019: PLN 3.2bn), with expenditure of PLN 165m.
- In 2020, the average prices of unsecured consumer debt portfolios in Romania were approximately 25%.
- Despite the record low supply, KRUK maintained its strong position on the Romanian market.
- The share of KRUK's expenditure in the Romanian market is estimated at approximately 43%.
- Unsecured consumer debt had the largest share in the portfolios purchased by KRUK, accounting for nearly PLN 0.7bn of debt offered for sale, compared with PLN 2.8bn a year earlier. Most of the purchased portfolios were sold by financial sector institutions.

# KRUK Group's operations in Romania



(PLNm)	2020	2019	yoy
Expenditure on debt portfolios	48	254	-81%
Recoveries	525	561	-6%
Portfolio carrying amount	889	994	-11%
Revenue	315	400	-21%
Including from purchased debt portfolios	299	385	-22%
Including from revision of recovery projection	-9	121	-108%
Credit management services	13	14	-5%
Other activities	3	1	346%
EBITDA	221	294	-25%
Cash EBITDA	447	470	-5%
Portfolio profitability (LTM)*	32%	40%	-20%

- As a consequence of the adopted investment policy and reduced supply due to COVID-19, the KRUK Group's retail portfolio purchases on the Romanian market in 2020 totalled PLN 48m, representing 10% of the Group's total expenditure and 86% when combined with its expenditure in Poland. KRUK expects more transactions in 2021.
- Recoveries from portfolios in Romania amounted to PLN 525m, down 6% year on year. They accounted for 29% of the Group's total recoveries.
- Recoveries in the Romanian market came in below the Operational Target, with the deviation more pronounced than the Group-wide undershoot in percentage terms. The deterioration was due mainly to restrictions imposed in relation to enforcement against disability and old-age pensions as well as furlough benefits (paid by the state as a form of support for employees), effective from March 30th to July 15th. Recoveries started to improve in the third quarter of 2020, when they grew 15% on the second quarter. The growth from the third to the fourth quarter was 9%.
- As at the date of issue of the full-year report, no material legislative changes related to Covid-19 were identified by the KRUK Group, likely to affect the value of the Group's debt portfolios.
- The overall downward revision of recovery projections for the Romanian portfolios recognised by KRUK in 2020 amounted to PLN 9m, including PLN 41m in the first three quarters of 2020. Given the improvement observed in the fourth quarter of the year, there was an expectation of further growth in recoveries. Accordingly, an upward revision of recovery projections of PLN 32m on the Romanian portfolios was recognised in the fourth quarter of 2020.

\* LTM portfolio profitability calculated as the sum of 12 months revenue from portfolios purchased divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.



# Debt purchase market in Italy

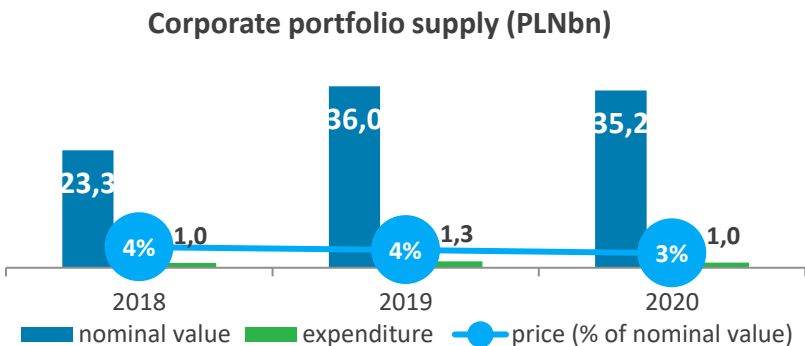
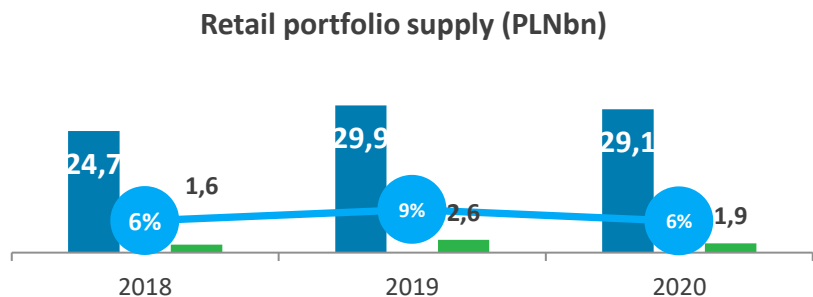
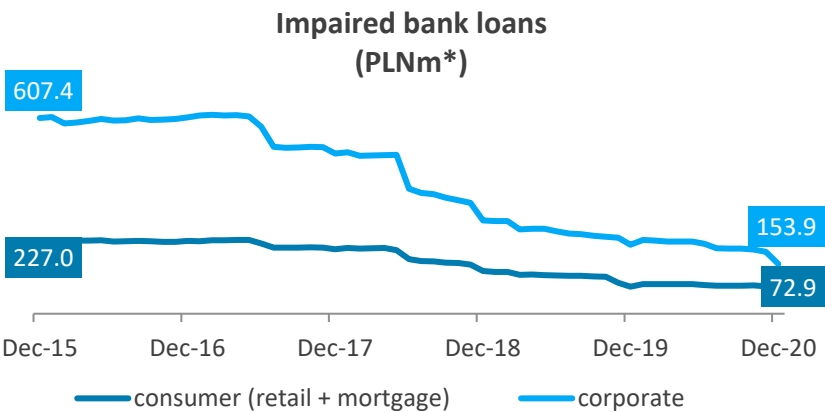


GDP growth in 2020

**-8.9%**  
(2019: 0.0%) \*

Unemployment as at Dec 2020

**9.0%**  
(Dec 2019: 9.8%) \*



- The level of non-performing debts in Italy remains high.
- KRUK estimates that in 2020 the supply of retail, corporate and SME debt in the Italian market was close to that recorded in 2019 and amounted to PLN 64bn (with the expenditure of PLN 2.9bn), while the supply of unsecured retail portfolios amounted to PLN 29bn (PLN 66bn and PLN 30bn in 2019, respectively). We estimate that the expenditure on unsecured retail portfolios was PLN 1.9bn.
- The average price of retail portfolios was around 6%, compared to 9% in the previous year. Most of the portfolios were sold by the banking sector and the main buyers in the Italian market were local players.

\* Source: ISTAT, Bank of Italy, preliminary data

# KRUK Group's operations in Italy



(PLNm)	2020	2019	yoy
Expenditure on debt portfolios	0	99	-
Recoveries	250	185	35%
Portfolio carrying amount	735	812	-10%
Revenue	117	172	-32%
Including from purchased debt portfolios	107	160	-33%
Including from revision of recovery projection	-96	-14	-589%
Credit management services	10	12	-17%
EBITDA	-29	-7	-332%
Cash EBITDA	113	18	537%
Portfolio profitability (LTM)*	14%	21%	-33%

- Having scaled down its investment activity due to Covid-19, in 2020 the KRUK Group did not purchase any new debt portfolios on the Italian market.
- The Group recorded PLN 250m in total recoveries in the Italian market in 2020, up 35% year on year. They accounted for 14% of the Group's total recoveries.
- Recoveries in the Italian market came in below the Operational Target, with the deviation more pronounced than the Group-wide undershoot in percentage terms.
- As at the date of issue of the report, the KRUK Group did not identify any material legislative changes attributable to the coronavirus pandemic that could affect the value of the Group's debt portfolios.
- In 2020, the Group recognised an overall downward revision of recovery projection of PLN 96m, of which PLN -76m was recognised during the first six months of the year. This reflected mainly an anticipated deterioration in future recoveries due, among other factors, to the pandemic crisis, and in particular the speed and timing of recoveries enforced through courts.
- In the fourth quarter of 2020 the Group recognised a downward revision of recovery projection of PLN 22m, which followed from a revision of assumptions concerning the court collection process and application of new curves reflecting the slower process timeline, with collections being made over longer periods.

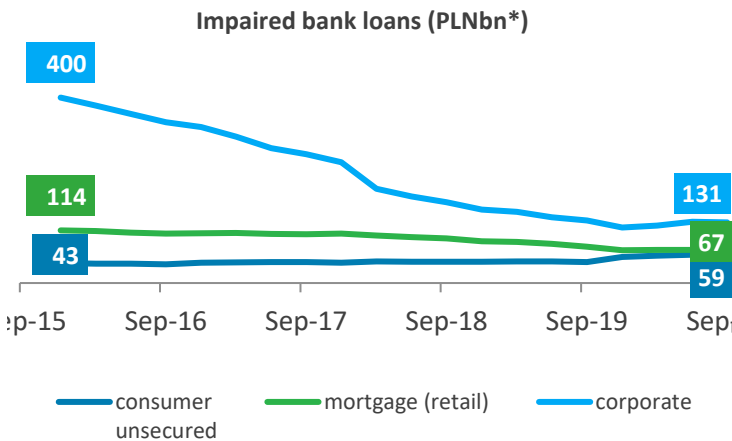
\* LTM portfolio profitability calculated as the sum of 12 months revenue from portfolios purchased divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.

# Debt purchase market:

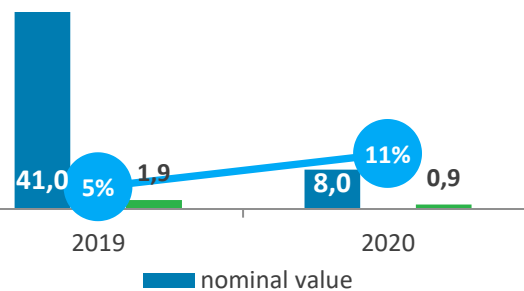
## Spain



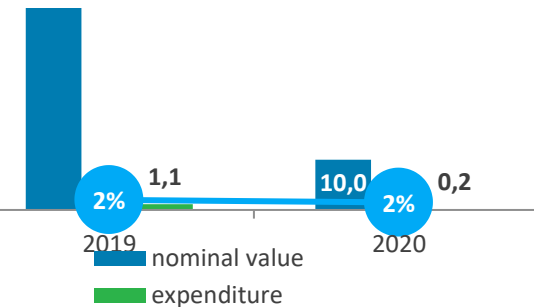
GDP growth in 2020: **-9.1%** (2019: 2.0%)\*  
Unemployment as at Dec 2020 **16.1%** (Dec 2019: 13.8%)\*



**Retail portfolio supply (PLNbn)**



**Corporate portfolio supply (PLNbn)**



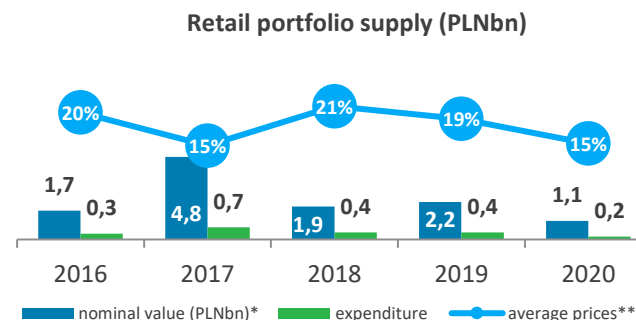
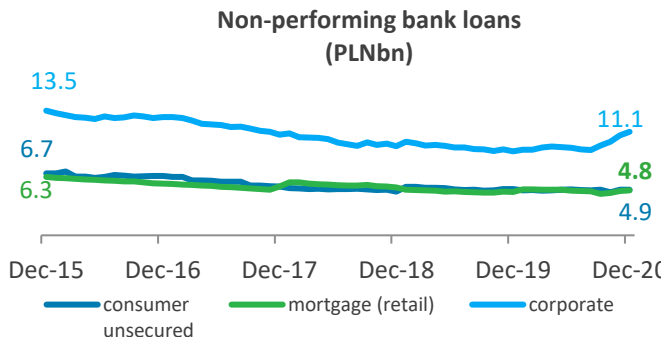
Spanish economy has been coping successfully with excessive levels of debt, through such measures as active sales of debts.

The supply of retail, corporate and SME debts on the Spanish market amounted to PLN 18bn, with expenditure of PLN 1.1bn, while the supply of unsecured retail debt portfolios, amounting to PLN 8bn, fell steeply compared with 2019.

## Czech Republic and Slovakia

**GDP growth in 2020**  
Czech Republic **-5.6%** (2018: 1.7%)\*\*  
Slovakia **-5.2%** (2018: 1.3%)\*\*

**Unemployment as at Dec 2020**  
Czech Republic **2.0%** (2019: 2.0%)\*\*  
Slovakia **5.1%** (2019: 5.9%)\*\*



- For several years now, lending activity in the Czech Republic and Slovakia has been on the rise, while the level of non-performing debts in the banking sector has been declining.
- Consumer debt portfolios sold in the Czech Republic and Slovakia in 2020 amounted to PLN 1.1bn. The estimated expenditure made in the market was PLN 0.8bn. The average prices reached 19%. More than a half of the portfolios sold in the Czech Republic and Slovakia came from the banking sector.

\*Source: Bank of Spain, preliminary data

\*\*Source: Slovak Labour, Social Affairs and the Family Centre, CZSO, preliminary data

# KRUK Group's operations – other markets



(PLNm)	2020	2019	yoy
Expenditure on debt portfolios	63	90	-30%
Recoveries	196	217	-10%
Portfolio carrying amount	485	507	-4%
Revenue	84	91	-7%
Including from purchased debt portfolios	73	77	-6%
Including from revision of recovery projection	-61	-64	6%
Credit management services	11	14	-17%
EBITDA	-61	-38	-60%
Cash EBITDA	62	102	-39%
Portfolio profitability (LTM)*	15%	17%	-12%

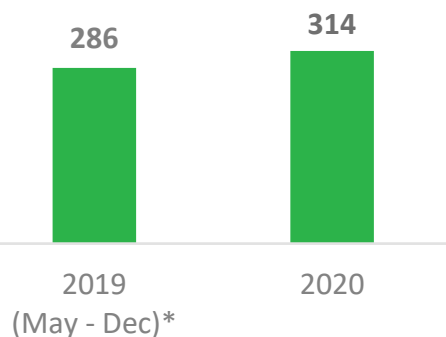
- The other markets are Spain, the Czech Republic, Slovakia and Germany. As in Italy, the KRUK Group curtailed its investment activity in the wake of COVID-19 also in the other markets. In 2020, the Group purchased portfolios in Spain for PLN 55m and in the Czech Republic for PLN 8m.
- In 2020, recoveries from the other markets totalled PLN 196m, down 10% year on year. The decline was mainly due to the COVID-19 spread in Spain which, along with Italy, was hit the worst by the pandemic.
- Recoveries from the Spanish market in 2020 were far below the operational target, the deviation much deeper than the Group-wide undershoot in percentage terms, both in the case of unsecured consumer and corporate debts. The impact of the change was reflected by KRUK in its accounting estimate as at the end of the fourth quarter of 2020.
- In the revision of recovery projection KRUK took into consideration the prohibition on business bankruptcies in Spain until March 14th 2021. The impact on the recovery projection of prolongation this prohibition on March 13th 2021 until the end of 2021 was identified by the KRUK Group as immaterial.
- Given the pandemic crisis and the impact of the severe social and economic lockdown measures, in Spain the KRUK Group recognised a downward revision of recovery projection of PLN 60m, with PLN 61m for the entire 'other markets' segment. The reason for the PLN 25m write-off on the Spanish portfolios in the three months to March 31st 2020 was an anticipated epidemic-related deterioration in future recoveries. Downward revisions of recovery projections for the period from the second to the fourth quarter mainly concerned corporate portfolios.

\* LTM portfolio profitability calculated as the sum of 12 months revenue from portfolios purchased divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months.

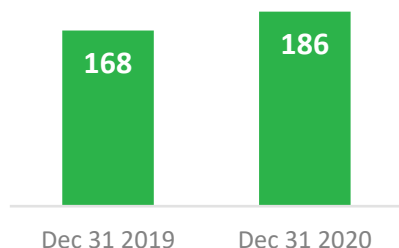
# KRUK Group's businesses - Wonga



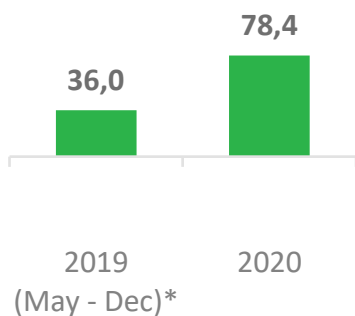
**Net value  
of loans advanced**  
(PLNm)



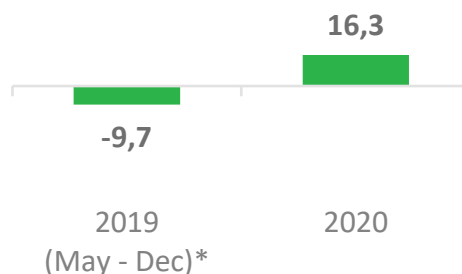
**Carrying amount  
of loans advanced**  
(PLNm)



**Revenue**  
(PLNm)



**EBITDA**  
(PLNm)



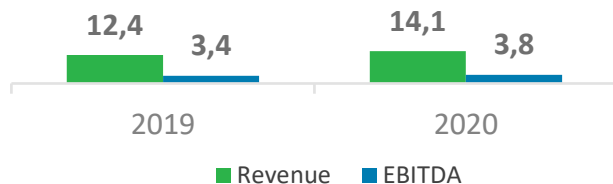
- The carrying amount of loans advanced by Wonga was PLN 186m at the end of 2020, with the total loans advanced worth nominally PLN 314m.
- The value of loans sold in 2020 was below the targets as a consequence of lower sales caused by the outbreak of the COVID-19 pandemic.
- In September 2020 Wonga introduced interest income for loans advanced, having previously charged only commission fees on its products.
- Wonga's revenue in 2020 reached PLN 78m, with EBITDA of PLN 16m. Taking into account that Wonga was acquired on April 30th 2019, EBITDA increased by PLN 19m year on year between the comparative periods (May – December) (PLN 9.2m in May – December 2020 vs PLN -9.7m in May – December 2019), but is still substantially below the budgeted target due to lower than expected sales and provision recognised for the straight-line method of fee refunds following the CJEU judgment.
- In view of the COVID-19 pandemic and resulting uncertainties, as well as the temporary statutory reduction of a cap on non-interest costs of consumer loans, Wonga temporarily reduced the sale of loan products, also introducing temporary changes and restrictions to the creditworthiness assessment process. The cap was to be effective until March 8th 2021, but on January 25th 2021 it was reintroduced and is to remain in force until the end of June 2021.

\* Wonga was acquired on April 30th 2019.

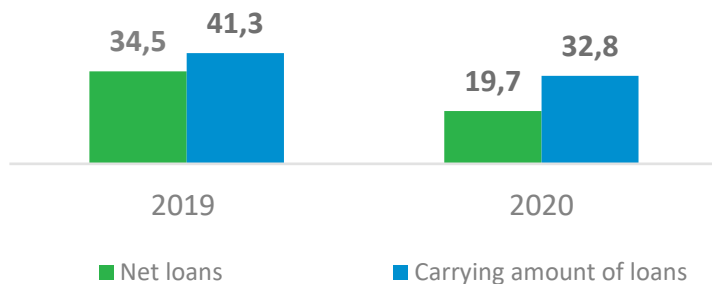
## Other business lines - Novum and ERIF



Revenue and EBITDA  
(PLNm)



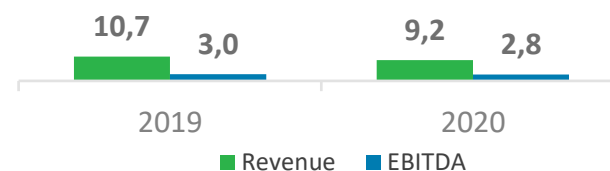
Value of loans advanced  
(PLNm)



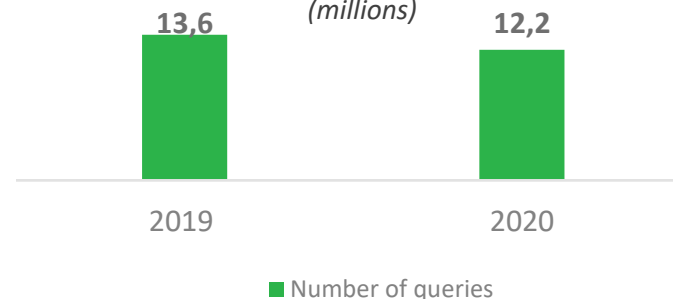
- Novum's revenue in 2020 was PLN 14m, up 13% year on year. Novum's EBITDA in Poland was PLN 3.8m, up 12% year on year. The main contributor to the improvement was concentration on the least risky customer segment.
- Novum sells its products mainly to KRUK Group clients who have successfully met their payment obligations and have a clean financial history with the Group.



Revenue and EBITDA  
(PLNm)



Number of reports downloaded  
(millions)



- As a result of the pandemic spread, ERIF Biuro Informacji Gospodarczej recorded a decline in product sales at the end of the first quarter and in the second quarter of 2020. In the second half of 2020, the number of ERIF report downloads was on a rise. As at the end of 2020, the total number of records in the ERIF database was 105m, of which 97% were positive records. The total value of the records was close to PLN 52.9bn.
- The ERIF database is used by entities from various sectors, predominantly by banks and loan providers.

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# KRUK changes the presentation of revenue in the statement of profit or loss in the

	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019 restated
<i>PLN '000</i>		
<b>Continuing operations</b>		
Interest income on debt portfolios and loans measured at amortised cost	1,083,412	1,064,327
Interest income on loans measured at fair value	6,831	-
Revenue from sale of debts and loans	4,130	4,408
Inne przychody/koszty z nabytych portfeli wierzytelności	(27,114)	(27,404)
Revenue from other services	66,422	76,539
Other income	19,792	8,687
Change in investments measured at fair value	(1,803)	-
Gain/(loss) on expected credit losses	6,143	146,300
<b>Operating income including gain/(loss) on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios</b>	<b>1,157,812</b>	<b>1,272,857</b>

## Revenue from purchased debt portfolios

	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Interest income	970,076	976,883
Other income/expenses from purchased debt portfolios (*)	(27,114)	(27,404)
Gain/(loss) on expected credit losses from purchased debt portfolios	29,249	184,451
Gain/(loss) on sale of debts	4,130	4,408
	<b>976,341</b>	<b>1,138,338</b>

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

	Jan 1–Dec 31 2020	Jan 1–Dec 31 2019
Revision of recovery projections	(205,271)	78,924
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor.	234,520	105,527
	<b>29,249</b>	<b>184,451</b>

\* Other income/expenses on purchased debt portfolios include the cost of the loyalty scheme, cost of overpayments, and foreign exchange gains/losses



# KRUK Group – P&L by business segments (presentation format)

PLNm	2020	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	20/19
<b>Purchased debt portfolios</b>							
Expenditure on debt portfolios	456	781	57	23	33	344	-42%
Recoveries	1,834	1,782	477	417	452	488	3%
<b>Statement of profit or loss</b>							
<b>Operating income</b>	<b>1,138</b>	<b>1,264</b>	<b>199</b>	<b>257</b>	<b>335</b>	<b>347</b>	<b>-10%</b>
Purchased debt portfolios	976	1,138	156	223	295	303	-14%
including revision of recovery projection	-205	79	-125	-74	-14	9	-360%
Credit management services	57	65	14	13	14	16	-13%
Other products and services	105	61	29	21	27	28	73%
<b>Gross profit</b>	<b>532</b>	<b>665</b>	<b>44</b>	<b>104</b>	<b>204</b>	<b>181</b>	<b>-20%</b>
<i>Gross profit margin</i>	47%	53%	22%	40%	61%	52%	
Purchased debt portfolios	508	661	33	121	188	166	-23%
Credit management services	-11	-1	2	-22	4	4	-743%
Other products and services	35	6	8	4	12	11	523%
<b>Administrative expenses</b>	<b>160</b>	<b>178</b>	<b>37</b>	<b>39</b>	<b>39</b>	<b>45</b>	<b>-10%</b>
<b>EBITDA</b>	<b>379</b>	<b>484</b>	<b>6</b>	<b>65</b>	<b>165</b>	<b>143</b>	<b>-22%</b>
<i>EBITDA margin</i>	33%	38%	3%	25%	49%	41%	
<b>NET PROFIT</b>	<b>81</b>	<b>277</b>	<b>-62</b>	<b>43</b>	<b>54</b>	<b>47</b>	<b>-71%</b>
<i>Net profit margin</i>	7%	22%	-31%	17%	16%	13%	
<i>ROE rolling</i>	3%	15%	17%	15%	14%	4%	
<b>CASH EBITDA **</b>	<b>1,236</b>	<b>1,128</b>	<b>326</b>	<b>265</b>	<b>324</b>	<b>322</b>	<b>10%</b>

\*Operating income including gain or loss on expected credit losses, fair value measurement, and other income/expenses from purchased debt portfolios excluding other income  
\*\*Cash EBITDA = EBITDA + cash recoveries from purchased debt portfolios – revenue from collection of purchased debt. Cash EBITDA takes into account the impact of the CJEU judgment on Wonga's revenues.

# The KRUK Group – P&L by geographical segments (presentation format)

PLNm	2020	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	20/19
<b>Operating income</b>	<b>1,138</b>	<b>1,264</b>	<b>199</b>	<b>257</b>	<b>335</b>	<b>347</b>	<b>-10%</b>
Poland	622	601	127	158	165	172	3%
Romania	315	400	47	68	81	119	-21%
Italy	117	172	16	3	58	40	-32%
Other countries	84	91	9	28	31	16	-7%
<b>Gross profit</b>	<b>532</b>	<b>665</b>	<b>44</b>	<b>104</b>	<b>204</b>	<b>181</b>	<b>-20%</b>
<i>Gross profit margin</i>	47%	53%	22%	40%	61%	52%	
<b>Administrative expenses</b>	<b>160</b>	<b>178</b>	<b>37</b>	<b>39</b>	<b>39</b>	<b>45</b>	<b>-10%</b>
EBITDA	379	484	6	65	165	143	-22%
<i>EBITDA margin</i>	33%	38%	3%	25%	49%	41%	
<b>Finance income/costs</b>	<b>-128</b>	<b>-126</b>	<b>-47</b>	<b>-23</b>	<b>-28</b>	<b>-30</b>	<b>-201%</b>
Income tax	-123	-37	-8	6	-73	-49	-232%
<b>Net profit</b>	<b>81</b>	<b>277</b>	<b>-62</b>	<b>43</b>	<b>54</b>	<b>47</b>	<b>112%</b>
<i>Net profit margin</i>	7%	22%	-31%	17%	16%	13%	

# KRUK Group – cash flows (presentation format)

PLNm	2020	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	20/19
<b>Cash flows from operating activities:</b>	<b>999</b>	<b>901</b>	<b>225</b>	<b>247</b>	<b>266</b>	<b>261</b>	<b>11%</b>
Recoveries – purchased debt portfolios	1,834	1,782	477	417	452	488	3%
Operating costs – purchased debt portfolios	-468	-478	-123	-102	-107	-137	2%
Operating margin – credit management	14	-1	2	3	4	4	-1,218%
Administrative expenses	-160	-178	-37	-39	-39	-45	10%
Other operating cash flow	-221	-225	-95	-32	-44	-49	2%
<b>Cash flows from investing activities:</b>	<b>-468</b>	<b>-891</b>	<b>-60</b>	<b>-26</b>	<b>-37</b>	<b>-345</b>	<b>47%</b>
Expenditure on debt portfolio purchases	-456	-781	-57	-23	-33	-344	42%
Other investing cash flow	-12	-110	-3	-3	-5	-1	89%
<b>Cash flows from financing activities</b>	<b>-535</b>	<b>-7</b>	<b>-79</b>	<b>-206</b>	<b>-214</b>	<b>-37</b>	<b>-7,682%</b>
Issue of shares	-3	7	0	0	0	-3	-54%
Dividend / Shares buyback	-95	-95	0	0	0	-95	0%
Increase in borrowings and lease liabilities	1,288	2,102	271	301	66	651	-39%
Issue of bonds	25	215	0	0	25	0	-88%
Decrease in borrowings and lease liabilities	-1,749	-1,944	-369	-530	-334	-516	10%
Redemption of bonds	-88	-213	0	-13	0	-75	58%
Other financing cash flow	80	-79	20	36	29	-5	-201%
<b>Net cash flows:</b>	<b>-5</b>	<b>3</b>	<b>86</b>	<b>15</b>	<b>15</b>	<b>-120</b>	<b>-252%</b>

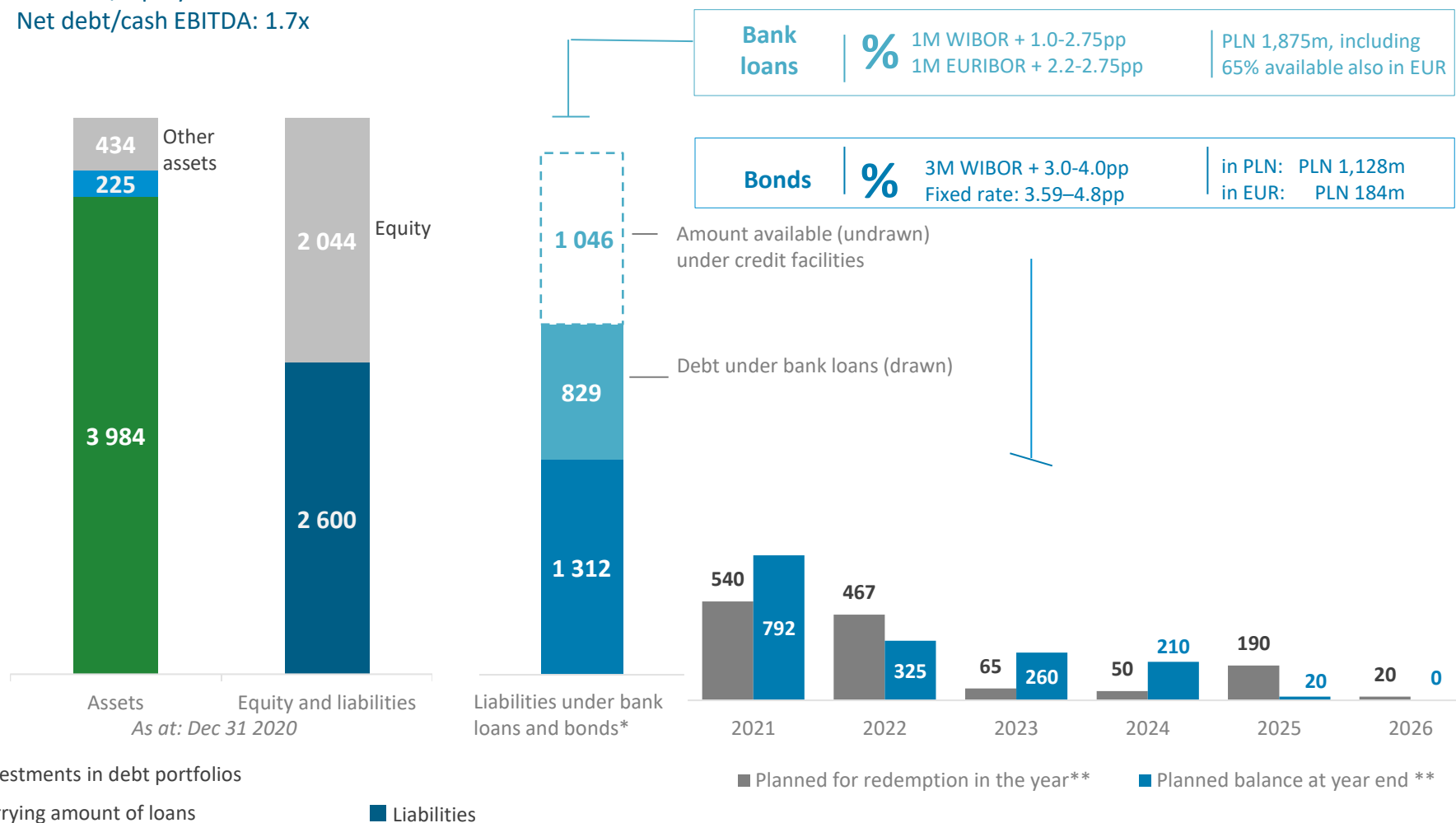
# The KRUK Group – selected items of the statement of financial position (presentation format)

PLNm	Dec 31 2020	Sep 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019
<b>ASSETS</b>					
Cash and cash equivalents	146	266	251	236	150
Investments in debt portfolios and loans	4,209	3,984	4,075	4,307	4,411
Other assets	289	262	256	293	278
<b>Total assets</b>	<b>4,643</b>	<b>4,511</b>	<b>4,582</b>	<b>4,836</b>	<b>4,840</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>2,043</b>	<b>2,064</b>	<b>1,987</b>	<b>1,953</b>	<b>1,959</b>
of which: Retained earnings	1,544	1,497	1,536	1,496	1,558
<b>Liabilities</b>	<b>2,600</b>	<b>2,448</b>	<b>2,595</b>	<b>2,883</b>	<b>2,881</b>
of which: Bank borrowings and leases	908	765	1,031	1,259	1,345
Bonds	1,314	1,383	1,354	1,376	1,361
<b>Total equity and liabilities</b>	<b>4,643</b>	<b>4,511</b>	<b>4,582</b>	<b>4,836</b>	<b>4,840</b>
<b>METRICS</b>					
<b>Interest-bearing debt</b>	<b>2,222</b>	<b>2,148</b>	<b>2,385</b>	<b>2,635</b>	<b>2,706</b>
<b>Net interest-bearing debt</b>	<b>2,076</b>	<b>1,882</b>	<b>2,134</b>	<b>2,399</b>	<b>2,555</b>
Net interest-bearing debt to equity	1.0	0.9	1.1	1.2	1.3
Net interest-bearing debt to LTM cash EBITDA	1.7	1.6	1.9	2.1	2.3

# KRUK has a sound liquidity position and is prepared to step up future investments

Net debt/equity 1.0x

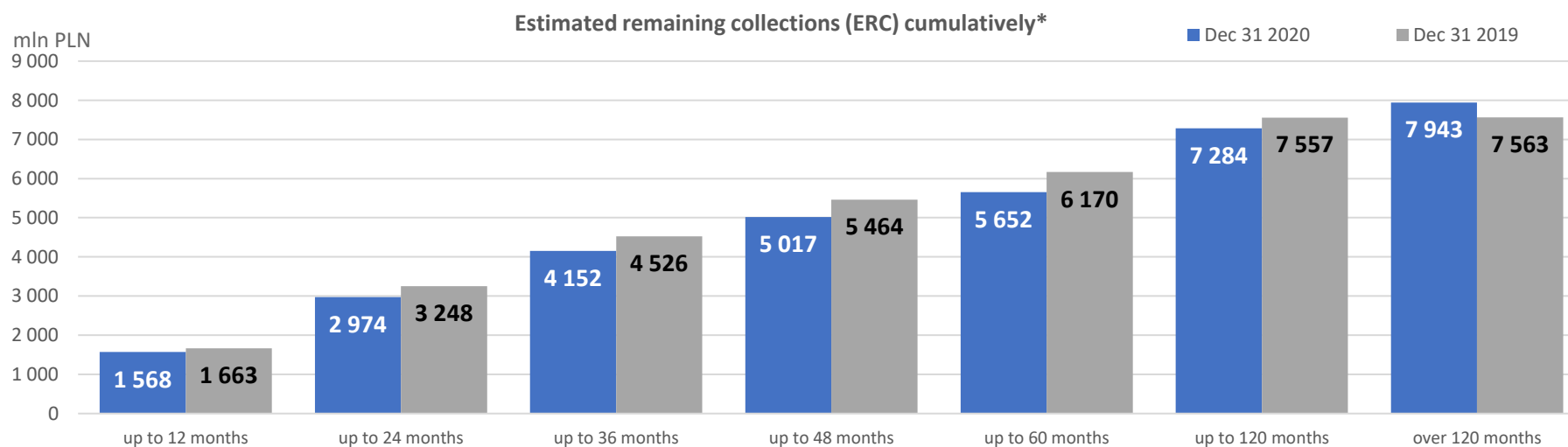
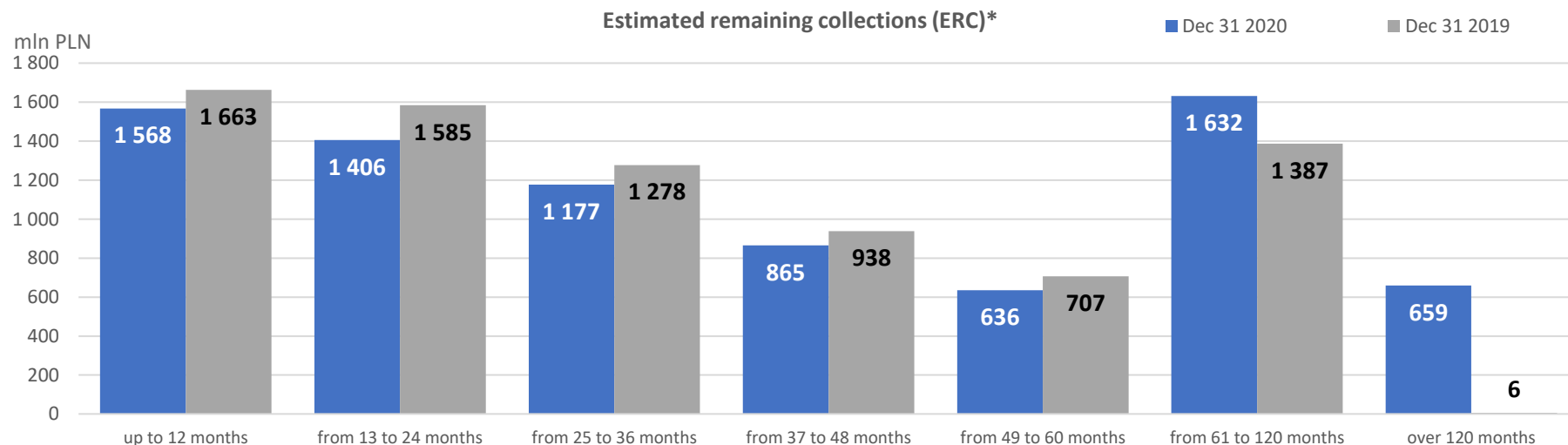
Net debt/cash EBITDA: 1.7x



\* Nominal values as at December 31st 2020.

\*\* In nominal values as at December 31st 2020 and including the PLN 20m issue of February 2021

# KRUK Group – ERC at the end of 2020 and 2019



\* ERC – estimated remaining undiscounted collections from purchased portfolios.

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# Investor Relations

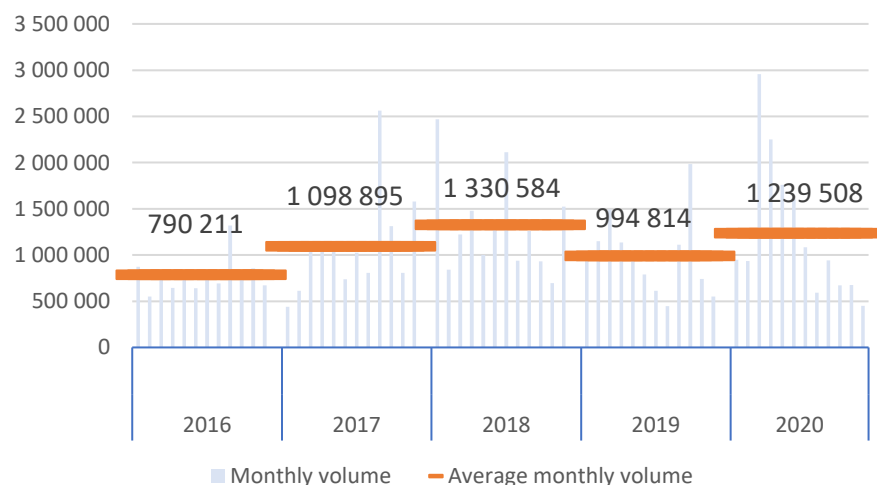
## Issue of financial statements in 2021

Date	Financial statements
March 25th	2020 full-year financial statements
May 6th	Q1 2021 financial statements
September 8th	H1 2021 financial statements
November 3rd	Q3 2021 financial statements

## Participation in conferences in 2020

	Number of traditional investor conferences	Number of virtual investor conferences	Number of conferences organised by KRUK
Poland	2	5	4
Foreign markets	1	4	4

## KRUK as the 25th most liquid stock on the WSE



## Shareholders with ownership interests above 3%\*

Shareholder	Ownership interest
OFE Nationale-Nederlanden	13.66%
Piotr Krupa	9.63%
OFE PZU Złota Jesień	9.39%
OFE Aviva Santander	8.97%
OFE Allianz Polska	5.31%
OFE MetLife	4.92%
OFE Generali	4.53%
OFE Aegon	4.10%
OFE AXA	3.64%

## Most recent recommendations

Date	Institution	Recommendation	Target price
December 2020	DM Trigon	buy	PLN 165.00
December 2020	Ipopema	sell	PLN 99.10
December 2020	DM mBanku	buy	PLN 174.96

For more information, go to <https://en.kruk.eu/investor-relations/reports/analytical-reports>

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DM mBanku	Michał Konarski	michal.konarski@mdm.pl
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DM Trigon	Grzegorz Kujawski	grzegorz.kujawski@trigon.pl
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\*Source: stooq.pl



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