



# Meeting with the KRUK Management Board

September 14th 2021



# Agenda



1. Introduction
2. Purchased debt portfolios on balance sheet (Back book)
3. New investments (Front book)
4. Q&A

# Complementary management team



**Piotr Krupa**  
*CEO, President of the  
Management Board*

A shareholder and co-founder of KRUK S.A., President of the Management Board since 2005. He graduated in law from the University of Wrocław. He completed court training and is a legal counsel. He was the winner of the 'EY Entrepreneur of the Year 2017' competition in the main category and in the 'Production and Services' category.



**Michał Zasępa**  
*CFO*

Member of the Supervisory Board of KRUK in 2005-2010. Member of the Management Board since 2010, responsible for financial management and investor relations. A graduate of the Warsaw School of Economics. He studied management at the University of Wisconsin and Stockholm School of Economics.



**Urszula Okarma**  
*CIO*

With KRUK since 2002. Member of the Management Board since 2006. Responsible for investments and legal support. She graduated in finance and banking from the Wrocław Academy of Economics (currently the Wrocław University of Economics and Business).



**Piotr Kowalewski**  
*COO*

With KRUK since 2004. Appointed to the Management Board in May 2020. Responsible for the unsecured retail debt recovery strategy. He graduated in managerial econometrics from the Wrocław Academy of Economics (currently the Wrocław University of Economics and Business) and in computer science and management from the Wrocław University of Technology. He also completed a post-graduate programme in business psychology at the WSB University.



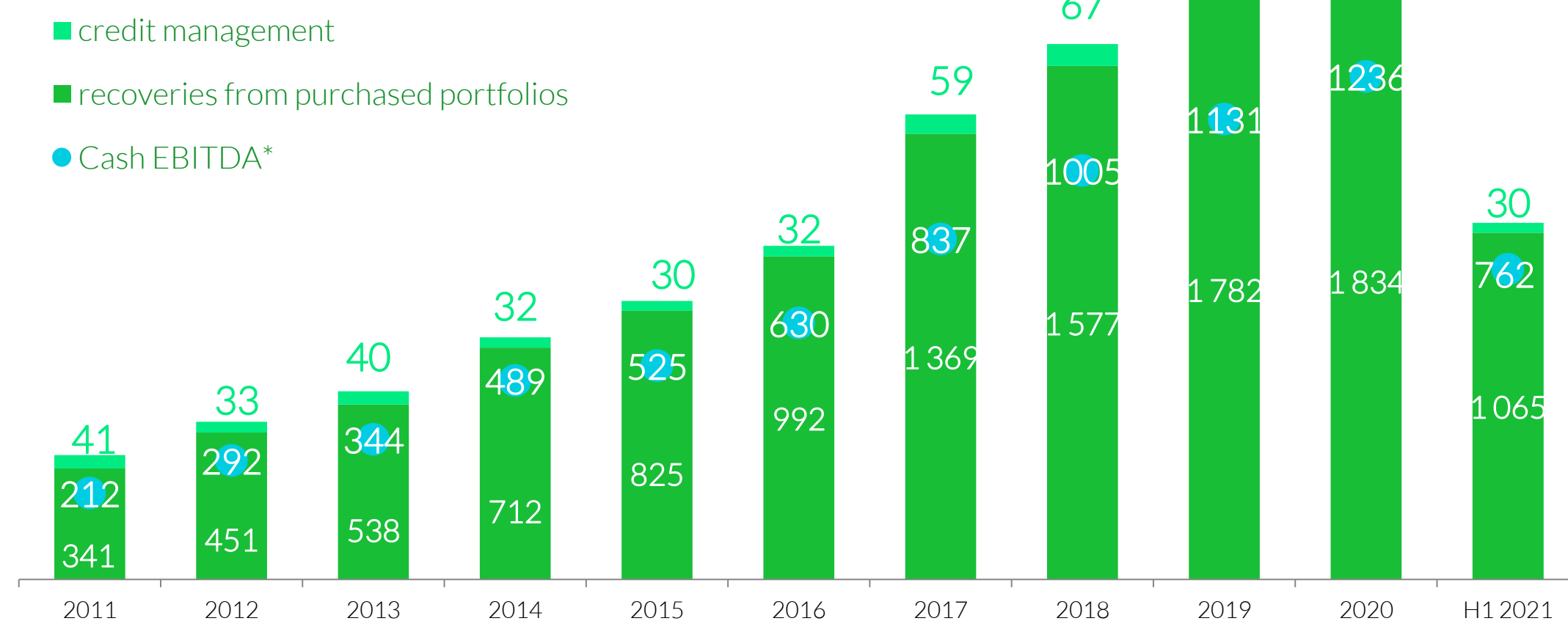
**Adam Łodygowski**  
*CDTO*

With KRUK since August 2020. In November 2020 appointed member of the Management Board responsible for debt portfolio valuations and IT. He graduated from the Poznań University of Technology and University of Hanover in the field of numerical methods in construction. He studied and worked as an academic researcher at Louisiana State University and was awarded the title of Doctor of Science and a Master's degree in financial mathematics.

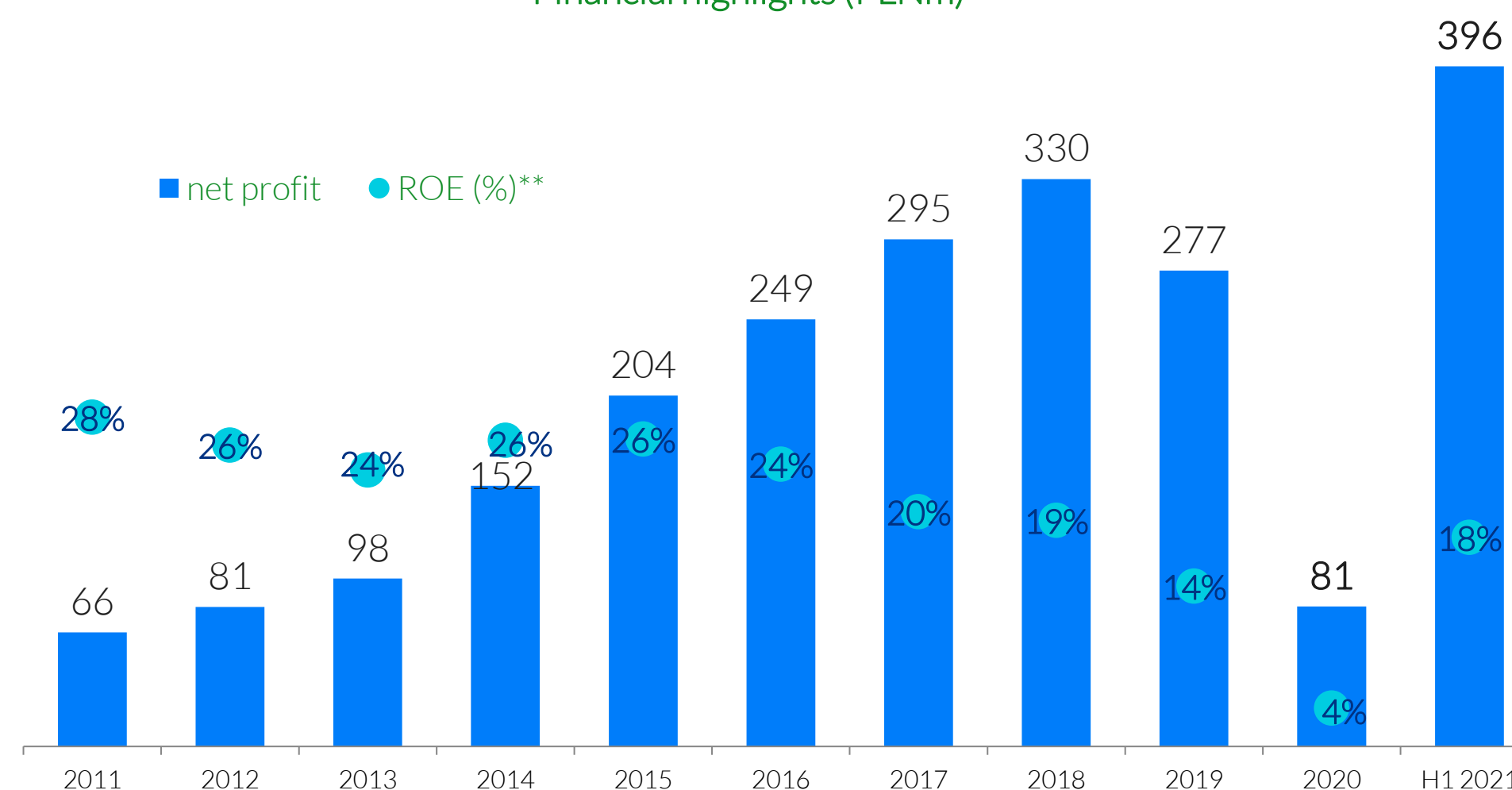
# KRUK reports another year of strong cash EBITDA despite COVID-19



Cash receipts from debt collection (PLNm)



Financial highlights (PLNm)



PLNm

	2011	H1 2020	H1 2021	Change y/y	CAGR 11-1H21
Revenue	274	465	896	92%	12%
EBIT	96	52	484	823%	17%
Cash EBITDA	212	591	762	29%	23%
Net profit	66	-19	396	2148%	19%

Accumulated number of purchased cases (in millions)

	2019	2020	H1 2021
Accumulated number of purchased cases (in millions)	8.8	9.1	9.3
Accumulated expenditure on purchased debt portfolios (PLNm)	7,255	7,711	8,355
Accumulated recoveries from purchased debt portfolios (PLNm)	9,208	11,042	12,107
Headcount (FTEs)***	3,263	3,126	2,992

\* Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt

\*\* Return on equity at the end of the period

\*\*\* FTEs – the number reflected in the cost of salaries, calculated based on full time job equivalents rather than the actual number of employees. 2019 excluding Wonga.



# KRUK Group in a nutshell

**No. 1**  
in Poland and  
Romania

**7**  
Market presence

Debt portfolio purchase

Credit management  
services

Consumer lending

Credit reference

**PLN 762m**  
Cash EBITDA  
H1 2021

**PLN 396m**  
Net profit/(loss)  
H1 2021

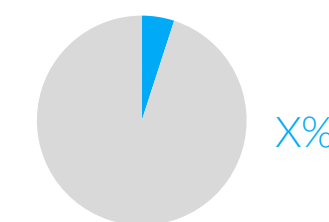
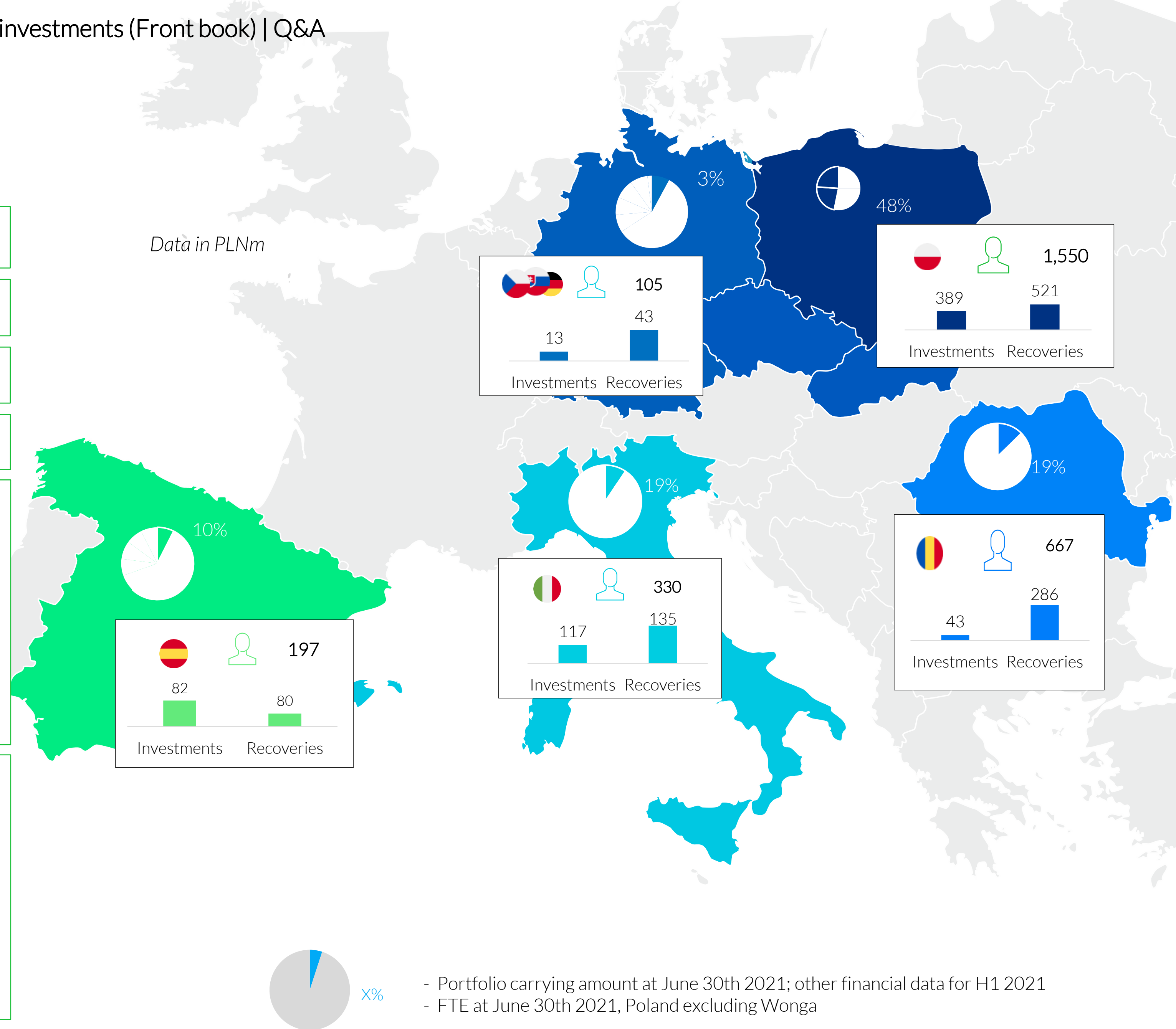
**PLN 644m**  
Amount invested in  
debt portfolios  
H1 2021

**1.4x**  
Net debt to cash EBITDA  
**0.9x**  
Net debt to equity

**PLN 11 per share**  
Dividend paid in  
2021

**PLN 4bn**  
Portfolio carrying  
amount  
**PLN 8.5bn in  
ERC**

Data in PLNm



- Portfolio carrying amount at June 30th 2021; other financial data for H1 2021
- FTE at June 30th 2021, Poland excluding Wonga

# Why KRUK



We are proficient in what we do thanks to a stable and seasoned management team

- ✓ With an operating history going back to 1998, we have one of the most impressive track records among Central Europe's debt collection companies and a presence spanning 7 European markets
- ✓ We provide comprehensive credit management services, leveraging both amicable settlement and court procedures, based on our own IT system and decision-making models
- ✓ We invest in cutting-edge IT solutions and develop our analytical tools
- ✓ We have built from scratch our own process know-how based on a range of operational tools, comprising a contact centre, field advisor visits, written communications (including email) and online tools.
- ✓ We have long-standing experience in court and enforcement processes, where we rely on advanced solutions to manage large volumes of cases
- ✓ We have an extensive track record of international expansion through organic growth and acquisitions
- ✓ We have a wealth of experience in debt portfolio valuation, purchase and collection, having already invested PLN 8.4bn to buy 1,197 portfolios
- ✓ We can improve our processes and leverage lessons learned; we are driven by the Lean philosophy; and we keep refining our statistics-based models

We deliver excellent performance

- ✓ We are firmly entrenched as the market leader in Poland and Romania, boasting a strong brand and delivering profitable growth across all business lines
- ✓ For all the past 23 years, we have maintained a consistent track record of profit generation
- ✓ Average ROE for 2011–LTM2021\* at 22%
- ✓ We can combine business growth with profit sharing – from 2015 to 2021 KRUK has paid a total of PLN 589m in profit distributions to shareholders.
- ✓ KRUK's share price has risen over 512% since its IPO in 2011\*\*

\* LTM2021 = H2 2020 + H1 2021

\*\* to September 7th 2021

# Why KRUK



## We have ambitions and growth potential

- ✓ Our ambition is to remain on a path of profit growth and geographic expansion, with the economic interests of KRUK's management tied to the share price performance
- ✓ Over the years, we have demonstrated an ability to maximise recoveries from our existing portfolio through process efficiency improvements, translating into robust profit growth
- ✓ We believe we are well-placed to step up portfolio purchases going forward through market share gains and further expansion
- ✓ We have a corporate culture that supports sustainability: we are responsible, bold, ready to embrace change and to leverage lessons learned

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## Our history to date has shown that KRUK is a moderate-risk business

- ✓ Having come through two global crises, the 2007 crisis including the 2020 pandemic, we have proven our ability to adapt and capitalise on any conditions that may emerge
- ✓ With a low leverage ratio, we can keep down our liquidity risk profile and borrowing costs, while being able to flexibly capture future growth
- ✓ For the 23 years since our business was launched, we have not experienced a single major financial, liquidity or PR crisis
- ✓ KRUK's affairs are run by its founder and a stable management team. Since 2003 KRUK has been led by the same CEO, Mr Piotr Krupa. The CEO together with the other Management Board members hold a combined equity stake of some 10% in KRUK S.A.

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## We are strongly committed to business ethics

- ✓ Respect for clients at every stage of the operational process remains KRUK's core value. We have received the Ethical Business title in a prestigious awards programme run by *Puls Biznesu* (subject to thorough audit by EY) every year since 2017.
- ✓ Our activities are making a positive difference in the way the debt collection and consumer lending industry are perceived
- ✓ As a responsible corporate citizen, we are engaged in financial literacy projects.

# 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.

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## 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.

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## 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.

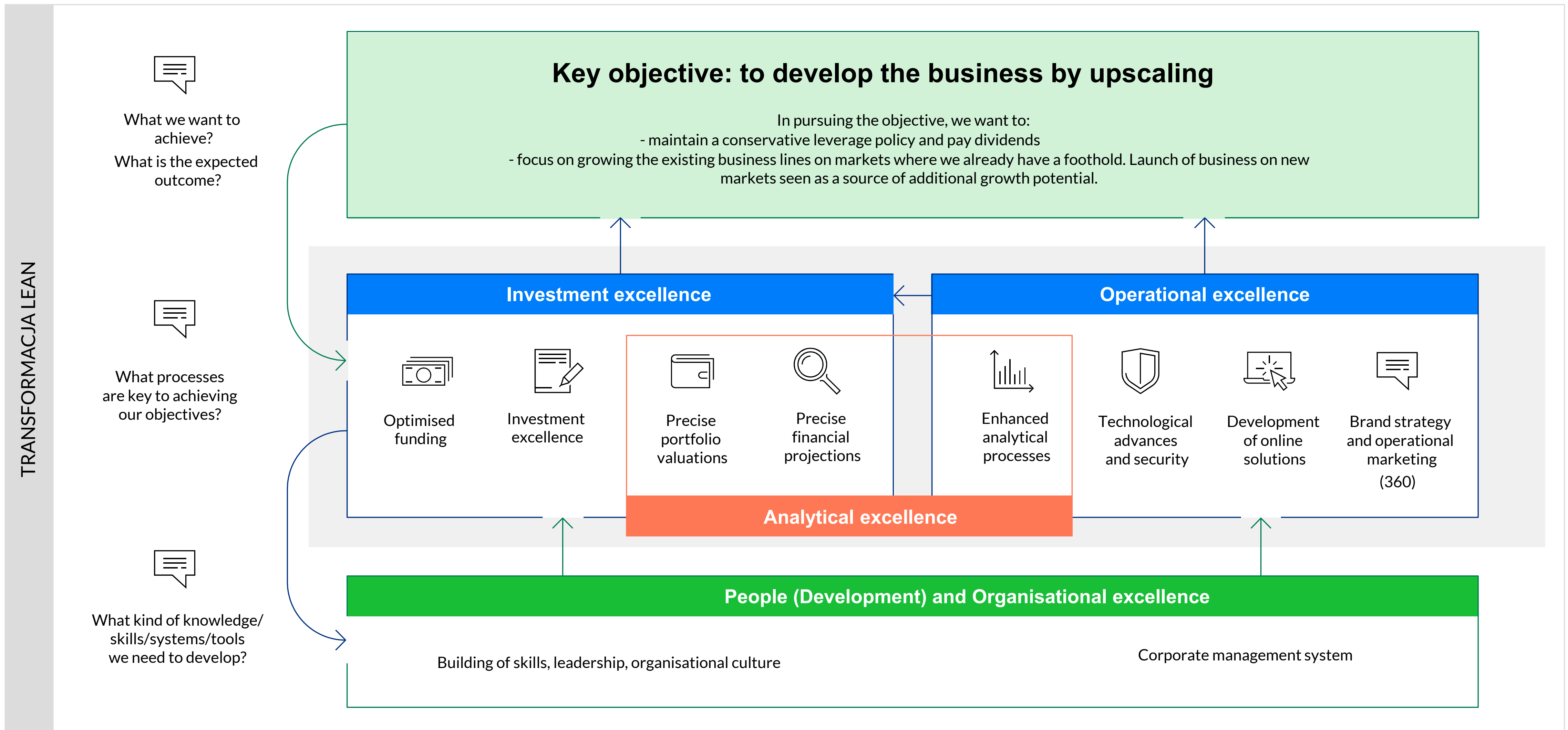
**Accountability** – Everyone is responsible for their decisions, actions or inaction and their consequences.

**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 - development strategy



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2. Purchased debt portfolios on balance sheet (Back book)
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# KRUK's back book

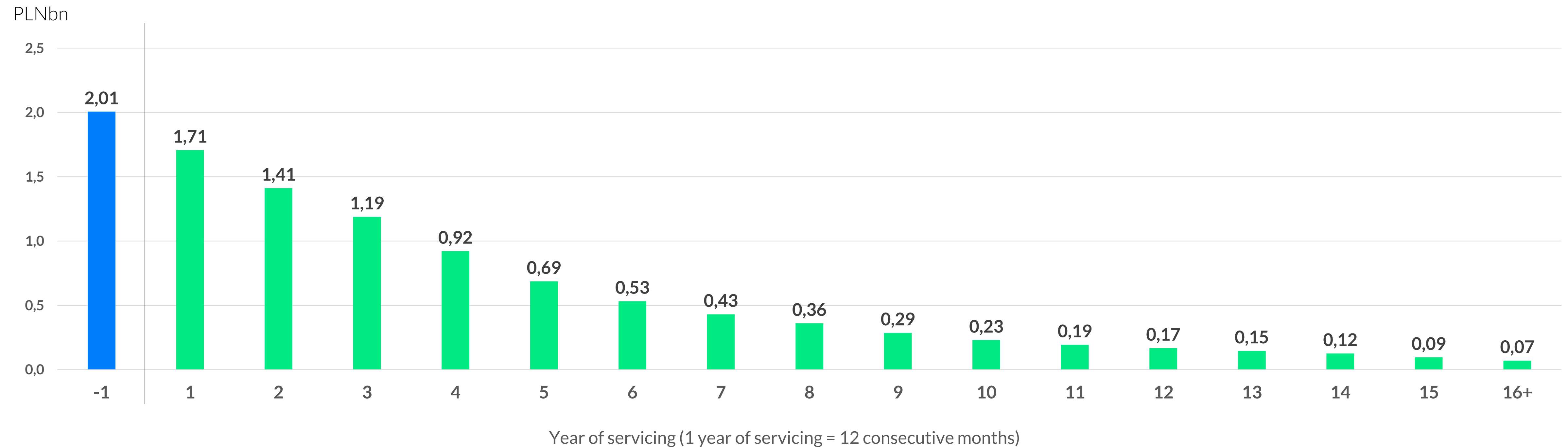


PLNbn	Before 2011	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	H1 2021	Up to 12 mont hs	12 to 24 mont hs
Nominal value of purchased debt portfolios	6,1	4,5	3,6	3,8	3,8	4,9	16,8	16,4	8,9	8,3	3,1	3,6	-	-
Cumulative nominal value of purchased debt portfolios	6,1	10,5	14,1	17,9	21,7	26,6	43,4	59,8	68,7	77,0	80,1	83,7	-	-
Expenditure	0,5	0,6	0,3	0,4	0,6	0,5	1,3	1,0	1,4	0,8	0,5	0,6	-	-
Cumulative expenditure	0,5	1,1	1,4	1,8	2,3	2,8	4,1	5,1	6,5	7,3	7,7	8,4	-	-
Cash recoveries	0,6	0,3	0,5	0,5	0,7	0,8	1,0	1,4	1,6	1,8	1,8	1,1	-	-
Cumulative cash recoveries	0,6	1,0	1,4	1,9	2,7	3,5	4,5	5,8	7,4	9,2	11,0	12,1	-	-
Carrying amount of debt portfolios	-	0,7	0,9	1,1	1,4	1,6	2,6	3,1	4,1	4,4	4,0	4,3	-	-
Estimated remaining collections (ERC)	-	1,4	1,7	2,1	2,5	2,8	5,0	5,7	7,2	7,6	7,9	8,5	1,7	1,4

# KRUK Group – ERC



Estimated remaining collections (ERC) relative to the debt portfolio carrying amount, by years of servicing, as at June 30th 2021



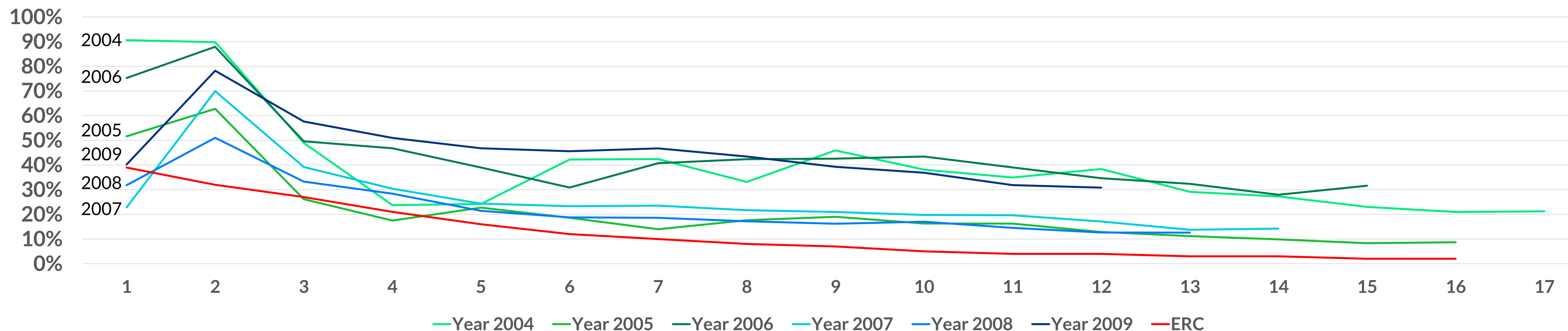
Period -1 stands for actual recoveries in the 12 months prior to the ERC calculation date (June 30th 2021) (H2 2020 and H1 2021)



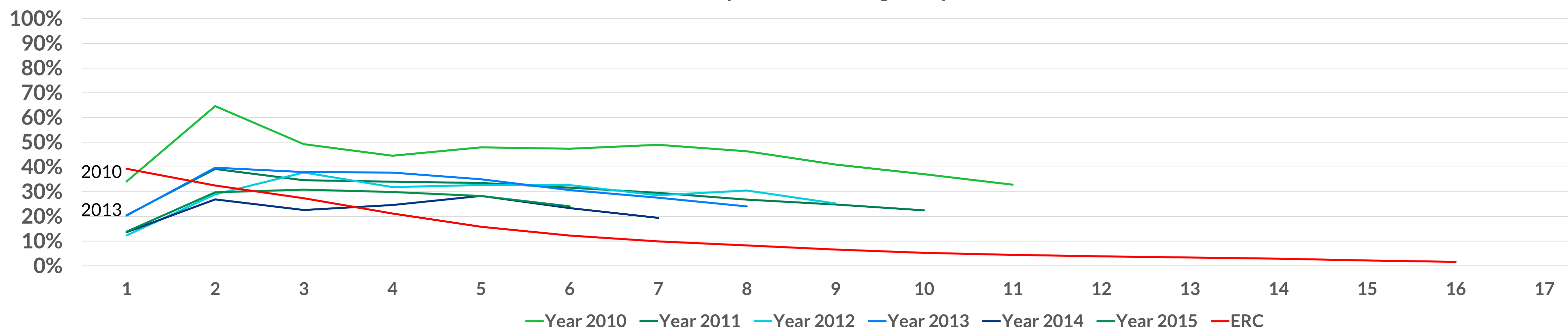
# KRUK Group – historical performance and ERC



Recoveries in the successive years of servicing to expenditure in 2004–2009\*

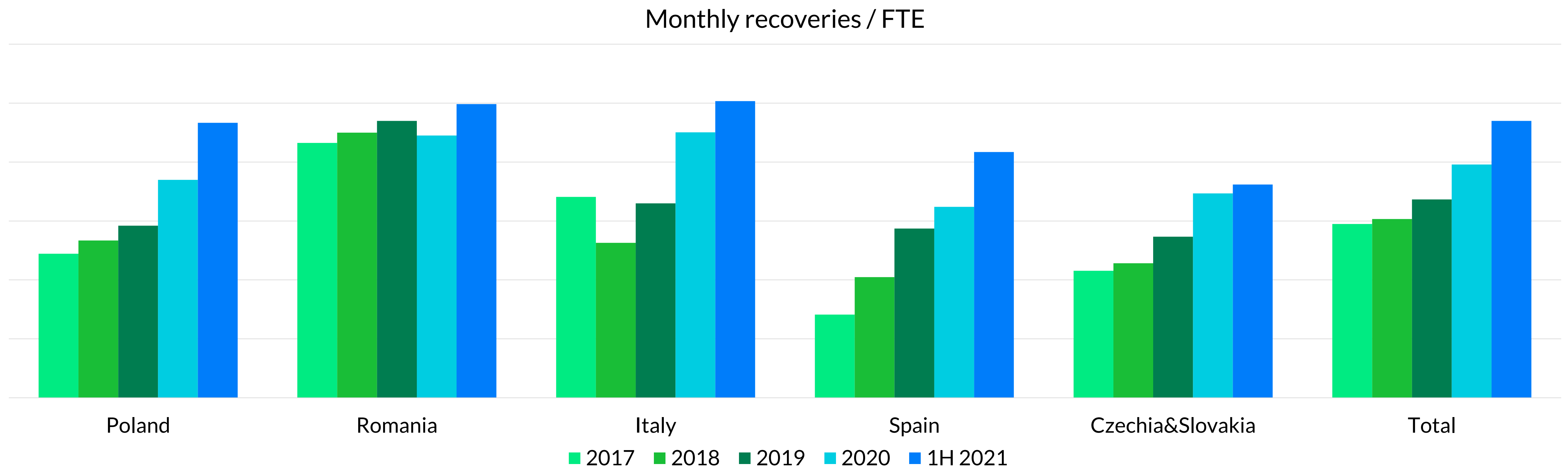


Recoveries in the successive years of servicing to expenditure in 2010–2015\*

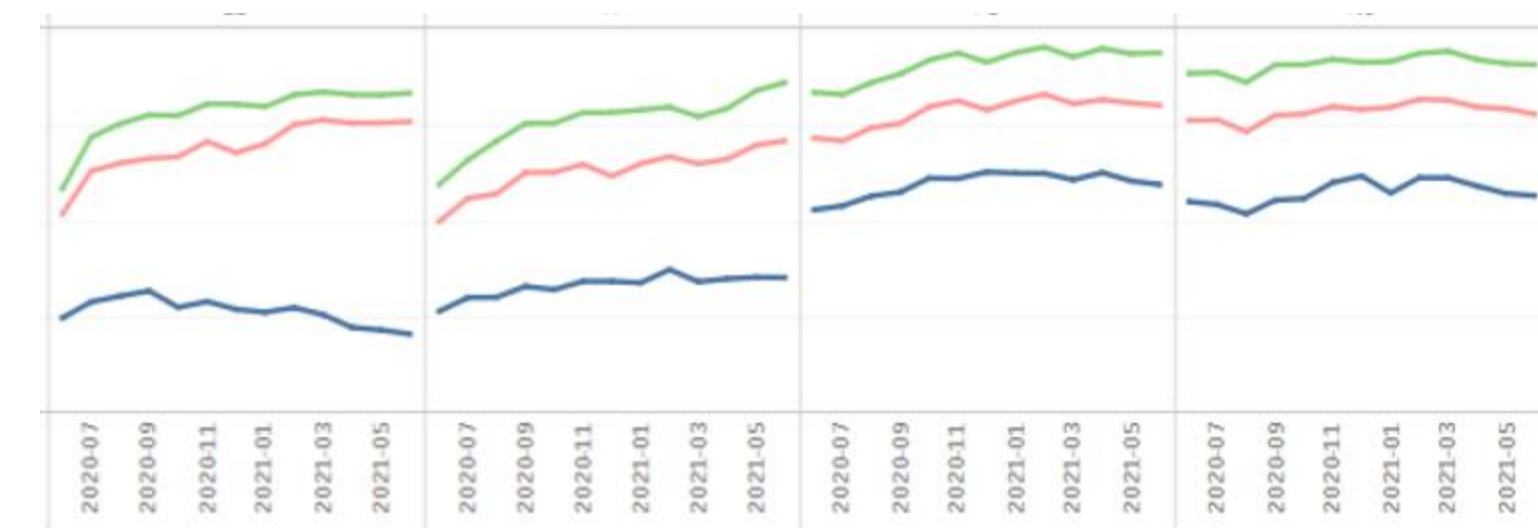
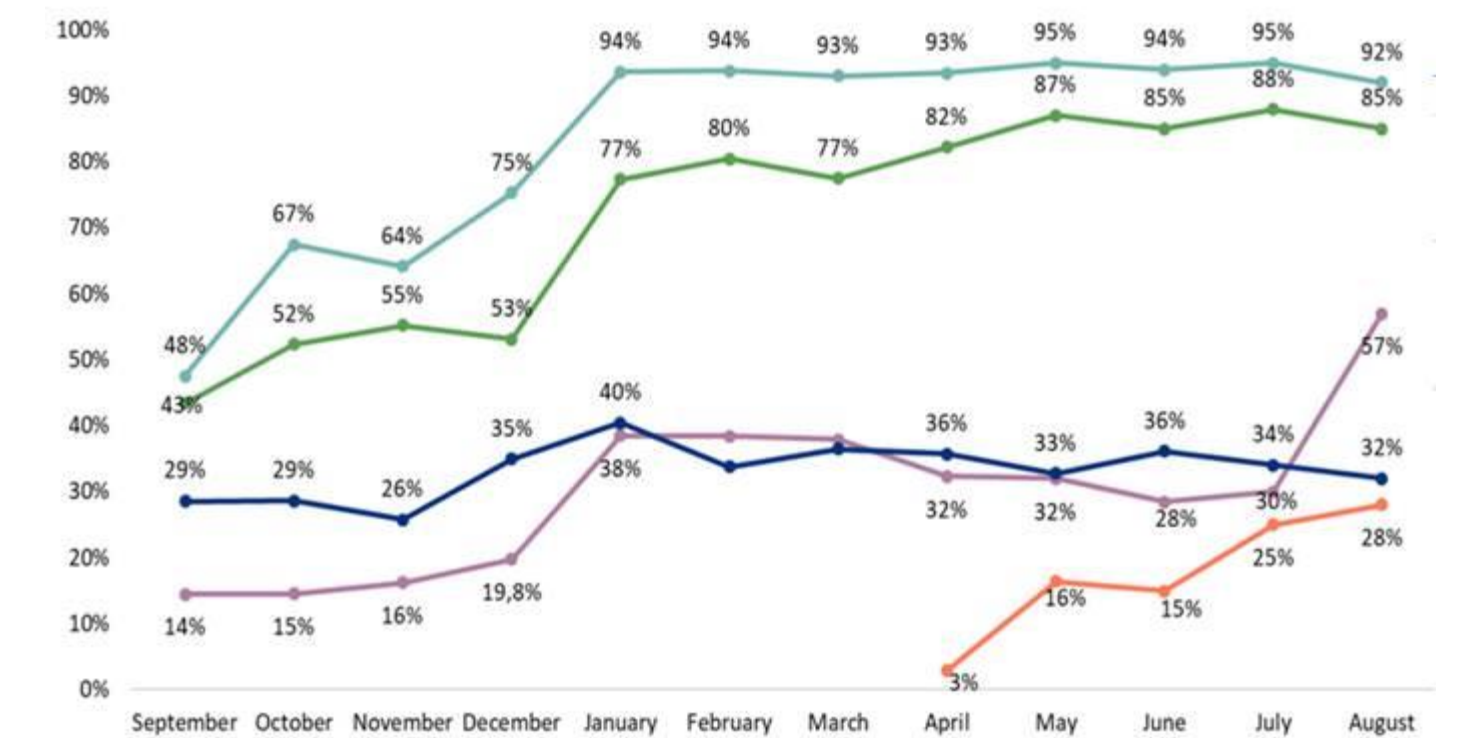
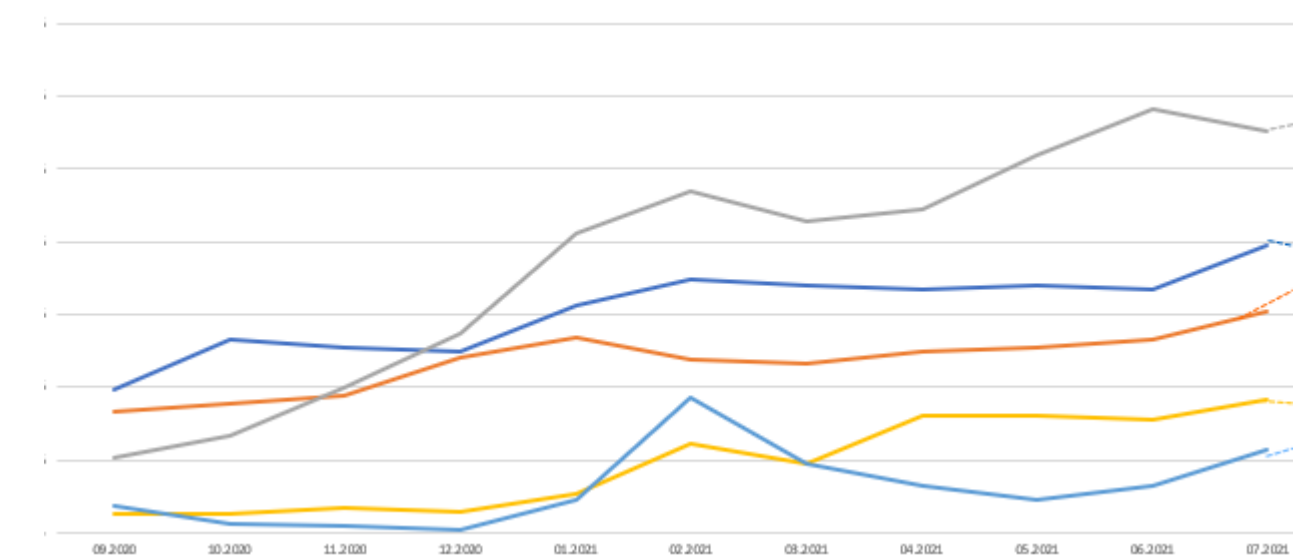
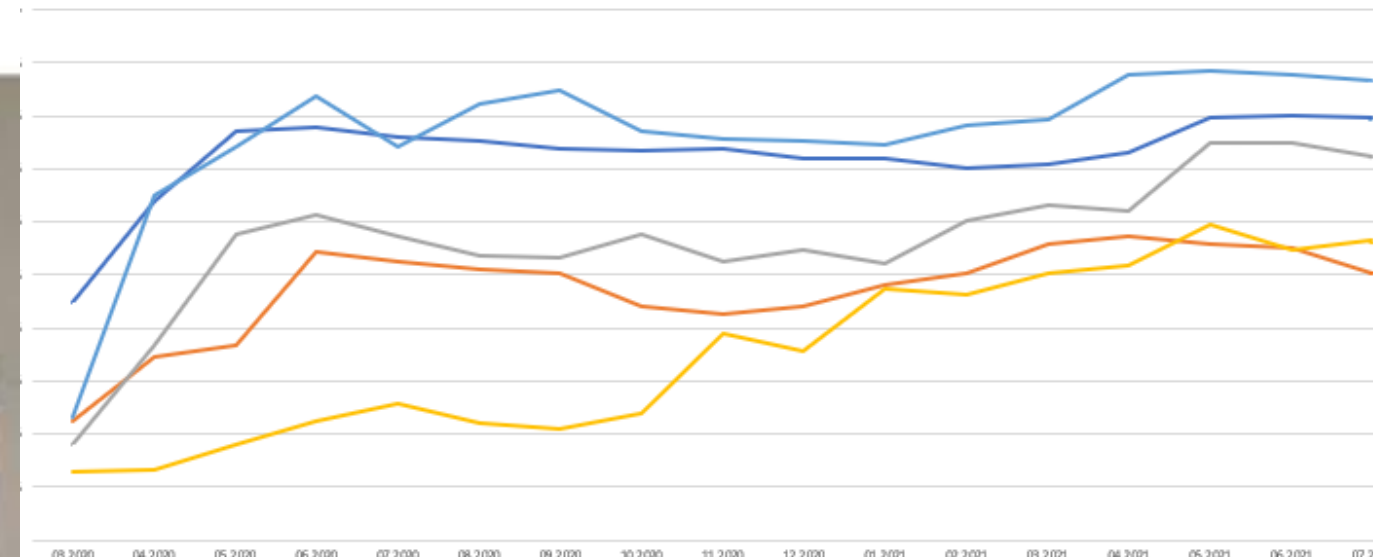


\* The servicing period in the first year from the purchase may be shorter than 12 months. As at Dec 31 2020

# Operational efficiency and lean management – higher recoveries per operational FTE

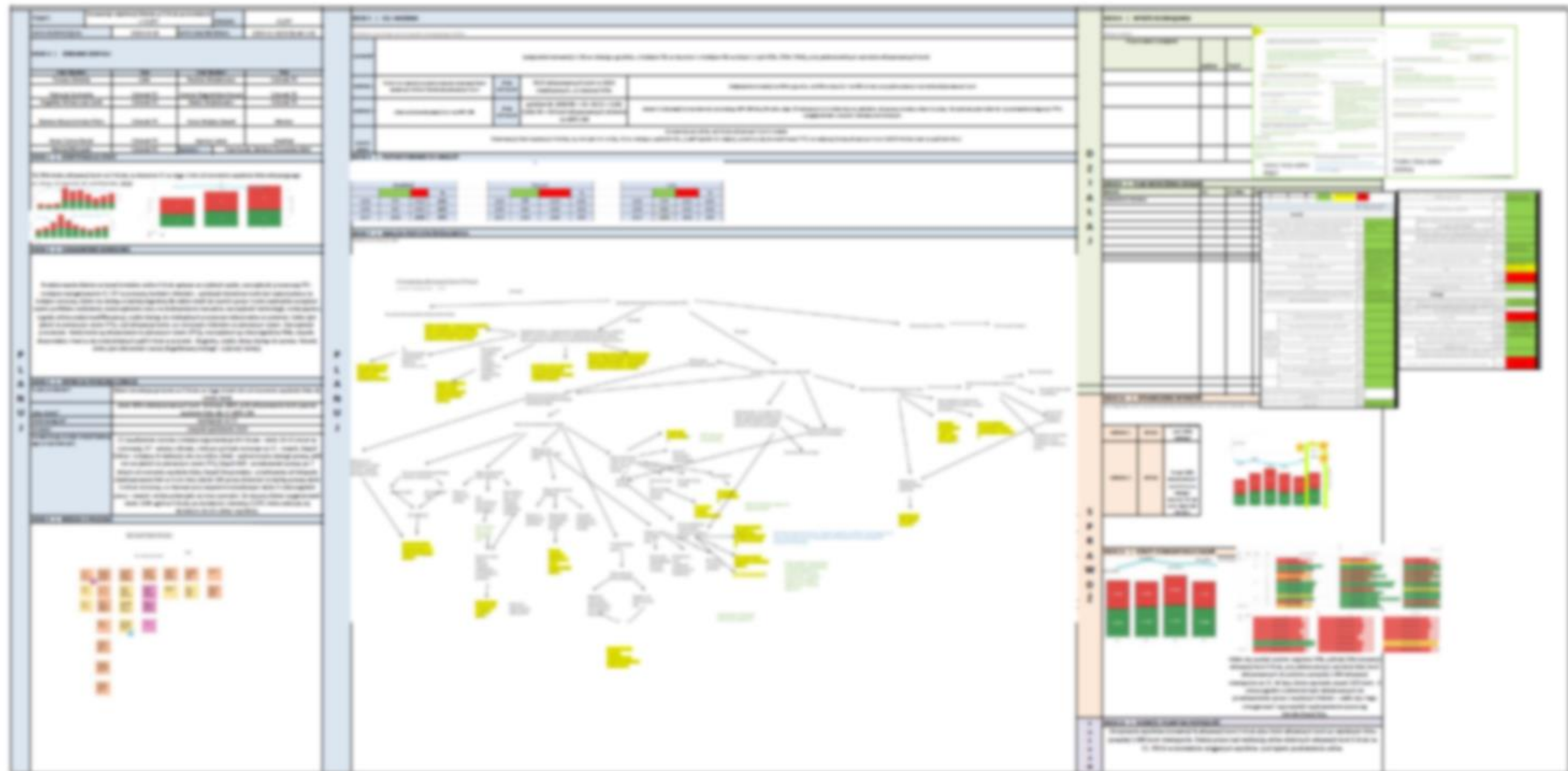


# Operational efficiency and lean management – lean management tools in place at KRUK





# Operational efficiency and lean management – lean management tools in place at KRUK (continued)





# Brand Equity Project

Re-shaping Brand Personality  
Demanding Teacher archetype

## Demanding but fair

Expects commitment from the Client, but is equally demanding of herself and her duties. Adheres to rules and is fair in placing demands on the Client and on herself.

## Empathetic but firm

Understands Clients, their circumstances and needs, but firmly enforces what they have committed themselves to. Not hesitant about inflicting the consequences.

## Friendly but effective

Proficient at what she does, while being able to discuss it in clear and understandable terms, with respect for the other party.





# Behavioural economics in KRUK's operational processes

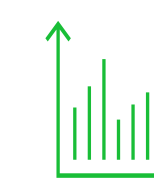


## Behavioural economics at KRUK

Combining psychology and economics, behavioural economics looks into decision-making processes and how they can be influenced. As part of the Brand Equity project, we tested communications aimed at maximising recovery rates.



For testing purposes, we created 11 'triggers'.



70% of the triggers had a positive impact on recoveries, 30% were neutral, 1 trigger requires retesting.



The highest impact on recovery rates was 80%, the lowest – 4%, with the average of 29%.

Regular reminders to pay an instalment, stating the amicable payment arrangement may be terminated if failure to pay persists



Text message 1: 'Your amicable payment arrangement will be terminated in 10 days. To retain your instalment repayment plan, pay PLN X today.'

Text message 2: 'Important! We can see you still haven't paid your outstanding instalment. You only have 5 days left before your amicable arrangement is terminated'.

# Continuous improvement in forecasting – the ‘targets’ project



## MAIN GOAL

The overriding goal of the project is to improve operational targets for recoveries from retail debt portfolios

## METHOD

The project is implemented by designing and developing appropriate models combining statistical methods and machine learning. The basis for model estimation is a repository of features containing several hundred variable candidates, including:

- case and customer attributes,
- different types of behavioural variables reflecting the repayment history, various aspects of case processing, response to the processing, etc.

**Once ready, a model enables to accurately forecast recoveries on cases being processed.**

## ARCHITECTURE

The models' architecture and their level of detail are constantly developed to meet more specific requirements, also those pertaining to subsequent stages of case processing by KRUK and related payment streams.

# Operations of the KRUK Group – Poland



(PLNm)	2015	2016	2017	2018	2019	2020	H1 2021
EXPENDITURE ON DEBT PORTFOLIOS	258	427	275	627	338	346	389
RECOVERIES	470	516	633	768	820	863	521
PORTFOLIO CARRYING AMOUNT	1,024	1,318	1,434	1,842	1,884	1,876	2,151
REVENUE	332	424	552	591	602	622	460
PURCHASED DEBT PORTFOLIOS	289	371	502	538	516	498	398
REVALUATION OF RECOVERY PROJECTIONS	n/a	n/a	n/a	80	36	-38	54
CREDIT MANAGEMENT SERVICES	26	27	26	26	25	22	12
WONGA	0	0	0	0	36	78	37
OTHER ACTIVITIES	18	26	24	27	24	24	13
EBITDA	n/a	n/a	n/a	331	308	293	305
CASH EBITDA	n/a	n/a	n/a	561	612	658	428

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
46	18	9	272	130	259
219	206	213	225	250	271
1,852	-98	-66	188	1,929	222
128	157	165	172	199	261
93	131	135	139	166	232
-31	-14	1	6	5	49
6	5	6	5	6	6
23	15	20	20	20	17
6	6	5	7	6	7
41	79	89	84	122	183
167	154	167	170	206	222



# KRUK Group's operations – Romania



(PLNm)	2015	2016	2017	2018	2019	2020	H1 2021
EXPENDITURE ON DEBT PORTFOLIOS	158	379	262	148	254	48	43
RECOVERIES	315	401	533	528	561	525	286
PORTFOLIO CARRYING AMOUNT	449	752	857	932	994	889	843
REVENUE	258	312	436	424	400	315	221
PURCHASED DEBT PORTFOLIOS	255	307	427	414	385	299	213
REVALUATION OF RECOVERY PROJECTIONS	n/a	n/a	n/a	155	121	-9	62
CREDIT MANAGEMENT SERVICES	3	5	9	10	14	13	6
OTHER ACTIVITIES	0	0	0	0	1	3	2
EBITDA	n/a	n/a	n/a	328	294	221	167
CASH EBITDA	n/a	n/a	n/a	442	470	447	240

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
11	3	20	14	20	23
137	114	131	143	140	146
973	-64	-25	5	861	-18
47	68	81	119	90	131
43	66	76	114	86	127
-28	-48	23	44	11	51
3	3	3	4	3	3
1	0	1	1	1	1
23	48	57	93	63	104
117	96	112	122	117	123

# KRUK Group's operations – Italy



(PLNm)	2015	2016	2017	2018	2019	2020	H1 2021
EXPENDITURE ON DEBT PORTFOLIOS	20	325	287	268	99	0	117
RECOVERIES	0	13	80	126	185	250	135
PORTFOLIO CARRYING AMOUNT	19	342	534	743	812	735	813
REVENUE	0	9	13	69	172	117	116
PURCHASED DEBT PORTFOLIOS	0	9	9	58	160	107	111
REVALUATION OF RECOVERY PROJECTIONS	n/a	n/a	n/a	-87	-14	-96	9
CREDIT MANAGEMENT SERVICES	0	0	4	11	12	10	5
EBITDA	n/a	n/a	n/a	-66	-7	-29	32
CASH EBITDA	n/a	n/a	n/a	2	18	113	56

Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
0	0	0	0	0	117
68	53	61	68	66	69
812	-68	5	-14	727	86
16	3	58	40	54	62
13	1	56	37	52	59
-34	-42	2	-22	0	9
3	2	3	2	2	3
-31	-27	26	3	12	20
24	25	31	33	26	30

# KRUK Group's operations – other markets

(PLNm)	2015	2016	2017	2018	2019	2020	H1 2021
EXPENDITURE ON DEBT PORTFOLIOS	53	155	152	352	90	63	95
RECOVERIES	40	62	123	156	217	196	123
PORTFOLIO CARRYING AMOUNT	106	229	295	561	507	485	538
REVENUE	39	39	54	80	91	84	97
PURCHASED DEBT PORTFOLIOS	38	38	33	60	77	73	90
REVALUATION OF RECOVERY PROJECTIONS	n/a	n/a	n/a	-41	-65	-61	10
CREDIT MANAGEMENT SERVICES	1	1	21	20	14	11	7
EBITDA	n/a	n/a	n/a	-31	-7	-29	41
CASH EBITDA	n/a	n/a	n/a	65	133	94	74

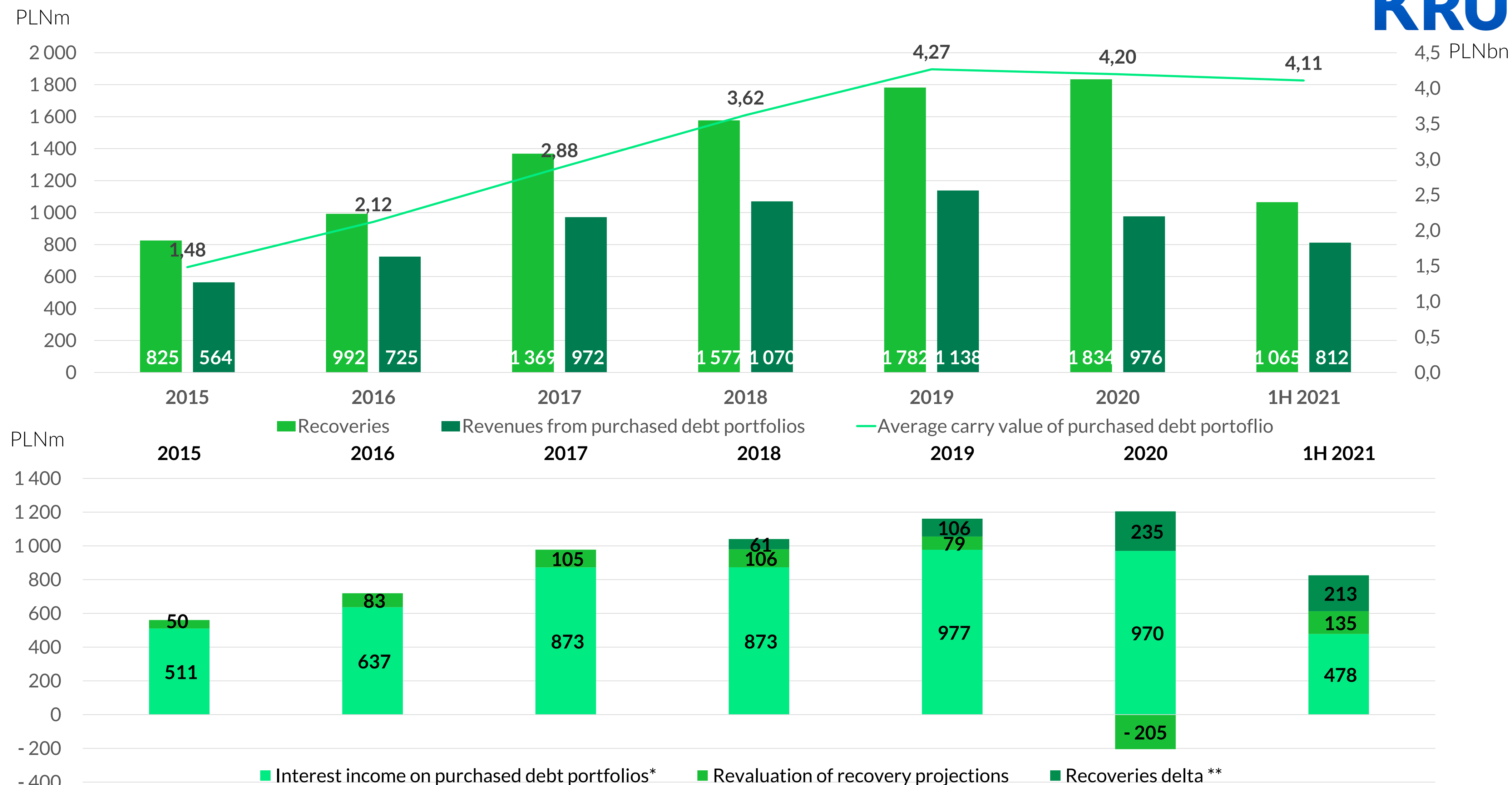
Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
0	2	4	58	10	85
53	44	47	52	56	67
438	28	-10	29	480	58
9	28	31	16	39	58
6	26	28	13	36	54
-29	-11	-3	-18	2	8
3	2	3	3	3	4
-16	-21	5	3	10	31
31	-3	24	42	30	44



## Including Spain

(w mln zł)	H1 2021	H1 2020	r/r
EXPENDITURE ON DEBT PORTFOLIOS	82	0	-
RECOVERIES	80	53	50%
PORTFOLIO CARRYING AMOUNT	421	343	23%
REVENUE	68	17	289%
PURCHASED DEBT PORTFOLIOS	61	13	380%
REVALUATION OF RECOVERY PROJECTIONS	5	-37	113%
CREDIT MANAGEMENT SERVICES	7	5	50%
EBITDA	27	-42	165%
CASH EBITDA	46	-1	5,576%

# Portfolio and revenue growth (including interest income, revaluation and delta of recoveries)



\*Interest income for 2015–2017 includes a delta of recoveries

\*\*Delta of recoveries for 2018 includes the costs of loyalty scheme valuation and costs of overpayments





# Revenue from debt purchase in KRUK's financial statements

## 1. Statement of profit or loss

	Note	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1– Jun 30 2020 restated	Apr 1– Jun 30 2020 restated
<b>Continuing operations</b>					
Interest income on debt portfolios and loans measured at amortised cost	5; 11.1	508,911	252,572	568,681	276,345
Interest income on loans measured at fair value	11.1	22,945	12,244	-	-
Revenue from sale of debts and loans	5; 11.1	3,774	1,722	1,356	493
Other income/expenses from purchased debt portfolios	5; 11.1	(17,337)	(7,894)	(19,120)	(12,831)
Revenue from the provision of other services		34,355	17,270	31,924	15,314
Other income	11.1	1,430	617	9,053	8,033
Change in investments measured at fair value	11.1	2,057	864	-	-
Gain/(loss) on expected credit losses	5; 11.1	339,723	235,393	(126,415)	(22,182)

## 2. Detailed note (Note 10.1)

### Revenue from purchased debt portfolios

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Interest income	477,656	237,370	502,966	245,123
Other income/expenses from purchased debt portfolios*	(17,337)	(7,894)	(19,120)	(12,831)
Gain/(loss) on expected credit losses from purchased debt portfolios	348,225	240,564	(106,239)	(9,760)
Gain/(loss) on sale of debts	3,774	1,722	1,356	493
	812,318	471,762	378,963	223,025

## 3. Detailed note – continued (Note 10.1)

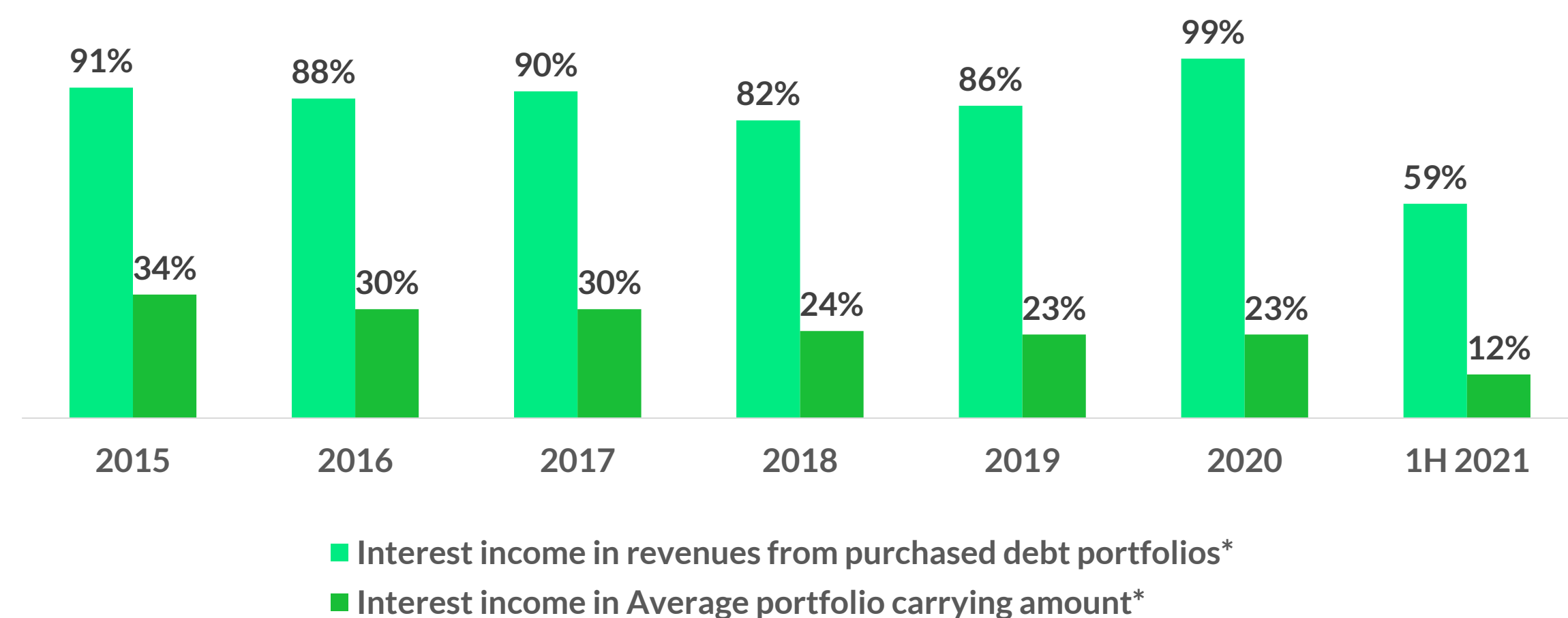
### Gain/(loss) on expected credit losses from purchased debt portfolios

	Jan 1–Jun 30 2021 unaudited	Apr 1–Jun 30 2021 unaudited	Jan 1–Jun 30 2020 restated	Apr 1–Jun 30 2020 restated
Revaluation of recovery projections	135,125	116,726	(192,752)	(71,696)
Deviations of actual recoveries, decreases on early collections in collateralised cases, payments from original creditor	213,100	123,838	86,513	61,936
	348,225	240,564	(106,239)	(9,760)

# Three main revenue components: interest income, revaluation and delta of recoveries – on an annual basis



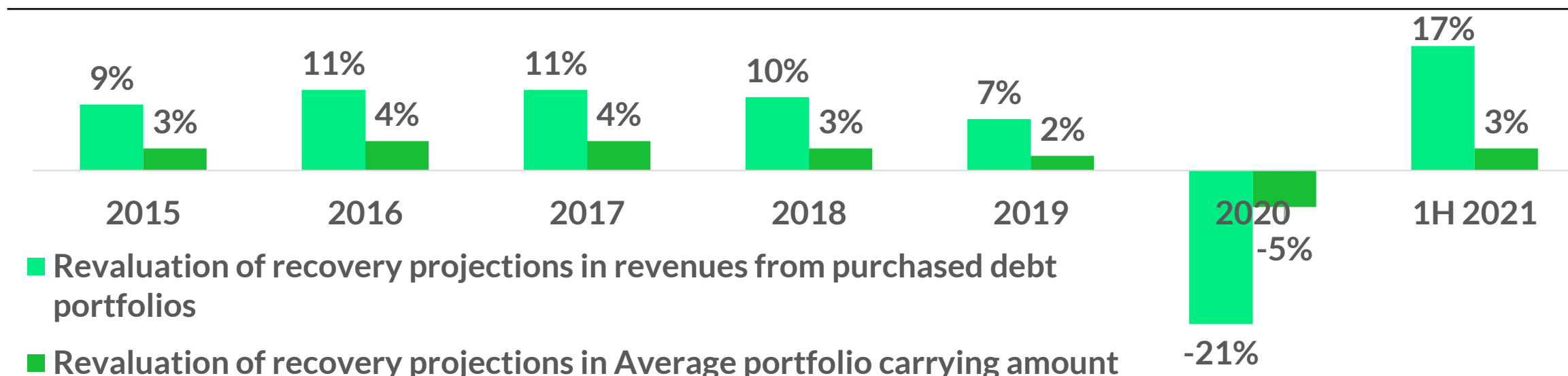
	2015	2016	2017	2018	2019	2020	H1 2021
Interest income in revenue from purchased debt portfolios	91%	88%	90%	82%	86%	99%	59%
Interest income in average portfolio carrying amount	34%	30%	30%	24%	23%	23%	12%



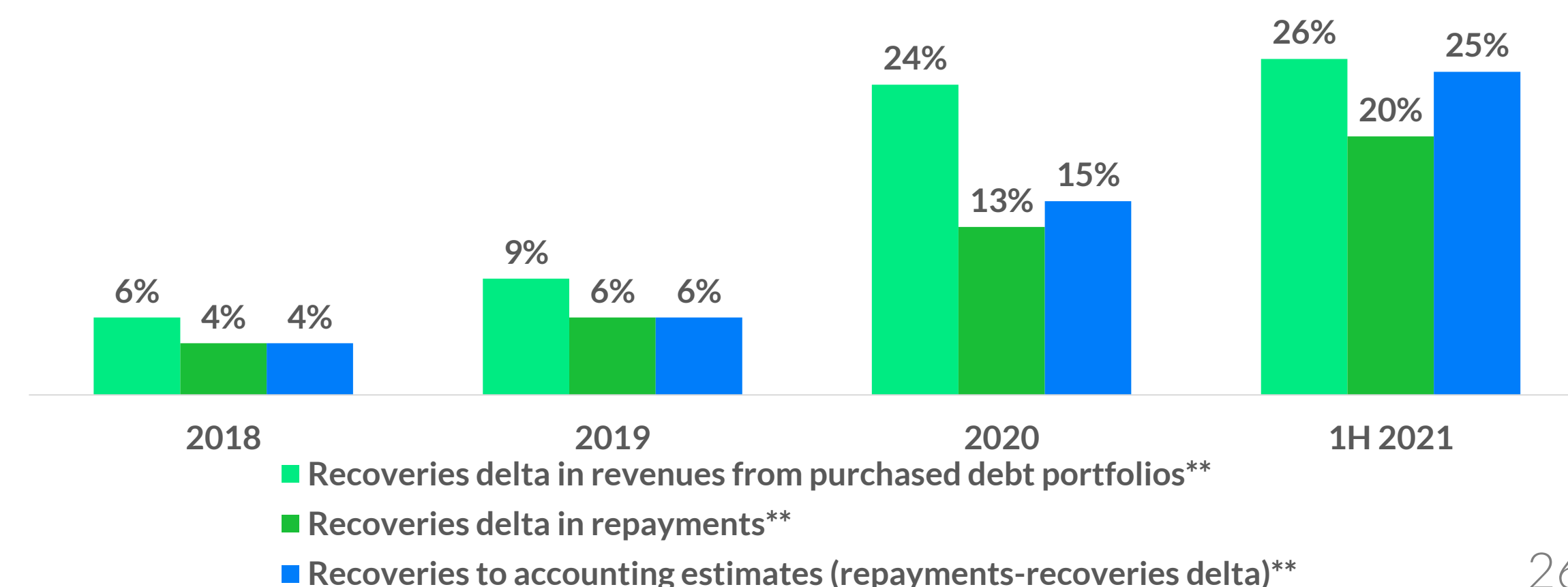
\*Interest income for 2015–2017 includes a delta of recoveries

\*\*Delta of recoveries for 2018 includes the costs of loyalty scheme valuation and costs of overpayments

	2015	2016	2017	2018	2019	2020	H1 2021
Revaluation in revenue from purchased debt portfolios	9%	11%	11%	10%	7%	-21%	17%
Revaluation in average portfolio carrying amount	3%	4%	4%	3%	2%	-5%	3%

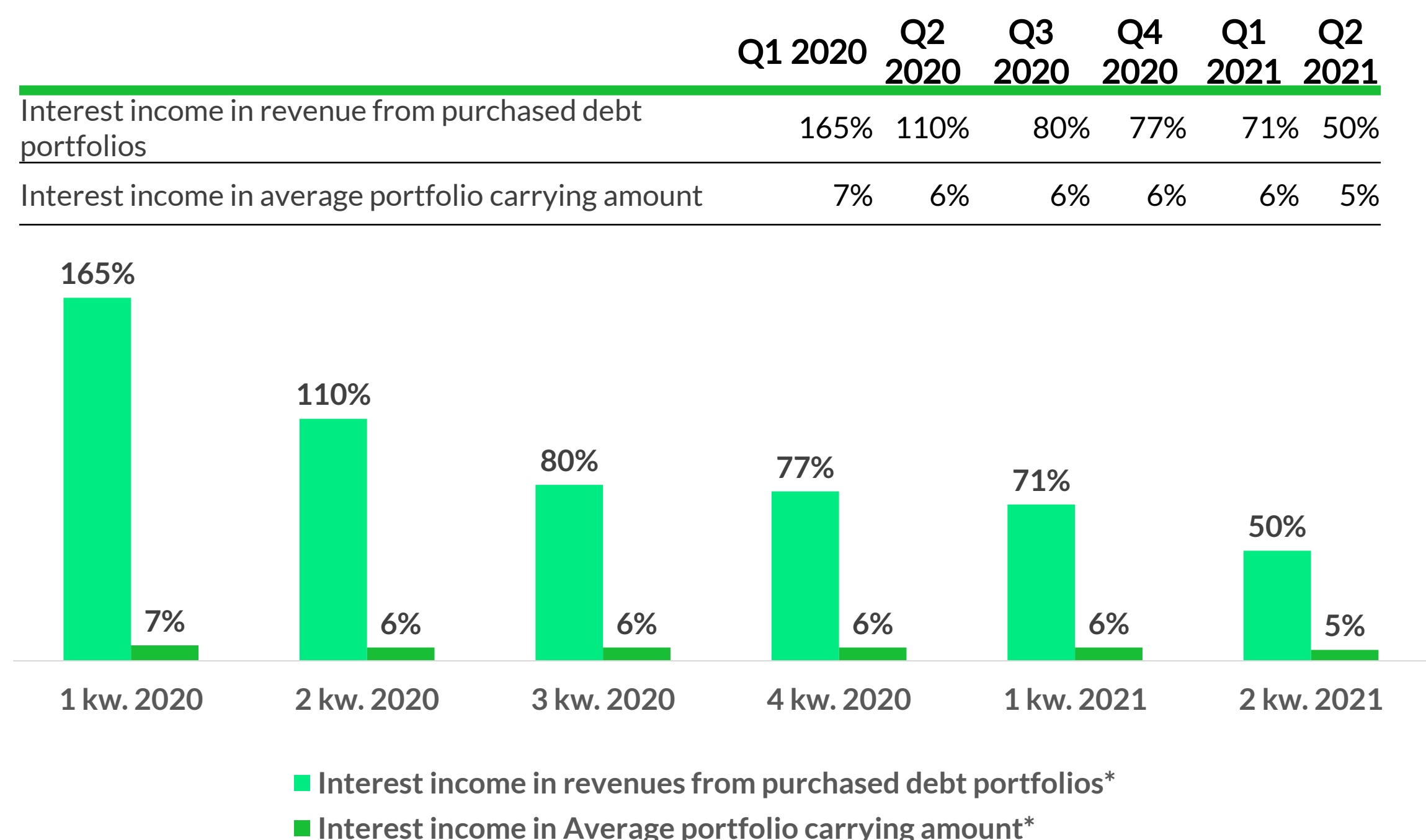


	2018	2019	2020	H1 2021
Delta of recoveries in revenue from purchased debt portfolios	6%	9%	24%	26%
Delta of recoveries in repayments	4%	6%	13%	20%
Delta of recoveries to accounting estimates (repayments – delta of recoveries)	4%	6%	15%	25%



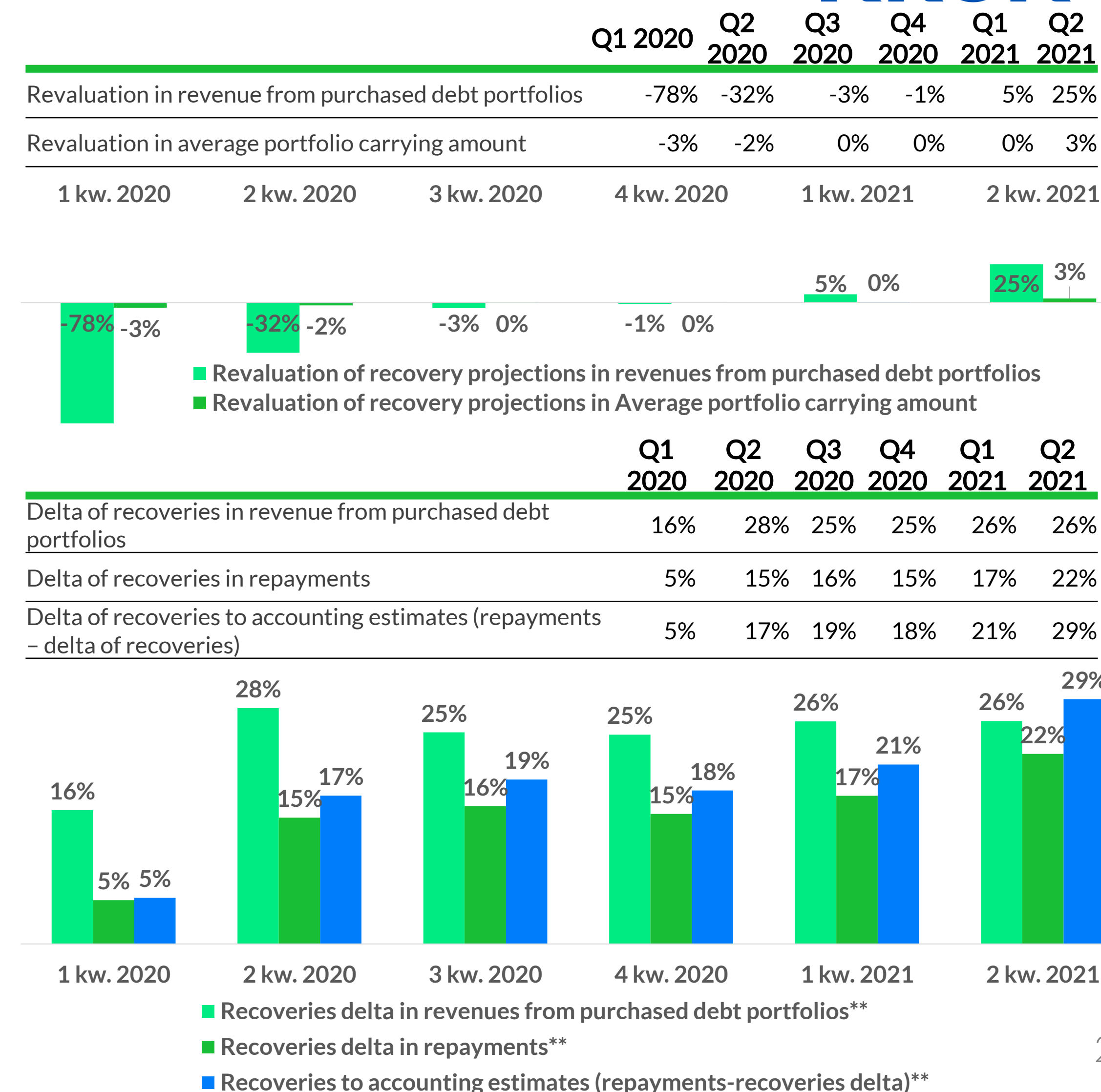


# Three main revenue components: interest income, revaluation and delta of recoveries – on a quarterly basis



\*Interest income for 2015–2017 includes a delta of recoveries

\*\*Delta of recoveries for 2018 includes the costs of loyalty scheme valuation and costs of overpayments



# Agenda



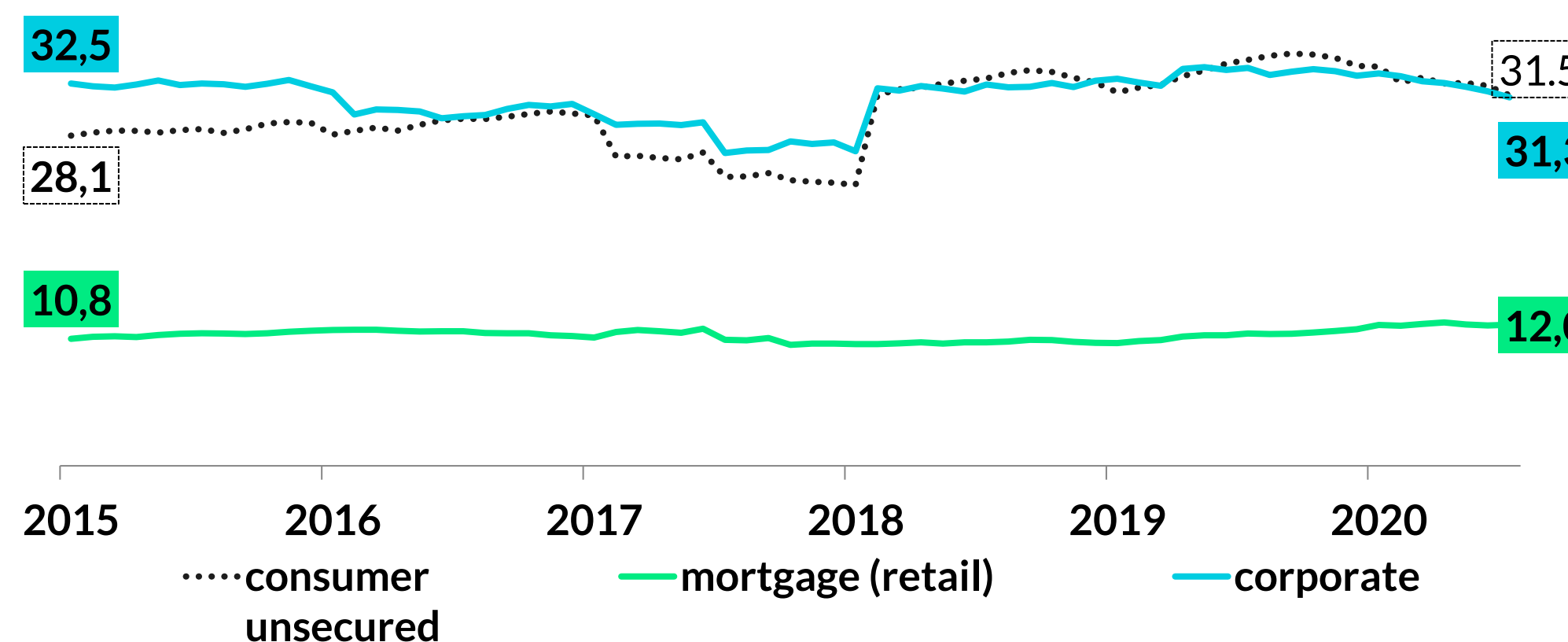
1. Introduction
2. Purchased debt portfolios on balance sheet (Back book)
3. New investments (Front book)
4. Q&A



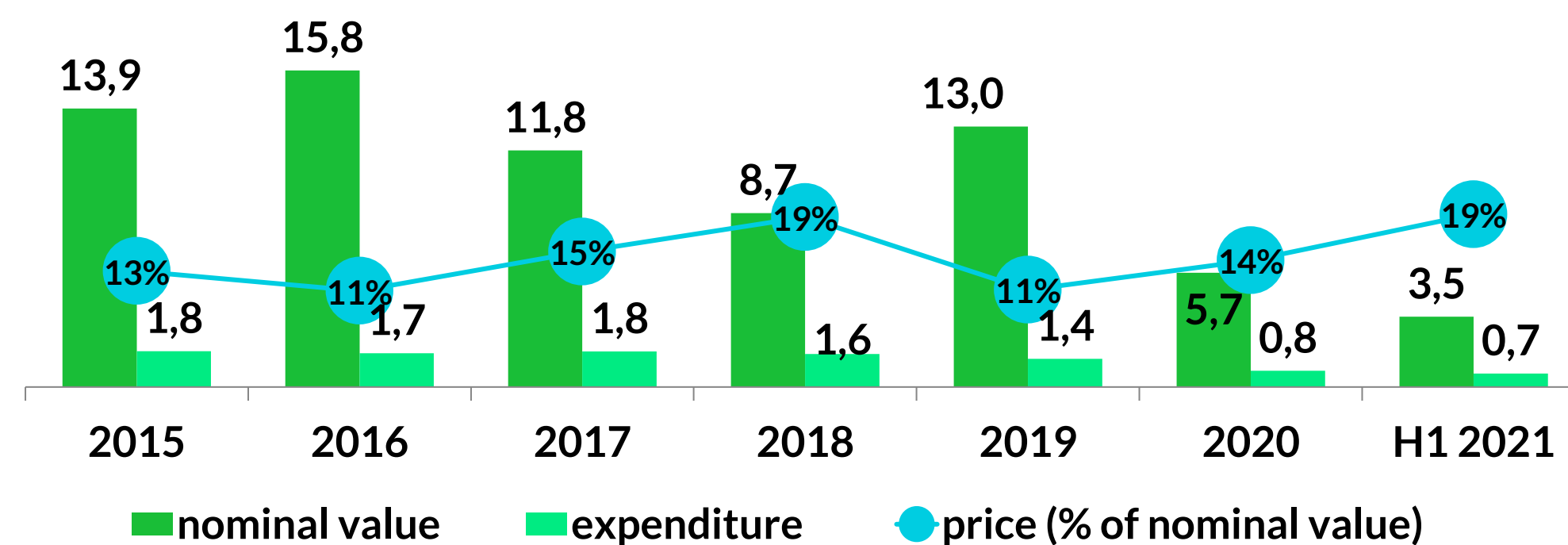


# Debt purchase market in Poland

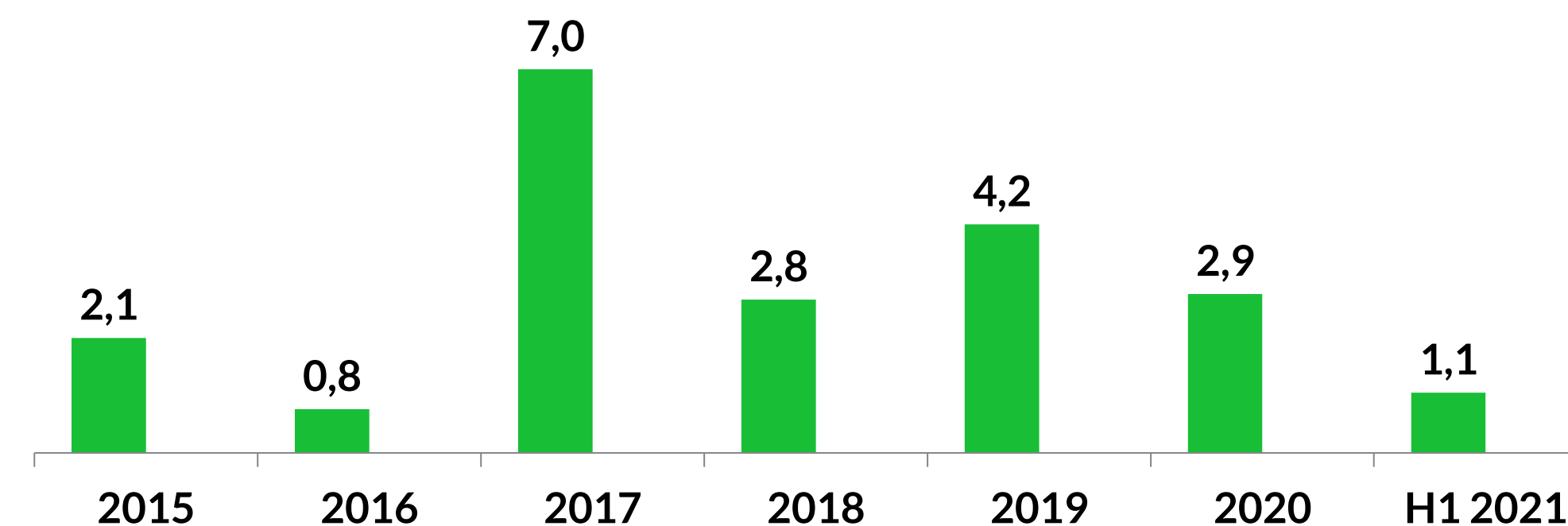
Non-performing bank loans (PLNbn)



Supply of retail and mortgage debt portfolios (PLNbn)



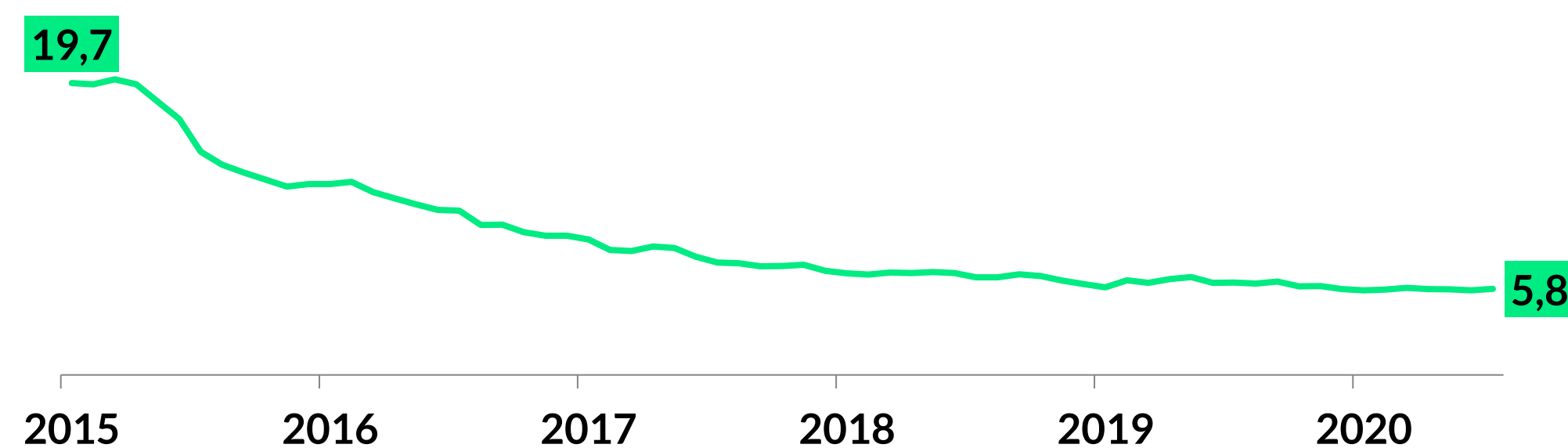
Corporate portfolio supply (PLNbn)



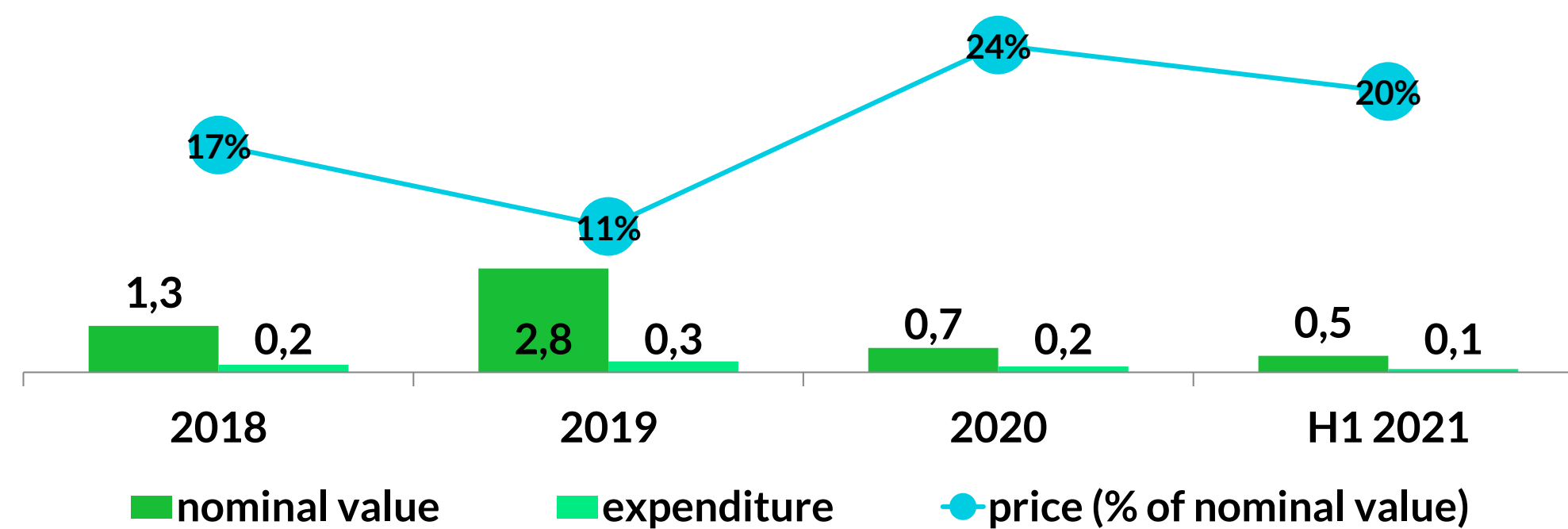
# Debt purchase market in Romania



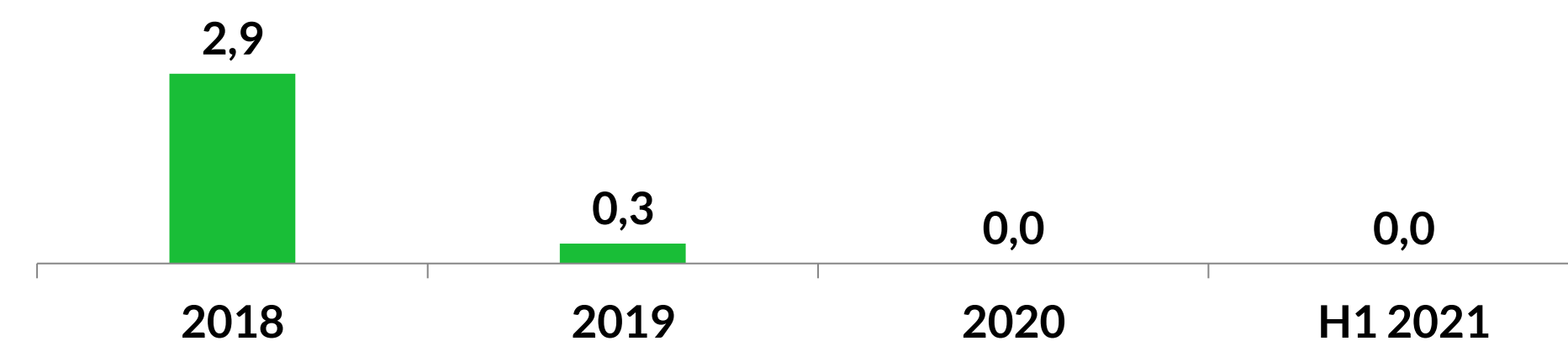
Impaired bank loans  
(PLNbn)



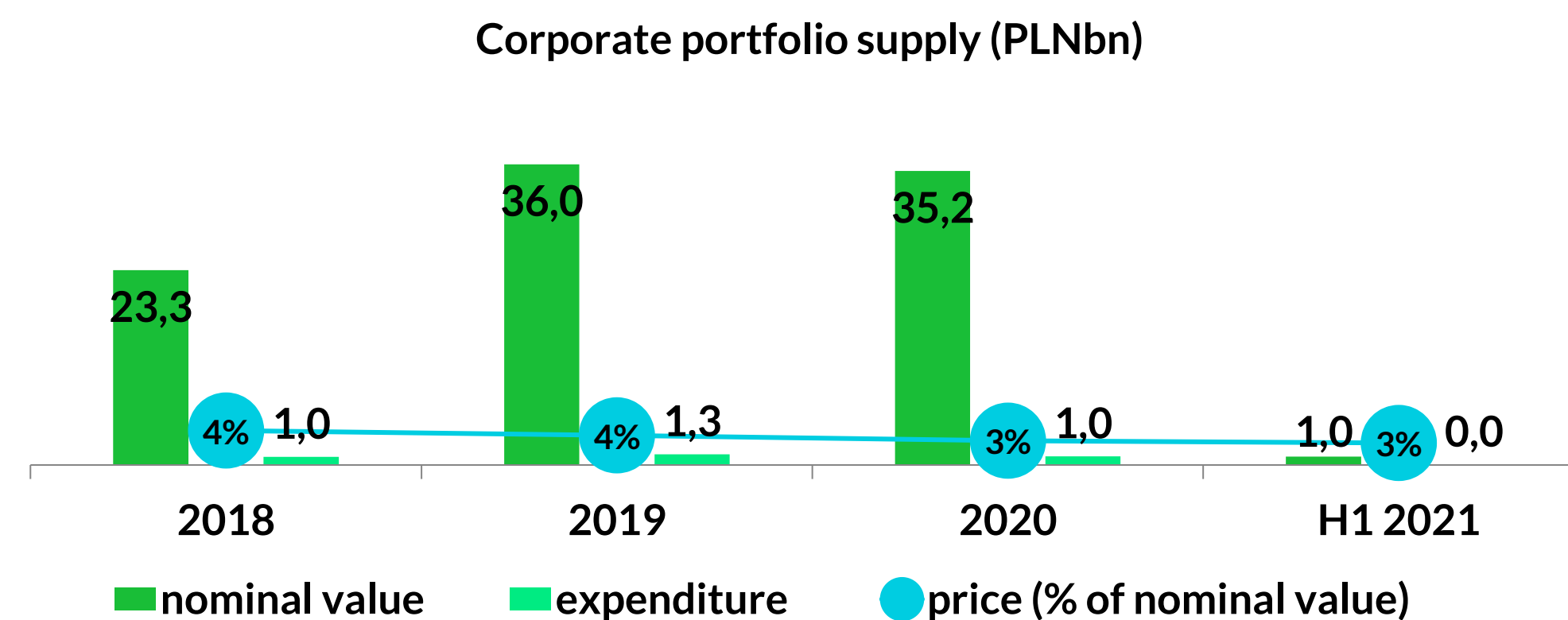
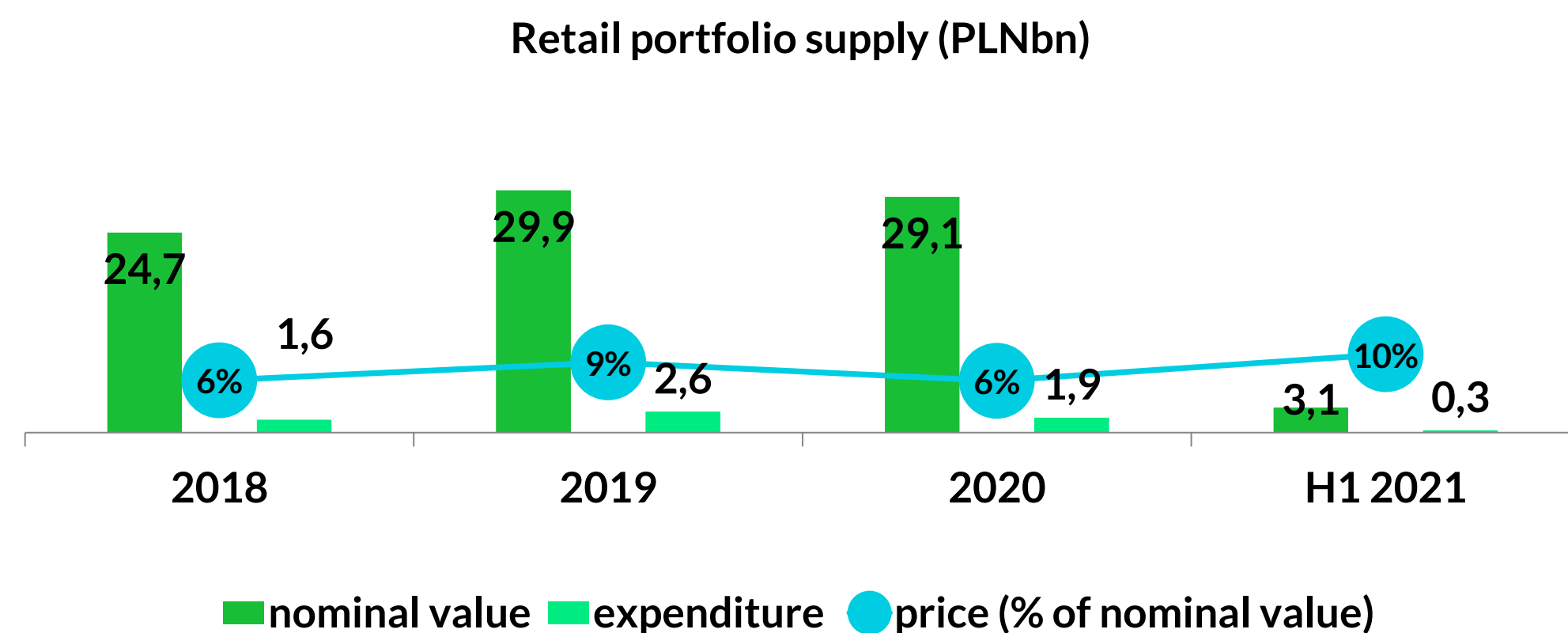
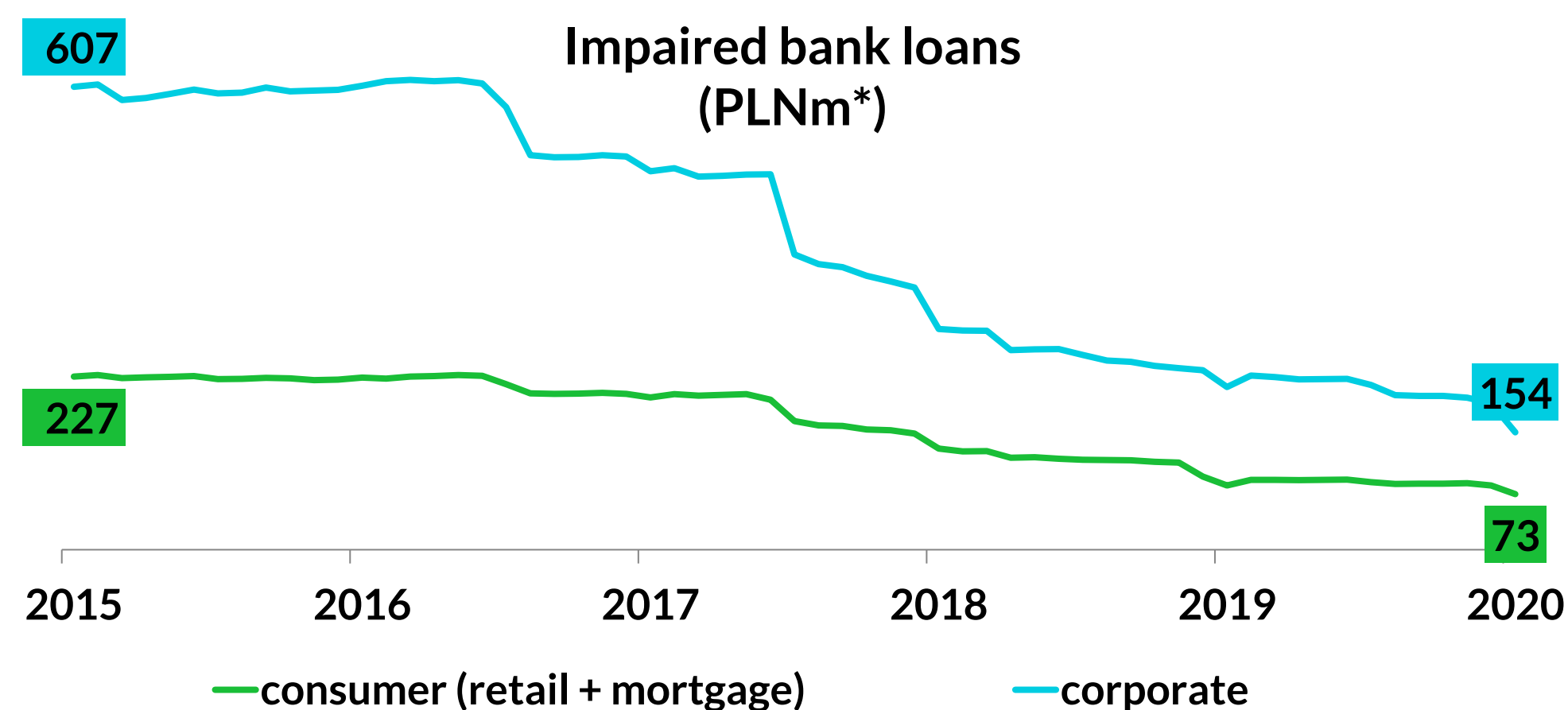
Supply of consumer debt portfolios  
(PLNbn)



Corporate portfolio supply (PLNbn)



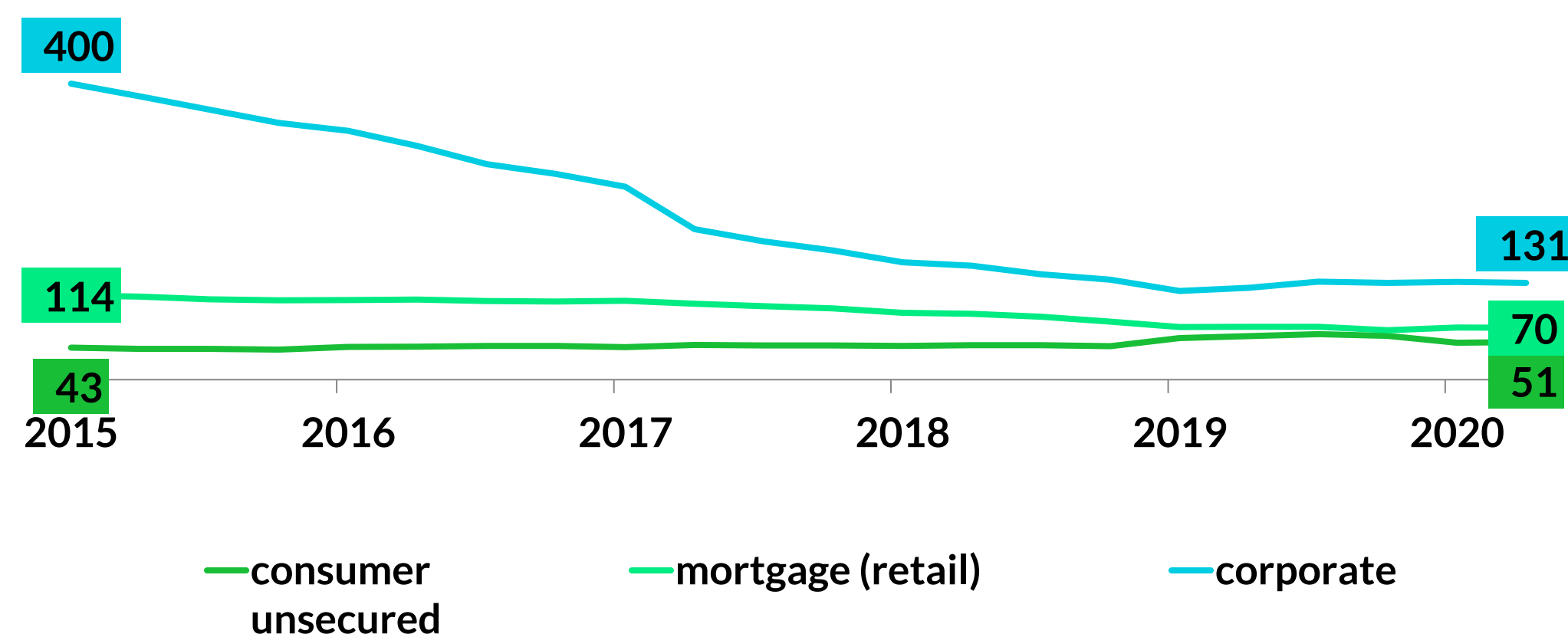
# Debt purchase market in Italy



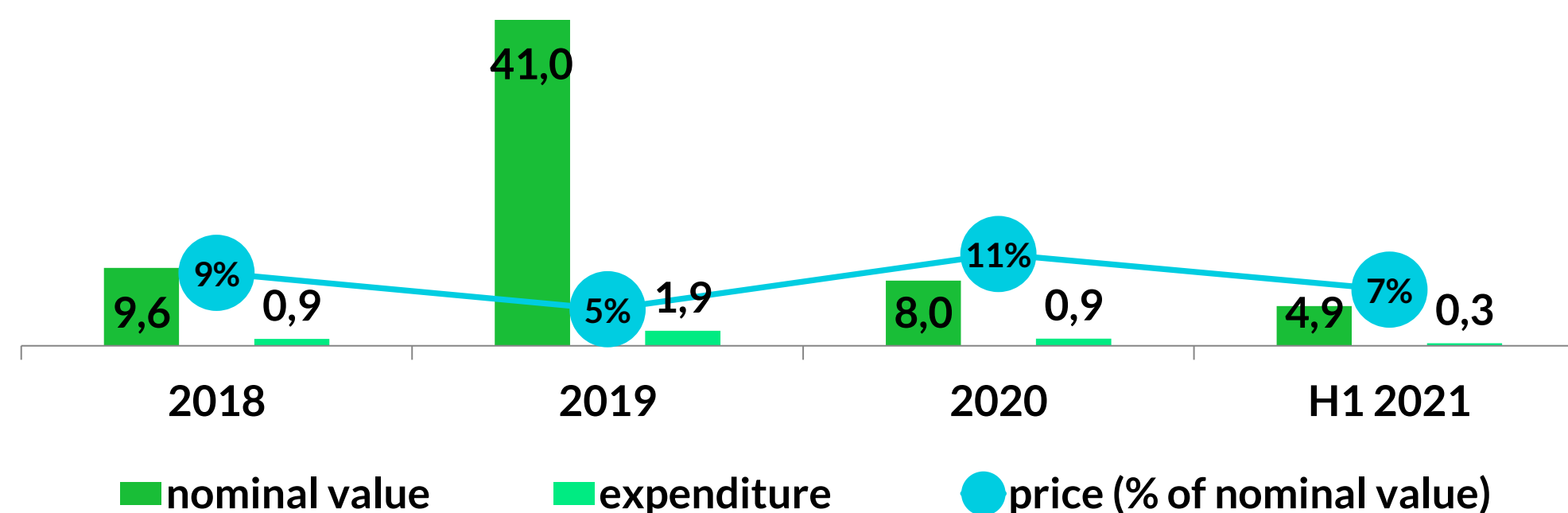
# Debt purchase market in Spain



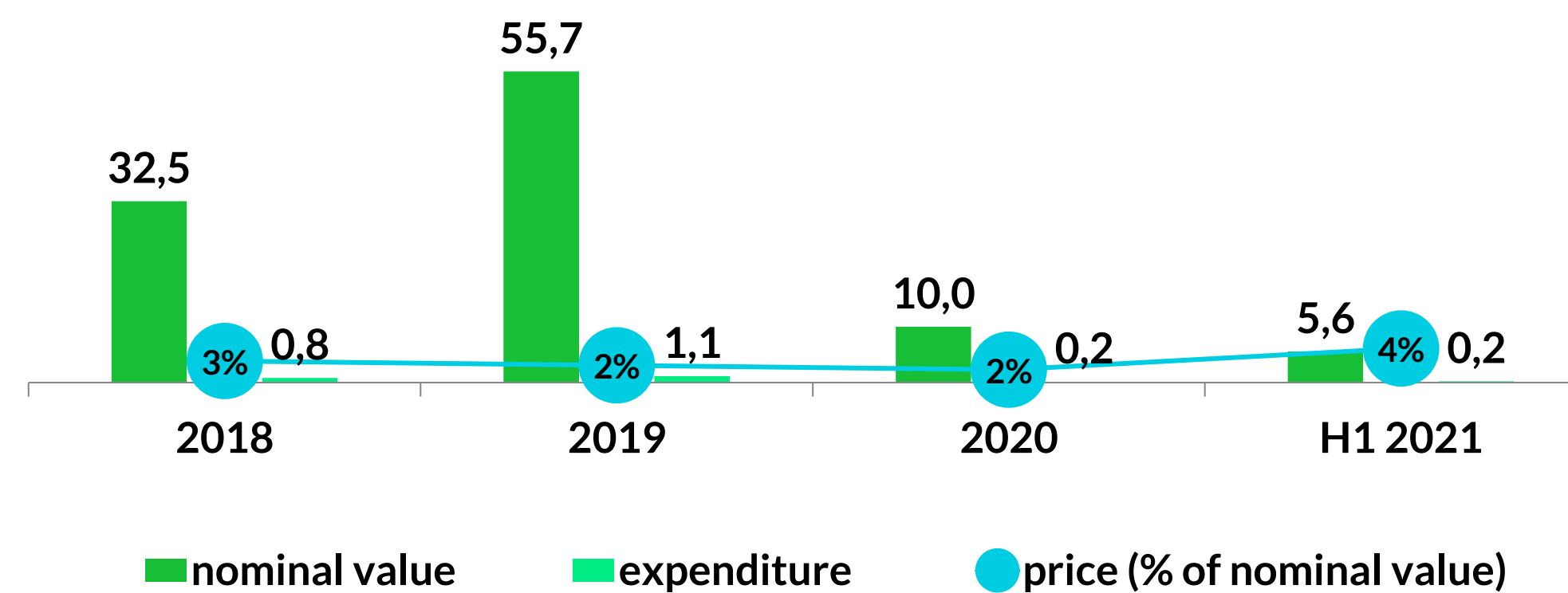
Impaired bank loans (PLNbn\*)



Retail portfolio supply (PLNbn)

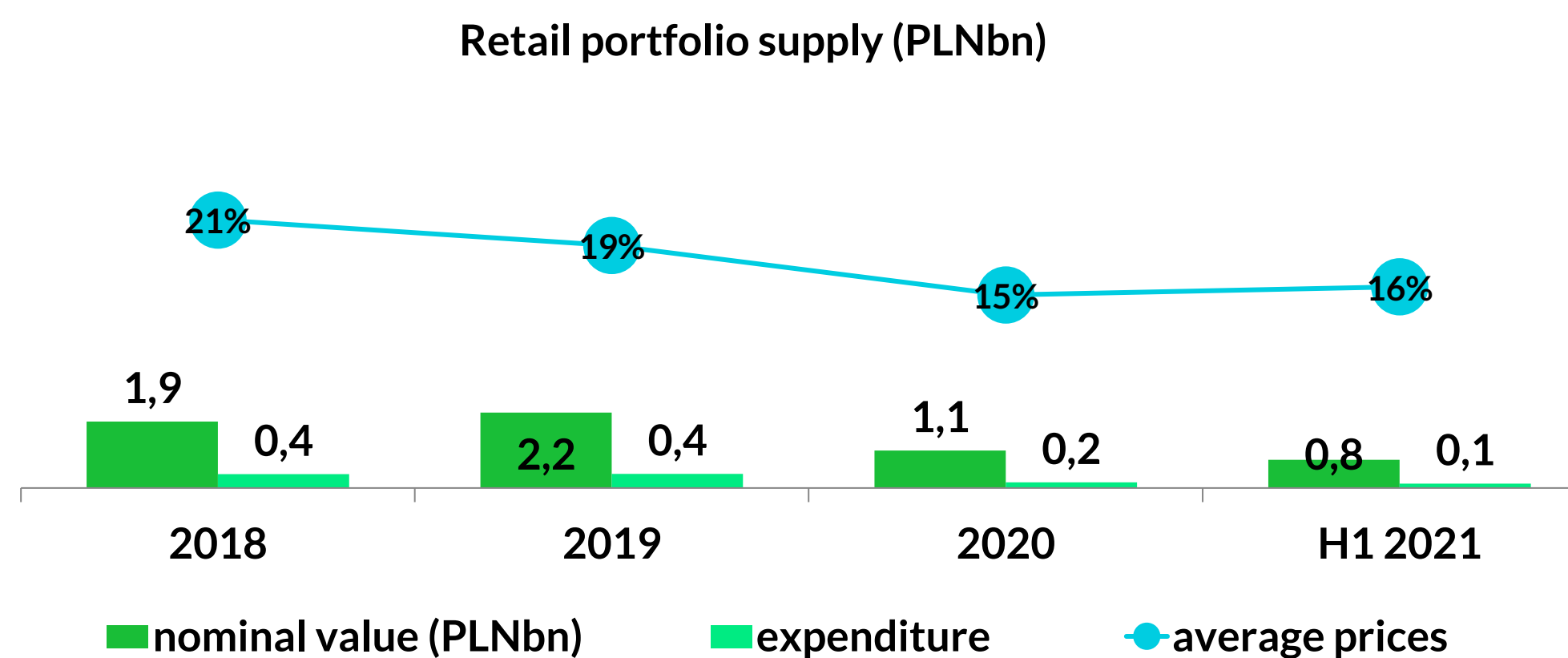
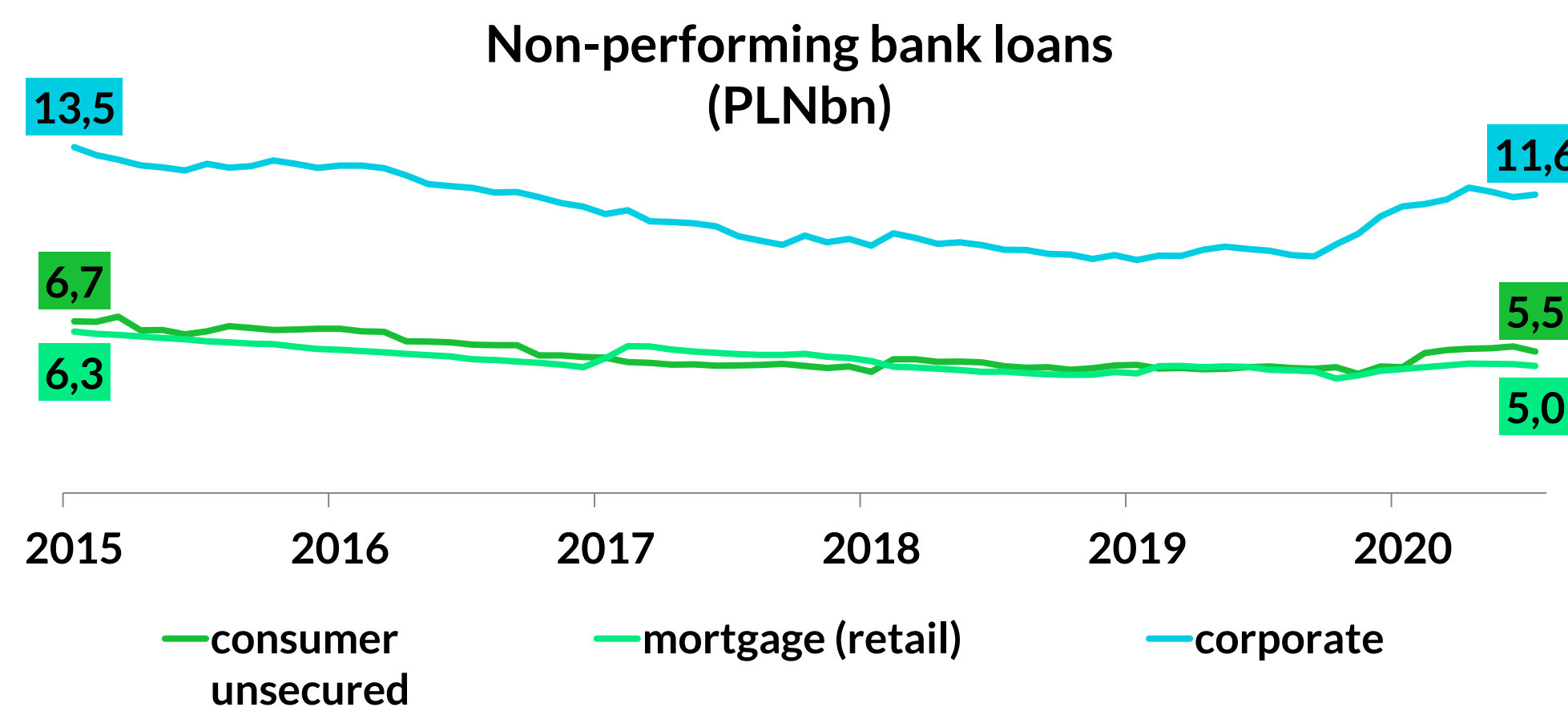


Corporate portfolio supply (PLNbn)





# Debt purchase market in the Czech Republic and Slovakia



# Q&A