



KREDYT INKASO SA

Results presentation

- Year ended on 31 March 2020
- Q1 ended 30 June 2020

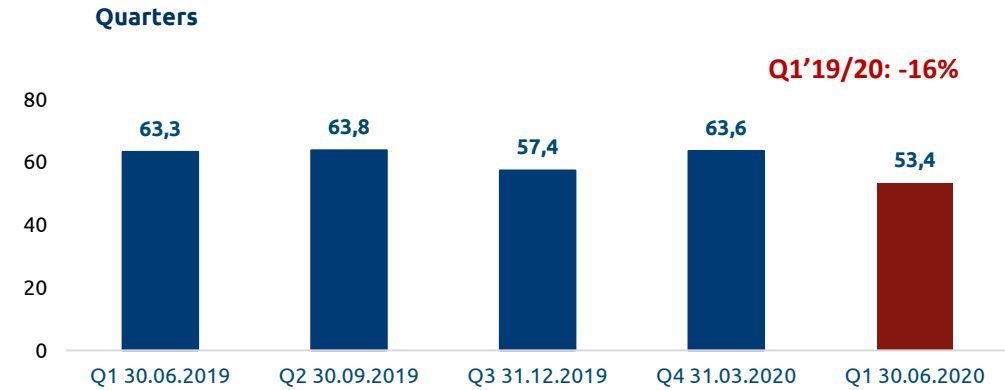
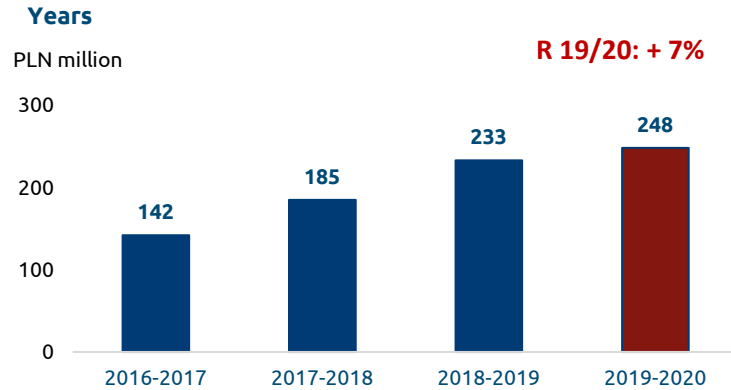
Warsaw, 20 October 2020

KEY RESULTS – p.1

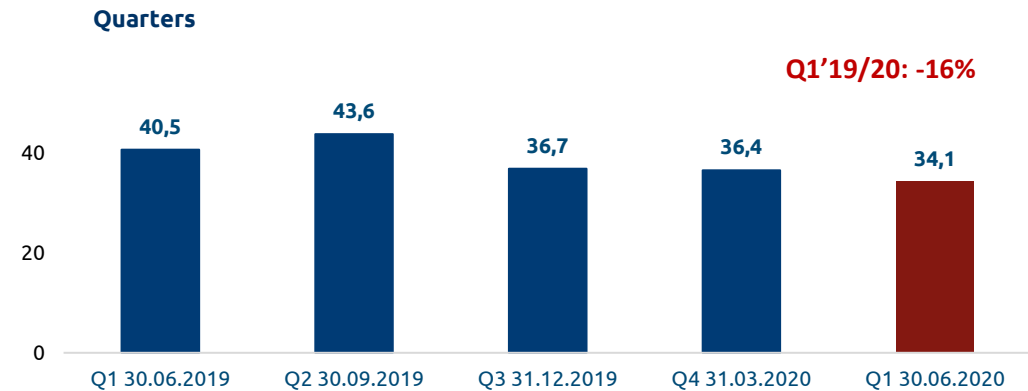
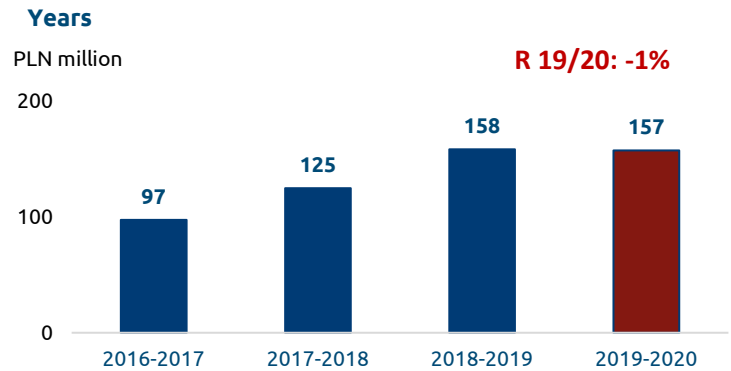


KREDYT INKASO SA

GROSS COLLECTIONS BY DEBTORS



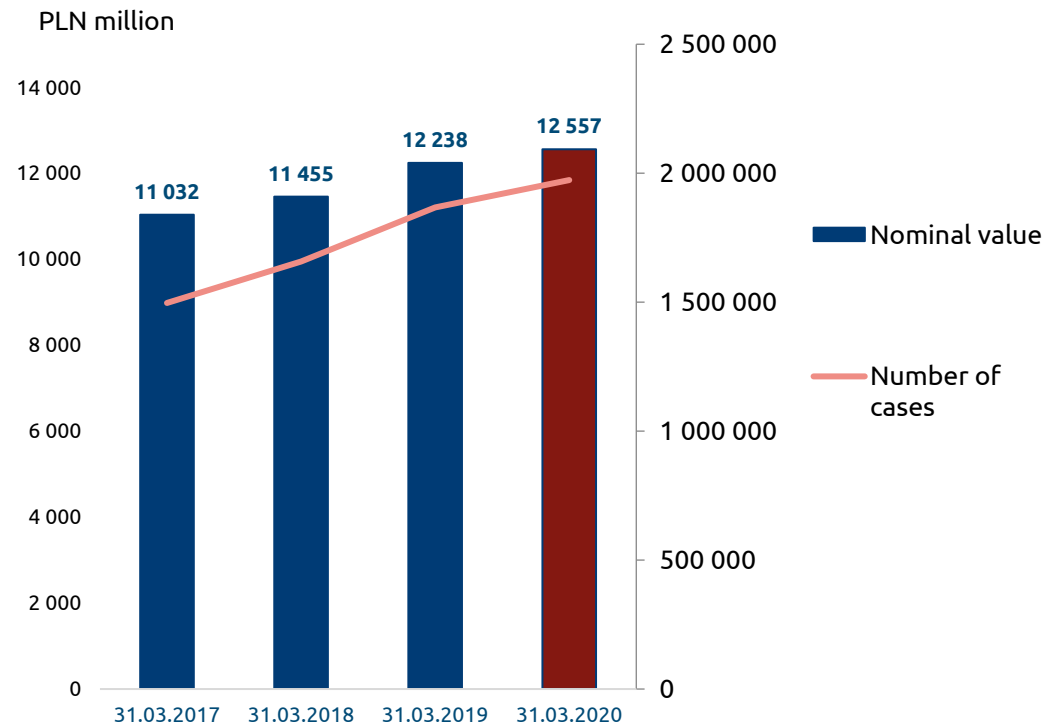
CASH EBITDA



KEY RESULTS – p. 2

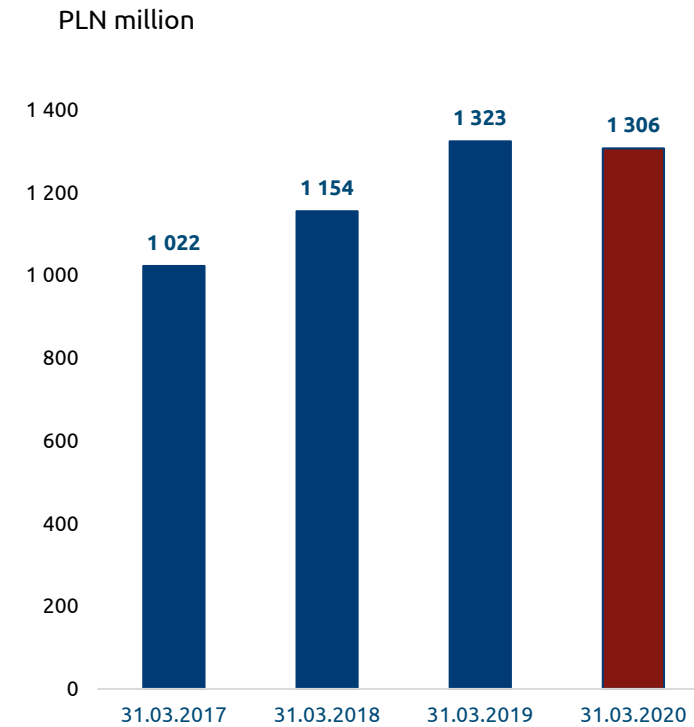


NOMINAL VALUE



*Nominal value (at the time of purchase) and number of cases
– Poland, Bulgaria, Romania only*

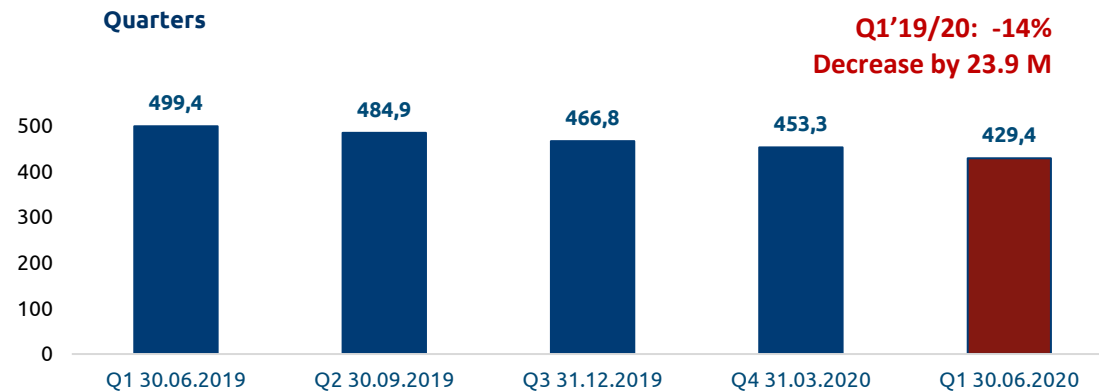
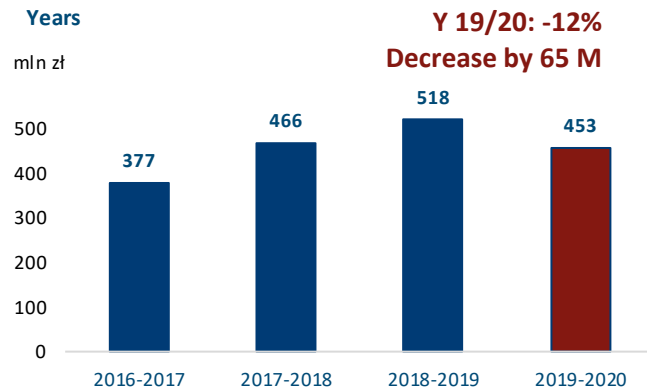
ERC



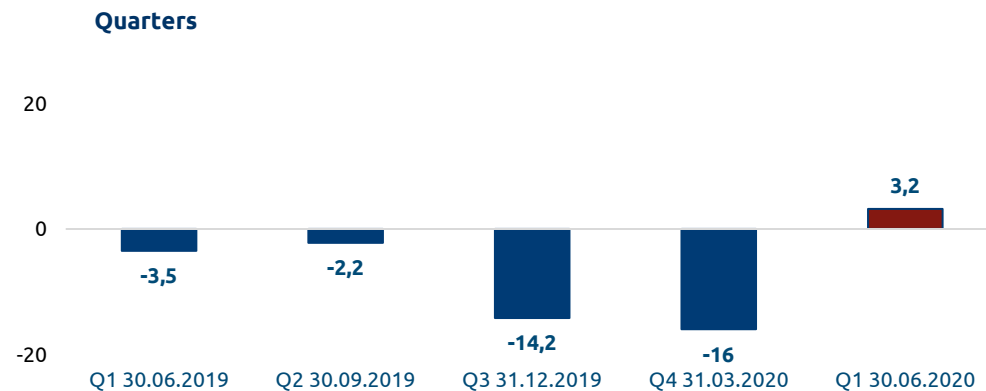
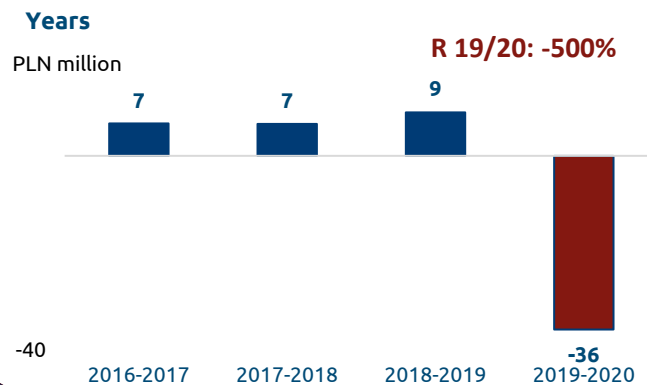
ERC – total of Kredyt Inkaso group

KEY RESULTS – p. 3

Net Debt



NET PROFIT / (LOSS)



MAIN EVENTS OF THE YEAR & Q1



COLLECTIONS BY DEBTORS

- In 19/20 we recorded **record-breaking gross collections by debtors** of PLN 248 M
- Q1'20/21 we recorded collections by debtors in the amount of PLN 53 M, a decrease of 10 M (16%) compared to Q1'19/20. The decrease in Q1'20/21 resulted from the COVID pandemic and the gradual flattening of the collection curve due to the ageing of debt portfolios.

OPERATING COSTS

- In 19/20, operating costs increased by 13 M (15%), mainly as a result of one-off costs:
 - consolidation by full method consolidation applied to the administrative and management costs of Lumen Profit funds
 - simplification/optimisation of the Group structure and refinancing of debt,
 - IT transformation projects
- In Q4 2019/20, the **Group restructured its operating costs**, which translated into a **decrease in operating costs in Q1'20/21** to PLN 22 M, a decrease of PLN 3 M (12%) compared to Q1'19/20 and a decrease of PLN 4 M (17%) compared to Q4'19/20.

MILESTONES

- **Implementation and launch of new ICT infrastructure** - COIN and Dialer by Genesis in 19/20
- Refinancing of debt by issuing F1 bonds and optimising debt maturities and reducing net debt by PLN 65 M in 19/20 and PLN 24 M in Q1'20/21.
- **Simplification of the Group structure:** in Q1'20/21 liquidation of Lumen funds and merger of 4 Group companies performing auxiliary functions, further simplification steps planned in the future
- Further **development of advanced data analytics**

COVID-19

- **Implemented update to portfolio valuation methodology** covering COVID-19 effect
- **Ensuring business continuity and minimising the impact of the pandemic** on the Group's operations, by:
 - Organisation of remote work, equipping employees and IT infrastructure with the necessary tools for remote work,
 - Introduction of procedures for disinfection and hygienic protection of workplaces,
 - Stringent planning of payments and cash liquidity.

Profit and loss account – Q1 20/21



	Q1	
	20/21 PLN thousand	19/20 PLN thousand
Net revenues		
Gross collections by debtors	53,359	63,333
Difference between gross collections and interest income	(23,902)	(35,654)
Revaluation of debt portfolios	2,679	240
Other net revenues	1,849	2,465
Total net revenues	33,986	30,384
Operating costs by kind, of which:	(22,176)	(25,139)
Depreciation and amortisation	(1,825)	(1,546)
Salaries, social insurance social charges	(10,213)	(11,418)
External services	(9,200)	(10,807)
Taxes and charges	(536)	(315)
Other	(402)	(1,053)
Other operating costs	(709)	(1,698)
Operating profit (loss) on operating activities	11,100	3,547
Finance income	2,810	274
Finance expenses	(10,468)	(9,790)
Share in profit (loss) of associates accounted for using the equity method (+/-)	-	2,141
Profit (loss) before tax	3,442	(3,828)
Income tax	(241)	316
Net profit (loss)	3,201	(3,512)

Q1 20/21

- The **decrease in gross collections** results from the COVID pandemic and the gradual flattening of the collection curve due to the ageing of debt portfolios.
- **Decrease in operating costs** as a result of the cost discipline implemented and the absence of one-off year 19/20 effects
- **Upward revaluation of debt portfolios** as a result of updated forecasts (new models) PLN +4.5 M, partially offset by negative impact of FX differences PLN -1.8 M.
- **Finance income** - increase due to Lumen funds liquidation settlement update
- **Finance expenses**
 - Foreign exchange losses greater by 0.6 M than Q1 PY
 - PLN 2.3 M decline in interest costs on bonds and loans due to principal repayment, offset by increase of 2.2 M in IRS hedging costs

Profit and loss account – year 19/20

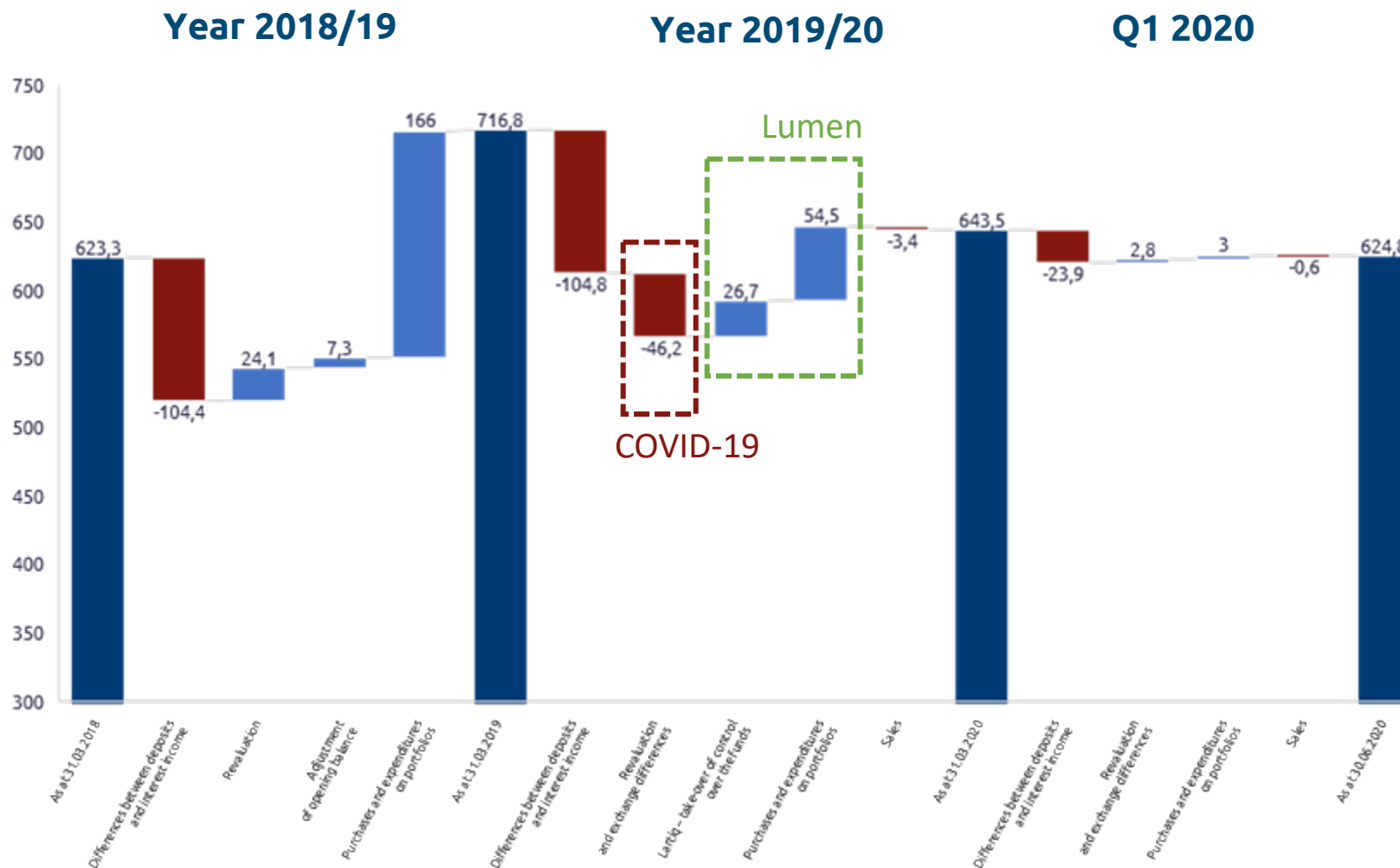


	Financial year	
	19/20 PLN thousand	18/19 PLN thousand
Net revenues		
Gross collections by debtors	248,145	232,879
Difference between gross collections and interest income	(104,787)	(104,405)
Revaluation of debt portfolios	(47,794)	24,116
Other net revenues	10,451	16,401
Total net revenues	106,015	168,991
Operating costs by kind, of which:	(103,538)	(90,107)
Depreciation and amortisation	(6,771)	(2,917)
Salaries, social insurance social charges	(43,024)	(38,407)
External services	(46,050)	(44,631)
Taxes and charges	(2,538)	(637)
Other	(5,155)	(3,514)
Other operating costs	(4,647)	(3,931)
Operating profit (loss) on operating activities	(2,170)	74,953
Finance income	2,612	379
Finance expenses	(44,276)	(38,540)
Share in profit (loss) of associates accounted for using the equity method... (+/-)	4,642	(16,071)
Profit (loss) before tax	(39,192)	20,721
Income tax	3,331	(11,698)
Net profit (loss)	(35,861)	9,023

Y 19/20

- **Increase in gross collections of PLN 15 M** as a result of:
 - PLN 5 M full consolidation of gross collections from Lumen Profit funds
 - 10 M increase in gross collections on own portfolios of other Group entities - a result of investments in new portfolios in Y 18/2019 and increased efficiency of other portfolios.
- **Debt portfolios revaluation down by PLN 48 M**, mainly as a result of PLN 55 M write-downs related to COVID-19
- **Decrease in other net revenues by PLN 4 M** as a result of:
 - decline in revenue from management of Omega Wierzytelności NSFIZ portfolios as a result of sale of this investment and termination of management contracts
- **Increase in operating costs by PLN 13 M** due to one-off effects:
 - full consolidation of the administrative and management costs of Lumen Profit funds
 - simplification/optimisation of the Group structure and refinancing of debt,
 - IT transformation projects
- **Increase in financial costs by PLN 6 M** due to PLN 5 M higher IRS hedging costs

Debt portfolios



Key changes in 2019/20:

- PLN 46 M negative revaluation, including PLN 55 M due to COVID-19 effect
- PLN 27 M increase due to full consolidation of Lumen fund portfolios following obtaining control
- PLN 55 M costs capitalised and debt portfolios purchases. Purchases mainly related to the repurchase of portfolios from Lumen funds prior to assumption of control, of which PLN 12 M non-cash, offsetting mutual settlements

Actions taken:

- Investments in IT infrastructure to allow most staff to transition to remote working (also field teams, CC, law firm); temporary suspension of field operations;
- Implementation of procedures maintaining social distance, disinfection and hygiene protection of workplaces;
- Suspension of managerial bonus scheme, renegotiation of contracts with suppliers, strict cost control;
- Stringent planning of payments and cash liquidity;

Regulatory evolution (included in portfolio valuations):

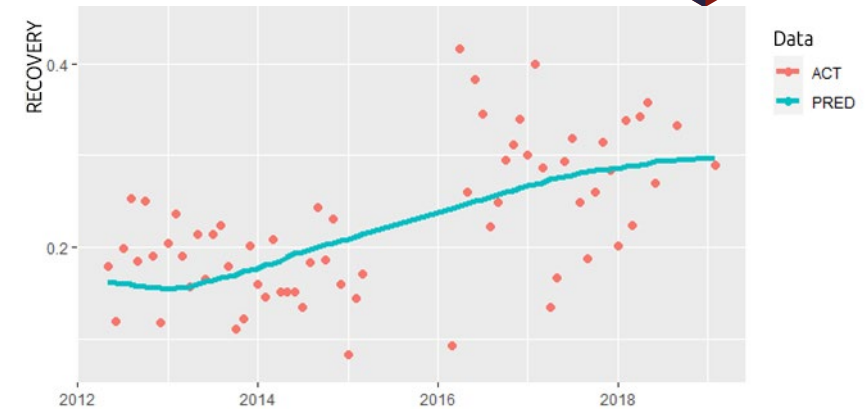
- PL
 - Suspension/stoppage until 16/05/20 of commencement of procedural/court deadlines;
 - Changes in the organisation of court work, limiting sittings to urgent cases only;
 - Increasing the enforcement-free amount by 25% for each family member who lost their job as a result of the COVID-19 pandemic;
 - Suspension of evictions for the duration of the pandemic;
- ROM
 - Suspension of bailiff enforcement and auctions until the end of 7/20
 - Prohibition of enforcement of pensions until the end of the state of emergency;
 - Prohibition of seizure of funds from the standstill during the state of emergency and 2 months thereafter;
- BG
 - Suspension of interest calculations until the end of 7/20;
 - Suspension of bailiff enforcement until the end of 7/20;
- RUS
 - Restrictions on the actions of courts and bailiffs;

COVID-19



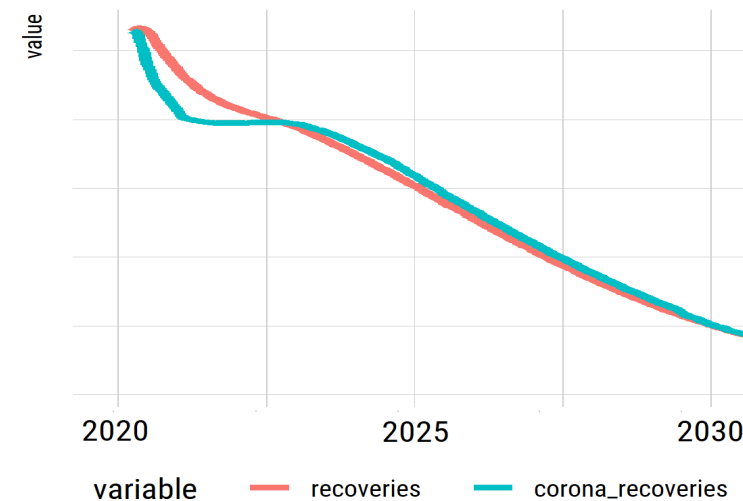
- **Impact of the in-depth review on the valuation of portfolios: minus PLN 55 M**
- Valuation methodology for statistical portfolios:
 - Valuation of KI claims takes into account actual and projected effects of COVID-19
 - Performance decreases were determined analytically
 - Macroeconomic assumption for forecasts: 10% unemployment rate at the end of 2020
 - Assumed return to baseline efficiency: 2 years (based on European Commission projections)

(example of fitting an unemployment model on one quota group)



Comparison plot

Base corona scenario: telco



$$\text{gross collections} = f(B, P, P)$$

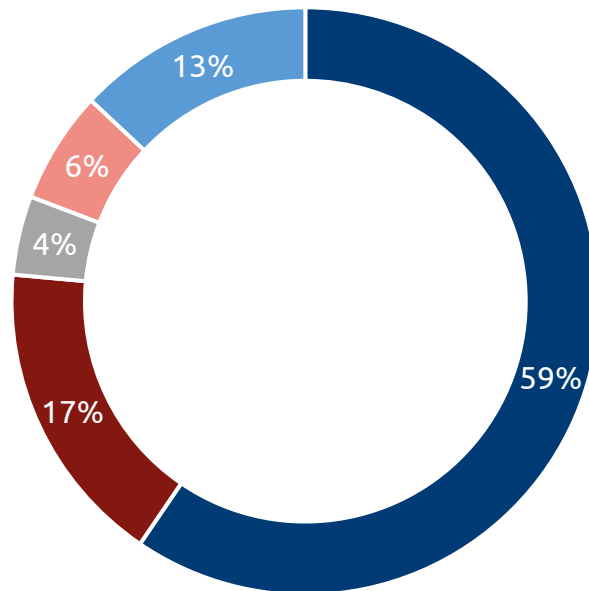
B = unemployment rate

P = portfolio type/quota group

P = action (leg/amic)

Balance sheet value

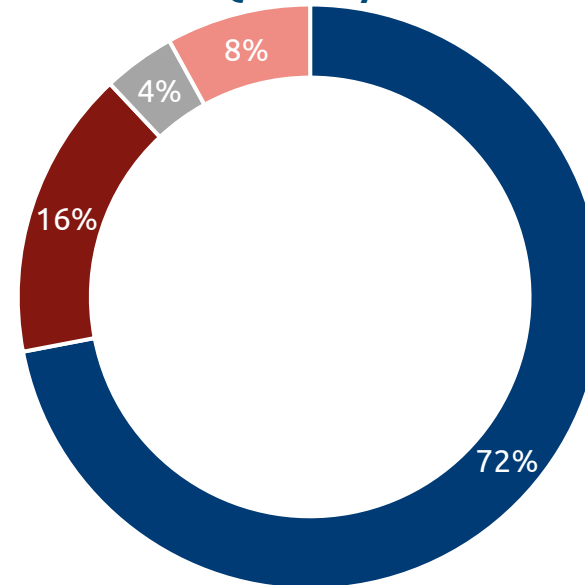
Portfolio structure by type
Q1 2020/202



- Retail banking
- Corporate
- Consumer loans

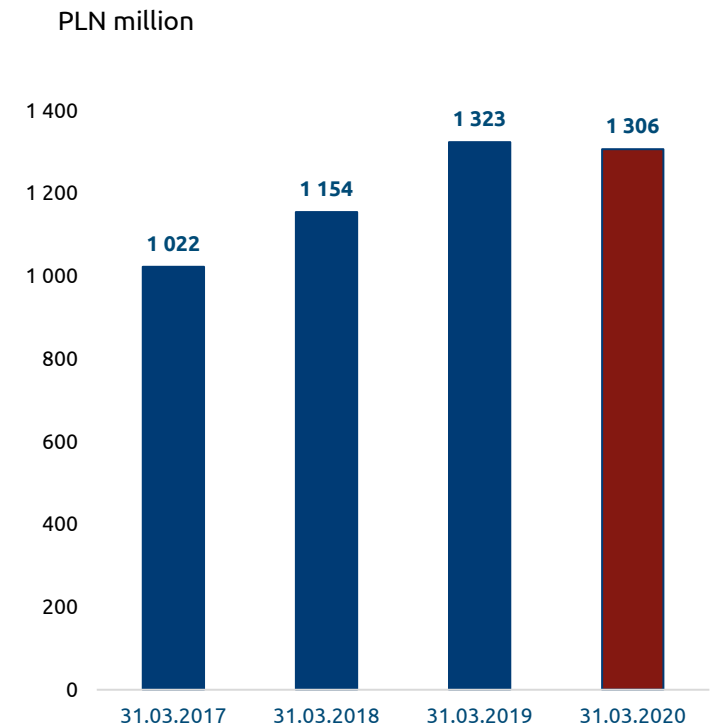
- Telecommunication
- Mortgage

Portfolio structure by region
Q1 2020/202

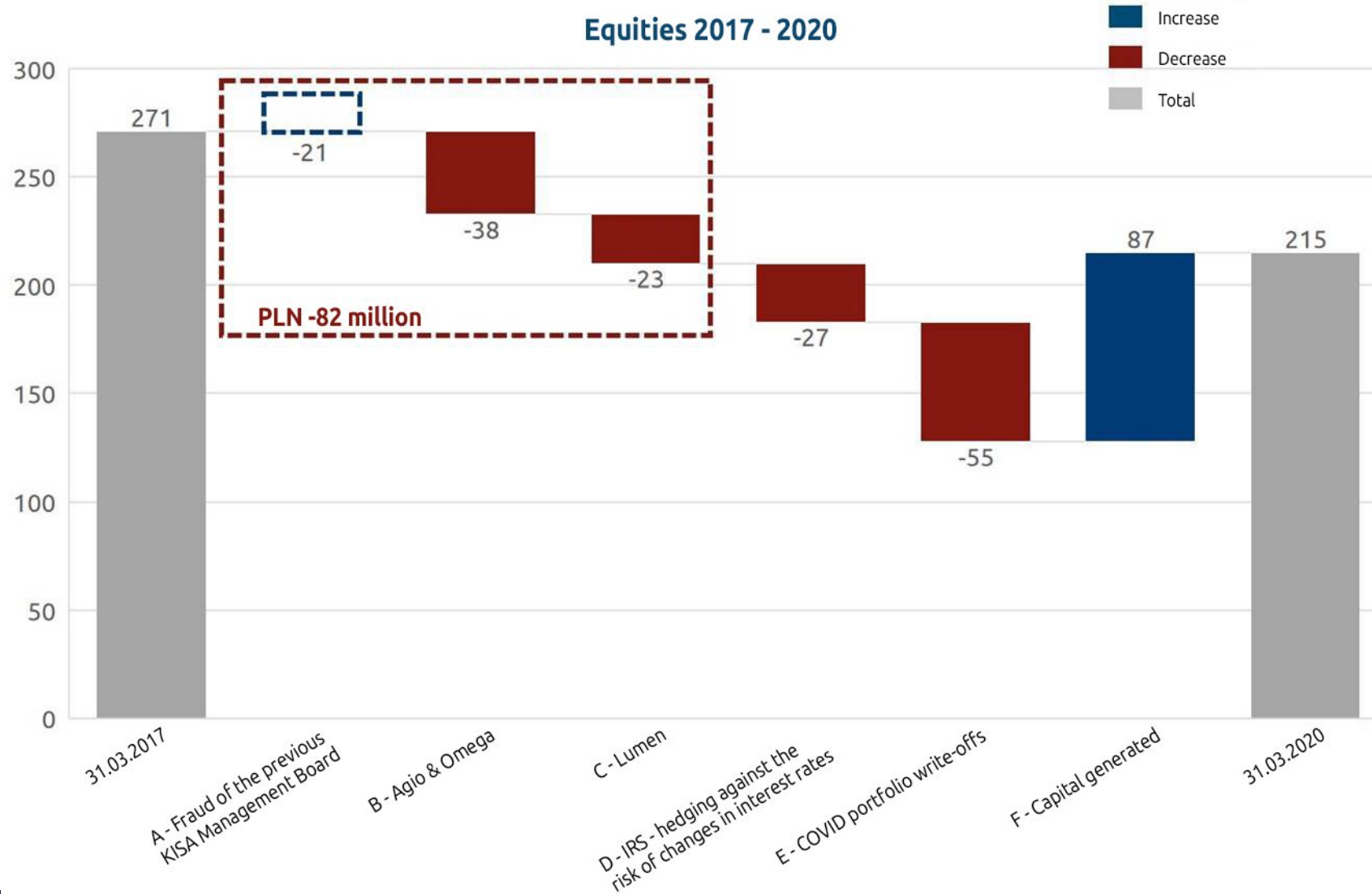


- Poland
- Romania
- Russia
- Bulgaria

ERC



Equity



Source:

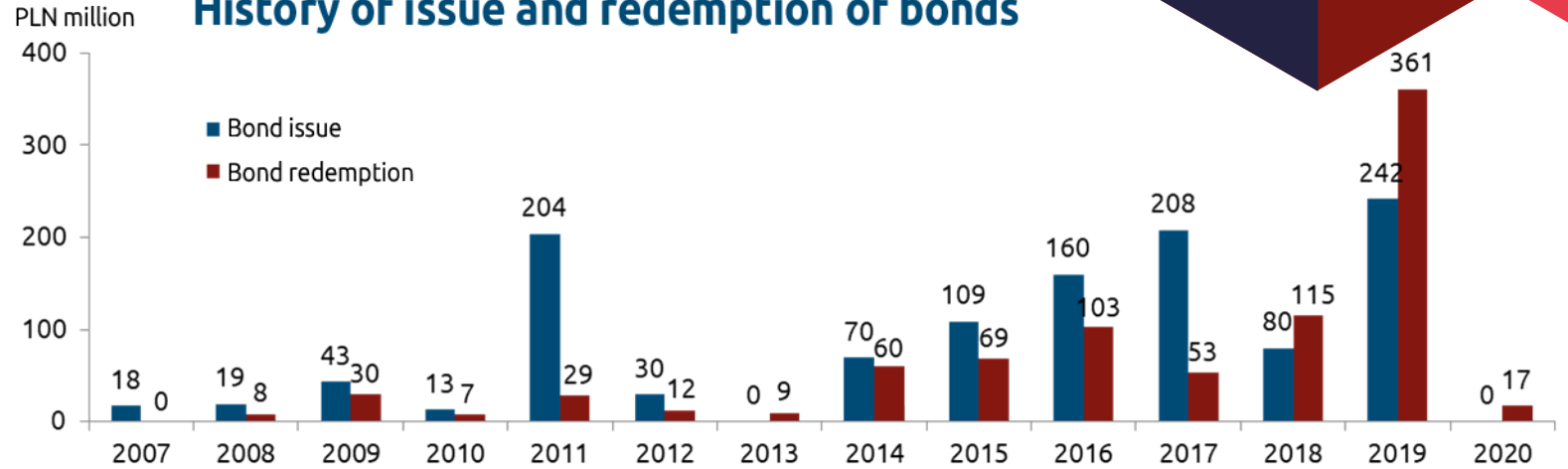
- A • current report No. 13/2020 of 8.06.2020
- B • SSF Groups 16/17 – note 22.7, note 39
• SSF Groups 17/18 – note 1.5, note 22.9
• SSF Groups 18/19 – Statement of profit or loss and other comprehensive income
• SSF Groups 19/20 – note 19
- C • SSF Groups 17/18 – note 35
• SSF Groups from 16/17 to 19/20 – Statement of profit or loss and other comprehensive income
- D • SSF Groups 18/19 and 19/20
- Statement of profit or loss and other comprehensive income
- note 8
- E • current report No. 16/2020 of 25.09.2020

Debt structure

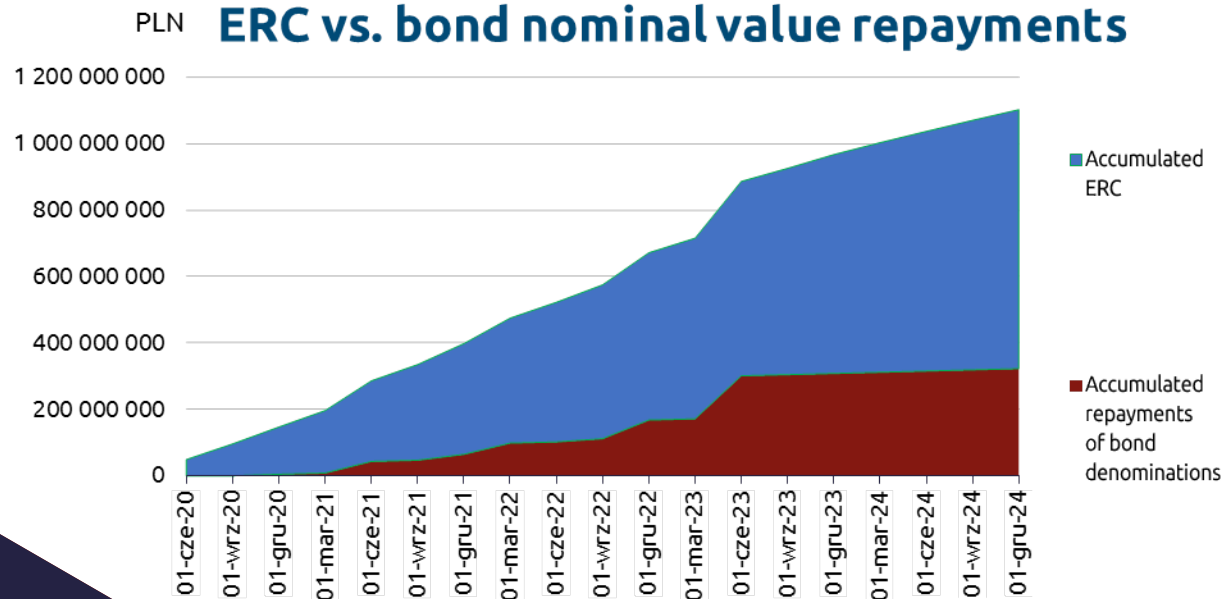
Indebtedness as at 30.06.2020:

Instrument	Balance sheet value (PLN million)
KISA – bonds	322.7
FIZ I - ING credit	89.9
FIZ II - ING credit	37.5
Total	450.1

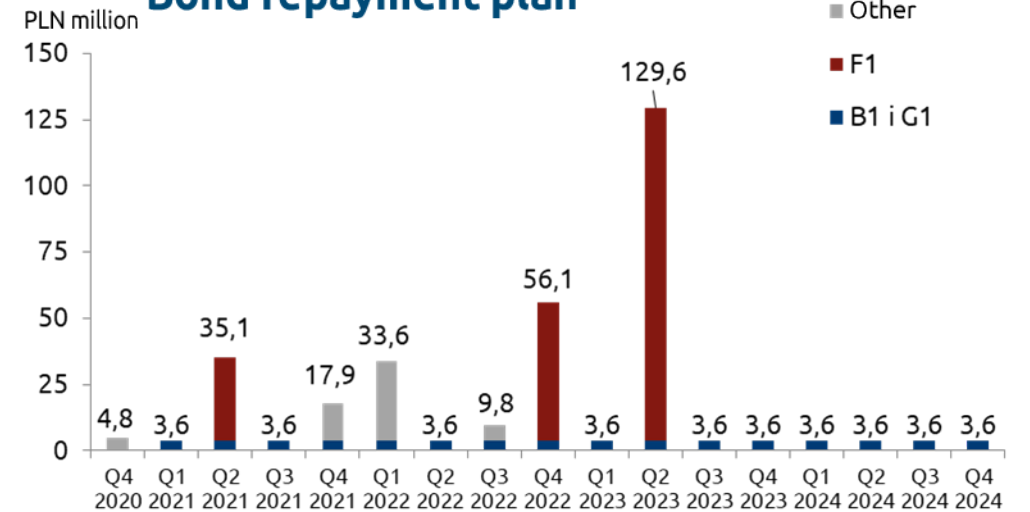
History of issue and redemption of bonds



ERC vs. bond nominal value repayments



Bond repayment plan



* Calendar quarters

Presentation of results for the year ended on 31 March 2020 and the first quarter ended on 30 June 2020.

Debt - bonds



KREDYT INKASO SA

30.06.2020		D1	PA01	PA02	E1	F1	B1	G1
Maturity date		26.10.2020	18.12.2021	28.03.2022	16.08.2022	(*) 26.04.2023	(*) 13.12.2024	(*) 13.12.2024
Nominal value	PLN million	4,763	14,294	30,000	6,190	210,000	25,763	31,566
Net Debt								
Financial debt	PLN million	459	459	459	459	459	459	459
Cash	PLN million	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Net Debt - basic	PLN million	429	429	429	429	429	429	429
Adjustment:								
IRS - valuation in the balance sheet	PLN million	33	33	33	33	33	-	-
IRS - effective portion attributable to equity	PLN million	-	-	-	-	(14)	-	-
Pledges on portfolios of Kredyt Inkaso S.A.	PLN million	58	-	-	58	58	58	58
Net Debt - adjusted	PLN million	520	462	462	520	507	487	487
Equity [PLN million]	PLN million	216	216	216	216	216	216	216
Adjusted financial Net Debt / Equity		2.41	2.14	2.14	2.41	2.34	2.25	2.25
Cash EBITDA 12 months [PLN million]	PLN million	152	152	152	152	152	152	152
Adjusted financial Net Debt / Cash EBITDA		n/a	n/a	n/a	3.43	3.34	3.22	3.22

(*) Including premature partial amortisation of the nominal value according to WEO




New operating system and efficiency improvements

The launch of COIN/Genensis removes significant barriers to the cost-effectiveness of debt collection processes by enabling:

- Robotisation of processes (especially in the processes of judicial and bailiff collection)
- Introduction of debtor self-service mechanisms (debtor portal)

System development milestones:

- Optimisation of performance in PL Q2/20/21
 - The beginning of robotisation of processes, the debtor portal Q3/4 20/21
 - Launch in Bulgaria Q4 20/21
 - Evaluation of opportunities for full internationalisation 21/22
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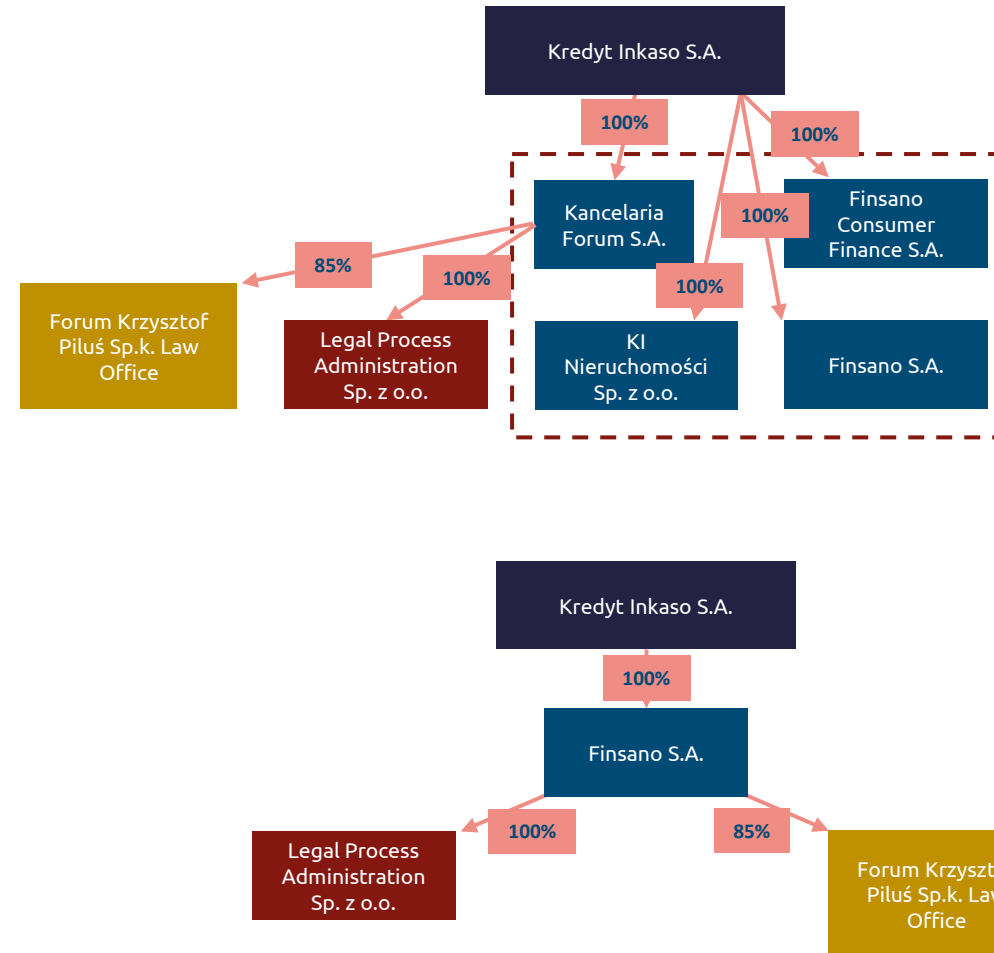
Simplification of the Group's structure

Liquidation of Lumen Profit funds

- **1 April 2020 - liquidation of funds started**
 - Lumen Profit 6 NSFIZ,
 - Lumen Profit 8 NSFIZ,
 - Lumen Profit 9 NSFIZ,
 - Lumen Profit 10 NSFIZ,
 - Lumen Profit 12 NSFIZ.
- **30 June 2020 - liquidation of fund started**
 - Lumen Profit 7 NSFIZ.

Merging of companies in the Capital Group

- **29 May 2020 - merger of 4 companies registered.**



Structure of companies before the merger

Structure of companies after the merger

	2016	2017	2018	2019	2020H1
Nominal value of bank NPLs (retail, hipo, business)	68.0	70.0	73.0	76.0	79.0
Annual growth	8.8	13.8	11.7	16.0	6.0
Nominal value sold	15.8	11.8	8.7	13.0	3.0
% of nominal value sold in a given year	23.2%	16.9%	11.9%	17.1%	N/A
Price	1.7	1.8	1.6	1.4	N/A
Price/nominal value	10.8%	15.3%	18.4%	10.8%	N/A

Polish market:

- Stable, slightly increasing production of bank NPLs on the Polish market.
- Price decline already seen in 2019
- High probability of increased NPL production in 2H 2020 and in 2021 due to increased unemployment and economic slowdown
- Regulations of the banking market still do not allow to maintain excessive levels of NPLs on banks' balance sheets
 - **the chance of more NPL portfolios coming to market**
- Only rational players remain on the market

Group's foreign markets:

- Situation generally similar (impact of the pandemic)

Where are we heading



- Kredyt Inkaso is not excessively leveraged (net debt/ERC = 34%)
- Repayments of bonded debt are not at risk, their timing corresponds to expected liquidity
- The company is adequately equipped in terms of systems, experience and human capital, and has provisions for further cost efficiency gains
- The costly clean-up of the past has generally been completed (simplification of structure underway)

Company's priorities:

1

maintain covenants at a satisfactory level and further reduce net debt with prudent investments

2

acquire new debt capital making it possible to increase the scale of investments (discussions with banks in progress, evaluation of the bond market)

**Thank you
for your
attention!**

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