



# Presentation of 2014 results

## KRUK Group

March 15th 2015



# Agenda

## Introduction

Market

Operating activities

Development strategy

Financial performance

Appendices

# KRUK in 2014: Net profit up 55%, to PLN 152m; new and diversified investments worth PLN 571m

## Strong increase in net profit

- Net profit for 2014 came in at PLN 151.8m, compared with PLN 97.8m for 2013 (up 55%).
- In Q4 2014 alone, the Group's net profit amounted to PLN 25.7m, up 46% on PLN 17.6m reported for Q4 2013.

## Record-high recoveries

- In 2014, recoveries from purchased debt reached a record high of PLN 711.8m, up 32% on PLN 537.7m recovered in 2013.
- In Q4 2014 alone, recoveries from purchased portfolios totalled PLN 183.5m , up 18% year on year.

## Substantial investments

- In 2014, the KRUK Group invested PLN 571m (of which PLN 215m in Q4) in 59 debt portfolios with a total nominal value of PLN 3.8bn. The value of investments grew 55% on 2013, surpassing even the Group's record level reported in 2011.
- Expenditure amounted to PLN 456m in Poland, PLN 95m in Romania, and PLN 18m in the Czech Republic and Slovakia.

## Diversified debt portfolio

- In 2014, KRUK purchased a diversified portfolio comprising consumer, mortgage-backed and corporate debt.
- Last year, KRUK began purchasing mortgage-backed debt on a large scale, investing PLN 230m in a Getin Noble Bank portfolio with a nominal value of PLN 710m and PLN 70m in a BZ WBK portfolio with a nominal value of PLN 443m.

# Favourable market conditions and access to solid financing will support KRUK'S strategy for 2015–2019

## Geographic expansion and new products

- KRUK increases its investment capacity by expanding into new geographies and new business lines
- In Poland, market of mortgage portfolios emerges
- In 2014, banks in Romania sold first big mortgage and corporate portfolios
- In 2014, KRUK entered a big and promising debt collection market in Germany

## Good access to financing

- In 2014, KRUK secured a flexible ten-year credit facility from Getin Noble Bank, of up to PLN 260m, EUR-denominated financing up to the equivalent of PLN 70m under an existing credit facility agreement, and a five-year credit facility from BNP Paribas, of up to PLN 30m net; **as a result, its available credit grew to PLN 285m in 2014.**
- In December 2014, KRUK issued two series of **six-year bonds** with a total nominal value of PLN 45m, **bearing interest at WIBOR + 3.35pps.**
- In December, KRUK opened the **'Second Public Bond Issue Programme' with a nominal value of up to PLN 150m.**
- **KRUK's financial position permits further investment** – the ratio of net debt to equity stood at 1.3 at the end of 2014, compared to covenants at 2,5.

## Dividend recommendation for 2014

- Considering the year's robust performance, **the Management Board will recommend to the General Meeting that dividends of PLN 1.5 per share be paid to the shareholders.**
- Any recommendations to distribute dividends in the future **will depend on the growth prospects, investment financing requirements, as well as current debt level and overall financial standing of the KRUK Group.**

## Strategy for 2015–2019

- KRUK is planning further geographical expansion, looking to establish a foothold in four new European markets by 2019.
- **Geographical expansion will be accompanied by product offering growth** (KRUK matrix – slide 26) and further improvement in terms of operations and analyses.
- In addition to its debt collection business, KRUK also plans to branch out, within the next five years, into complementary business lines in the financial sector in Poland.

# We have tripled money of our investors who decided to buy our shares at their debut. KRUK's net profit has increased four times since 2010

	2010	2011	2012	2013	2014	CAGR	Change '10/'14
EPS (PLN)	2.34	4.03	4.80	5.77	8.95	41.7%	282.5%
EPS growth rate	-	72.2%	19.1%	20.2%	55.1%	-	-
ROE	27.4%	27.9%	25.6%	23.5%	25.9%	-	-
Net profit (PLNm)	36.1	66.4	81.2	97.8	151.8	45.5%	320.5%
2014 net profit consensus*						PLNm 146.6	

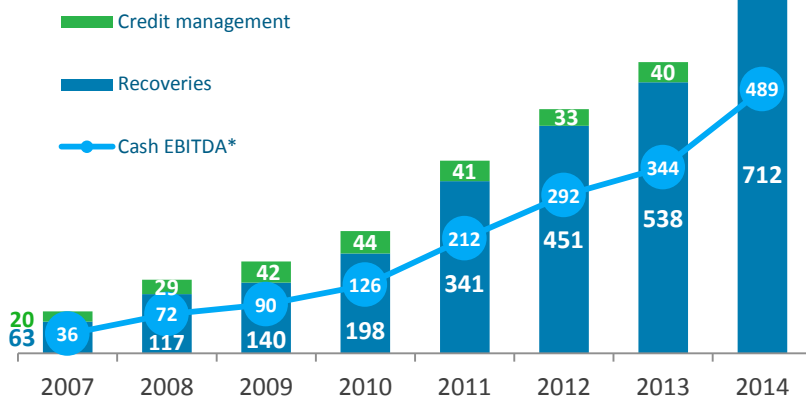


\* Thomson Reuters consensus of March 09th 2015

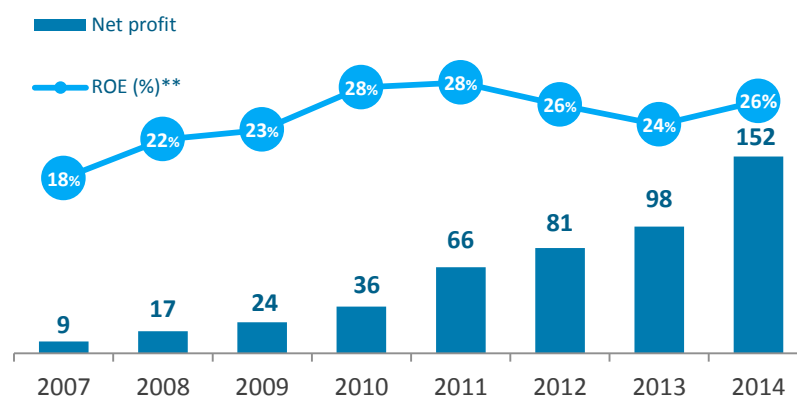
Source: In-house analysis, based on stooq.com data.

# In 2014, the Kruk Group's net profit grew by 55%, with cash EBITDA up 42%

Cash from debt collection activities (PLNm)



Financial performance (PLNm)



PLNm	2007	2013	2014	'14/'13	CAGR '07-'14
Revenue	63.6	405.6	487.9	20%	34%
EBIT	11.5	152.9	208.2	36%	51%
Cash EBITDA*	34.2	344.3	489.0	42%	46%
Net profit	8.7	97.8	151.8	55%	51%

	2007	2014	change
Debt cases managed as at the end of the year, in milion (PD portfolios and debt collection outsourcing)	1.1	2.8	155%
Nominal value of debt cases managed as at the end of the year, PLNbn (PD portfolios and debt collection outsourcing)	4.7	26.3	460%
Accumulated recoveries from purchased debt portfolios (PLNm)	157	2,655	
Number of employees***	751	2,465	228%

\* Cash EBITDA = EBITDA + recoveries – revenue from purchased portfolios  
 \*\* Return on equity at the end of period  
 \*\*\* Including personnel under employment contracts and civil law contracts

# Agenda

Introduction

**Market**

Operating activities

Development strategy

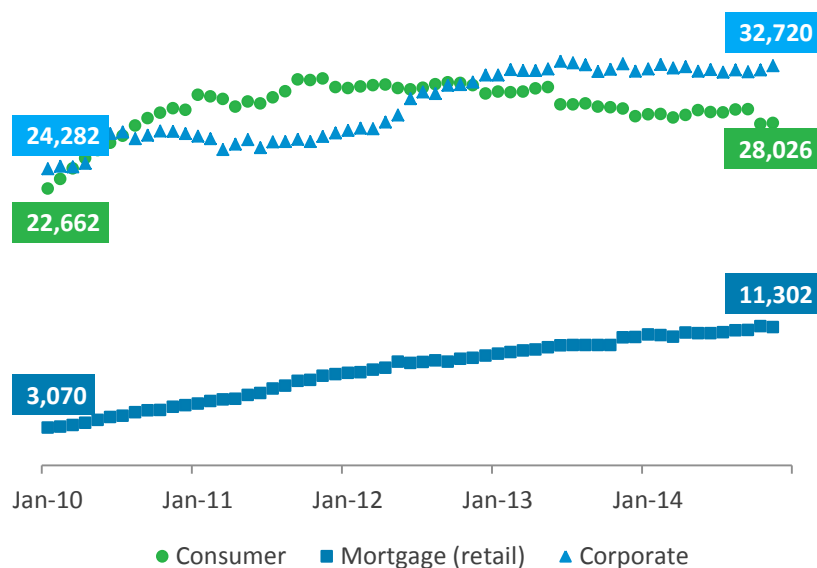
Financial performance

Appendices

# Non-performing bank loans: continuation of trends in Poland and active sales by banks in Romania

## Poland

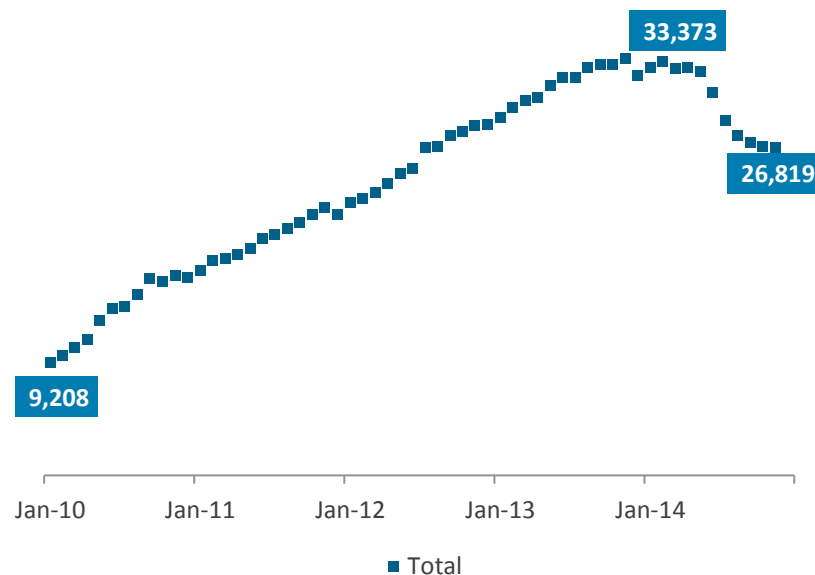
Impaired bank loans (PLNm)



- Non-performing consumer and corporate debt values remain high at PLN 28bn and PLN 33bn, respectively.
- Non-performing mortgage debt increased almost fourfold from 2010, to PLN 11.3bn at the end of 2014.

## Romania

Impaired bank loans (PLNm\*)



- Since mid-2014, the value of non-performing bank loans in Romania has fallen following several large corporate and mortgage debt sale transactions.
- Expecting further supply, in December 2014 KRUK acquired a licence to purchase mortgage-backed debt portfolios in Romania.

Source: National Bank of Poland (NBP).

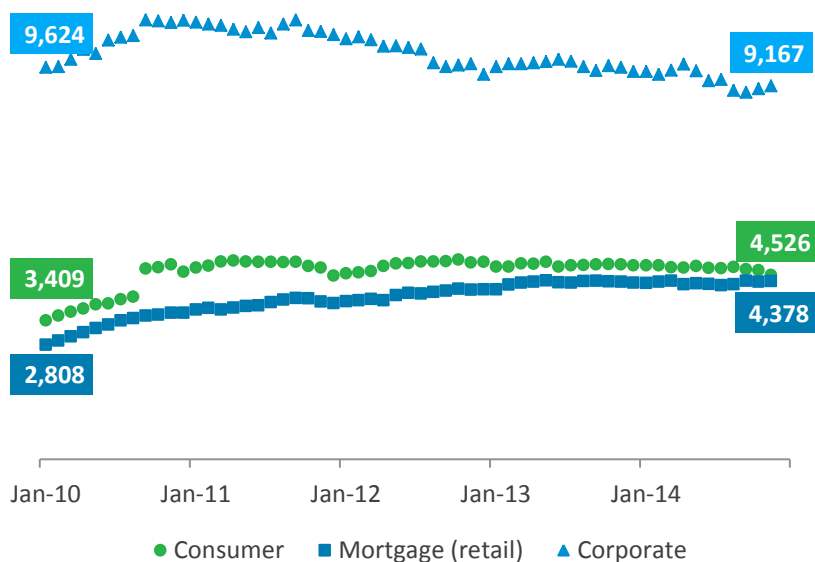
\* translated at the RON/PLN exchange rate quoted by the National Bank of Poland for December 31st 2014



# Potential of the non-performing debt market in the Czech Republic and Slovakia is stable, currently amounting to PLN 27bn.

## Czech Republic

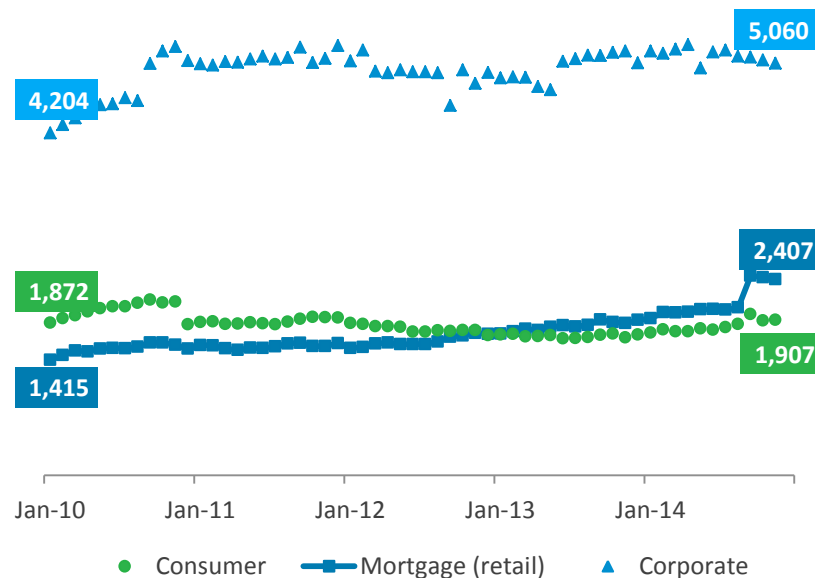
Impaired bank loans (PLNm\*)



- Non-performing debt in the Czech Republic remained flat in the last three years.
- Non-performing mortgage debt grew consistently, to reach PLN 4.4bn at the end of 2014.

## Slovakia

Impaired bank loans (PLNm\*)



- Non-performing debt in Slovakia grew by 24% from 2010, to PLN 9.3bn.
- In 2014, non-performing mortgage-backed debt grew faster (+24%) than consumer debt (+10%) for the second consecutive year.

\* translated at the CZK/PLN and EUR/PLN exchange rates quoted by the National Bank of Poland for December 31st 2014

## In terms of the value of loans advanced, the German market is tenfold larger than the Polish one.

### Germany

Loans contracted at banks (PLNm\*)

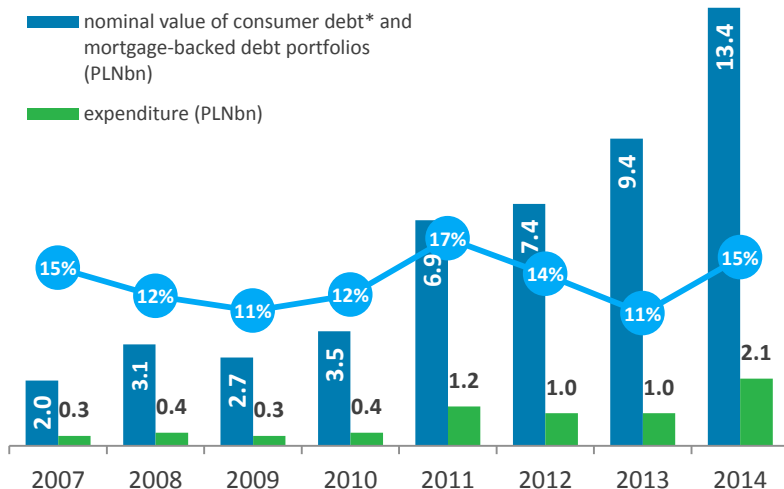


- In Germany, with its developed and stable economy, the values of consumer, mortgage and corporate loans have stayed largely unchanged for four years, at PLN 2,612bn, PLN 3,626bn and PLN 3,853bn, respectively as at the end of 2014.
- Deutsche Bundesbank does not disclose the value of non-performing debt; but the toxic loan ratio is estimated at 3–3.5%. This translates into more than PLN 300bn in non-performing debt (three to four times more than in Poland).

\* translated at the EUR/PLN exchange rate quoted for December 31st 2014

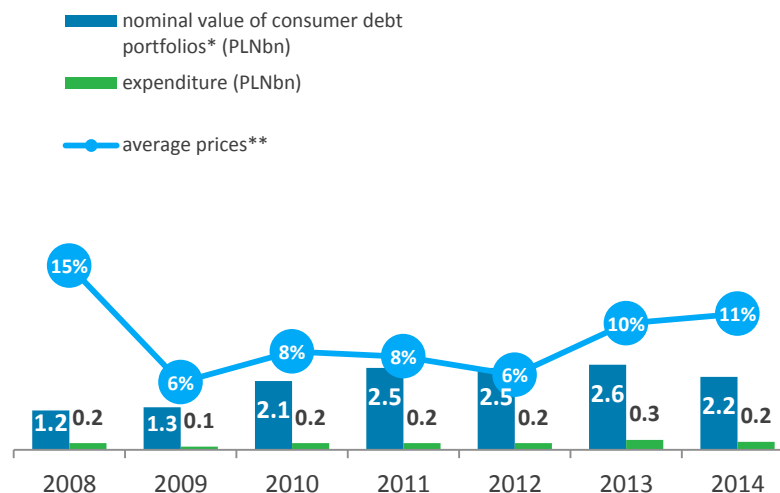
# 2014 saw a twofold growth of expenditure in the Polish consumer and mortgage-backed debt market

## Poland



- The supply of non-performing retail debt reached a historical high of PLN 13.4bn, with expenditure on retail debt portfolios doubling year on year.
- The significant increase in nominal value followed from an over 20% rise in the consumer debt segment (from PLN 9.4bn to PLN 11.7bn) and sale by banks of large mortgage-backed debt portfolios with a total nominal value of PLN 1.7bn.

## Romania

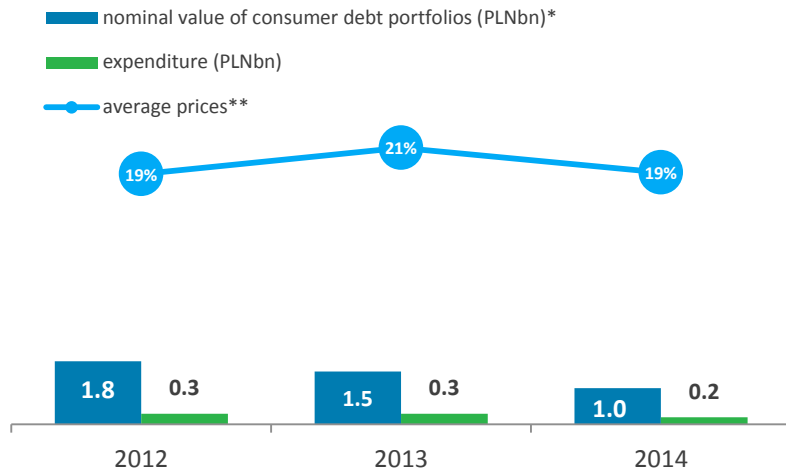


- The supply of consumer debt on the Romanian market in 2014 remained high at about PLN 250m, with nominal value of PLN 2.2bn.
- In the same period, the market of mortgage-backed and corporate debt opened in Romania, worth PLN 1.8bn and PLN 5.1bn, respectively, in nominal terms.
- KRUK intends to become an active player in all three segments in 2015.

\*Consumer portfolios = unsecured retail debt + non-mortgage-backed SME debt  
 \*\* Average price as % of nominal value.

# Expenditure on consumer debt portfolios in the Czech Republic remains stable, while the corporate debt market waits for its momentum

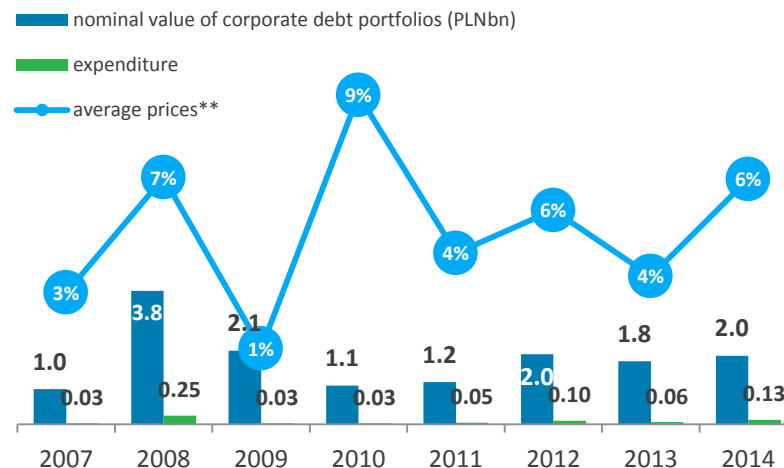
## The Czech Republic and Slovakia



- The expenditure on Czech and Slovak consumer portfolios totalled about PLN 200m.

- The nominal value of consumer portfolios was PLN 1.0bn, down on 2013

## Poland – corporate debt portfolios



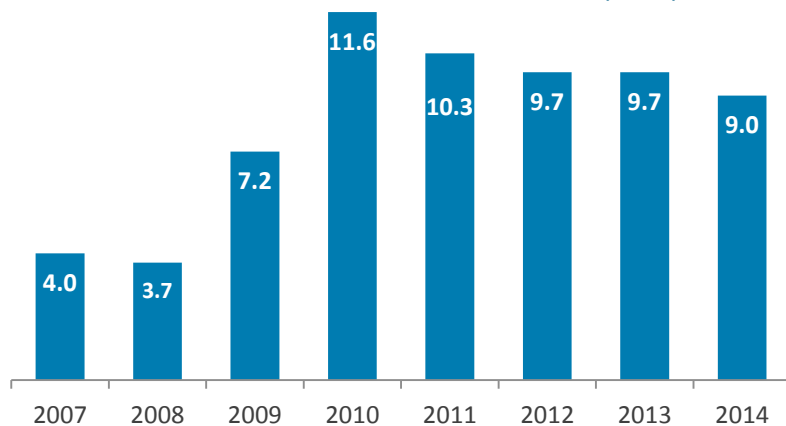
- The expenditure on corporate portfolios in Poland totalled PLN 130m, with nominal value of PLN 2.0bn.

- In 2014, banks continued to be uninterested in selling corporate debt portfolios. This segment has potential for growth in the future.

# The Polish market continues to shift focus from debt collection outsourcing to debt purchase, while the Romanian debt collection outsourcing market remains stable

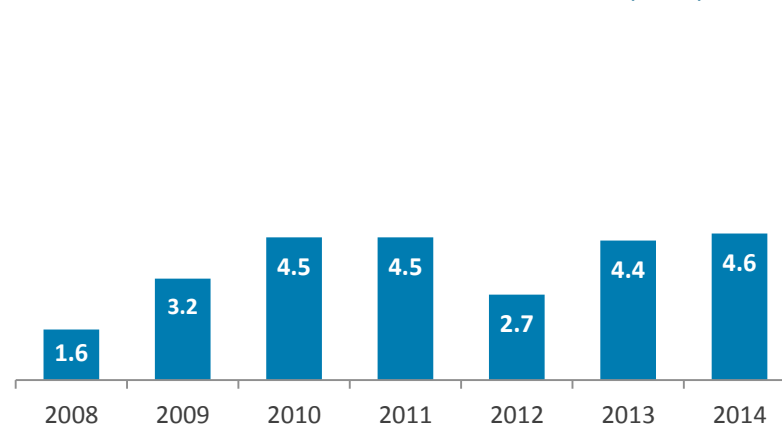
## Poland

Nominal value of retail debts\* outsourced for collection (PLN bn)



## Romania

Nominal value of retail debts\* outsourced for collection (PLN bn)

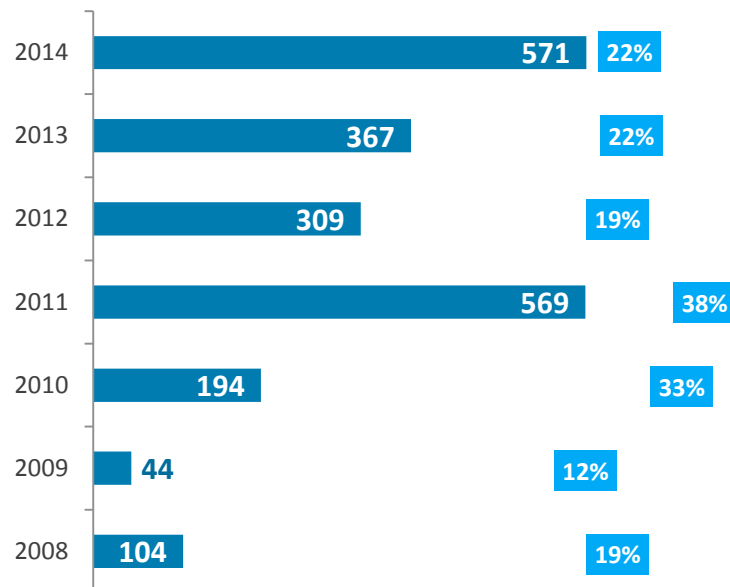


- In 2014, banks continued to shift focus from debt collection outsourcing to debt purchase, finding measurable benefits in accelerated disposals of debt portfolios.
- The Romanian debt collection outsourcing market remains stable, with debts worth a nominal PLN 4.5bn–4.6bn outsourced for collection annually.

\* Retail debts = consumer and mortgage-backed debt of natural persons

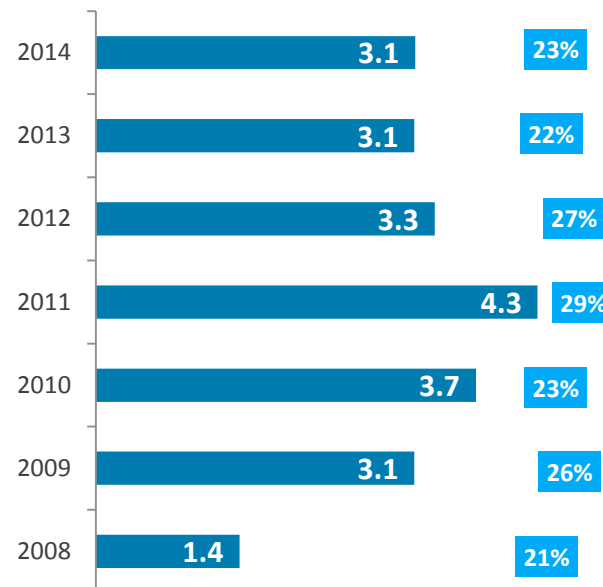
# With a market share of over 20%, KRUK strengthened its position in the regional debt purchase and debt collection outsourcing market

**Expenditure on debt portfolios**  
(PLNm and market share\*)



KRUK is the **leader** of the debt purchase markets in Poland and Romania.

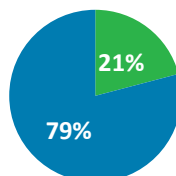
**Nominal value of debts accepted for collection**  
in Poland and Romania  
(PLNbn and market share)



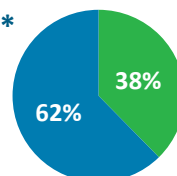
KRUK has maintained a strong market share of over 20% in the highly competitive debt collection outsourcing segments in Poland and Romania.

**Group's share of debt purchase market in individual countries by expenditure**

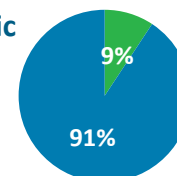
Poland\*\*



Romania\*\*\*



The Czech Republic  
and Slovakia\*\*\*



\* Poland (consumer, mortgage-backed and corporate debt), Romania (consumer debt), the Czech Republic and Slovakia (consumer debt)

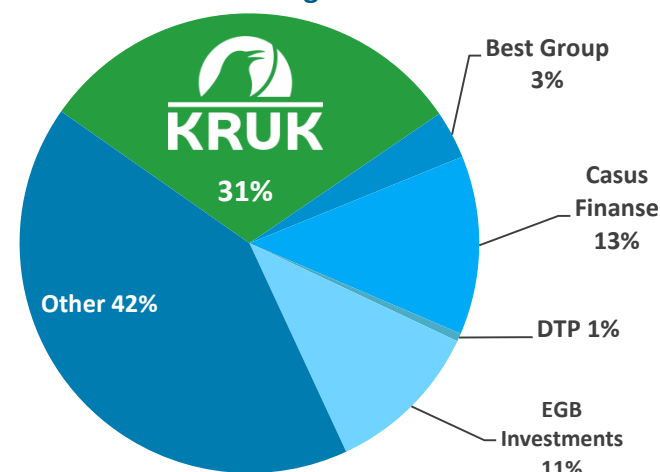
\*\* Consumer, mortgage-backed and corporate debt portfolios

\*\*\* Consumer debt portfolios

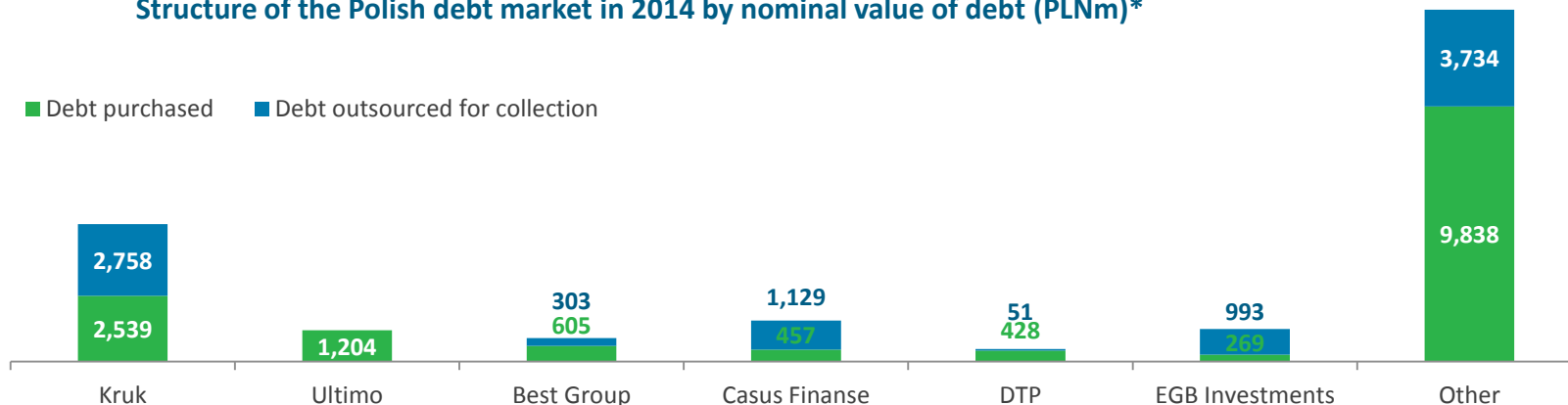
# KRUK is the leading Polish debt collection company

- In Poland, in 2014 the KRUK Group acquired debts with a total nominal value of PLN 5.3bn, more than the aggregate value of debts managed by its **four largest competitors**, according to a Gazeta Giełdy Parkiet ranking\*.
- In the debt purchase segment, the nominal value of acquired debts was PLN 2.6bn, compared with only half that amount acquired by the second largest debt collection company.
- The nominal value of debts outsourced to the KRUK Group for collection was more than PLN 2.7bn.
- The KRUK Group remains the largest player on the Polish debt management market, accounting for 21% of purchased debt and 31% of debt outsourced for collection.

Structure of the Polish debt collection outsourcing market



Structure of the Polish debt market in 2014 by nominal value of debt (PLNm)\*



\*The ranking covers entities which provided Gazeta Giełdy Parkiet with data on the nominal value of debt outsourced for collection, and debt purchased; the 'other' item is KRUK's estimate of the balance of the market share based on auctions in which it participated.  
 Source: In-house analysis, based on the article entitled 'The pie is growing, and everybody wants a chunk' (Tort rośnie, a i chętnych na niego jest coraz więcej), published in Gazeta Giełdy Parkiet on February 17th 2015, and KRUK S.A.'s own estimates.

# Agenda

Introduction

Market

**Operating activities**

Development strategy

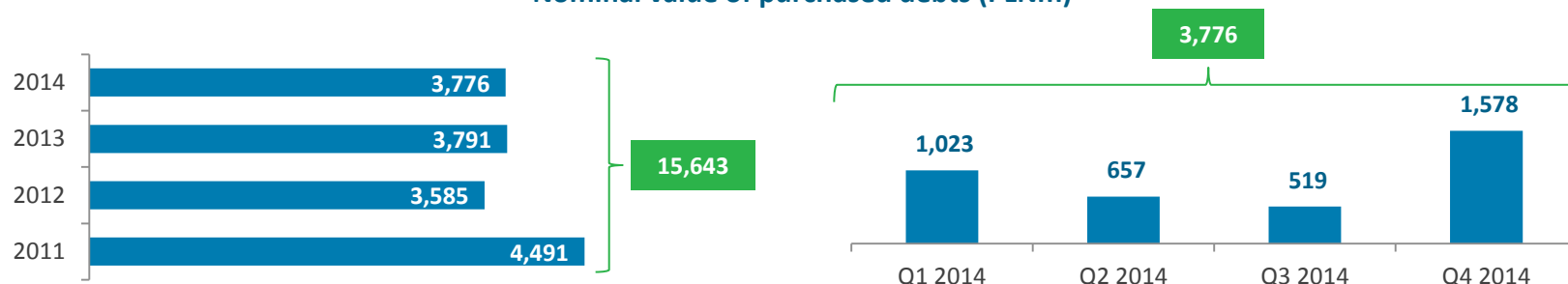
Financial performance

Appendices

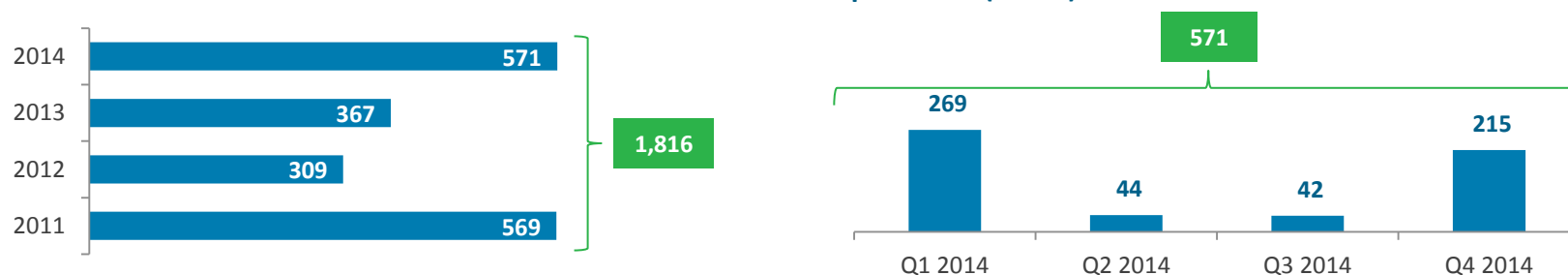


# The KRUK Group's expenditure at an all-time high in 2014 chiefly due to purchase of large mortgage-backed portfolios

Nominal value of purchased debts (PLNm)

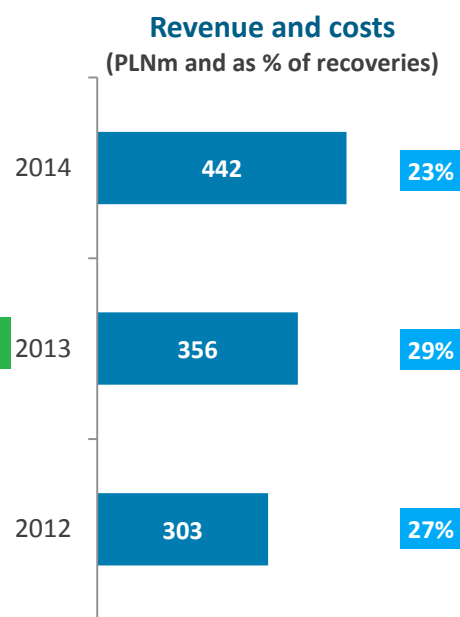
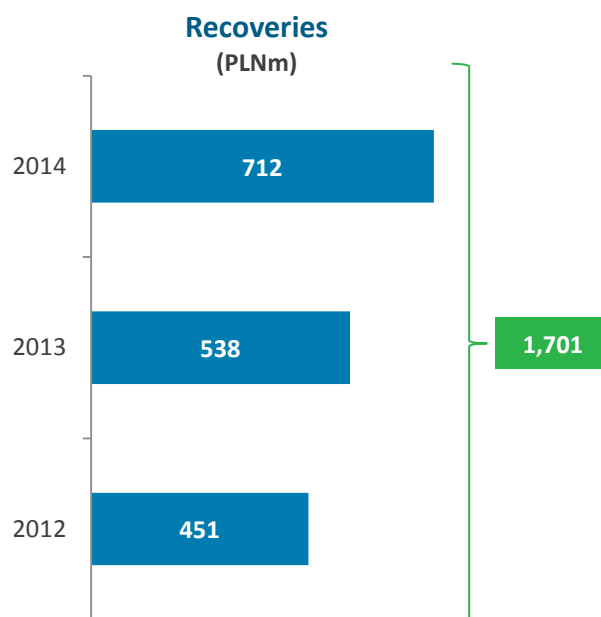
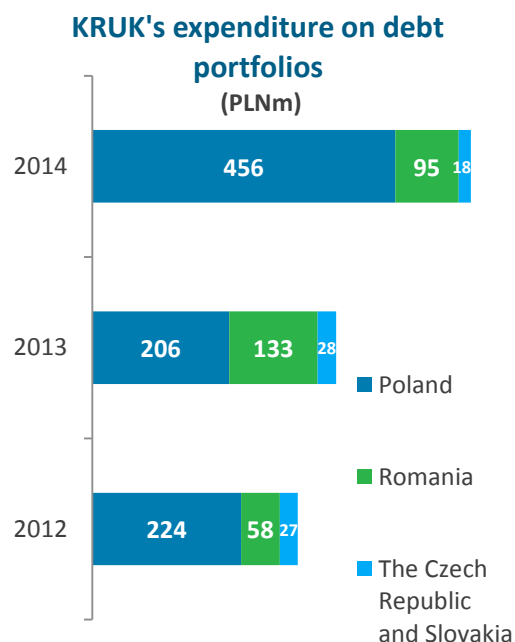


Investments in new debt portfolios (PLNm)



- In 2014, the KRUK Group **invested PLN 571m in 59 debt portfolios** with a total nominal value of **PLN 3.8bn**. The value of investments grew 55% on 2013, surpassing even the Group's record level reported in 2011.
- On average, the KRUK Group paid **15.1%** of the nominal value, compared with 9.7% in 2013 and 8.6% in 2012. The increased price was attributable mainly to the purchase of large portfolios of mortgage-backed debt.

# The amicable settlement strategy is delivering meaningful results, with recoveries of PLN 712m in 2014, including 65% under amicable settlements



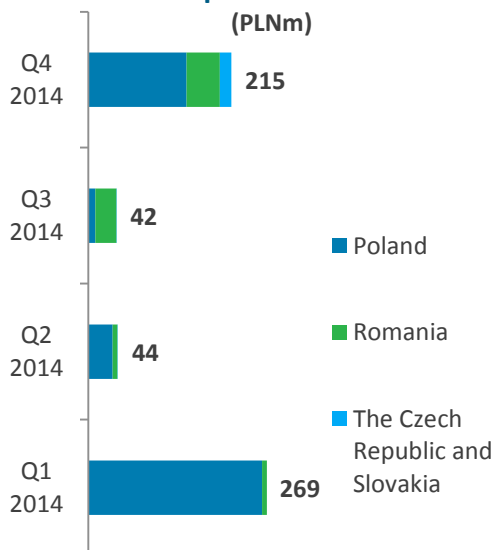
- Expenditure on debt portfolios in Poland increased 121%, chiefly as a result of large investments in the new mortgage-backed debt segment.
- Approximately 20% of total investments were made on foreign markets.

- Recoveries grew by 32% year on year, climbing to a record high of PLN 712m.
- Settlements with debtors account for approximately 65% of the recoveries.

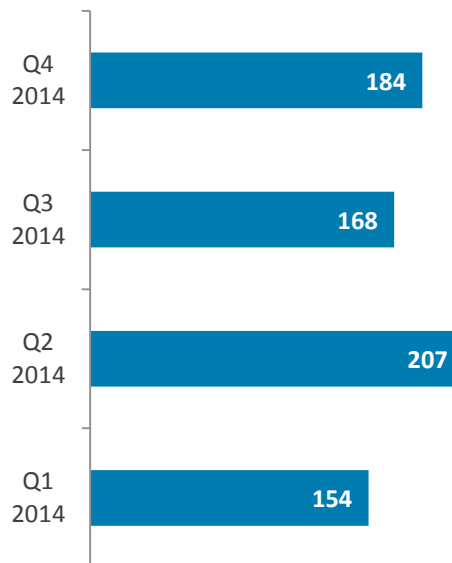
- The Group maintains high operating efficiency and a low ratio of costs to recoveries, which in 2014 stood at 23%, down by 6pps year on year.

# Record-high recoveries and sound investments made in 2014 reinforce the foundations of the KRUK Group's further growth

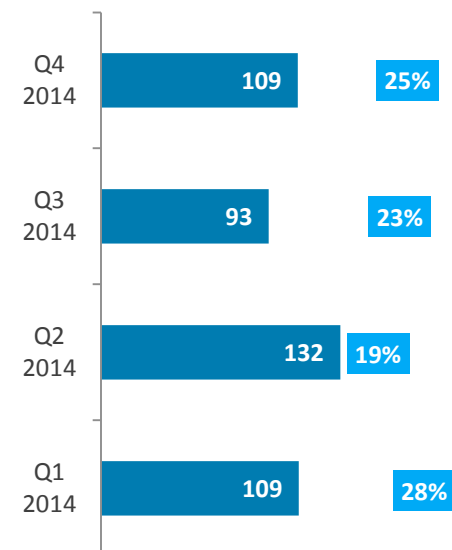
**KRUK's expenditure on debt portfolios (PLNm)**



**Recoveries (PLNm)**



**Revenue and costs (PLNm and as % of recoveries)**



- Expenditure on debt portfolios was PLN 571m, of which 85% was spent in Q1 and Q4, chiefly in connection with large investments in mortgage-backed debt portfolios in Poland.
- In Q4 2014, the Group intensified its activities in Romania, the Czech Republic and Slovakia.

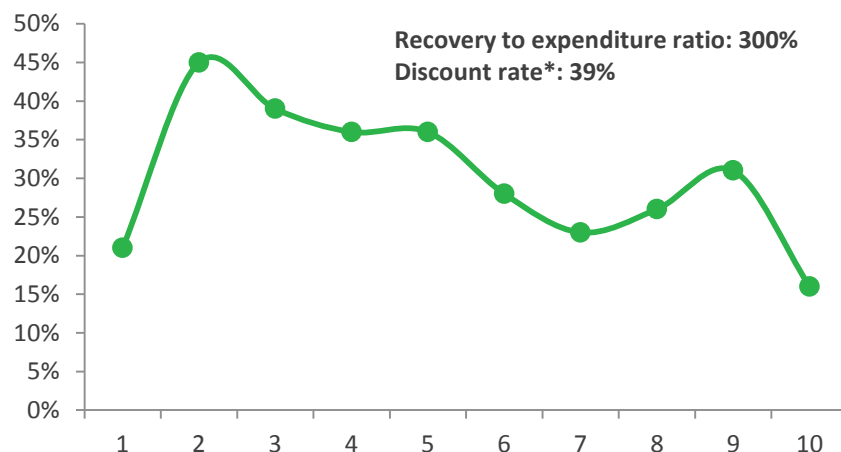
- Recoveries totalled PLN 184m in Q4 2014.
- The highest recoveries were recorded by KRUK in Q2 2014 – in connection with one-off repayments.

- Throughout 2014, the share of costs in recoveries remained significantly below 30%, which was attributable to repayments from secured portfolios and continuous improvement in the Group's effectiveness.

# KRUK Group – historical recovery to expenditure curve for 2005-2014

Weighted average recovery rate for portfolios acquired in calendar years	Total	1Y	2Y	3Y	4Y	5Y	6Y	7Y	8Y	9Y	10Y	10Y+
Investments made in 2005-2014	300%	21%	45%	39%	36%	36%	28%	23%	26%	31%	16%	+

**Weighted average recovery rate for portfolios acquired in 2005-2014**



## Factors with a bearing on the recovery curve:

- Effectiveness of the tools used:
  - Effectiveness of conciliation activities, including telephone calls, doorstep collection, and media communication
  - Effectiveness of court collection
  - Effectiveness of the RD ERIF credit information bureau
- Debtor behaviour
- Macroeconomic situation
- Legal environment

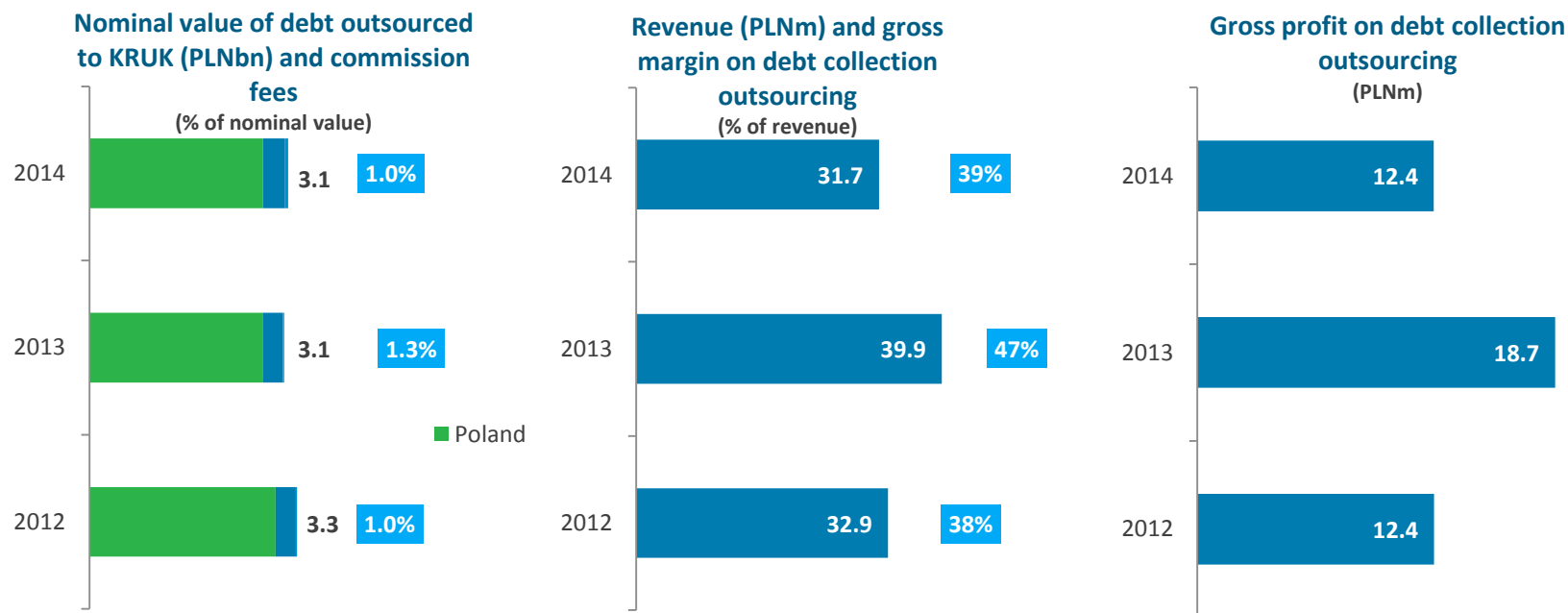
## Recoveries (as at the end of 2014)

PLNm	Historical (until the end of 2014)	Forecast (ERC**) as at Dec 31 2014
Financial inflows	PLN 2,655m	PLN 2,455m

\*Discount rate = annualised IRR based on half-yearly cash flow, assuming investment in portfolios in the middle of a calendar year.

\*\* ERC - estimated remaining undiscounted collections from portfolios purchased before the end of 2014.

# KRUK generates consistent revenue streams on the competitive debt collection outsourcing market



- In 2014, the nominal value of debts accepted for collection reached PLN 3.1bn, and was flat year on year.
- Excluding the one-off effect of revenue generated in Q1 2013 from the management of corporate debt portfolio for a financial investor, the Group's revenue and gross margin on debt collection outsourcing remained stable.
- The KRUK Group performs well on the competitive debt collection outsourcing market by leveraging its economies of scale and high operating efficiency.

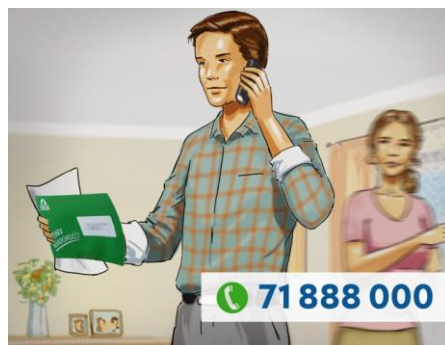
# In 2014, the Kruk Group ran two large advertising campaigns targeted at debtors

The goals of the 2014 spring campaign were to:

- **Encourage debtors to phone Kruk** and arrange a settlement or repayment of the debt
- **Incentivise debtors who had not responded to the Group's previous communications** or kept postponing contact
- **Maintain the Kruk Group's presence in the media** and shape its positive image with debtors



TV commercials:  
'Your debt affects your loved ones too'



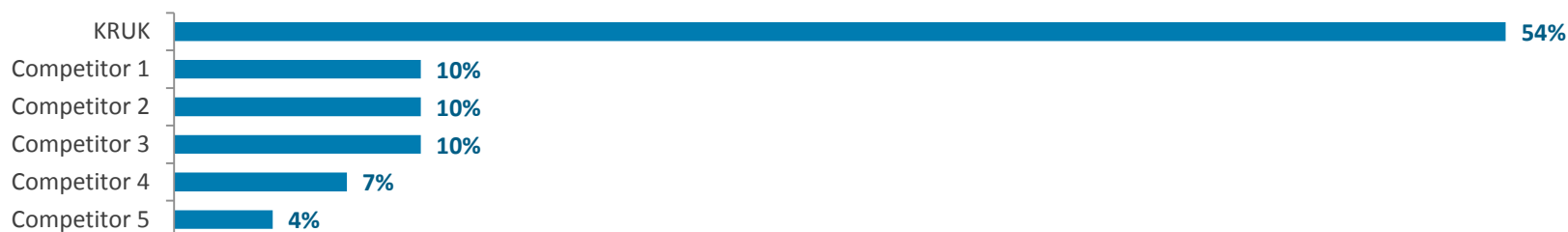
Product placement – Kruk settlements featured in 'Ojciec Mateusz', a TV series

The goals of the 2014 autumn campaign were to:

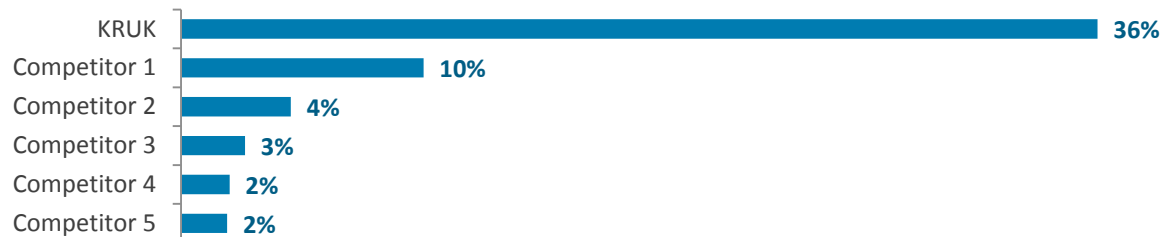
- **Show the negative effect of excessive debt on the family**, thus creating a non-financial motivation for debt repayment
- **Motivate** debtors who avoid confronting their debt problem to start making repayments and maintain positive motivation among those who pay their debts
- **Demonstrate the full seriousness of the problem to debtors and encourage them to take action** and set themselves goals related to debt repayment
- **Maintain and enhance Kruk's image** of a company understanding the problems of debtors

# The KRUK Group strengthened its leading position in terms of brand awareness on the Polish and Romanian markets

Total awareness of the KRUK Group's name and brand in Poland



Total awareness of the KRUK Group's name and brand in Romania



- The KRUK Group was once again **the most recognisable brand of the debt management industry in Poland**, maintaining a 44-point lead over the runner-up. The Group's position and recognisability maintained after change to new logo (December 2013: also 54%).
- In 2014, **KRUK remained the most recognisable brand also on the Romanian market**, with a score of 36%.

# Agenda

Introduction

Market

Operating activities

**Development strategy**

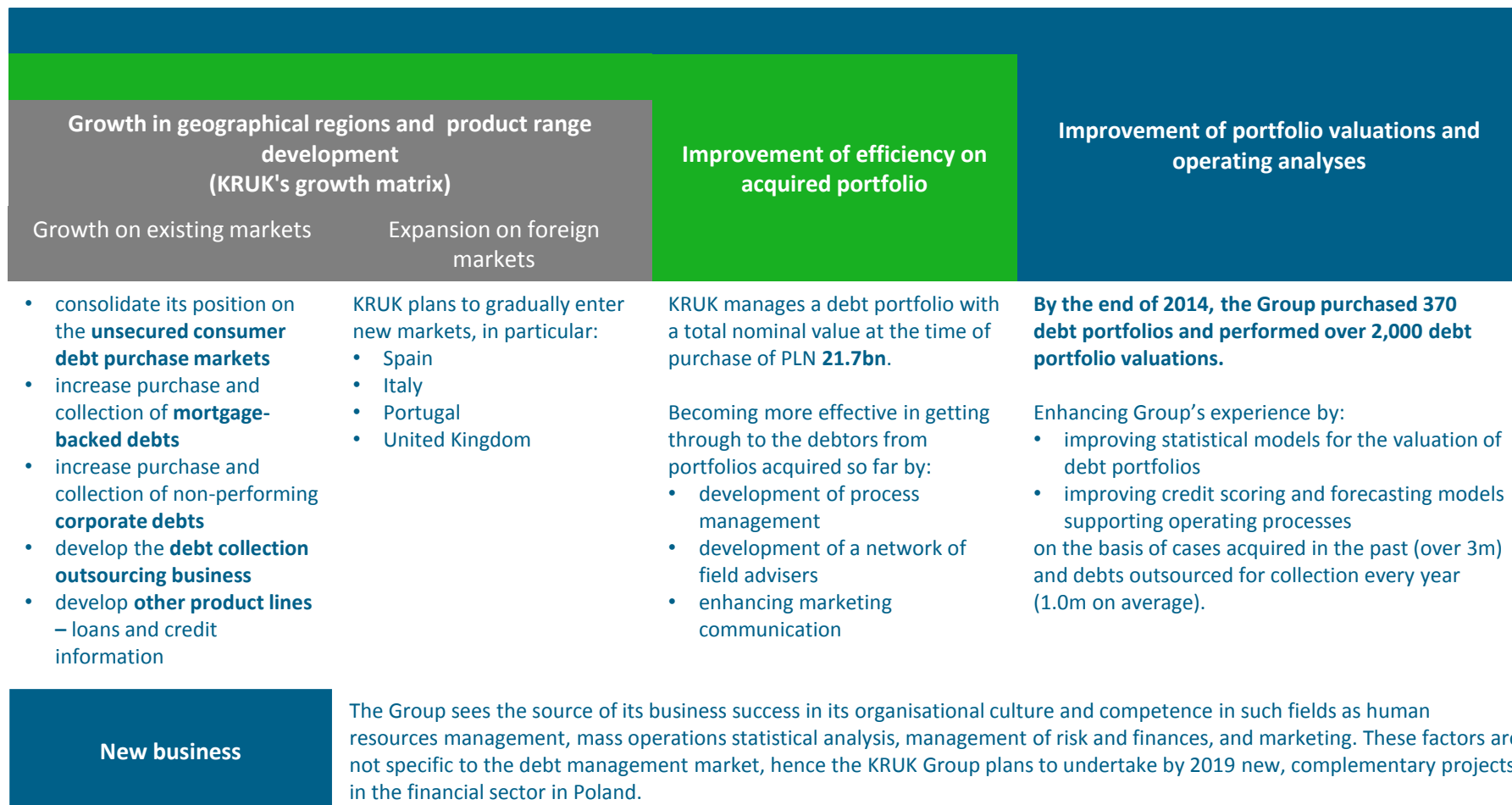
Financial performance

Appendices



# KRUK has a strategy for maintaining the growth momentum in 2015–2019

The strategic objective for 2015–2019 is to:  
achieve the position of one of Europe's three leading debt management companies in terms of net profit.



## KRUK growth matrix – strong potential for business growth across products and geographical regions

Current business lines		Poland	Romania	Czech Republic	Slovakia	Germany	Spain	Italy	Portugal	United Kingdom
Debt portfolio purchases	Consumer	✓	✓	✓	✓	✓				
	Mortgage	✓	✓							
	Corporate	✓	✓							
Debt collection outsourcing		✓	✓	✓	✓					
Consumer loans		✓								
Credit information		✓								

# Agenda

Introduction

Market

Operating activities

Development strategy

**Financial performance**

Appendices

# Transition to the AMC method for portfolios acquired since 2014 mitigates the risk of profit/loss fluctuations attributable to interest rate changes

## Reasons for a change

- Increasing risk of negative influence of changes in risk-free rate on financial result through portfolio revaluation according to FVTPL
- Higher importance of mortgage portfolios with longer repayment schedule, which are more vulnerable to changes in interest rates according to FVTPL.
- Evolution of interpretation of IAS 39 in the last few years which caused AMC method more attractive for debt purchasing companies



## Results of a change

- Maintenance of foregoing logic of revenue recognition – sum of revenues equals a sum of inflows from the portfolio decreased by purchase price; revenue distribution over time is similar under both method (except for changes in risk-free rate).
- Lower influence of changes in risk-free rates on financial results in the future
- Decrease of 2014 result because of unrecognised risk-free rate changes for portfolios purchased in 2014 and qualified for AMC method

Differences between the applied methods	Methods for purchased portfolios allowed under IAS 39	
	Fair value through P&L, FVTPL	Amortised cost (AMC) method
Time of portfolio purchase by KRUK	<div> <div>01.01.2014</div> <div>→</div> </div>	
Discount rate	Division into a risk-free portion and margin Changes in risk-free rate affects portfolio valuation and results.	Fixed discount rate since portfolio acquisition. Interest rate changes with no effect on portfolio revaluation.
Direct costs related to portfolio management	Expected future costs included in cash flow projection (lower value)	Expected future costs included in cash flow projection (higher value)
Initial acquisition value	Equal to acquisition cost (net of duty on actions under civil law – costs of period)	Equal to acquisition cost including duty on actions under civil law (1%)
Current carrying amount (31.12.2014)	<div> <div>PLN 862m and decreasing over time</div> <div>Sum of PLN 1,367m</div> </div>	<div> <div>PLN 505m and growing with the growth of investment</div> </div>

# KRUK 2009–2014 – fast-growing and highly profitable business with strong cash flows

<i>PLNm</i>	2010	2011	2012	2013	2014	'14/'13	CAGR 14/10
<b>Debt portfolios purchased</b>							
expenditure on debt portfolios	-194	-569	-309	-367	-571	55%	31%
recoveries	198	341	451	538	712	32%	38%
<b>STATEMENT OF PROFIT AND LOSS</b>							
<b>Operating income</b>	<b>164</b>	<b>274</b>	<b>343</b>	<b>406</b>	<b>488</b>	<b>20%</b>	<b>31%</b>
Own debt portfolios	118	230	303	356	442	24%	39%
including revaluation	10	20	5	-13	8	-	-
Debt collection outsourcing	44	41	33	40	32	-20%	-8%
Other products and services	2	3	7	10	14	41%	60%
<b>Gross profit</b>	<b>75</b>	<b>144</b>	<b>194</b>	<b>223</b>	<b>294</b>	<b>32%</b>	<b>41%</b>
<i>Gross margin</i>	45%	52%	57%	55%	60%	-	-
Own debt portfolios	57	127	181	202	276	36%	48%
Debt collection outsourcing	18	18	12	19	12	-36%	-10%
Other products and services	-1	-1	1	2	6	232%	-
<b>EBITDA</b>	<b>47</b>	<b>101</b>	<b>144</b>	<b>162</b>	<b>220</b>	<b>36%</b>	<b>47%</b>
<i>EBITDA margin</i>	28%	37%	42%	40%	45%	-	-
<b>NET PROFIT</b>	<b>36</b>	<b>66</b>	<b>81</b>	<b>98</b>	<b>152</b>	<b>55%</b>	<b>43%</b>
<i>net profit margin</i>	22%	24%	24%	24%	31%	-	-
ROE	28%	28%	26%	24%	26%	-	-
EPS (PLN)	2,3	4.0	4.8	5.8	8.9	53%	40%
<b>CASH EBITDA*</b>	<b>127</b>	<b>212</b>	<b>292</b>	<b>344</b>	<b>489</b>	<b>42%</b>	<b>40%</b>
Revenue/fair value of purchased debt portfolios	45%	32%	35%	34%	32%	-	-
Revaluation/fair value of purchased debt portfolios	4.0%	2.7%	0.5%	-1.3%	0.6%	-	-

Source: KRUK S.A.

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

# KRUK Group – quarterly results in 2014

PLNm	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2013	2014	2014/2013 change
<b>Debt portfolios purchased</b>							
Expenditure on debt portfolios	268.9	44.2	41.6	215.4	367.2	570.7	55%
recoveries	153.8	206.6	167.9	183.5	537.7	711.8	32%
<b>STATEMENT OF PROFIT AND LOSS</b>							
<b>Operating income</b>	<b>120.1</b>	<b>143.6</b>	<b>103.8</b>	<b>120.4</b>	<b>405.6</b>	<b>487.9</b>	<b>20%</b>
Own debt portfolios	109.1	132.1	92.5	108.7	355.7	442.4	24%
including revaluation	5.7	12.4	-13.3	2.6	-13.3	7.5	-
Debt collection outsourcing	8.0	8.3	7.6	7.8	39.9	31.7	-21%
Other products and services	3.0	3.2	3.7	3.9	9.9	13.8	39%
<b>Gross profit</b>	<b>69.4</b>	<b>98.4</b>	<b>58.1</b>	<b>68.1</b>	<b>222.9</b>	<b>293.9</b>	<b>32%</b>
<i>Gross margin</i>	<i>58%</i>	<i>68%</i>	<i>56%</i>	<i>57%</i>	<i>55%</i>	<i>60%</i>	-
Own debt portfolios	65.5	93.7	53.5	63.1	202.3	275.9	36%
Debt collection outsourcing	2.8	3.6	2.9	3.1	18.7	12.4	-34%
Other products and services	1.1	1.1	1.6	1.9	1.8	5.7	216%
<b>Administrative expenses</b>	<b>15.5</b>	<b>17.1</b>	<b>17.1</b>	<b>22.6</b>	<b>60.4</b>	<b>72.4</b>	<b>20%</b>
Cost of management stock options	0.2	2.9	1.3	2.8	2.6	7.3	181%
<b>EBITDA</b>	<b>54.1</b>	<b>80.0</b>	<b>40.4</b>	<b>45.0</b>	<b>162.3</b>	<b>219.5</b>	<b>35%</b>
<i>EBITDA margin</i>	<i>45%</i>	<i>56%</i>	<i>39%</i>	<i>37%</i>	<i>40%</i>	<i>45%</i>	-
<b>NET PROFIT</b>	<b>40.0</b>	<b>60.1</b>	<b>26.0</b>	<b>25.7</b>	<b>97.8</b>	<b>151.8</b>	<b>55%</b>
<i>net profit margin</i>	<i>33%</i>	<i>42%</i>	<i>25%</i>	<i>21%</i>	<i>24%</i>	<i>31%</i>	-
<i>ROE rolling</i>	<i>26%</i>	<i>28%</i>	<i>26%</i>	<i>26%</i>	<i>24%</i>	<i>26%</i>	-
<b>CASH EBITDA*</b>	<b>98.8</b>	<b>154.5</b>	<b>115.8</b>	<b>119.9</b>	<b>344.3</b>	<b>489.0</b>	<b>42%</b>

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

PLNm	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2013	2014	2014/2013 change
<b>Operating income</b>	<b>120.1</b>	<b>143.6</b>	<b>103.8</b>	<b>120.4</b>	<b>405.6</b>	<b>487.9</b>	<b>20%</b>
Poland	71.7	90.5	52.8	69.4	223.5	284.4	27%
Romania	41.2	46.8	50.5	44.2	180.0	182.7	1%
Other countries	7.3	6.4	0.5	6.7	2.1	20.9	886%
<b>Gross profit</b>	<b>74.8</b>	<b>93.0</b>	<b>58.1</b>	<b>68.1</b>	<b>222.9</b>	<b>293.9</b>	<b>32%</b>
<i>Gross margin</i>	<i>62%</i>	<i>65%</i>	<i>56%</i>	<i>57%</i>	<i>55%</i>	<i>60%</i>	
<b>Administrative expenses</b>	<b>-15.5</b>	<b>-17.1</b>	<b>-17.1</b>	<b>-22.6</b>	<b>-60.4</b>	<b>-72.4</b>	<b>20%</b>
EBITDA	54.1	80.0	40.4	45.0	162.3	219.5	35%
<i>EBITDA margin</i>	<i>45%</i>	<i>56%</i>	<i>39%</i>	<i>37%</i>	<i>40%</i>	<i>45%</i>	
<b>Finance income/costs</b>	<b>-12.4</b>	<b>-16.8</b>	<b>-12.5</b>	<b>-13.7</b>	<b>-54.5</b>	<b>-55.3</b>	<b>2%</b>
<b>Net profit</b>	<b>40.0</b>	<b>60.1</b>	<b>26.0</b>	<b>25.7</b>	<b>97.8</b>	<b>151.8</b>	<b>55%</b>
<i>Net margin</i>	<i>33%</i>	<i>42%</i>	<i>25%</i>	<i>21%</i>	<i>24%</i>	<i>31%</i>	

# The KRUK Group – selected balance-sheet items (presentation format)

PLNm	2013	2014
<b>ASSETS</b>		
Cash and cash equivalents	35.3	70.5
Trade receivables	9.0	10.9
Current tax asset	0.0	0.0
Investments in debt portfolios and loans	1,063.8	1,380.2
Other receivables	17.8	16.5
Inventories	0.5	0.5
Property, plant and equipment	20.1	20.3
Other intangible assets	10.4	11.0
Goodwill	1.0	1.0
Deferred tax asset	2.4	3.5
Other assets	2.5	2.1
<b>Total assets</b>	<b>1,162.8</b>	<b>1,516.6</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>415.6</b>	<b>585.1</b>
including: Retained earnings	311.2	462.9
<b>Liabilities</b>	<b>747.3</b>	<b>931.6</b>
including: Borrowings and leases	112.9	349.2
Bonds	574.5	489.5
<b>Total equity and liabilities</b>	<b>1,162.8</b>	<b>1,516.6</b>
<b>RATIOS</b>		
<b>Interest-bearing debt</b>	<b>687.5</b>	<b>838.6</b>
<b>Net interest-bearing debt</b>	<b>652.2</b>	<b>768.1</b>
Net interest-bearing debt to equity	1.6	1.3
Interest-bearing debt to 12-month cash EBITDA*	1.9	1.6



# The KRUK Group – strong cash flows guarantee high liquidity in business operations (presentation format)

PLNm	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2013	2014
<b>Cash flows from operating activities:</b>	<b>77.9</b>	<b>137.6</b>	<b>119.1</b>	<b>97.6</b>	<b>290.8</b>	<b>432.3</b>
Recoveries from debtors – purchased debt portfolios	153.8	206.6	167.9	183.5	537.7	711.8
Operating costs – purchased debt portfolios	-43.6	-38.4	-39.0	-45.5	-153.4	-166.5
Operating margin – debt collection outsourcing	2.8	3.6	2.9	3.1	18.7	12.4
Administrative expenses	-15.5	-17.1	-17.1	-22.8	-60.4	-72.6
Other operating cash flow	-19.5	-17.1	4.4	-20.7	-51.8	-52.9
<b>Cash flows from investing activities:</b>	<b>-273.8</b>	<b>-47.0</b>	<b>-44.1</b>	<b>-217.2</b>	<b>-381.9</b>	<b>-582.1</b>
Expenditure on debt portfolio purchases	-268.9	-44.2	-41.6	-216.1	-367.2	-570.7
Other investing cash flow	-4.9	-2.8	-2.6	-1.1	-14.7	-11.4
<b>Cash flows from financing activities:</b>	<b>229.8</b>	<b>-90.3</b>	<b>-94.4</b>	<b>140.1</b>	<b>83.6</b>	<b>185.2</b>
Increase in borrowings and lease liabilities	270.5	626.5	337.8	464.1	617.4	1 698.8
Issue of bonds	0.0	0.0	0.0	45.0	250.0	45.0
Decrease in borrowings and lease liabilities	-280.7	-422.0	-392.6	-367.0	-675.2	-1 462.3
Redemption of bonds	-20.0	-33.4	-47.0	-29.5	-101.5	-129.9
Other financing cash flow	260.0	-261.3	7.4	27.5	-7.1	33.6
<b>Net cash flows:</b>	<b>33.9</b>	<b>0.2</b>	<b>-19.4</b>	<b>20.5</b>	<b>-7.5</b>	<b>35.3</b>

# Agenda

Introduction

Market

Operating activities

Development strategy

Financial performance

**Appendices**

# KRUK – debt structure and bond redemption schedule

Bonds (PLNm)*	2014	2015	2016	2017	2018	2019	2020
Issued	45	-	-	-	-	-	-
Redeemed	130	41	154	135	115	0	45
<b>Bonds outstanding at end of period</b>	<b>490</b>	<b>449</b>	<b>295</b>	<b>160</b>	<b>45</b>	<b>45</b>	<b>0</b>

\* Based on nominal value.

Bank loans (PLNm)	Bank credit facilities	Amount outstanding as at Dec 31 2014
<b>Total bank borrowings</b>	<b>500</b>	<b>337</b>
Investment credit facilities	-	-
Revolving credit facilities	500	337

- In 2014, the KRUK Group **increased the availability of credit lines by PLN 285m** compared with the end of 2013, acquiring flexible financing sources for further investments.
- In December 2014, for the first time, KRUK issued six-year bonds with the total nominal value of PLN 45m, bearing interest at 3M WIBOR + 3.35pps.

# KRUK Group – milestones and business model

## KRUK Group's milestones – innovation leader

<b>2000</b>	Launch of the debt collection outsourcing business
<b>2001</b>	Introduction of the <i>success only fee</i> in CMS
<b>Debt portfolio market emerges – decision to raise new equity</b>	
<b>2003</b>	KRUK the CMS market leader Enterprise Investors invests USD 21m (PEF IV) Purchase of first debt portfolio
<b>2005</b>	First securitisation process in Poland Branch opened in Wałbrzych
<b>Decision to replicate business model outside of Poland</b>	
<b>2007</b>	Entry into the Romanian market
<b>Innovative approach to debtors</b>	
<b>2008</b>	Amicable settlement solutions (voluntary debt settlement or litigation) introduced on a mass scale
<b>2010</b>	Legislative change – operation of Rejestr Dłużników ERIF Advertising in media – tool for mass communication
<b>Increased supply of non-performing debt</b>	
<b>2011</b>	IPO on the WSE, Entry into the Czech market
<b>2012</b>	Development of KRUK's business in Slovakia
<b>2014</b>	acquisition of the first large mortgage-back debt portfolio Entry into the German market

## KRUK Group's business model



# The most important changes in consumer bankruptcy in Poland

## Key amendments to consumer bankruptcy regulations

Former regulations	Existing regulations
Consumer bankruptcy could only be declared if caused by exceptional circumstances beyond the consumer's control	Consumer bankruptcy may not be declared if the insolvency was caused or materially increased by the debtor through willful misconduct or gross negligence
The court discontinued proceedings if the funds available were not sufficient to cover their costs	The court does not discontinue proceedings if the funds available are not sufficient to cover their costs. The State Treasury temporarily covers the costs.
Fee for filing for bankruptcy was PLN 200	Fee for filing for bankruptcy is PLN 30
Fee of the bankruptcy administrator – 3% of the bankruptcy estate, but no more than 140-fold the average monthly remuneration	Fee of the bankruptcy administrator – from one-fourth to twice the average monthly remuneration
Arrangement was not possible (bankruptcy by liquidation only)	Arrangement is possible – the creditor's consent required
Out of proceeds from sale of a residential unit, an amount was set aside for the bankrupt corresponding to the average rent in the same or neighbouring city/town for 12 months	Out of proceeds from sale of a residential unit, an amount is set aside for the bankrupt corresponding to the average rent in the same or neighbouring city/town for 12 to 24 months
Repayment schedule – up to 5 years	Repayment schedule – up to 3 years, thereafter the debt is cancelled

## As at the end of 2014, the KRUK Group held 370 debt portfolios with a total nominal value of PLN 21.7bn and fair value of PLN 1,367m.

Purchased debt portfolios PLNm	2010	2011	2012	2013	2014
Nominal value of purchased debt portfolios	2,164	4,469	3,585	3,791	3,776
Accumulated nominal value of purchased debt portfolios	6,072	10,542	14,126	17,917	21,693
Cash recoveries	198	341	451	538	712
Accumulated cash recoveries	612	954	1,405	1,943	2,655
Fair value	263	719	873	1,054	1,367
Fair value remeasurement	10	20	5	-13	8
Share of the amount of remeasurement in fair value (%)	4.0%	2.7%	0.5%	-1.3%	0.6%

### Operational initiatives undertaken by the KRUK Group with a view to enhancing its effectiveness in debt recovery

Development and optimisation of the field adviser network in Poland, Romania and the Czech Republic

Development of court collection in Romania  
Development of amicable collection in the Czech Republic and Slovakia

Enhancement of the effectiveness of marketing measures providing access to indebted individuals

Increase of the operating scale and awareness of RD ERIF BIG S.A.

# The mortgage-backed debt market in Poland and Romania is poised for strong growth.

## Experience

The KRUK Group boasts the most extensive experience on the market in the valuation, purchase and management of mortgage-backed debt portfolios:

- mortgage-backed debts in the debt collection outsourcing segment since 2005,
- smaller mortgage-backed debt portfolios acquired in previous years,
- mortgage-backed debts included in consumer portfolios,
- **in 2014, expenditure on mortgage-backed debt portfolios exceeded PLN 300m – KRUK acquired two large portfolios from Getin Noble Bank and BZ WBK, as well as several smaller portfolios,**
- the acquired debt portfolios were denominated in the Polish złoty – KRUK has no exposure to the Swiss franc,
- the aggregate base of more than 3 thousand debt cases acquired combined with its experience in debt valuation give KRUK a significant competitive edge in the growing market,
- banks in Poland will continue to sell their mortgage-backed debt portfolios.

### The largest mortgage-backed debt portfolios purchased by KRUK in 2014

Seller	Date	Expenditure (PLNm)	Nominal value (PLNm)	Price %	Number of cases
Getin Noble Bank	March 2014	230	710	32%	1,800+
BZ WBK	December 2014	70	443	16%	1,100+
<b>TOTAL</b>		<b>300</b>	<b>1,153</b>		

## Collection process

KRUK strives to use amicable solutions in the process of collection of mortgage-backed debts.

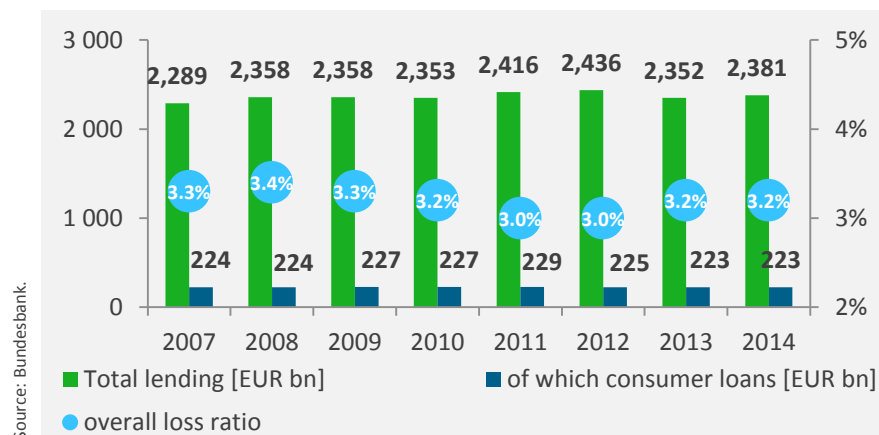
- Collection carried out in cooperation with the debtor, or the client, is more effective than collection through courts:
  - payments are adjusted to the client's financial situation,
  - the client's entire debt is removed,
  - when real property is sold on an amicable basis, it can be sold at a lower discount than in the case of sale carried out through court/enforcement procedure.

### Process simulation

Debt nominal value		PLN 350 thousand	
Property market value		PLN 250 thousand	
Court procedure		Amicable collection	
Sale of real property through court procedure	PLN 150 thousand	I. Sale of real property in cooperation with the debtor (and cancellation of a portion of debt)	
		PLN 250 thousand (-PLN 100 thousand)	
Outstanding debt	-PLN 200 thousand	II. Debt repayment in flexible instalments	
		PLN 350 thousand	

# KRUK is participating in its first debt auctions in Germany

Bank consumer loans in Germany (EURbn)



## German market

- With a population of 80m and nominal GDP of EUR 2.7tn, Germany is the largest economy in Europe and the fourth largest economy globally.
- Bank loans to the private sector amount to nearly EUR 2.4tn, of which consumer loans account for about 10% – more than four times the figure reported for Poland
- There are more than 6.5m debtors in Germany (ca. 10% of population aged over 18)\*.
- KRUK's main competitors in the German market will include Creditreform, EOS, GFKL, Lindorff, Intrum Justitia, PRA Group, Hoist and Arvato.

## KRUK's operations on the German market

- KRUK is consistently pursuing its greenfield project.
- Operationally, KRUK is prepared to purchase its first consumer debt portfolio.
- Our conciliatory approach has gained positive feedback from banks, which consider KRUK as a potential buyer.
- KRUK is taking part in its first auctions of non-performing debt.

## Berlin offices of KRUK Deutschland GmbH



\* Source: Schuldneratlas Deutschland, Jahr 2013



# International listed companies in the KRUK Group's peer group



**Intrum  
Justitia**  
\*\*\*

**Portfolio  
Recovery  
Associates**  
\*\*\*

**Arrow Global**  
\*\*\*

	2009	2010	2011	2012	2013	2014	CAGR ('09-'14)	LTM
Net profit (PLNm)	23.5	36.1	66.4	81.2	97.8	151.8	44%	151.8
<i>increase</i>	41%	54%	84%	22%	20%	55%		
EPS (PLN)	1.48	2.34	4.03	4.80	5.77	8.95	42%	8.95
<i>increase</i>	35%	58%	72%	19%	20%	55%		
Equity (PLNm)	98.3	130.3	238.4	317.6	415.6	585.1	40%	585.1
ROE	24%	28%	28%	26%	24%	26%		
<b>Market capitalisation (PLNm)*</b>								<b>2 172,1</b>
<b>P/E**</b>								<b>14,3</b>
Net profit (PLNm)	200.6	205.8	251.6	265.9	372.9	474.0	15%	474.0
<i>increase</i>	0%	3%	22%	6%	40%	27%		
EPS (PLN)	2.52	2.58	3.15	3.33	4.69	6.14	16%	6.14
<i>increase</i>	-1%	3%	22%	6%	41%	31%		
Equity (PLNm)	1,160.5	1,173.1	1,280.9	1,359.5	1,509.8	1,384.6	4%	1,384.6
ROE	17%	18%	20%	20%	25%	34%		
<b>Market capitalisation (PLNm)*</b>								<b>8,104.7</b>
<b>P/E**</b>								<b>17.2</b>
Net profit (PLNm)	173.2	288,8	395.4	492.9	691.6	690.0	25%	690.0
<i>increase</i>	-2%	67%	37%	25%	40%	0%		
EPS (PLN)	3.74	5.67	7.62	9.63	13.60	13.80	24%	13.80
<i>increase</i>	-3%	52%	34%	26%	41%	1%		
Equity (PLNm)	1,311.4	1,917.5	2,327.8	2,769.3	3,398.9	3,526.8	21%	3,526.8
ROE	13%	15%	17%	18%	20%	20%		
<b>Market capitalisation (PLNm)*</b>								<b>10,172.1</b>
<b>P/E**</b>								<b>14.6</b>
Net profit (PLNm)				65.4	148.1	174.3		174.3
<i>increase</i>					126%	18%		
EPS (PLN)				0.5	0.9	1.0		1.0
<i>increase</i>					100%	6%		
Equity (PLNm)				73.9	619.1	717.4		717.4
ROE				89%	24%	24%		
<b>Market capitalisation (PLNm)*</b>								<b>2,523.3</b>
<b>P/E**</b>								<b>14.5</b>

\* Market capitalisation as at 10/03/2015

\*\* P/E ratio calculated based on the last four reported quarters

\*\*\* Data translated at the USD/PLN, SEK/PLN and GBP/PLN exchange rates quoted by the National Bank of Poland for March 11th 2015.

Source: KRUK S.A., financial reports of Intrum Justitia, Portfolio Recovery and Arrow Global.

# The Management Board of KRUK S.A. and its management personnel – the most experienced team on the market



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

Founding shareholder and President of the Management Board since 1998



**Michał Zasępa,**  
*Management Board  
Member, Finance and  
Risk*

Member of the KRUK Supervisory Board since 2005. Joined the Management Board in 2010, responsible for finance, risk, portfolio valuations, investor relations, infrastructure and logistics.



**Agnieszka Kułton,**  
*Management Board  
Member, Purchased  
Portfolio Operations*

Joined KRUK in 2002, initially as debt trading and debt collection outsourcing specialist; in 2003-2006 served as Debt Collection Outsourcing Director. Member of the Management Board since 2006.



**Urszula Okarma,**  
*Management Board  
Member, Portfolio  
Purchases and Debt  
Collection Outsourcing*

With KRUK since 2002, as Director of the Telephone Collection Department, and Director of the Financial Institutions Division. Member of the Management Board since 2006.



**Iwona Słomska,**  
*Management Board  
Member, Human  
Resources, Marketing  
and Public Relations*

With KRUK since 2004, initially as Marketing and PR Director; since 2009 also responsible for HR as Member of the Management Board.

## Stable team of performance-driven managers

- Management Board Members' average time with the Company: 11 years
- Many managers with **more than 10 years of service at KRUK**
- 13% of shares held by Management Board members
- **Share option plan** for 2015-2019 covers 109 employees and the Board Members
- **Strong staff development culture** – significant focus on personnel training and development

# Experienced members of the KRUK Supervisory Board and stable shareholder structure

## Piotr Stępnia

*Chairman of the Supervisory Board*

**Education:** Guelph University (Canada), Ecole Supérieure de Commerce de Rouen (France), Purdue University (USA).

**Experience:** President of the Management Board of GETIN Holding S.A., Vice-President of the Management Board of Lukas Bank S.A.

**Current positions:** Supervisory Board Member at FM Bank S.A., Skarbiec Asset Management Holding S.A., ATM Grupa S.A.

## Katarzyna Beuch

*Member of the Supervisory Board*

**Education:** Wrocław University of Economics (Poland), Association of Chartered Certified Accountants (ACCA).

**Experience:** Bank Zachodni S.A., Ernst & Young Audit, Management Board Member at GETIN Holding S.A.

**Current positions:** Santander Consumer Bank.

## Tomasz Bieske

*Member of the Supervisory Board*

**Education:** University of Cologne (Germany), chartered auditor.

**Experience:** Dresdner Bank, co-founder of Artur Andersen Poland, former Head of Financial Markets Group at Ernst & Young.

## Arkadiusz Orlin

### Jastrzębski

*Member of the Supervisory Board*

**Education:** Warsaw School of Economics (Poland), investment adviser, CFA and SFA.

**Experience:** West Merchant Bank London, Raiffeisen Polska, Innova Capital Europa Środkowa, Hexagon Capital Polska, Red Point Publishing.

**Current positions:** Supervisory Board Member at Forte S.A., Koelner S.A., Atlanta Poland S.A., Polish Energy Partners S.A., Comp S.A., Integer.pl S.A.

## Krzysztof Kawalec

*Member of the Supervisory Board*

**Education:** Łódź University of Technology (Poland), Warsaw School of Economics (Poland), PAM Center University of Łódź, University of Maryland.

**Experience:** Manager at IFFP.

**Current positions:** President of the Management Board of Magellan S.A. and Magellan Slovakia s.r.o., Supervisory Board Member at MedFinance Magellan s.r.o.

## Robert Koński

*Member of the Supervisory Board*

**Education:** John F. Kennedy School of Government (USA), Harvard University (USA), Tufts University (USA).

**Experience:** Management Board Member at Kulczyk Holding, Regional Director at Euronet Worldwide, partner at Horton International, adviser to the President of the Management Board of PGE

**Current positions:** President of the Management Board and General Director at Rathdowney Resources

## Józef Wancer

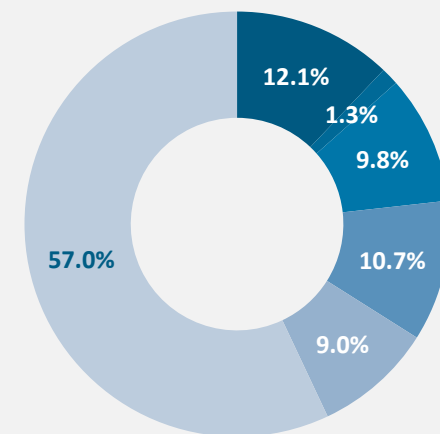
*Member of the Supervisory Board*

**Education:** Webster University (Austria), NY University (USA).

**Experience:** Citibank, President of Raiffeisen Bank Polska, President of Bank BPH S.A.

**Current positions:** President of BGŻ Bank, Management Board Member of the American Chamber of Commerce in Poland, adviser to the Management Board of Deloitte Polska, Supervisory Board Member at Gothaer TU

## Stable shareholder structure



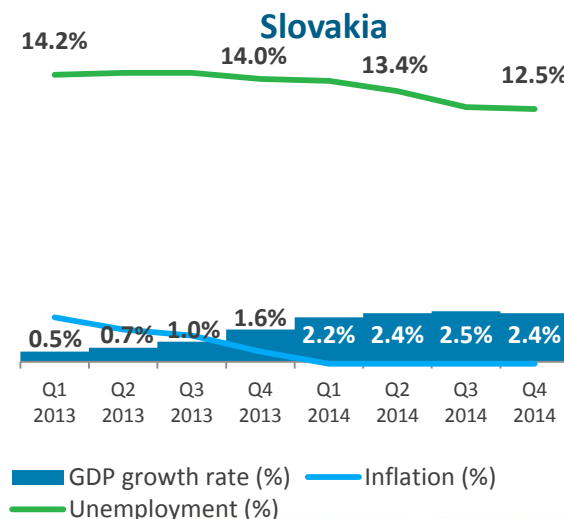
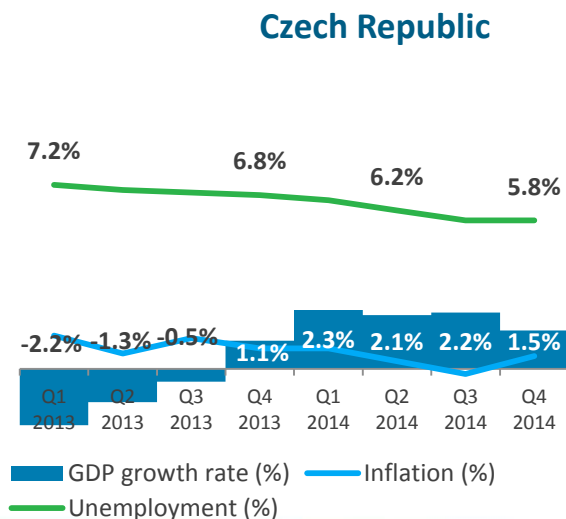
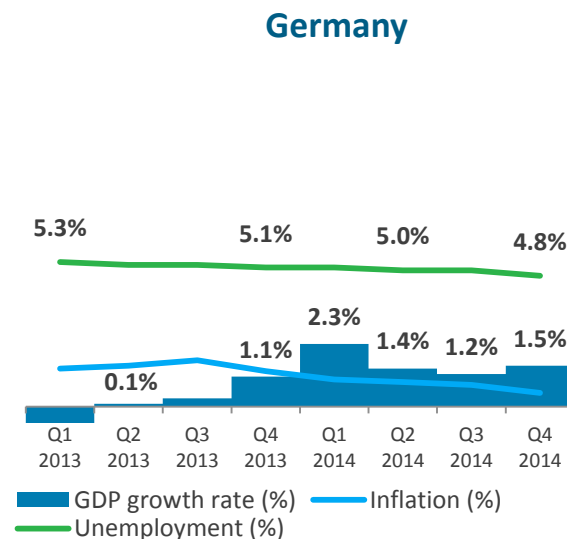
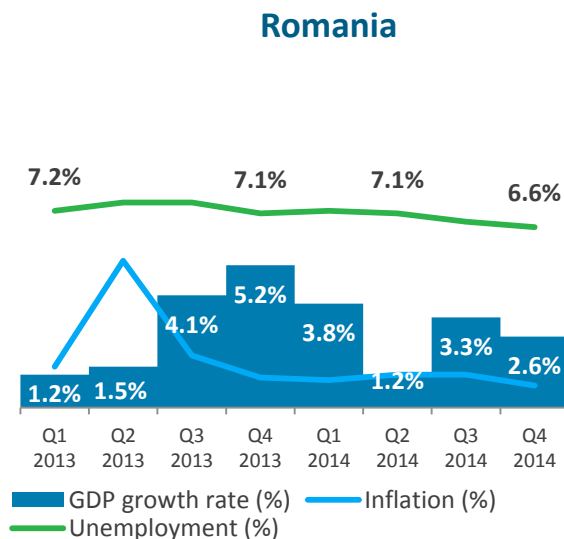
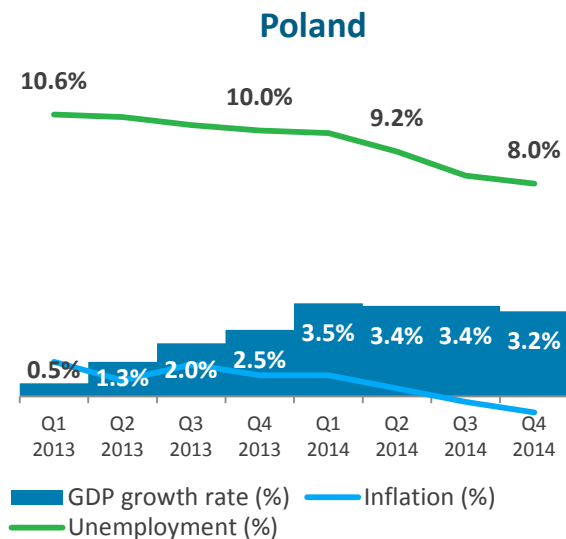
■ Piotr Krupa  
■ Other members of the Management Board  
■ Aviva OFE  
■ ING PTE\*  
■ Generali OFE\*\*  
■ Other

- 13% of the shares are held by Piotr Krupa and KRUK Management Board Members.
- Open-End Pension Funds hold some 47% of the shares in KRUK S.A.
- Investment fund management companies hold some 20% of the Company shares.
- Active foreign investors – institutional investors from Europe and the USA.
- Around 70 Company employees are covered by the incentive scheme (2011-2014 option program).

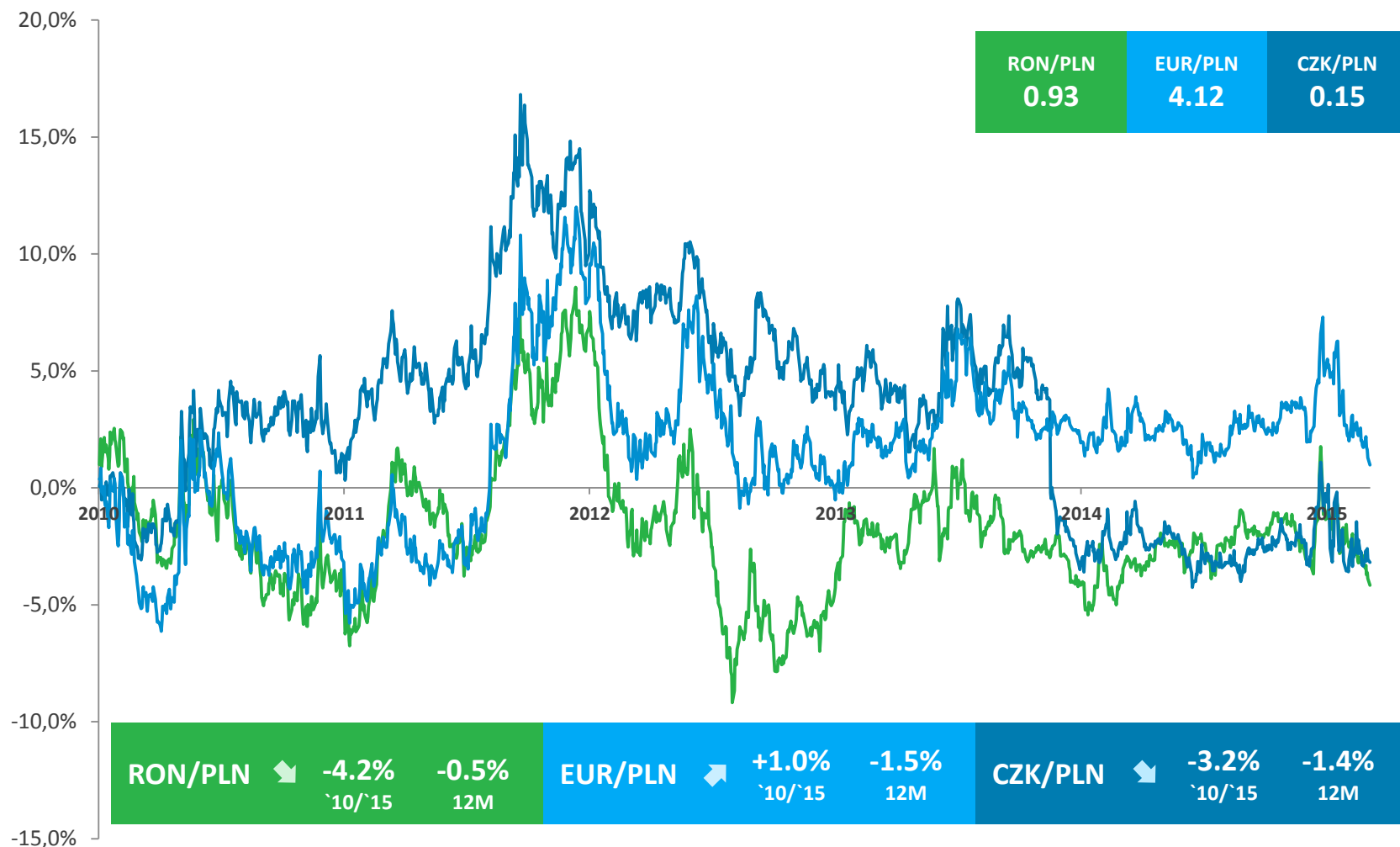
\* Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A.

\*\* Data as at GM of May 28th 2014

# The KRUK Group actively operates on markets of varying structures and economic situation.



In 2014, there were no major changes in the PLN exchange rates against the currencies of the markets in which the KRUK Group operates.



# Simplified example of revenue recognition from purchased portfolios using FVTPL and AMC methods

## Simplified example with hypothetical assumptions and figures

	PERIOD						
	0	1	2	3	4	5	Σ
Purchase value	100						
Planned gross recoveries		50	50	50	50	50	250
Planned direct collection costs		-5	-5	-5	-5	-5	-25
Planned net cash flow	-100	45	45	45	45	45	125
Discount rate	35%						
Value at the beginning of the period		100	90	76	58	33	-
Recoveries:		50	50	50	50	50	250
- revenue		40	36	32	25	17	150
- interest revenue		35	31	27	20	12	125
- planned direct costs		5	5	5	5	5	25
- amortisation		10	14	18	25	33	100
Value at end of period		90	76	58	33	0	-

### Fair Value Through P&L

The initial value of a portfolio is equal to its **purchase price**

Net cash flows include planned gross recoveries and planned collection costs (**based on market rates**)

The discount rate is the result of planned net cash flows and the initial purchase value

### Amortised Cost Method

The initial value of a portfolio is equal to its **acquisition cost** (purchase price plus **material transaction costs**, for example tax on civil law transactions)

Net cash flows include planned gross recoveries and planned collection costs (**based on KRUK's costs**)

Actual gross recoveries

Revenue includes **interest revenue** (the product of the discount rate and the beginning value of a portfolio on balance sheet) and **planned collection costs**

The difference between recoveries and revenue reduces the value of a portfolio on a balance sheet





**KRUK S.A.**  
ul. Wołowska 8  
51-116 Wrocław, Poland  
[www.kruksa.pl](http://www.kruksa.pl)

Investor Relations: [ir@kruksa.pl](mailto:ir@kruksa.pl)  
For investors: [www.kruksa.pl/dla-inwestora](http://www.kruksa.pl/dla-inwestora)

