



KRUK Group Presentation

2015



Agenda

Introduction

Operating activities

Market position

Financial performance

Strategy and summary

Appendices

KRUK Group – Leader of the attractive debt collection market

Market leader in Central Europe with the ambition to be a key player in Europe

- Poland – market leader with over 17 years of operating history
- Romania – debt purchase market leader with 8 years of operating history
- Czech Republic and Slovakia – successful market entry in 2011
- Germany – market entry in 2014
- Plans to expand business into other foreign markets across Europe

Young and attractive market

- The young European debt purchase market has been growing at a brisk pace for the past few years.
- The KRUK Group has purchased debt portfolios for over a decade now, and is among the most experienced market players.
- Banks are increasingly looking to sell their non-performing consumer loans, and the market is expanding into new mortgage and corporate debt sale segments.

Competitive advantage

- KRUK enjoys a competitive advantage thanks to:
 - its innovative amicable settlement approach supported by media campaigns
 - combination of debt collection outsourcing with debt purchase business
 - long-standing experience in debt portfolio valuation, purchase and management

Strong performance

- KRUK grows much faster than the market – net profit CAGR of 50.5% in 2007–2014
- ROE at 26% in 2014
- KRUK's business generates stable cash flows – cash EBITDA* of PLN 489m in 2014 and PLN 268m in H1 2015 (+6% yoy)

Stable team of performance-driven staff

- The founding shareholder and President of the Management Board of KRUK S.A., together with a supporting team of managers, have been at the Group's helm for over a dozen years.
- The President and members of the Management Board of KRUK S.A. jointly hold 13% of its shares.

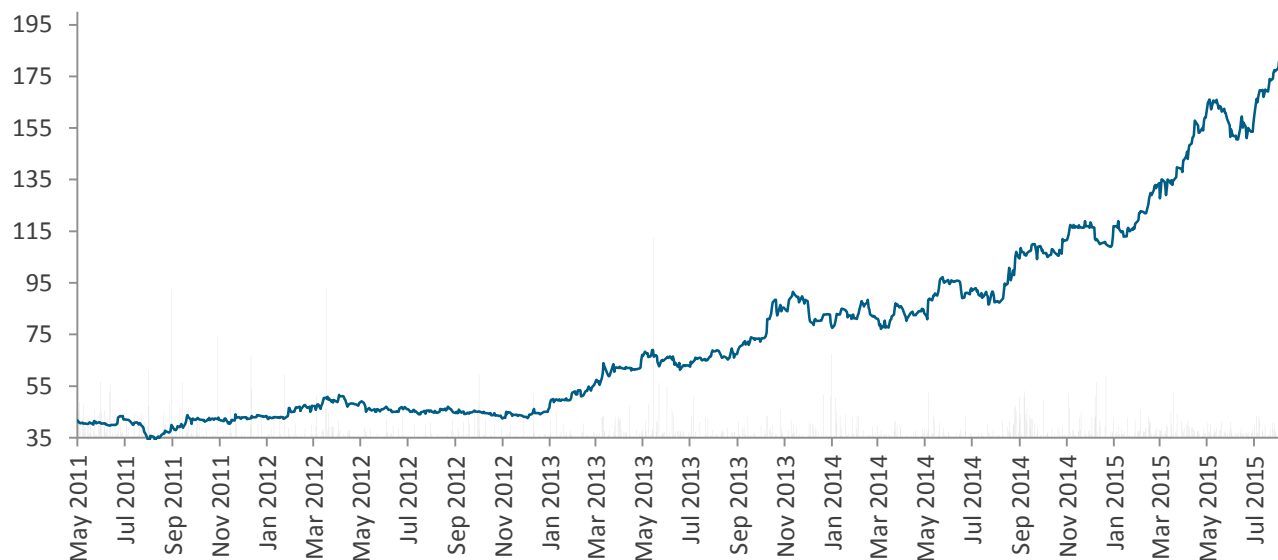
*Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt

We help our clients pay their debts



Fourfold KRUK stock price increase since the first listing. Market capitalization exceeds PLN 3.0b

	2011	2012	2013	2014	H1 2015	CAGR increase	Change '10/'14
EPS (PLN)	4.03	4.80	5.77	8.95	9.34	41.7%	282.5%
EPS growth rate	72.2%	19.1%	20.2%	55.1%	7.6%	-	-
ROE trailing*	27.9%	25.6%	23.5%	25.9%	23.5%	-	-
Net profit (PLNm)	66.4	81.2	97.8	151.8	107.7	45.5%	320.5%



KRUK shares on the WSE**

Share price 174.90

Change 1Y/YTD +87% / +9%

Max/Min 1Y 187.50 / 93.24

Market capitalisation PLN 3,02b

Equity PLN 679.7m

Average daily trading volume PLN 2.44m

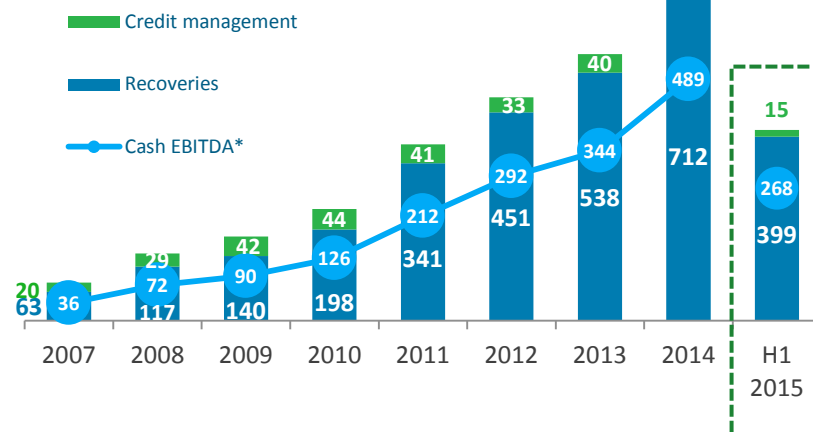
Free float 59.5%

* ROE for the last four quarters; equity at end of period

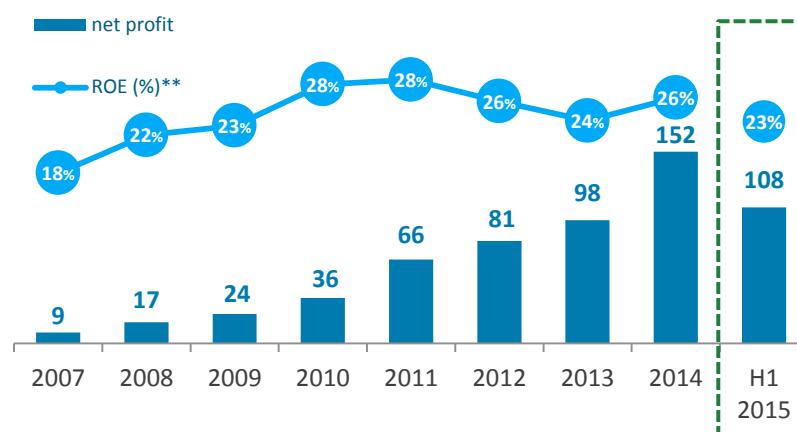
**Source: Stooq.com as at 24th August

In H1 2015 alone, the Company generated a net profit of PLN 108m representing 70% of its net profit for the entire 2014

Cash from debt collection activities (PLNm)



Financial performance (PLNm)



PLNm	2007	2014	H1 2015	H1 '15/ H1 '14	H1 '15/ FY2014
Revenue	63.6	487.9	286.8	9%	59%
EBIT	11.5	208.2	126.1	-2%	61%
Cash EBITDA*	34.2	489.0	267.7	6%	55%
Net profit	8.7	151.8	107.7	8%	71%

Debt cases managed as at the end of the year, in milion (PD portfolios and debt collection outsourcing)

2007	H1 2015	change
1.1	2.9	164%

Nominal value of debt cases managed as at the end of the year, PLNbn (PD portfolios and debt collection outsourcing)

2007	H1 2015	change
4.7	29.2	521%

Accumulated recoveries from purchased debt portfolios (PLNm)

2007	H1 2015	change
157	3 252	

Number of employees***

2007	H1 2015	change
751	2 571	242%

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 and investor relations.



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

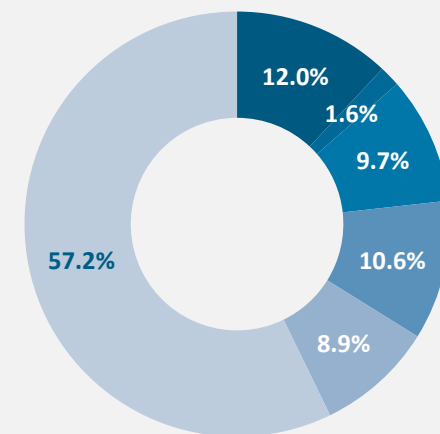
Member of the Supervisory Board

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 45% 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

KRUK Group – milestones and business model

KRUK Group's milestones – innovation leader

2000	Launch of the debt collection outsourcing business
2001	Introduction of the <i>success only fee</i> in CMS
Debt portfolio market emerges – decision to raise new equity	
2003	KRUK the CMS market leader Enterprise Investors invests USD 21m (PEF IV) Purchase of first debt portfolio
2005	First securitisation process in Poland, Branch opened in Wałbrzych
Decision to replicate business model outside of Poland	
2007	Entry into the Romanian market
Innovative approach to debtors	
2008	Amicable settlement solutions (voluntary debt settlement or litigation) introduced on a mass scale
2010	Legislative change – operation of Rejestr Dłużników ERIF Advertising in media – tool for mass communication
Increased supply of non-performing debt	
2011	IPO on the WSE, Entry into the Czech market
2012	Development of KRUK's business in Slovakia
2014	Acquisition of the first large mortgage-back debt portfolio Entry into the German market
2015	Acquisition of the first consumer portfolios in Germany

KRUK Group's business model



Unique debt collection strategy

LARGE-SCALE AMICABLE SETTLEMENT STRATEGY

- KRUK as a **friendly institution**, helping with debt settlement issues; encouragement to contact KRUK
- **Instalment-based repayment** is the Company's key operating strategy
- Extensive field **adviser network**
- Use of **Rejestr Długów ERIF BIG** (ERIF Debtor Register, a credit information bureau) to maintain payment discipline



OBJECTIVES:

Fostering KRUK's image as a supportive, amicable, but also consistent debt collector

COMPANY PERCEPTION:

KRUK is a solution, not a problem

- KRUK's advertising campaign (with an educational and image-building agenda), run in the press, on the Internet and TV, as well as the Idea Placement initiative targeted at indebted persons were both globally-unique solutions
- Guides for debtors published in the press

Improved efficiency

Amicable settlement improves effectiveness by 10-20% on the typical approach.

Improved cost efficiency

Thanks to amicable settlements, the Company does not have to contact debtors as often. In 2014, the share of costs in recoveries was 23% (compared with 29% in 2013 and 30% in 2012).

Stable cash flows

Repayments under settlements are more stable and predictable than those made on the basis of verbal declarations. In 2014, the share of repayments under settlements was 65%.

Higher awareness of KRUK brand

KRUK has the highest brand awareness of the debt management companies in Poland (total recognition of 54% compared with the top competitor's 10%) and Romania (36% and 10%, respectively).*

Consistent approach to debtors – tools

ERIF Debtor Register and Raven Law Firm



ERIF collects and provides information on debtors, as well as on consumers who are timely payers. There are only three such credit information bureaus in Poland.

- Database containing information about 2.7m debts Ability to use the agency as a debt collection support tool since June 14th 2010:
 - Debtor control = ERIF entry + amicable settlement process,
 - Efficient pressure-exerting tool for time-barred debts,
 - ERIF's improved effectiveness means higher effectiveness of the Group's debt collection processes,
 - Building a positive credit history of people who have repaid their debt under settlement.

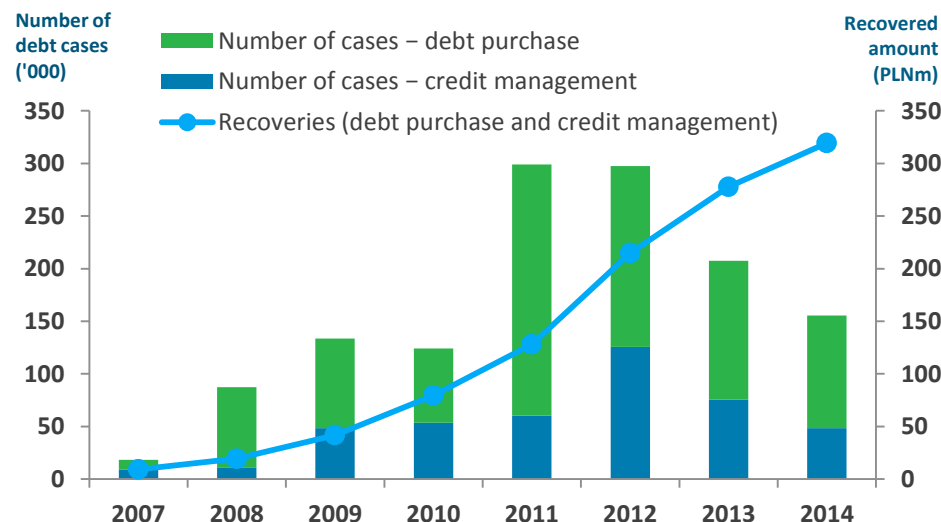
ERIF – effective tool

- Several million debtors entered in the credit information bureau's databases over the next few years
- Growing scale and effectiveness of ERIF
- Opening to other client types (creditors) and cases whose data may be entered in the database
- Higher demand for credit information
- Promoting positive credit information as a mechanism boosting the financial credibility of Poles



Poland's leading debt collection law firm, with 470 employees, supports the KRUK Group and its clients, and has developed a proven platform for cooperation with debt enforcement officers.

Number of cases filed and amounts recovered



Launch of e-Court and electronic simplified procedures in 2010:

- Lower unit cost of court proceedings,
- Streamlined administration procedures and duration of proceedings cut by nearly one-third (48 days).

Changes introduced in electronic simplified procedures in 2013 reduced the efficiency of Polish courts, which **increases the role of KRUK's amicable approach.**

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KRUK Group's competitive advantages

Amicable settlement strategy for debt collection

- Indebted individuals are treated as clients
- Higher recoveries, greater predictability of recoveries and enhanced cost efficiency
- Operating activities supported by media campaigns and ERIF

Synergy between debt collection outsourcing and debt purchase

- Both products are addressed to the same group of business partners – sales synergy
- Common platform for both products – operational synergy
- Mitigation of risk related to debt portfolio purchases thanks to statistical information obtained from the debt collection outsourcing business – 1.0m debts outsourced to KRUK for collection annually

Experience in valuation and purchase of debts

- 400 debt portfolios purchased
- and over 2,000 debt portfolios valued since the launch of business
- The KRUK Group boasts unmatched know-how in debt valuation, purchase and management

Economies of scale

- The purchased portfolios comprise over 3m debtors and debt with the nominal value of PLN 24.0bn
- Because of the scale of KRUK's operations and its amicable settlement strategy, the media campaigns and field adviser mediation are effective collection tools
- The large scale of KRUK's operations enables cost optimisation and extensive use of statistical methods to support business decisions

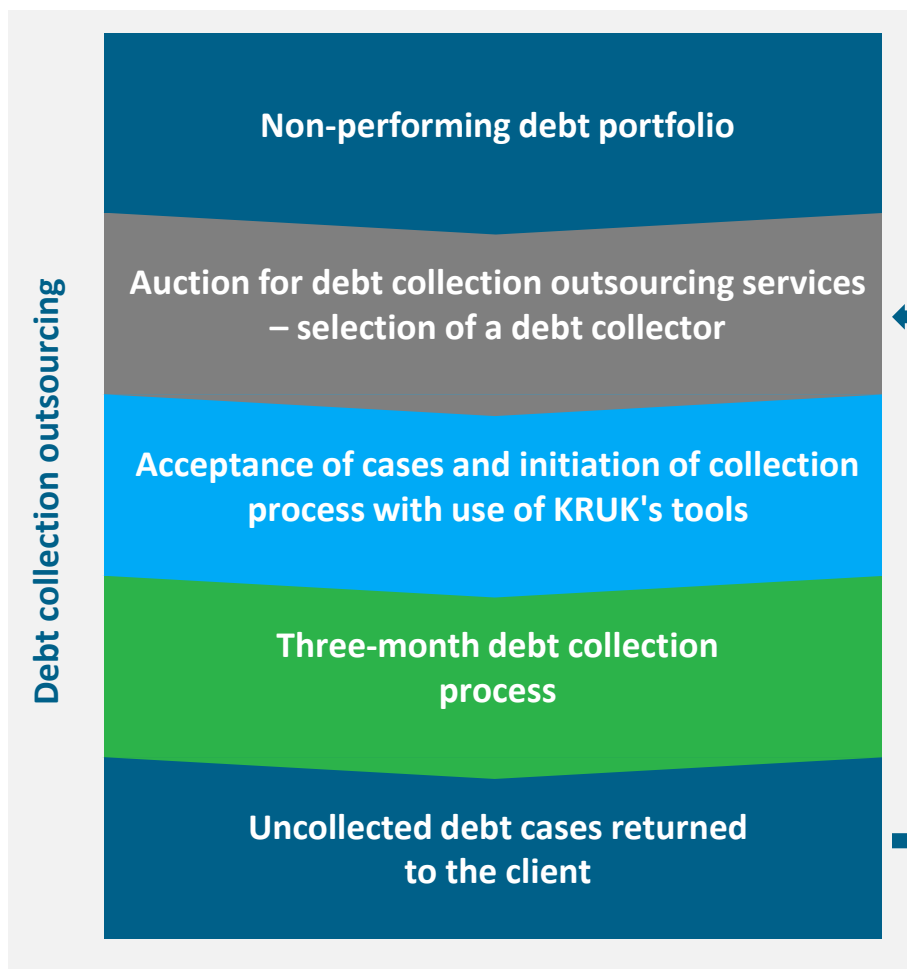
Successful expansion on foreign markets

- Leading position on the Romanian debt collection market
- Profitable transactions in Czech Republic and Slovakia
- First portfolios purchased on German market

Availability of debt financing

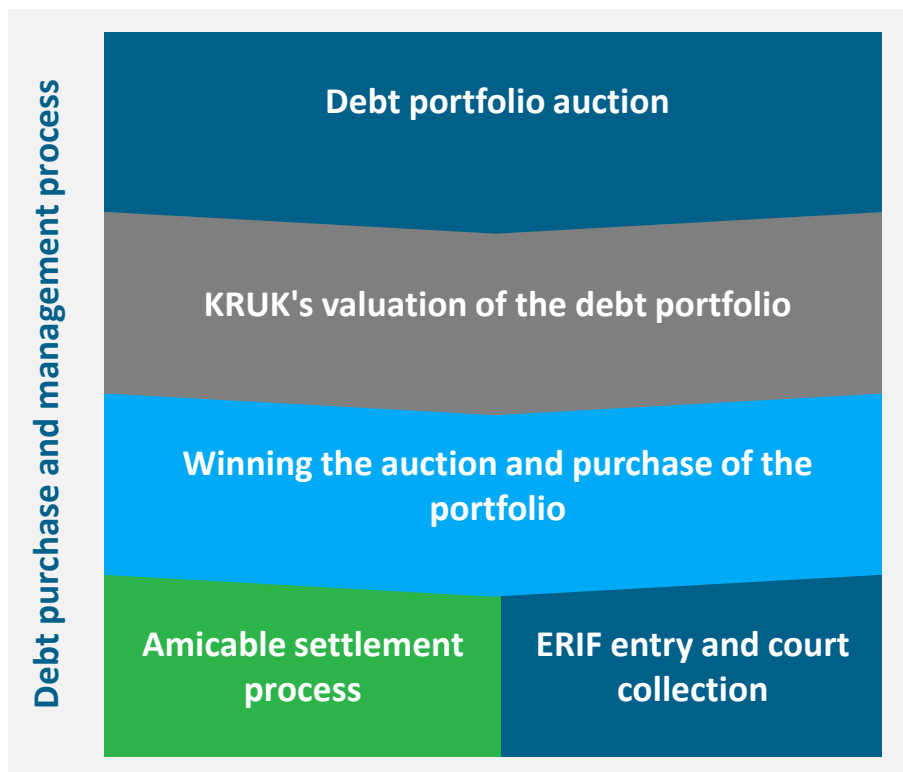
- Nominal value of bonds outstanding as at the end of H1 2015 was PLN 574m
- PLN 440m available for Group financing needs under bank borrowings

KRUK – first-choice provider of debt collection outsourcing services for banks



- KRUK manages an average of 2.5m cases annually as part of its debt collection services
- KRUK has been providing debt collection outsourcing services since 1999
- Numerous debt portfolios outsourced for collection are subsequently auctioned by banks – debt collectors with experience in debt collection outsourcing have a competitive edge during debt auctions
- KRUK handles consumer, mortgage-backed and corporate debt at every stage – during amicable settlement and litigation
- **Debt collection outsourcing operations help KRUK evaluate and manage purchased debt**

KRUK – superior experience in portfolio valuation



Banks sell debt portfolios on a regular basis; the reasons include:

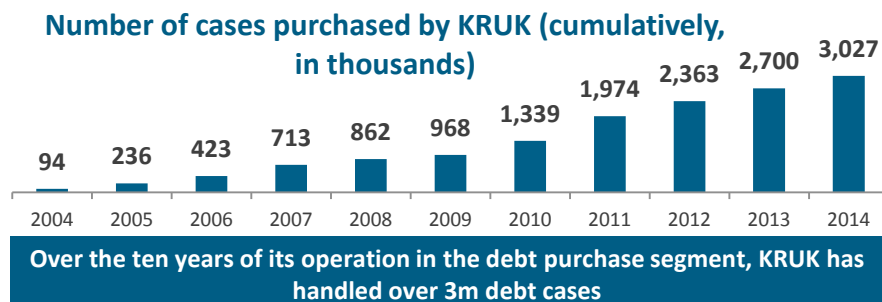
- improvement of liquidity,
- the regulator's requirements,
- tax legislation.

Valuation based on over 10 years of experience in debt portfolio purchases – **400 portfolios purchased since the launch of operations and over 2 thousand valuations.**

Purchase at a high discount, **usually at a price equal to 5–25% of the portfolio nominal value.**

Low initial reach to debtors, at approximately 20% on average.

Increased reach and recovery at 2.0–3.0x the purchase price.



- KRUK has been purchasing debt continuously since December 2002
- Until the end of H1 2015, KRUK purchased 400 portfolios with the nominal value of PLN 24.0bn.
- Over a dozen or so years, KRUK has assembled a unique database of over 3m debtors in Poland and abroad
- KRUK normally purchases debt portfolios from the institutions to which it provides debt collection outsourcing services

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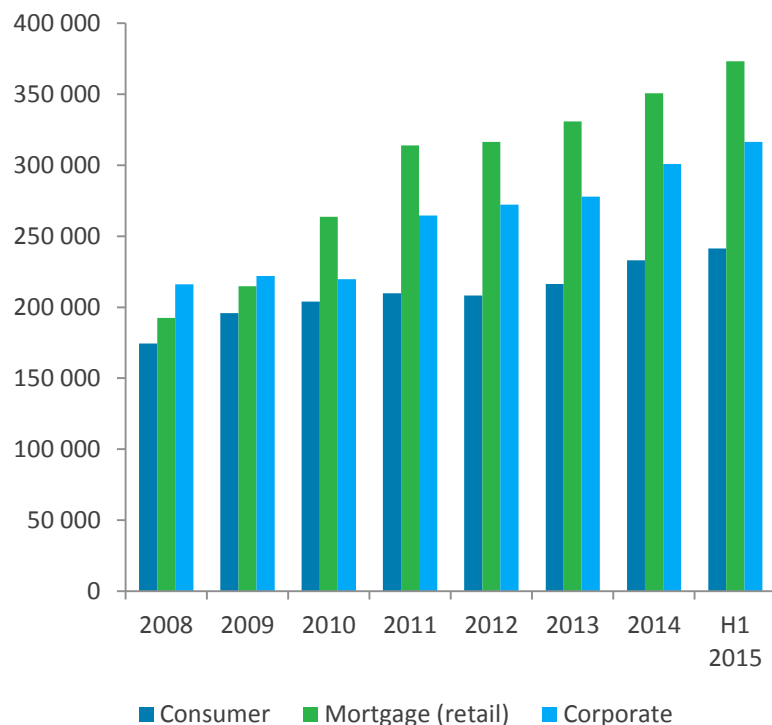
Strategy and summary

Appendices

Increase in lending activity in Poland and weakened growth in Romania

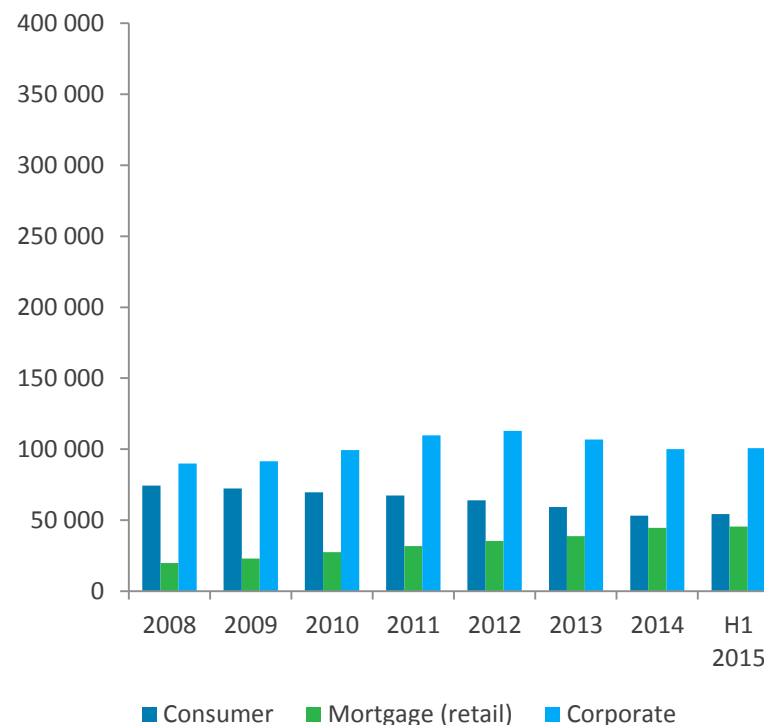
Poland

Bank loans (PLNm)



Romania

Bank loans (PLNm*)



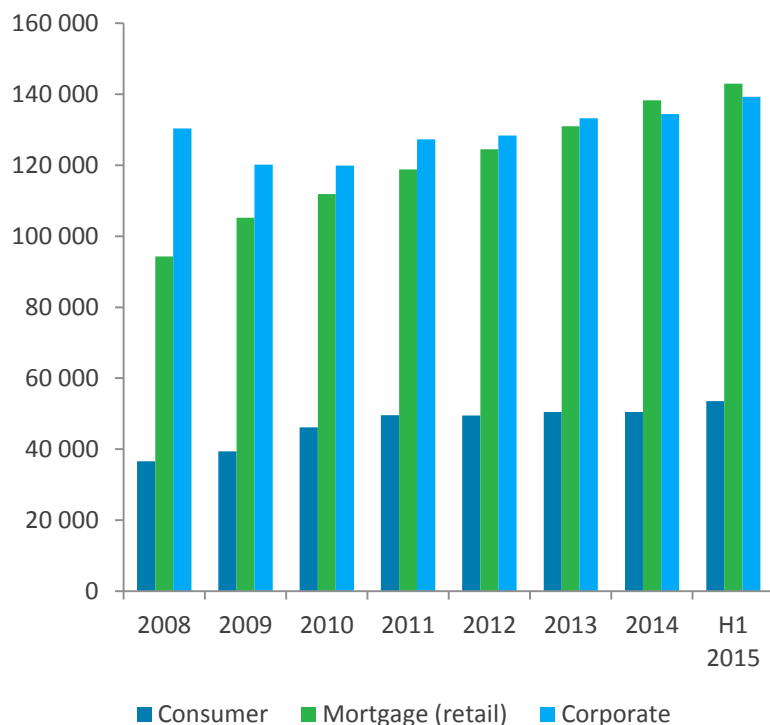
- In Poland, strong growth in mortgage loans advanced and rising levels of consumer and corporate loans have been recorded since 2008.
- In Romania, 2014 saw an increase in mortgage loans advanced (up 7.5%), while consumer and corporate loans went down (7.3% and 3.5%, respectively).

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

Strong growth of mortgage loans in the Czech Republic and Slovakia with stable levels of other loan categories

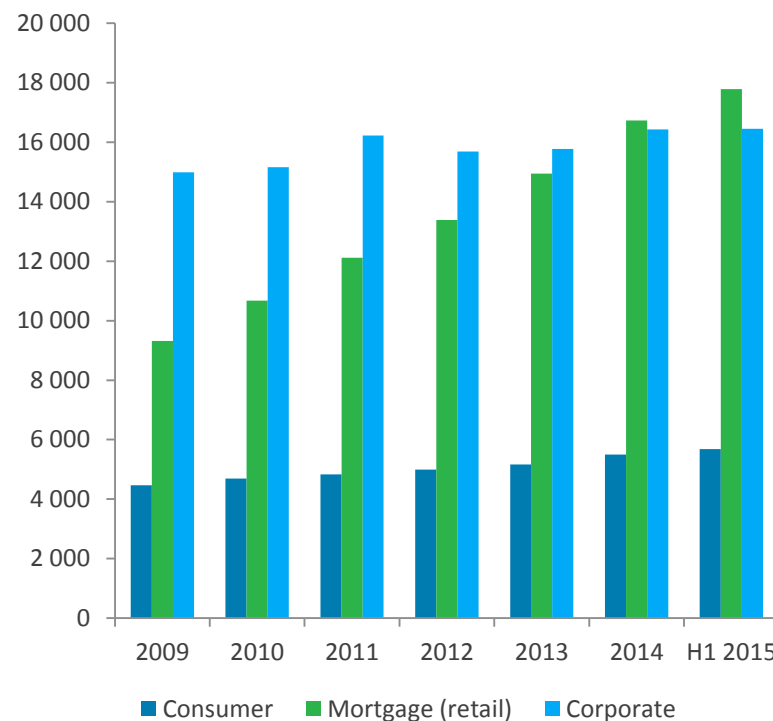
Czech Republic

Bank loans (PLNm*)



Slovakia

Bank loans (PLNm*)



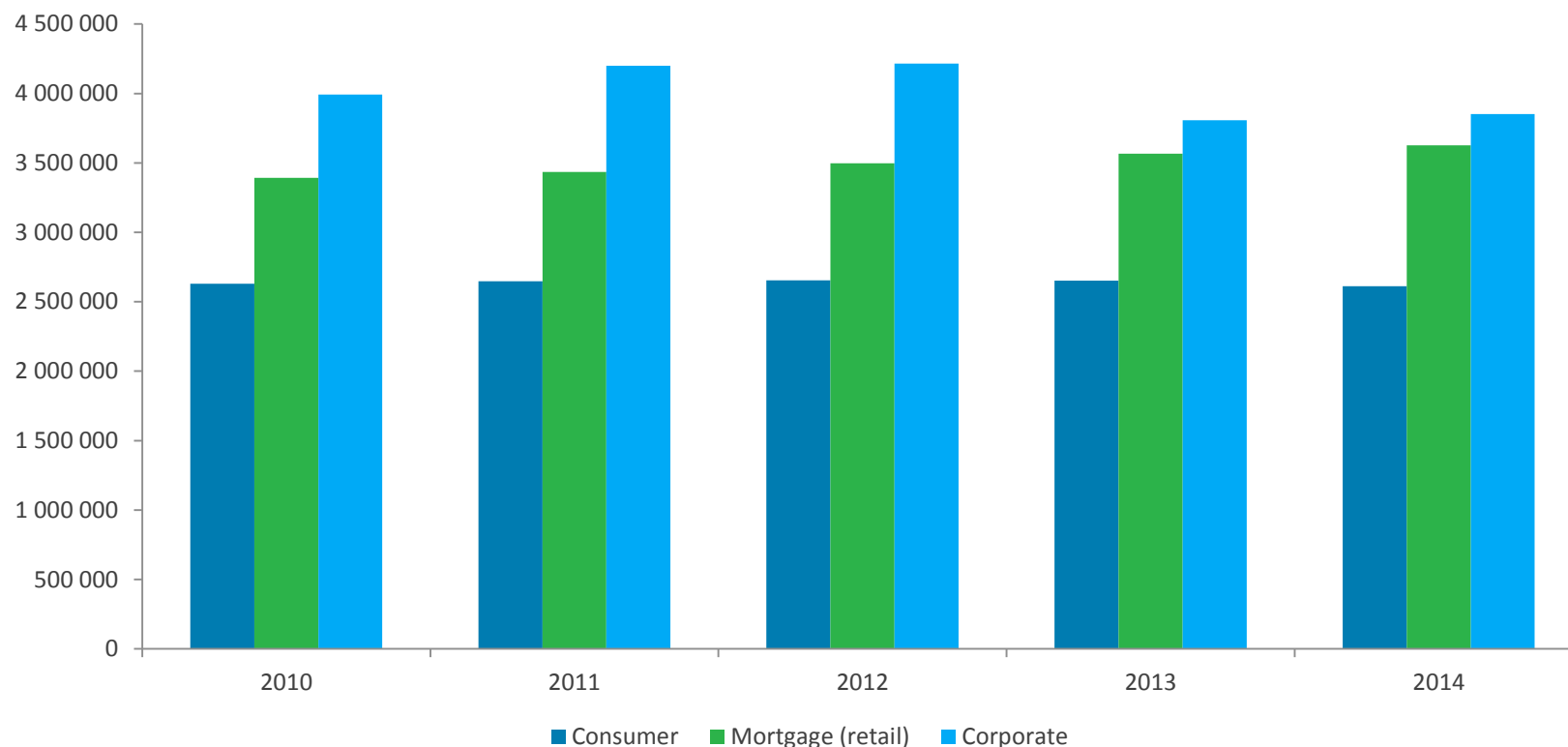
- The value of consumer loans advanced in the Czech Republic has stayed above PLN 4.5bn since 2010, with a similar and steadily growing value of mortgage loans (up 14% since 2010). The share of mortgage loans in total loans exceeds 50%.
- In Slovakia, consumer and corporate loans remain at stable levels of PLN 1.9bn and PLN 5.0bn, respectively, while mortgage loans have risen by 55%, to PLN 2.4bn, over the last four years.

* 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*)



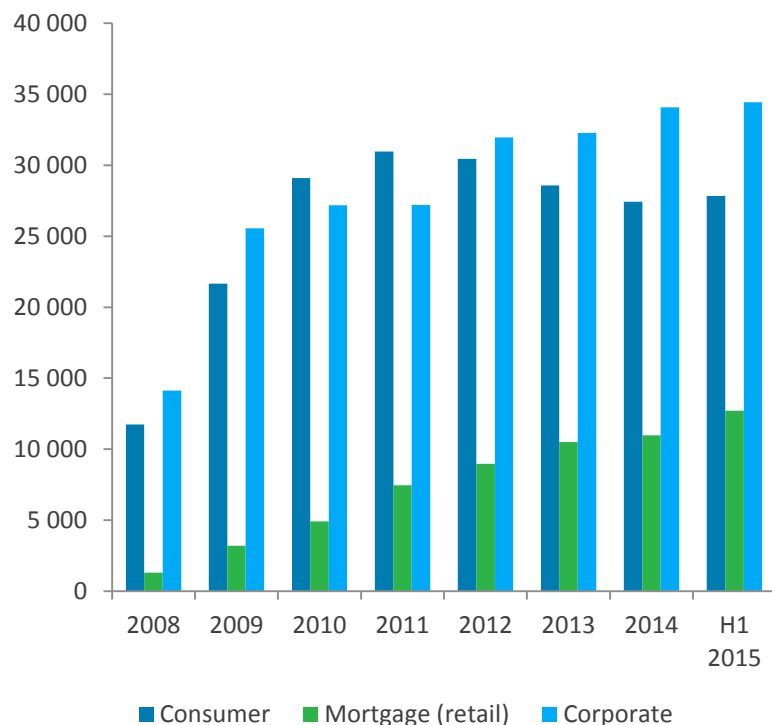
- In Germany, with its developed and stable economy, the values of consumer, mortgage and corporate loans have stayed largely unchanged for four years, at PLN 2,612bn, PLN 3,626bn and PLN 3,853bn, respectively as at the end of 2014.
- Deutsche Bundesbank does not disclose the value of non-performing 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.

High levels of non-performing bank loans in Poland and Romania...

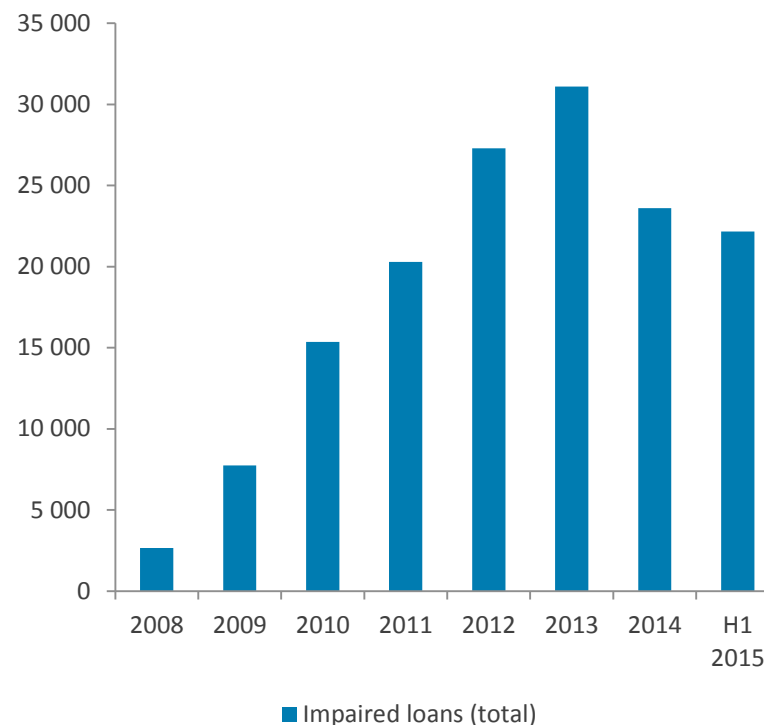
Poland

Impaired bank loans (PLNm)



Romania

Impaired bank loans (PLNm*)



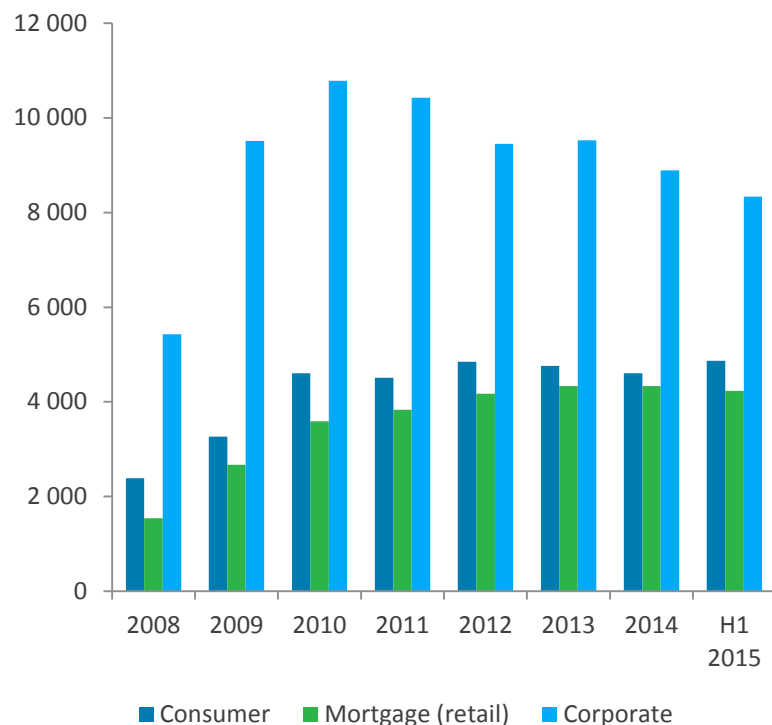
- Non-performing consumer and corporate debt values in Poland remain at a stable level of approximately PLN 30bn. The value of mortgage-backed debt is growing strongly – up 7.6% year on year
- In 2014, the value of non-performing debt in Romania was down 11%, to approximately PLN 27bn, i.e. its July 2012 level. The decrease was chiefly driven by Romanian banks selling their debt portfolios.

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

...and in the Czech Republic and Slovakia

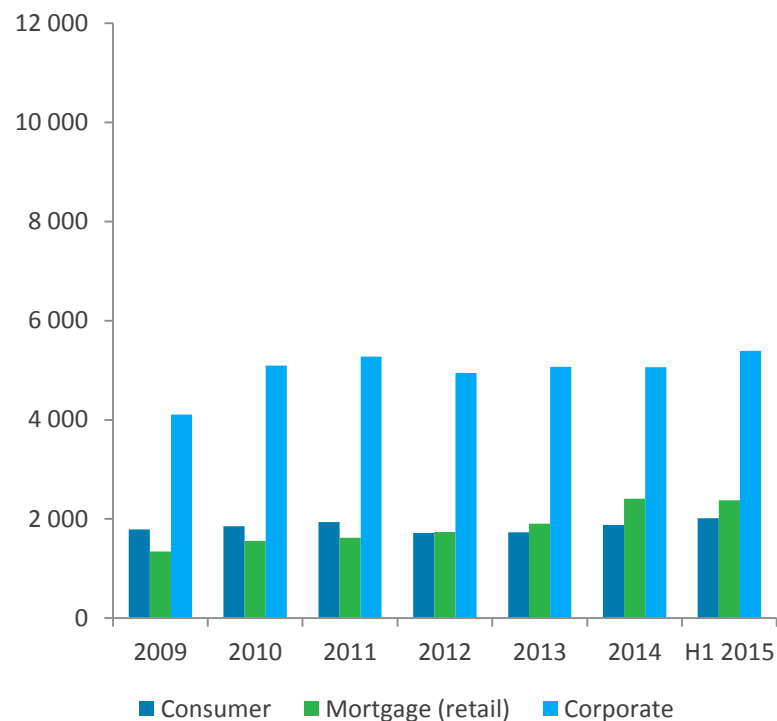
Czech Republic

Impaired bank loans (PLNm*)



Slovakia

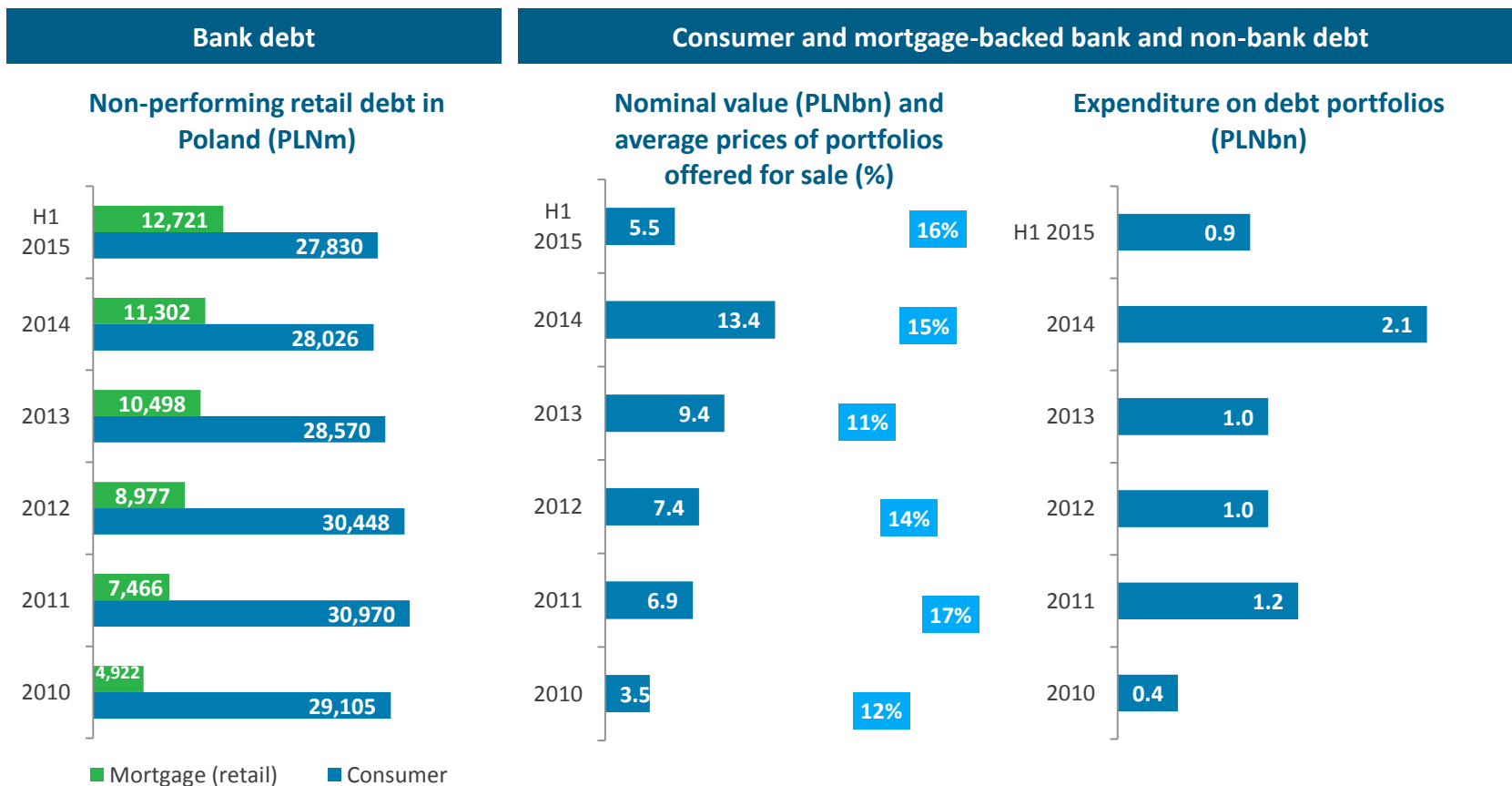
Impaired bank loans (PLNm*)



- Non-performing consumer and mortgage debt values have generated stable and continuous growth while corporate loans have fallen by 20% in Czech Republic and have been stable in Slovakia.

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

Annual expenditure on the Polish retail debt market* rose twofold in 2014



- The supply of non-performing consumer and mortgage-backed debt increased by over 40% in 2014, to PLN 13.4bn in nominal value, with expenditure of PLN 2.1bn
- In 2014, large volumes of mortgage-backed portfolios became available on the Polish market, enabling debt portfolio diversification. The total nominal value of those portfolios was PLN 1.7bn, with expenditure of PLN 0.4bn. KRUK expects this market segment to expand in the coming years.

The overall market expenditure on Romanian debt portfolios remains high

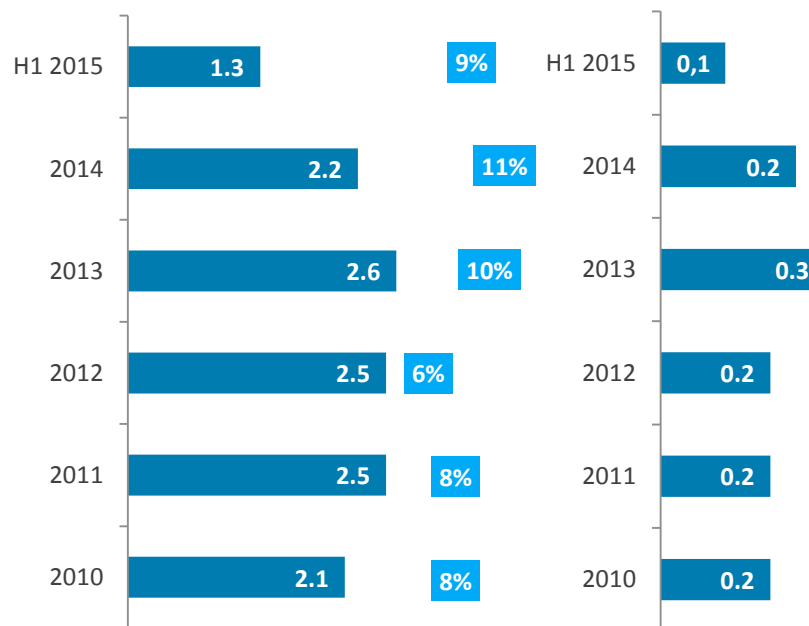
Bank debt

The National Bank of Romania does not disclose information on consumer NPLs in Romania

Consumer bank and non-bank debt

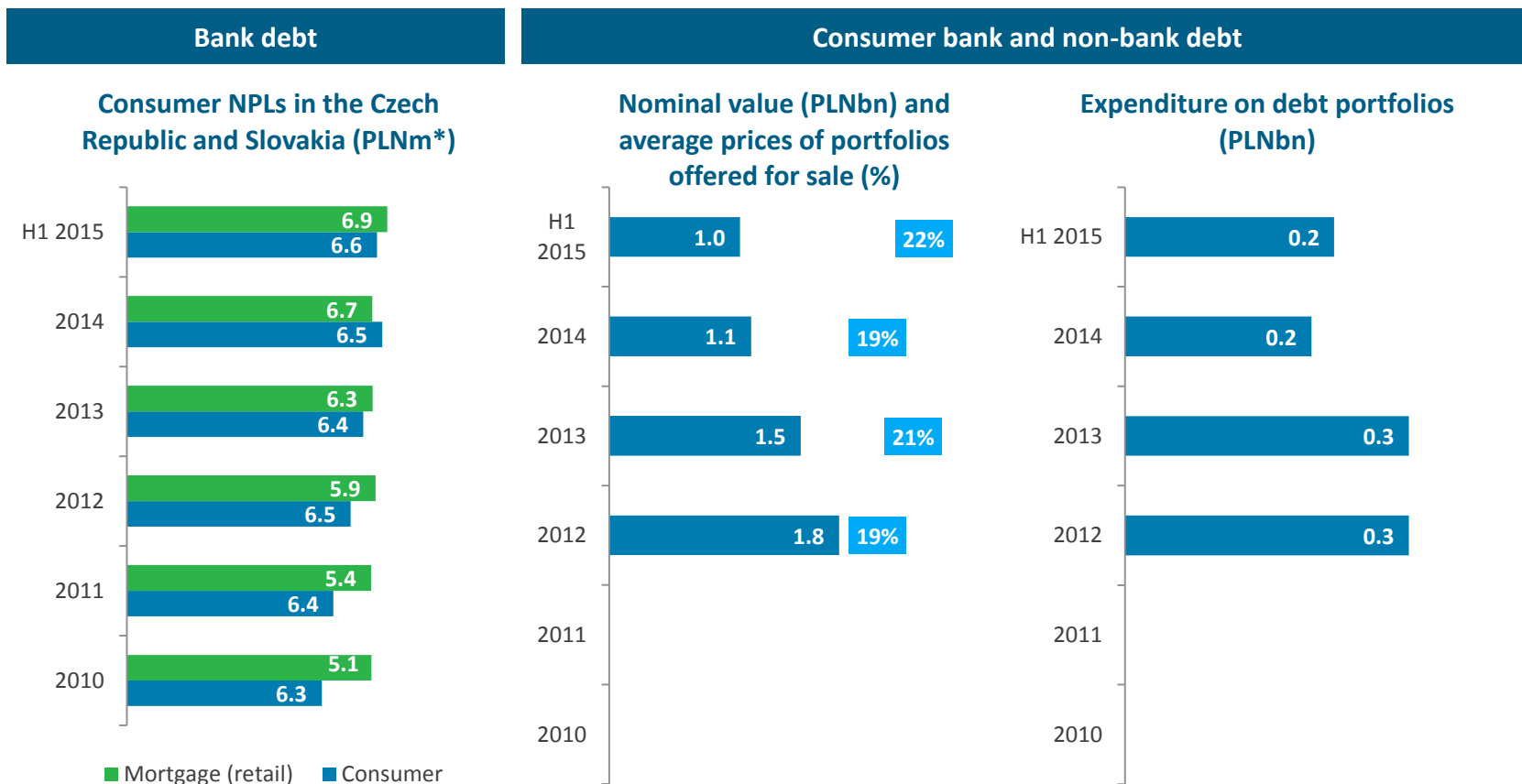
Nominal value (PLNbn) and average prices of portfolios offered for sale (%)

Expenditure on debt portfolios (PLNbn)



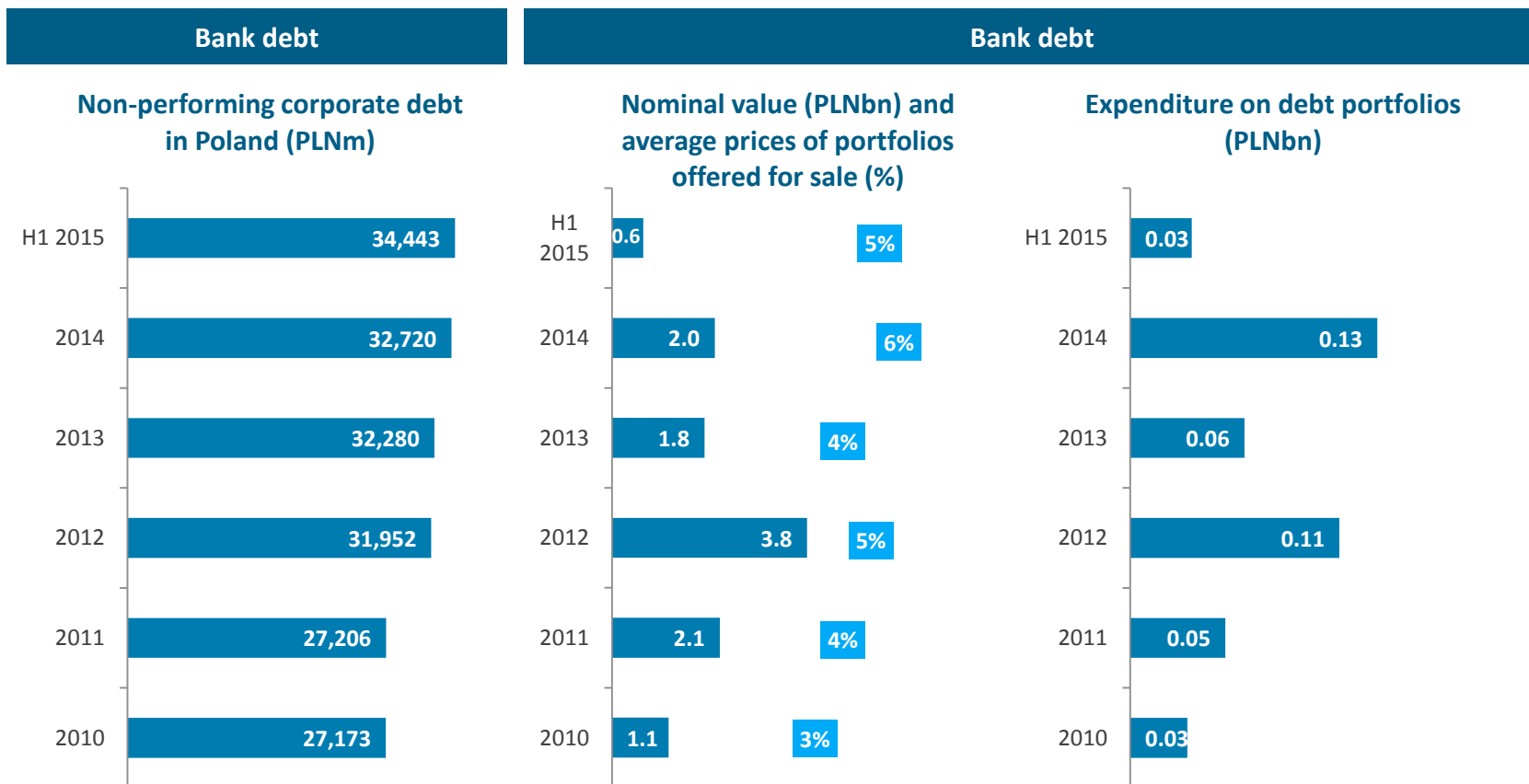
- In 2014, the total nominal value of Romanian debt portfolios was PLN 2.2bn, with expenditure of PLN 250m
- In the same period, the market of mortgage-backed and corporate debt opened in Romania, worth PLN 1.8bn and PLN 5.1bn, respectively, in nominal terms. KRUK intends to become an active player in both these new segments in the near future

The value of consumer NPL portfolios in the Czech Republic and in Slovakia has remained stable for the last five years



- The expenditure on Czech and Slovak consumer portfolios remains stable and in 2014 totalled PLN 200m
- The nominal value of consumer portfolios was PLN 1.0bn, down on 2013

Record-high value of corporate NPLs in Poland, with expenditure of PLN 130m

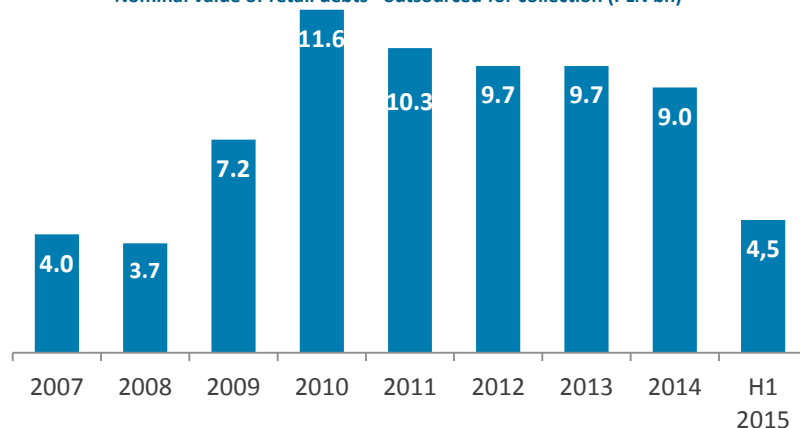


- In 2014, the value of non-performing corporate debt remained at a historic high of PLN 33bn
- In 2014, banks continued to be uninterested in selling corporate debt portfolios, with only 10% of them available for purchase. Consequently, this segment has considerable potential.

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

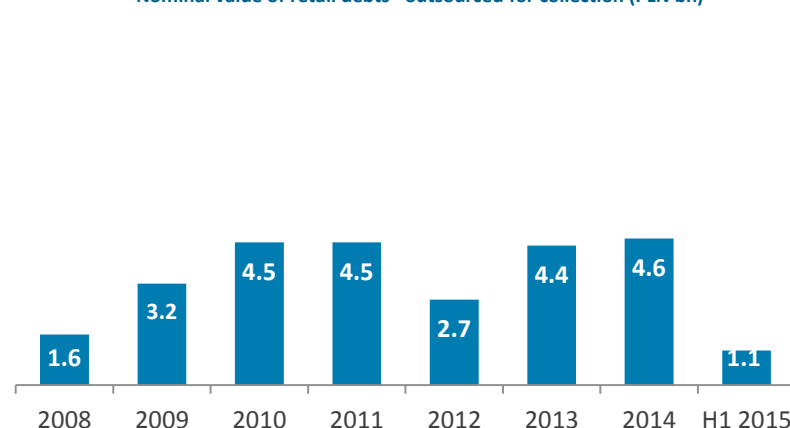
Poland

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



Romania

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

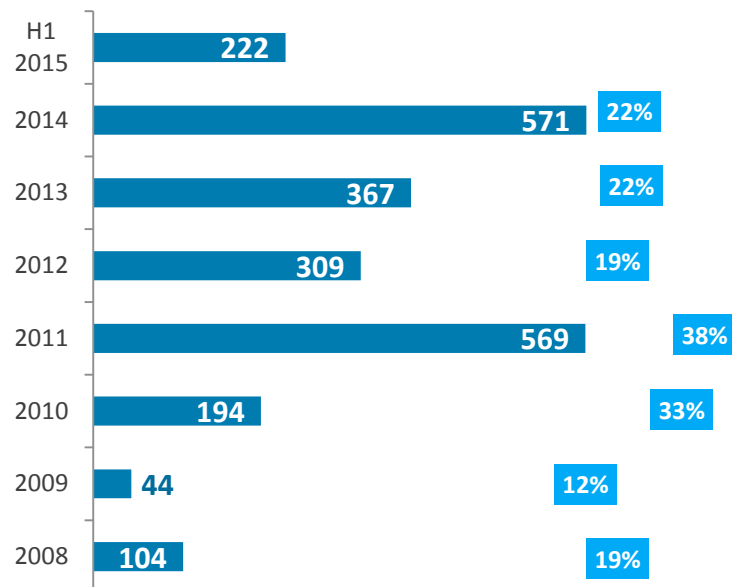


- In 2014, banks continued to shift focus from debt collection outsourcing to debt purchase, finding measurable benefits in accelerated disposals of debt portfolios.
- The Romanian debt collection outsourcing market remains stable, with debts worth a nominal PLN 4.5bn–4.6bn outsourced for collection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

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

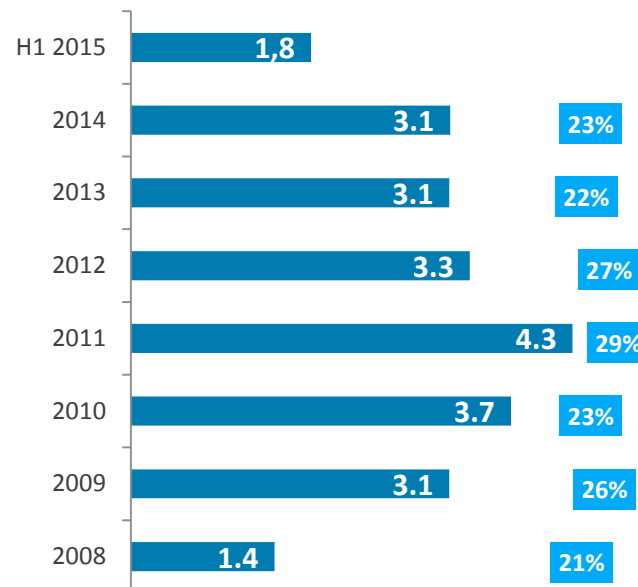
With a market share of over 20%, KRUK strengthened its position in the regional debt purchase and debt collection outsourcing market

Expenditure on debt portfolios
(PLNm and market share*)



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

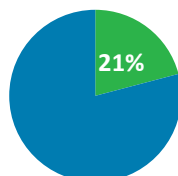
Nominal value of debts accepted for collection
in Poland and Romania
(PLNbn and market share)



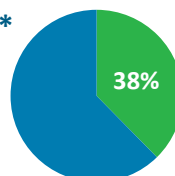
KRUK has maintained a strong market share of over 20% in the highly competitive debt collection outsourcing segments in Poland and Romania.

Group's share of debt purchase market in individual countries by expenditure in 2014

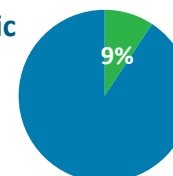
Poland**



Romania***



The Czech Republic
and Slovakia***



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

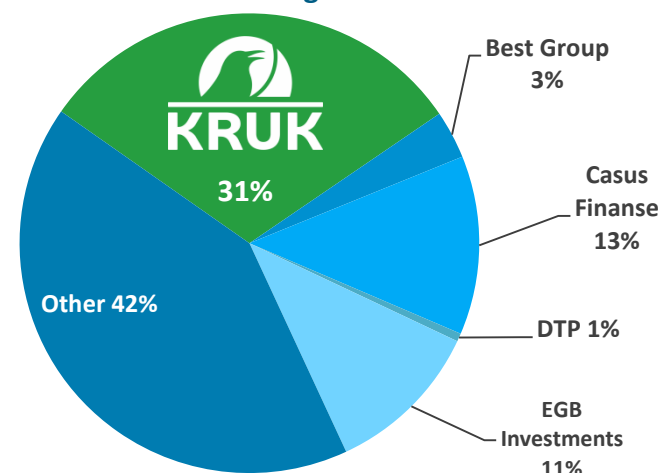
** Consumer, mortgage-backed and corporate debt portfolios

*** Consumer debt portfolios

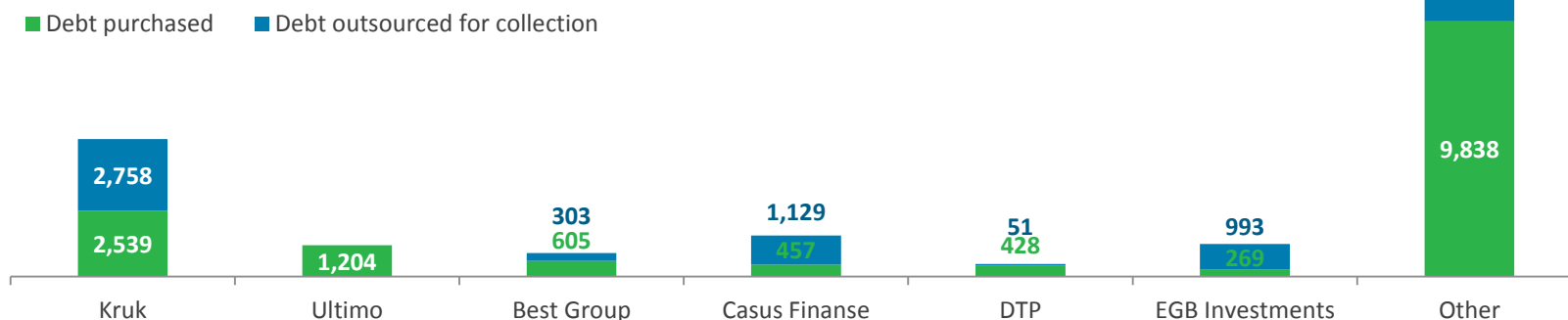
KRUK is the leading Polish debt collection company

- 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.

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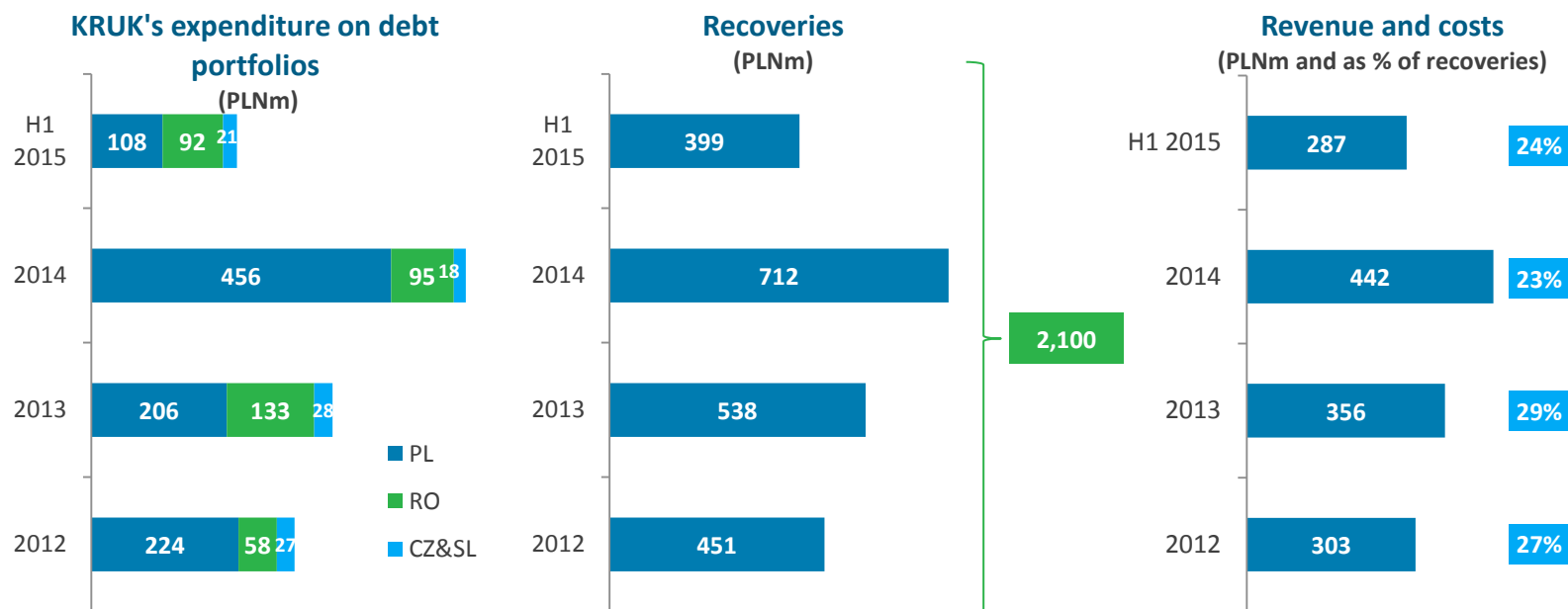
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The amicable settlement strategy is delivering meaningful results, with recoveries of PLN 712m in 2014, including 65% under amicable settlements



- 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.

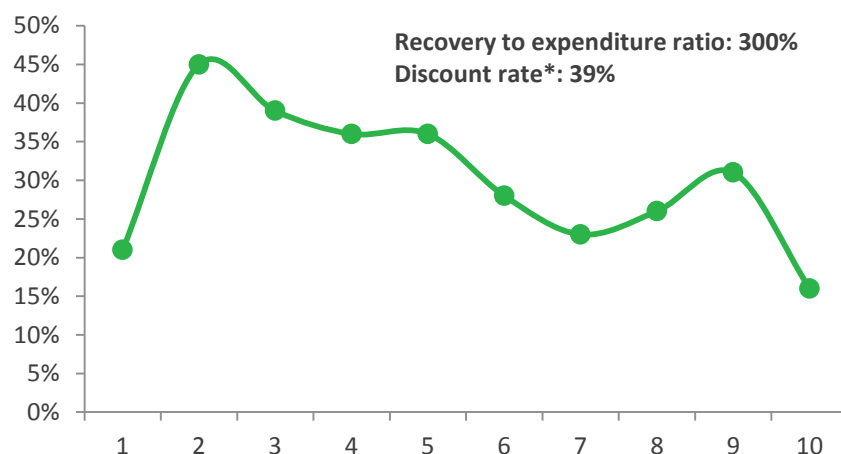
- Recoveries grew by 32% year on year, climbing to a record high of PLN 712m. In H1 2015 KRUK generated PLN 399m, up 11% yoy.
- Settlements with debtors account for approximately 65% of the recoveries.

- 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.

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

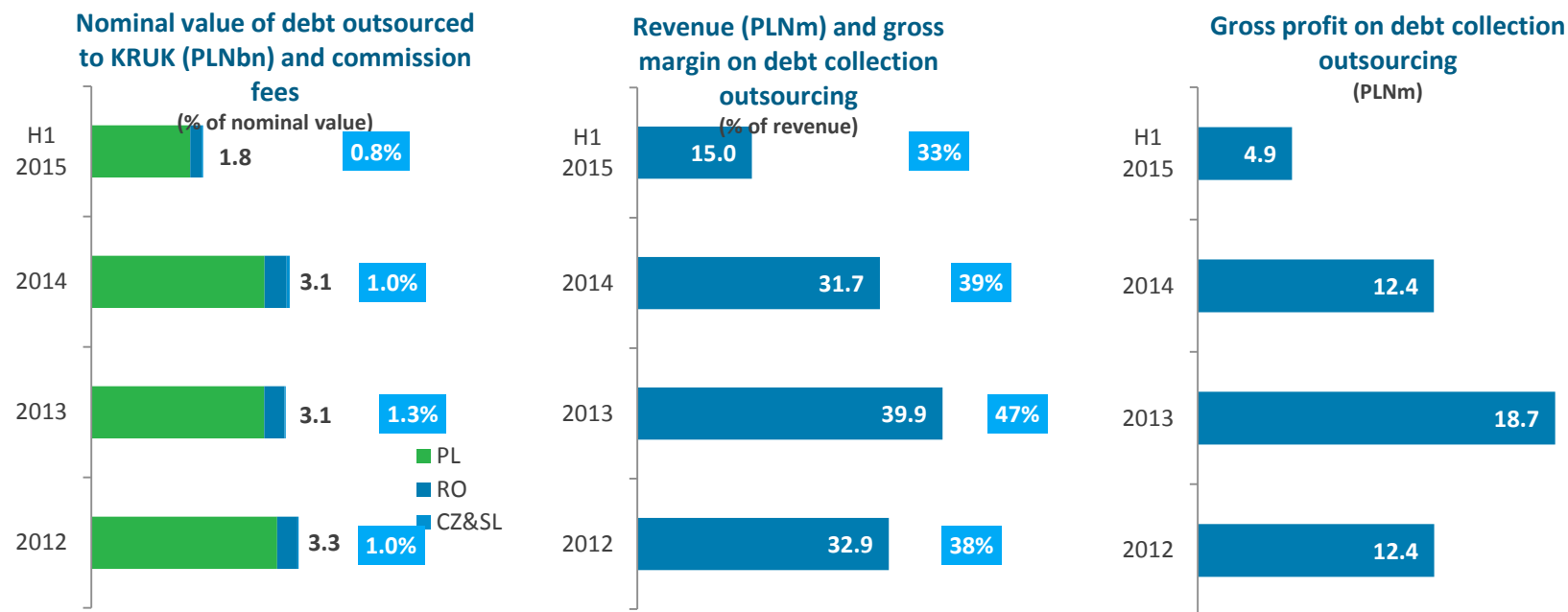
Recoveries (as at the end of H1 2015)

PLNm	Historical (until the end of H1 2015)	Forecast (ERC**) as at Jun 30 2015
Financial inflows	PLN 3,053m	PLN 2,635m

*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 H1 2015.

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.

KRUK 2009- H1 2015 – fast-growing and highly profitable business with strong cash flows

<i>PLNm</i>	2010	2011	2012	2013	2014	H1 2015	<i>CAGR '14/'10</i>
Debt portfolios purchased							
expenditure on debt portfolios	-194	-569	-309	-367	-571	222	31%
recoveries	198	341	451	538	712	399	38%
STATEMENT OF PROFIT AND LOSS							
Total revenue	164	274	343	406	488	287	31%
Revenue from own debt portfolios	118	230	303	356	442	263	39%
including revaluation	10	20	5	-13	8	11	-
Revenue from debt collection outsourcing	44	41	33	40	32	15	-8%
Revenue from other products and services	2	3	7	10	14	9	60%
Gross profit	75	144	194	223	294	177	41%
<i>Gross margin</i>	45%	52%	57%	55%	60%	62%	-
Own debt portfolios	57	127	181	202	276	167	48%
Debt collection outsourcing	18	18	12	19	12	5	-10%
Other products and services	-1	-1	1	2	6	5	-
EBITDA	47	101	144	162	220	132	47%
<i>EBITDA margin</i>	28%	37%	42%	40%	45%	46%	-
NET PROFIT	36	66	81	98	152	108	43%
<i>net profit margin</i>	22%	24%	24%	24%	31%	38%	-
ROE	28%	28%	26%	24%	26%	23%	-
EPS (PLN)	2,3	4	4,8	5,8	8,9	9,3	40%
CASH EBITDA*	127	212	292	344	489	268	40%
Revenue/fair value of purchased debt portfolios	45%	32%	35%	34%	32%	18%	-
Revaluation/fair value of purchased debt portfolios	4,0%	2,7%	0,5%	-1,3%	0,6%	0,8%	-

Source: KRUK S.A.
 **Cash EBITDA = EBITDA + recoveries from purchased debt portfolios – revenue from collection of purchased debt.

KRUK – the carrying amount of acquired debt portfolios increased ninefold over six years

PLNm, as at the end of:	2009	2010	2011	2012	2013	2014	H1 2015
Assets							
Cash and equivalents	23.8	20.8	36.2	42.7	35.3	70.5	72.2
Investments in debt portfolio purchases	150.4	263.2	718.7	873.4	1053.9	1366.5	1 469.0
Other assets	33.7	33.6	45.6	55.3	73.6	79.6	71.9
Total assets	207.9	317.6	800.5	971.4	1162.8	1516.6	1 613.1
Equity	100.0	130.3	238.4	317.6	415.6	585.1	679.7
including: Retained earnings	71.9	106.3	132.5	213.5	311.2	462.9	544.6
Liabilities	107.9	187.3	562.1	653.8	747.3	931.6	933.4
including: Borrowings and leases	46.2	25.2	118.0	169.0	112.9	349.2	259.9
Bonds	16.6	96.9	359	427.4	574.5	489.5	572.7
Total equity and liabilities	207.9	317.6	800.5	971.4	1162.8	1516.6	1 613.1
Interest-bearing debt	62.8	122.1	477	596.4	687.5	838.6	832.6
Net interest-bearing debt	39	101.4	440.8	553.7	652.2	768.1	760.4
Net interest-bearing debt to equity	0.4	0.8	1.8	1.7	1.6	1.3	1.1
Interest-bearing debt to 12-month cash EBITDA*	0.4	0.8	2.1	1.9	1.9	1.6	1.7

KRUK – strong cash flows (presentation format)

PLNm	2010	2011	2012	2013	2014	H1 2015
Cash flows from operating activities:	124.1	197.8	239.8	290.8	432.3	247.1
Recoveries from debtors – purchased debt portfolios	197.9	341.1	451.3	537.7	711.8	398.7
Operating costs – purchased debt portfolios	-60.7	-103.2	-122.3	-153.4	-166.5	-96.2
Operating margin – debt collection outsourcing	18.2	17.5	12.4	18.7	12.4	4.9
Administrative expenses	-28.1	-41.2	-50.2	-60.4	-72.6	-43.4
Other operating cash flow	-3.2	-16.5	-51.4	-51.8	-52.9	-21.4
Cash flows from investing activities:	-201.0	-578.3	-323.3	-381.9	-582.1	-225.7
Expenditure on debt portfolio purchases	-194.0	-568.8	-309.3	-367.2	-570.7	-222.2
Other investing cash flow	-7.0	-9.5	-14.1	-14.7	-11.4	-5.2
Cash flows from financing activities:	73.9	396.0	90.0	83.6	185.2	-19.8
Increase in borrowings and lease liabilities	17.2	194.9	373.7	617.4	1 698.8	454.2
Issue of bonds	112.0	291.0	190.0	250.0	45.0	113.4
Decrease in borrowings and lease liabilities	-37.9	-103.9	-322.5	-675.2	-1 462.3	-544.5
Redemption of bonds	-34.0	-30.0	-120.5	-101.5	-129.9	-29.0
Other financing cash flow	16.6	44.1	-30.7	-7.1	33.6	-13.9
Net cash flows:	-3.0	15.4	6.5	-7.5	35.3	1.6

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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		✓								

The strategic objective for 2015–2019:

Achieve the position of one of Europe's three leading debt management companies in terms of net profit.

Growth in geographical regions and product range development (KRUK's growth matrix)		Improvement of efficiency on acquired portfolio	Improvement of portfolio valuations and operating analyses
Growth on existing markets <ul style="list-style-type: none"> consolidate its position on the unsecured consumer debt purchase markets increase purchase and collection of mortgage-backed debts increase purchase and collection of non-performing corporate debts develop the debt collection outsourcing business develop other product lines – loans and credit information 	Expansion on foreign markets <p>KRUK plans to gradually enter new markets, in particular:</p> <ul style="list-style-type: none"> Spain Italy Portugal United Kingdom 	<p>KRUK manages a debt portfolio with a total nominal value at the time of purchase of PLN 24.0bn.</p> <p>Becoming more effective in getting through to the debtors from portfolios acquired so far by:</p> <ul style="list-style-type: none"> development of process management, development of a network of field advisers, enhancing marketing communication. 	<p>By the end of 2014, the Group purchased 370 debt portfolios and performed over 2,000 debt portfolio valuations.</p> <p>Enhancing Group's experience by:</p> <ul style="list-style-type: none"> improving statistical models for the valuation of debt portfolios improving credit scoring and forecasting models supporting operating processes <p>on the basis of cases acquired in the past (over 3m) and debts outsourced for collection every year (1.0m on average).</p>
New business		<p>The Group sees the source of its business success in its organisational culture and competence in such fields as human resources management, mass operations statistical analysis, management of risk and finances, and marketing. These factors are not specific to the debt management market, hence the KRUK Group plans to undertake by 2019 new, complementary projects in the financial sector in Poland.</p>	

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+
TOTAL		300	1,153		

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	

As at the end of first half of 2015, the KRUK Group held 400 debt portfolios with a total nominal value of PLN 24.0bn and fair value of PLN 1,450m.

Purchased debt portfolios PLNm	2010	2011	2012	2013	2014	H1 2015
Nominal value of purchased debt portfolios	2,164	4,469	3,585	3,791	3,776	2,302
Accumulated nominal value of purchased debt portfolios	6,072	10,542	14,126	17,917	21,693	23,995
Cash recoveries	198	341	451	538	712	399
Accumulated cash recoveries	612	954	1,405	1,943	2,655	3,055
Fair value	263	719	873	1,054	1,367	1,450
Fair value remeasurement	10	20	5	-13	8	11
Share of the amount of remeasurement in fair value (%)	4.0%	2.7%	0.5%	-1.3%	0.6%	0.8%

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.

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In July 2015, KRUK entered into its first debt purchase agreement in Germany.

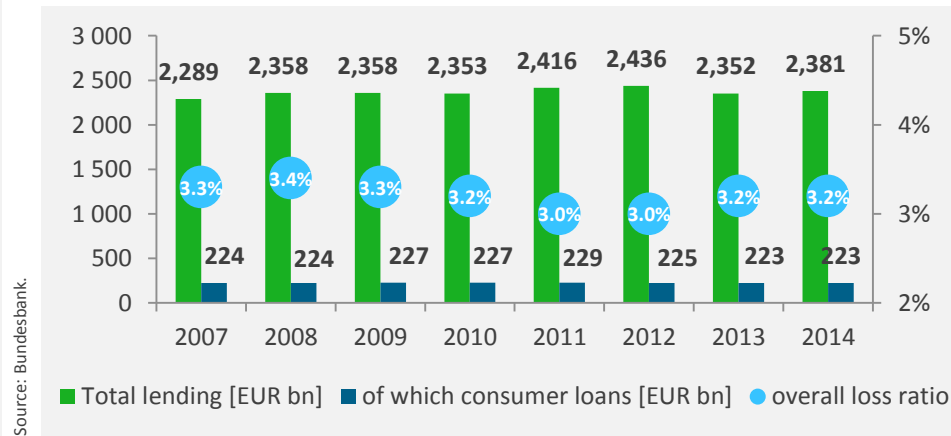
Transaction details

- Subsequent to the end of Q2 2015, the KRUK Group executed a consumer debt purchase contract in Germany.
- The contract was concluded for an indefinite term, with the nominal value of debt to be purchased under the contract over the next 15 months estimated at EUR 37.5m.
- Contract provides for regular inflows of debts from the seller over a specified period of time.
- Under the contract, the KRUK Group is to buy debt portfolios characteristic of its business – the contract provides solely for unsecured retail debts with an average value per debt account of EUR 3,000 or less.
- The portfolios will include high-quality debt cases that on average are only several months delinquent.

German market

- 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)*.
- Total expenditure on the unsecured retail debt market is estimated at approximately EUR 300m–350m.
- KRUK's main competitors in the German market will include Creditreform, EOS, GFKL, Lindorff, Intrum Justitia, PRA Group, Hoist and Arvato.

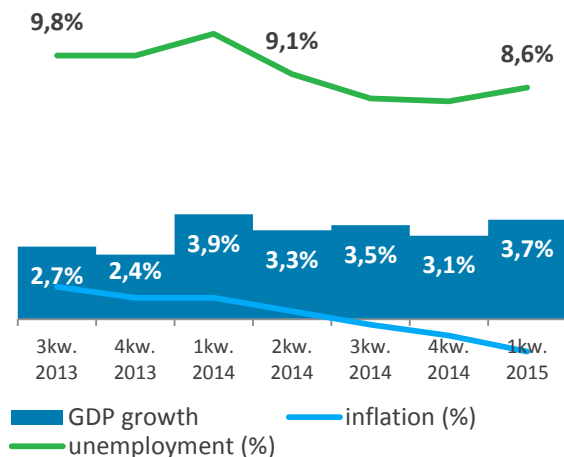
Bank consumer loans in Germany (EURbn)



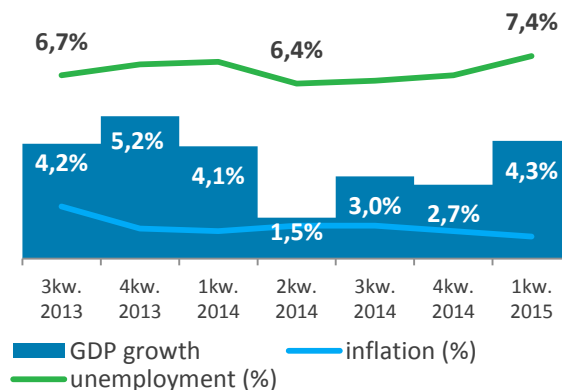
* Source: Schuldneratlas Deutschland, Jahr 2013

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

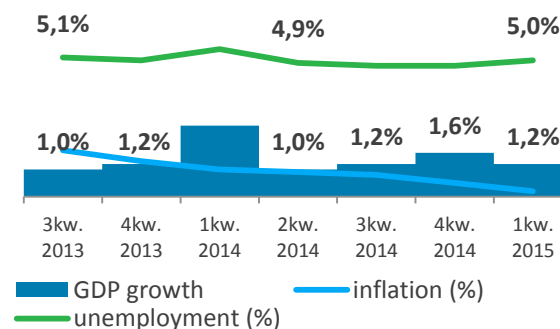
Poland



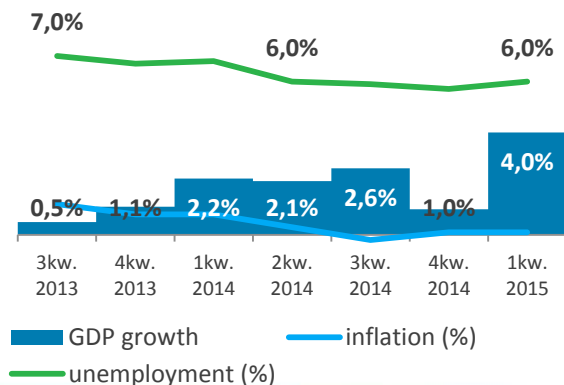
Romania



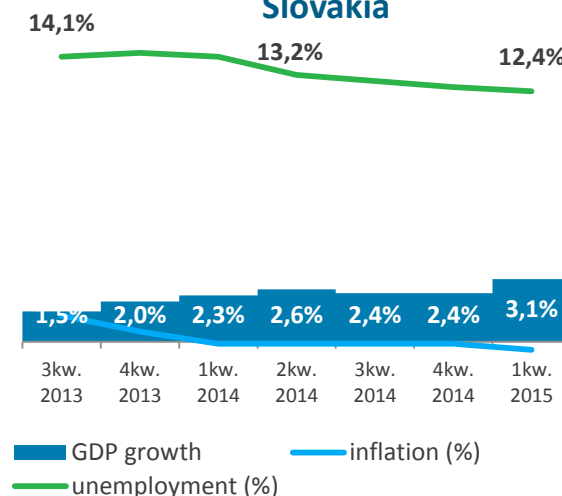
Germany



Czech Republic



Slovakia

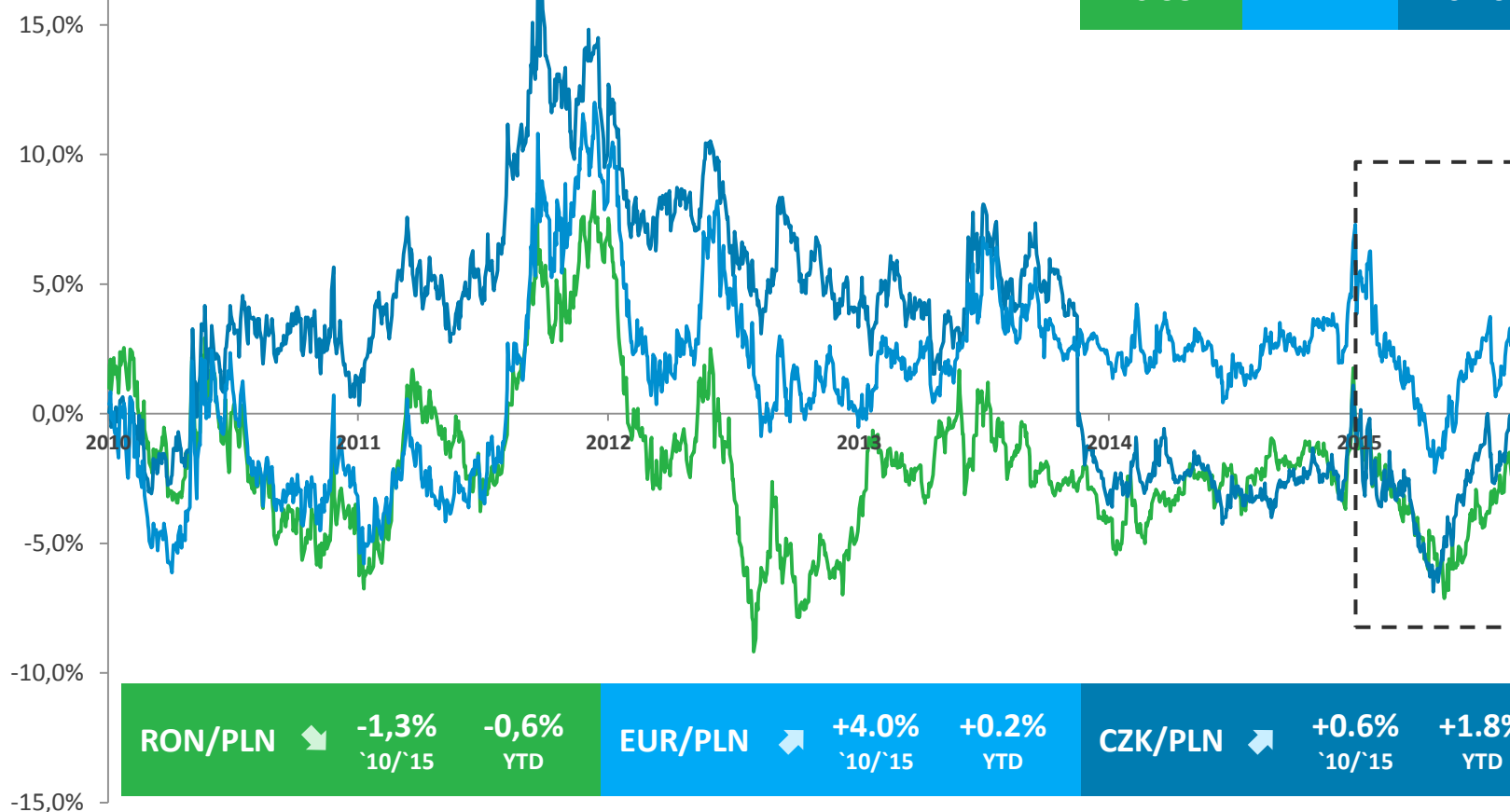


Since the beginning of the year, PLN has strengthened against the currencies of the markets on which KRUK is active. However, the exchange rates remain close to their average levels from the last five years

RON/PLN
0.95

EUR/PLN
4.24

CZK/PLN
0.16



KRUK – debt structure and bond redemption schedule

Bonds (PLNm)*	H1 2015	2015	2016	2017	2018	2019	2020	2021
Issued	113	-	-	-	-	-	-	-
Redeemed	29	41	154	135	115	0	58	100
Bonds outstanding at end of period	574	562	408	273	158	158	100	0

* Based on nominal value.

Bank loans (PLNm)	Bank credit facilities as at Jun 30 2015	Amount outstanding as at Jun 30 2015
Total bank borrowings	440	337
Investment credit facilities	-	-
Revolving credit facilities	440	247

- KRUK S.A. allotted two series of bonds (Series Z1 and Series W1) in a private bond offer with the nominal value of PLN 100m and a public bond offer with the nominal value of PLN 13.4m.
- On July 2nd 2015 (that is subsequent to the end of Q2 2015), PROKURA NSFIZ and KRUK S.A. entered into a revolving credit facility agreement with mBank, under which mBank agreed to provide a revolving credit facility of up to PLN 100m to PROKURA NSFIZ.

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

Investor Relations in H1 2015

IR events in 2015

February 6th US roadshow (New York)

March 17th-19th PKO BP's *Polish Capital Market 2015 conference* (London)

March 23rd-24th Roadshow in Scandinavia and Germany (Stockholm, Copenhagen, Frankfurt)

March 26th CC Group conference (Warsaw)

April 8th-10th US roadshow (Chicago, Boston, Miami)

May 18th Auerbach/Ipopema's *Poland Capital Markets Day* conference (New York)

May 29th-31st Retail Investors Association's *Wall Street 19 conference* (Karpacz)

June 11th-12th *Wood&Co Emerging Europe Financials Conference* (Warsaw)

September 3rd-4th UK roadshow (London)

October 8th-9th Erste conference (Stegersbach)

October 13th ING conference (Warsaw)

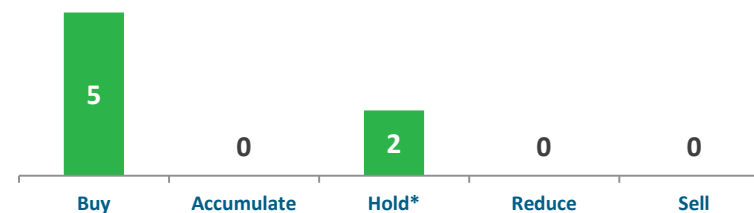
October 15th Societe Generale conference *Polish Capital Markets Day* (Paris)

December 1st-4th Wood's Winter in Prague

Most recent stock recommendations

Date	Institution	Recommendation	TP
July 2015	BESI	buy	PLN 194.90
July 2015	Trigon DM	buy	PLN 189.90

Recommendations in H1 2015



Sell-side analysts issuing recommendations on Company stock

Institution	Analyst
DI Investors	Michał Fidelus
DM BZ WBK	Dariusz Górski
Erste Group	Adam Rzepecki
Espirito Santo IB	Łukasz Jańczak
Ipopema	Iza Rokicka
mBank	Michał Konarski
Trigon DM	Grzegorz Kujawski
Wood & Co.	Paweł Wilczyński

* 'Hold' or 'neutral'



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