

# PRESENTATION OF RESULTS

for Q1-Q3 and Q3 2012

KRUK Group

November 2012

# Agenda

**Introduction**

**Operations**

**Financial performance**

# In Q3 2012, KRUK generated PLN 22m of net profit, up by 67% on Q3 2011

(I) In the first three quarters of 2012, the Group earned a **net profit of PLN 54m. Net profit for Q3 2012 was PLN 22m**, up by 20% on the previous quarter and by 67% year on year.

(II) In the first three quarters of 2012, the KRUK Group generated over **PLN 245m of revenue** and **cash EBITDA\* of PLN 217m**, up by 29% and 41% respectively year on year.

(VI) **KRUK strengthens its presence in Slovakia.** According to our estimates, the Slovak debt purchase market is worth approximately PLN 50m investment annually. KRUK has purchased in the Slovakian market debt with a total nominal value of PLN 95m, of which PLN 40m in October 2012. In August 2012, KRUK started providing credit management services in Slovakia.

(V) **KRUK has good access to financing:** in Q1-Q3 2012 the Company raised **PLN 120m from bonds issue** and increased its **bank credit limit by additional PLN 70m.**

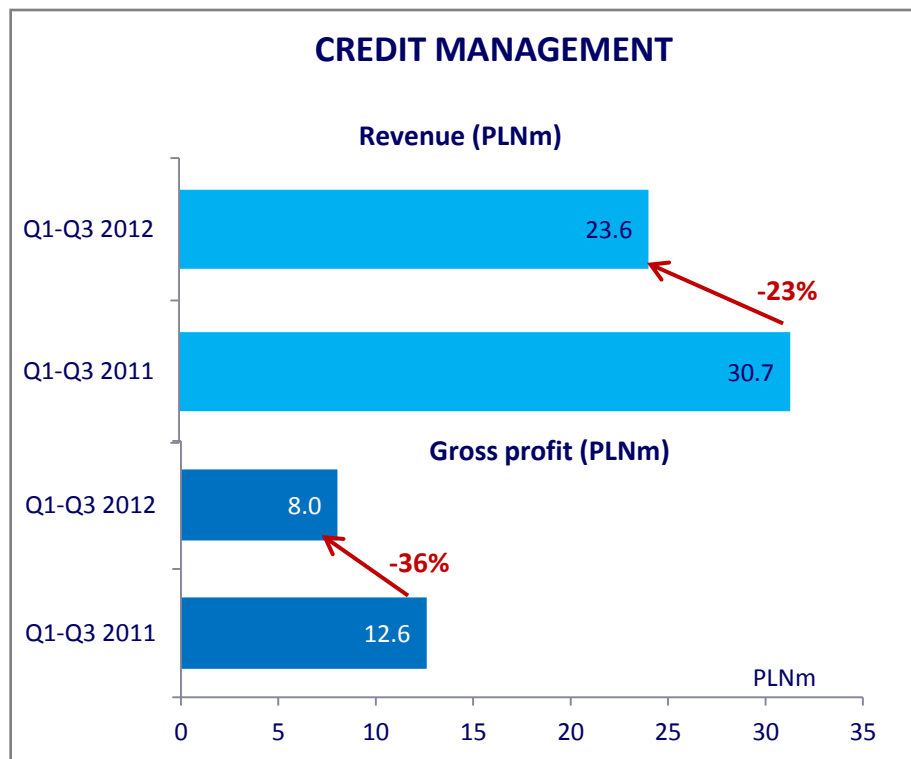
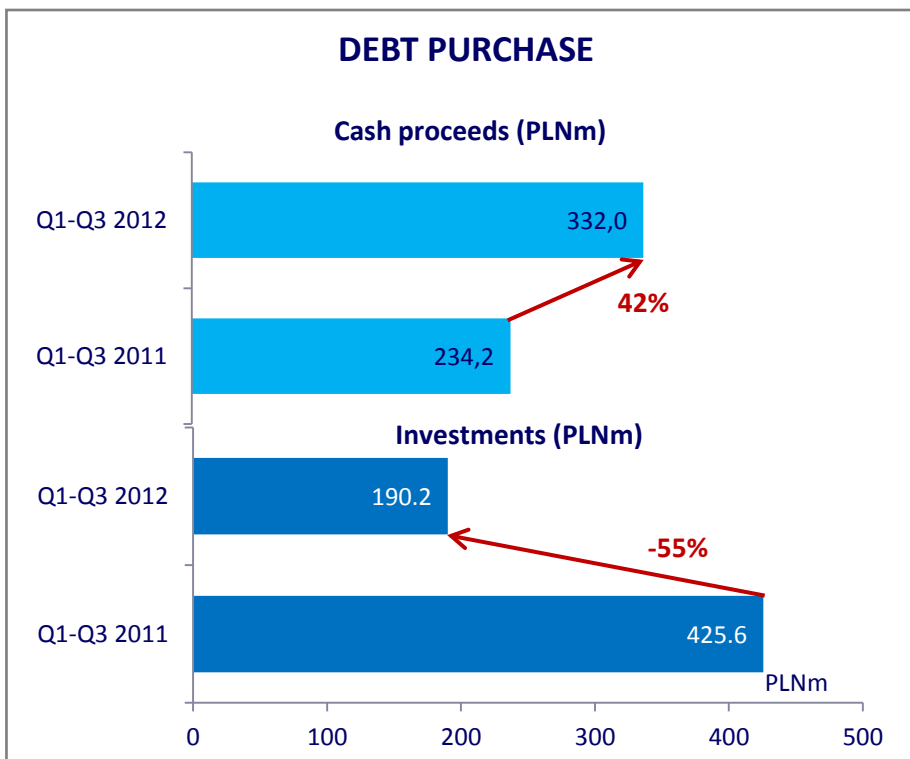
(IV) **In January–September 2012, KRUK purchased debt portfolios for PLN 190m, of which PLN 94m was spent in Q3 2012.**

In line with our expectations, the **debt purchase market** remains strong and similar as in 2011, but is more competitive than in 2011. Acting in line with its disciplined approach to debt purchasing, KRUK reduced its investments relative to 2011.

(III) From the beginning of the year to the end of September 2012, **cash repayments under the debt purchased** by KRUK totalled **PLN 332m**, up by 42% year on year.



# In Q1-Q3 2012, cash proceeds and cash EBITDA\* grew 42% and 41% respectively, year on year



	Q1-Q3 2012	Q1-Q3 2011	Change	2011	% of 2011 result
Revenue (PLNm)	245.1	190.6	29%	274.0	89%
Cash EBITDA* (PLNm)	216.6	153.3	41%	212.2	102%
Net profit (PLNm)	54.1	52.3	3%	66.4	81%
EPS** (PLN)	4.03	3.50		4.04	
ROE**	23.6%	26.7%		27.9%	

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

\*\* EPS and ROE calculated based on the profit for the last 12 months

Source: KRUK S.A.

# Agenda

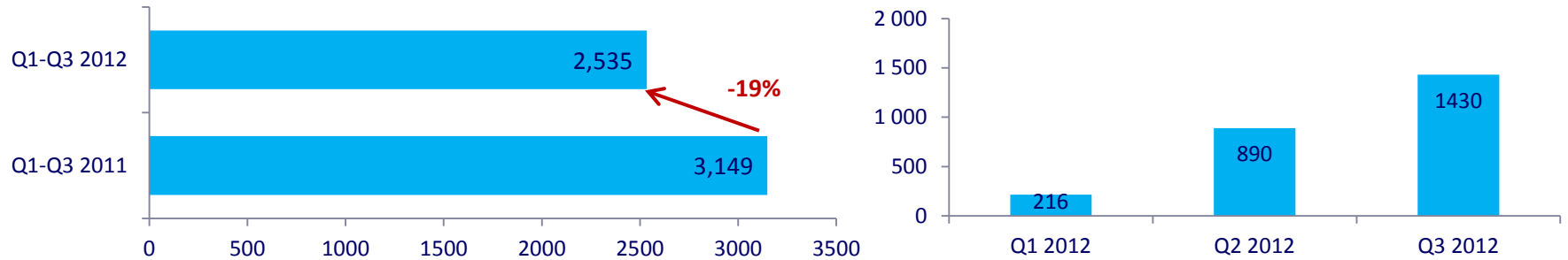
Introduction

**Operations**

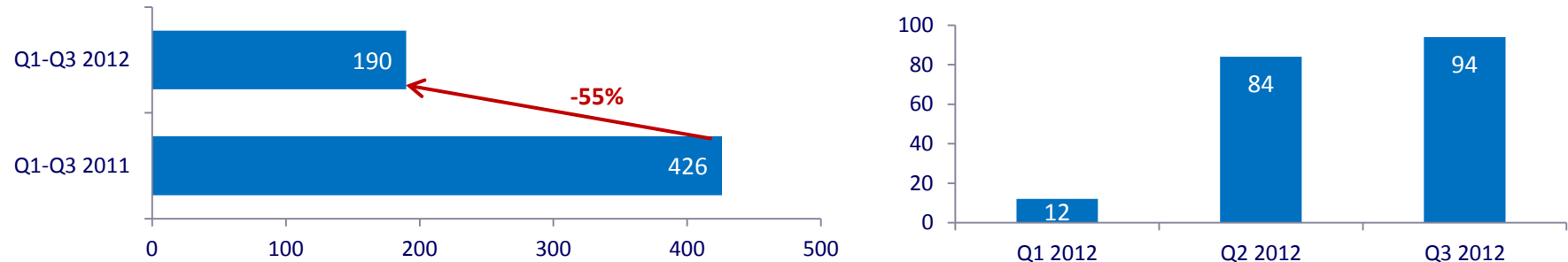
Financial performance

# Capital expenditure on purchase of debt portfolios was PLN 94m in Q3 2012 and PLN 190m in Q1-Q3 2012

Nominal value of purchased debt (PLNm)



Capital expenditure on new debt portfolios (PLNm)

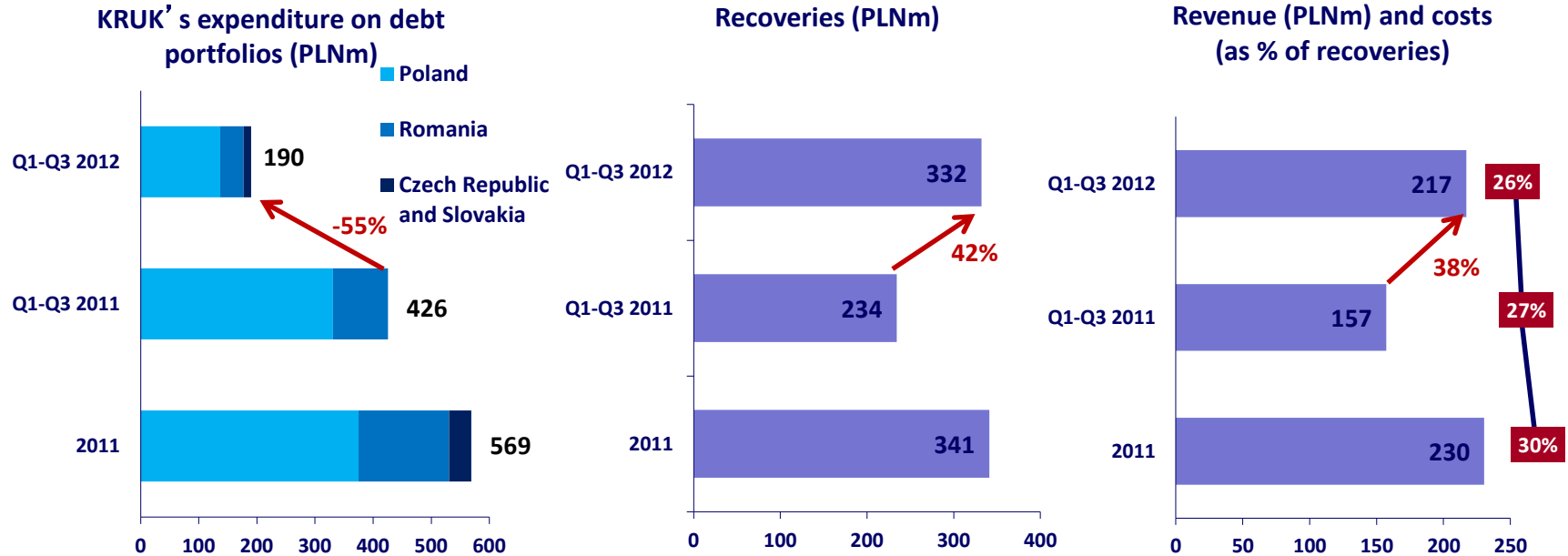


The total **fair value** of debt portfolios disclosed by the KRUK Group in its statement of financial position is **PLN 785m**. Given the relatively high prices, our priority is to **maximise return on investment**.

In the first nine months of 2012, **the average price** of debt purchased by KRUK **was 7.5%**, compared with 13.5% in Q1-Q3 2011. Lower average price is partially attributable to the purchase of corporate debt portfolios in Q1-Q3 2012.

In Q1-Q3 2012, the KRUK Group **purchased 36 debt portfolios**, including 23 retail debt portfolios from financial institutions, 5 corporate portfolios from financial institutions and 8 retail debt portfolios from from other entities.

# Purchased debt portfolios: cash recoveries for Q1-Q3 2012 reach the total 2011 figure, revenue increases 38% year on year



From the beginning of the year to the end of September 2012, debtors made cash repayments of **PLN 332m in cash**, which represented 97% of the amount KRUK recovered under purchased debt portfolios in 2011.

Year on year, in Q1-Q3 2012 KRUK **improved its cost to recovery rate**.

# KRUK has launched several marketing campaigns with an educational agenda on the markets on which it operates, pioneering a globally unique approach

Since 2010, the Group has been actively running **educational and marketing campaigns** in various media, including television, the press and the Internet, designed to raise debtors' awareness and enhance the effects of an amicable settlement strategy endorsed by KRUK.

**KRUK's efforts in the field of education and marketing** have not gone unnoticed by experts, and the Company received awards in some of the most prestigious competitions in Poland and Romania:

- In Poland, KRUK received the **Effie Award 2012** in the "Banking" category (jointly with PKO BP; the nominees included Polbank, ING Bank Śląski and Alior Bank);
- In Romania, KRUK was handed **PR Romania Awards 2012** in three categories (the nominees included Renault, Siemens and ING Bank Romania)

## KRUK's marketing and educational campaigns included television features



2010-2011

- "M jak Miłość",
- "Sąsiadka",
- "Zamknięte drzwi"



2012 and beyond

- "Ukryta prawda"
- ???

## Other educational and marketing initiatives undertaken by KRUK in H2 2012

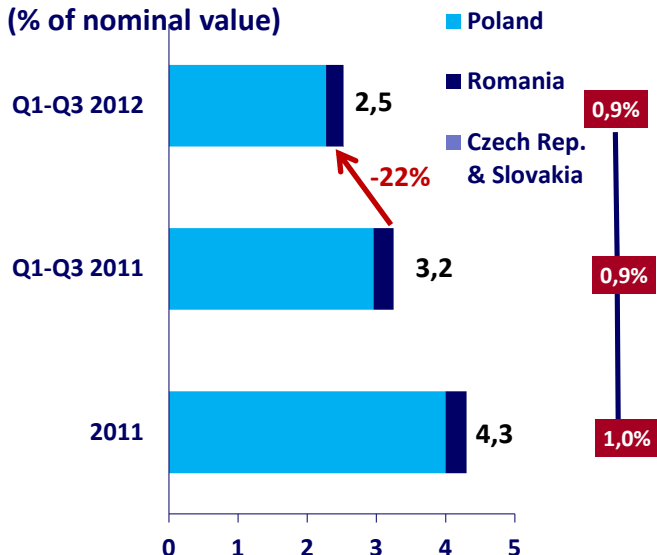
KRUK initiated an educational campaign entitled "**Our Debts**". Each year on November 17th, the Company organises the National Debt Freedom Day, which is aimed at promoting responsible management of one's personal finances and informing debtors of possible solutions to their problems. This year for the first time Debt Freedom Day will be celebrated in three countries: Poland (fourth time), Romania (second time) and Czech Republic (the first time).

In November 2012, credit information agency RD ERIF BIG launched the **infoPozytywni.pl** informational online platform, the purpose of which is to raise the Poles' awareness of the benefits of having a positive debt history recorded by Credit Information Agencies.

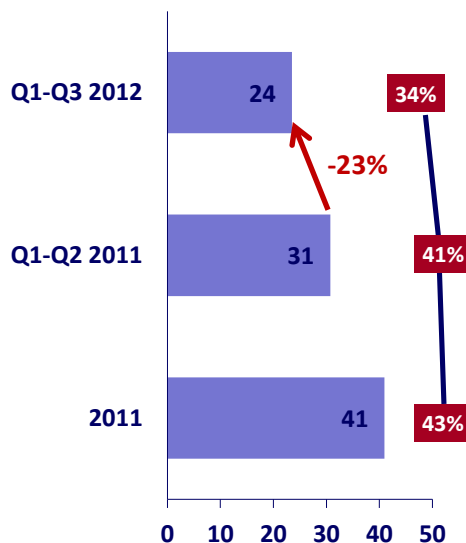


# Credit management services – lower lending volumes by banks are having an adverse effect on the Group's business scale

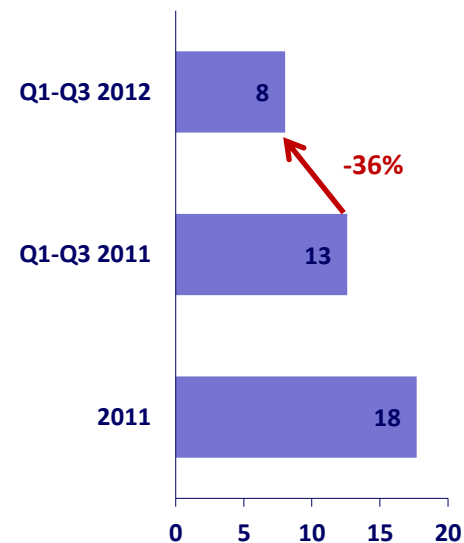
Nominal value of debt outsourced for collection (PLNbn) and commission fees (% of nominal value)



Revenue (PLNm) and margin (% of revenue)



Gross profit (PLNm)

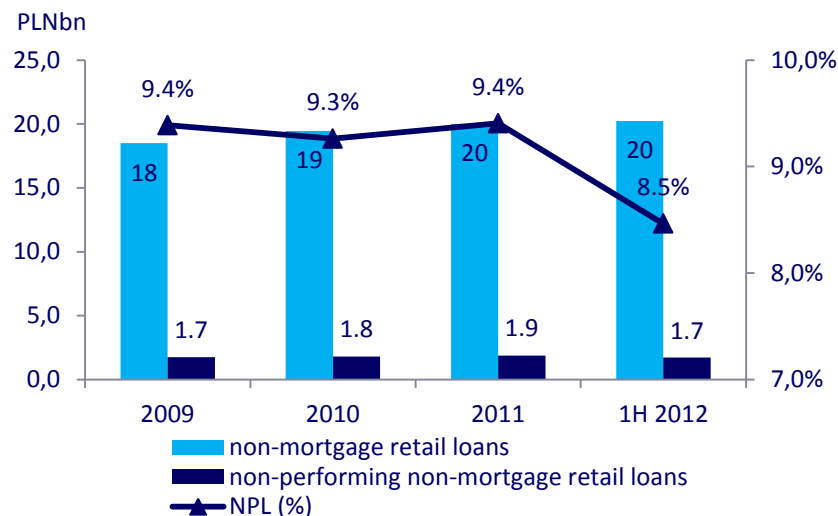


We have been witnessing a deterioration of the **quality and value** of debt outsourced for collection to specialised firms, which **has been reflected in lower revenue** generated from credit management services.

For the KRUK Group, the **credit management business** remains **highly profitable and is of strategic importance**, due to its synergies with the debt purchase business.

# KRUK strengthens its presence on Slovakian market

Nominal value of non-mortgage retail bank loans



## KRUK Group in Slovakia

KRUK International s.r.o., a Czech subsidiary of the KRUK Group is also operating on the Slovakian market. This has been possible thanks to favourable legislation and cultural similarities between the two countries. Moreover, nearly half of the employees at the Czech subsidiary is of Slovak origin.

KRUK takes active part in tenders for debt portfolios in Slovakia. The Group has purchased on the Slovakian market debt with a nominal value of PLN 95m, of which debt of PLN 40m was purchased in October 2012.

According to preliminary estimates made by the Group, capital expenditure on purchase of debt in the Slovakian market totals approximately PLN 50m per year. The Slovakian market is comparable in size to the Hungarian one.

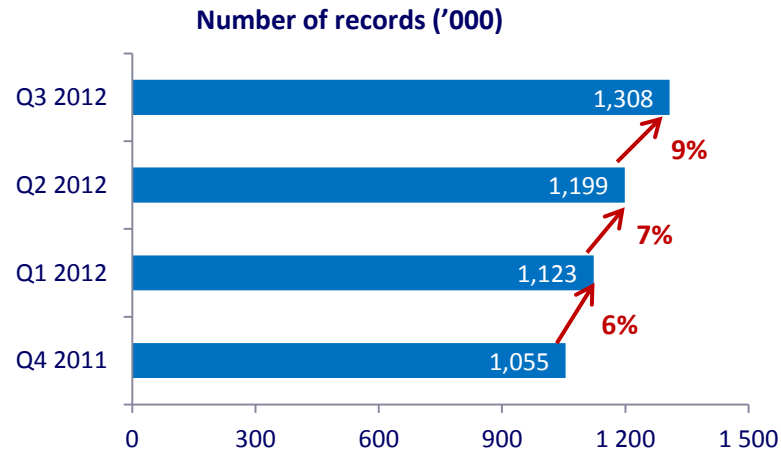
## SLOVAKIAN MARKET

In August 2012, the KRUK Group started providing credit management services in Slovakia by accepting for management a debt portfolio with a nominal value of over PLN 1m from one of the financial institutions.

In Slovakia, prices of non-performing debt are significantly lower than in the Czech Republic, chiefly because bank portfolios sold are older.

# NOVUM and RD ERIF BIG continue their development, generating PLN 4.7m revenue for Q1-Q3 2012, up by PLN 2m year on year

## RD ERIF (Credit Information Agency)



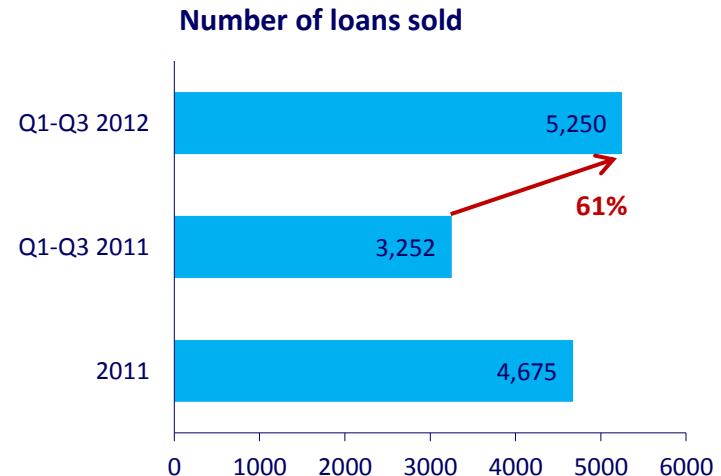
In Q3 2012, the **RD ERIF database expanded by over 100 thousand** records, to a total of 1.3m records as at the end of September.

RD ERIF is the first Credit Information Agency in Poland to **audit the** contents and quality of its database **on a regular basis**, to ensure that it provides its clients with reliable information.

RD ERIF has been expanding sales of services addressed to the **business sector and institutions holding mass consumer debt**, as well as to the **SME sector**.

Source: KRUK S.A.

## NOVUM LOANS



This product is targeted at debtors who have already **repaid their liabilities to KRUK** and are timely repaying their other debt.

Given their status and difficult position on the banking market, prospective clients of Novum have **limited access to bank loans**.

The company's key competitive advantage consists in its ability to reduce the related risk, owing to its knowledge of the **debtor's profile and behaviour patterns**, as well as its **efficiency in debt collection**.

# KRUK – Material events subsequent to Q3 2012

## Bonds

Successful issue of unsecured Series O bonds with an aggregate value of PLN 30m.

## Credit facilities

Execution of an Annex to the Revolving Credit Facility Agreement of April 8th 2011 between KRUK S.A. and Bank Zachodni WBK S.A.

Under the Annex:

- the revolving credit line of PLN 80m was divided into two separate lines, respectively of PLN 63m and PLN 17 m;
- availability end dates of revolving limits were set for July 31st 2014 with respect to the PLN 17m credit line and July 31st 2015 with respect to the PLN 63m credit line;
- the final repayment date was changed to July 31st 2016 with respect to the PLN 63m credit line and July 31st 2015 with respect to the PLN 17m credit line.

Other material terms and conditions of the Agreement remained unchanged.

# Agenda

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**Financial performance**

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

PLNm	Q1 2012	Q2 2012	Q3 2012	Q1-Q3 2012	Q1-Q3 2011 vs.	Q1-Q3 2012 Q1-Q3 2011
<b>DEBT PURCHASE</b>						
Debt purchased – expenditure	-12.3	-83.9	-94,0	-190.2	-425.6	-55%
Debt purchased – recoveries	108.1	107.8	116,0	332,0	234.2	42%
<b>INCOME STATEMENT</b>						
<b>Revenue</b>	<b>79.9</b>	<b>79.4</b>	<b>85.8</b>	<b>245.1</b>	<b>190.6</b>	<b>29%</b>
Debt purchase	69.8	70.6	76.5	216.8	157.2	38%
including revaluation	-5.6	-0.7	3.7	-2.5	11.9	-121%
Credit management	8.6	7.3	7.6	23.6	30.7	-23%
Other products and services	1.5	1.5	1.7	4.7	2.7	74%
<b>Gross profit</b>	<b>42.5</b>	<b>46.1</b>	<b>50.3</b>	<b>138.9</b>	<b>105.9</b>	<b>31%</b>
<i>Gross margin</i>	<i>53%</i>	<i>58%</i>	<i>59%</i>	<i>57%</i>	<i>56%</i>	
Debt purchase	39.3	44,0	47.3	130.6	93.3	40%
Credit management	3.1	2.3	2.7	8.0	12.6	-36%
Other products and services	0.1	-0.2	0.4	0.3	0.0	-1598%
<b>General and administrative expenses</b>	<b>-12.7</b>	<b>-12.3</b>	<b>-12.2</b>	<b>-37.2</b>	<b>-28.9</b>	<b>29%</b>
<b>EBITDA</b>	<b>30.1</b>	<b>33.5</b>	<b>38,0</b>	<b>101.5</b>	<b>76.3</b>	<b>33%</b>
<i>EBITDA margin</i>	<i>38%</i>	<i>42%</i>	<i>44%</i>	<i>41%</i>	<i>40%</i>	
<b>Finance income/expenses</b>	<b>-12.8</b>	<b>-12.4</b>	<b>-13.1</b>	<b>-38.4</b>	<b>-19,0</b>	<b>102%</b>
<b>NET PROFIT</b>	<b>14,0</b>	<b>18.2</b>	<b>21.8</b>	<b>54.1</b>	<b>52.3</b>	<b>3%</b>
<i>Net profit margin</i>	<i>18%</i>	<i>23%</i>	<i>25%</i>	<i>22%</i>	<i>27%</i>	
<b>CASH EBITDA *</b>	<b>68.5</b>	<b>70.7</b>	<b>77.5</b>	<b>216.6</b>	<b>153.3</b>	<b>41%</b>

Source: KRUK S.A.

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

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

PLNm	Q1 2012	Q2 2012	Q3 2012	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012 vs. Q1-Q3 2011
<b>INCOME STATEMENT</b>						
<b>Revenue</b>	<b>79.9</b>	<b>79.4</b>	<b>85.8</b>	<b>245.1</b>	<b>190.6</b>	<b>29%</b>
Poland	56.8	55.8	60.1	172.6	112.4	54%
Abroad	23.1	23.7	25.7	72.5	78.2	-7%
<b>Gross profit</b>	<b>42.5</b>	<b>46.1</b>	<b>50.3</b>	<b>138.9</b>	<b>105.9</b>	<b>31%</b>
<i>Gross margin</i>	53%	58%	59%	57%	56%	
Poland	25.8	29.5	32.4	87.7	43.0	104%
Abroad	16.7	16.6	17.9	51.2	62.9	-19%
<b>General and administrative expenses</b>	<b>-12.7</b>	<b>-12.3</b>	<b>-12.2</b>	<b>-37.2</b>	<b>-28.9</b>	<b>29%</b>
<b>EBITDA</b>	<b>30.1</b>	<b>33.5</b>	<b>38.0</b>	<b>101.5</b>	<b>76.3</b>	<b>33%</b>
<i>EBITDA margin</i>	38%	42%	44%	41%	40%	
<b>Finance income/expenses</b>	<b>-12.8</b>	<b>-12.4</b>	<b>-13.1</b>	<b>-38.4</b>	<b>-19.0</b>	<b>102%</b>
<b>NET PROFIT</b>	<b>14.0</b>	<b>18.2</b>	<b>21.8</b>	<b>54.1</b>	<b>52.3</b>	<b>3%</b>
<i>Net profit margin</i>	18%	23%	25%	22%	27%	

Source: KRUK S.A.

# KRUK – Selected balance-sheet items (presentation format)

PLNm	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>19.3</b>	<b>23.8</b>	<b>22.7</b>	<b>23.8</b>	<b>25.4</b>
<b>Current assets</b>	<b>680.8</b>	<b>776.6</b>	<b>752.8</b>	<b>796.7</b>	<b>853.5</b>
including: Investment in debt purchase	608.7	718.7	692.8	739.9	785.4
Cash	31.1	36.2	39.0	32.6	45.5
<b>Total assets</b>	<b>700.1</b>	<b>800.5</b>	<b>775.5</b>	<b>820.5</b>	<b>878.9</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	<b>223.5</b>	<b>238.4</b>	<b>253.4</b>	<b>271.2</b>	<b>288.6</b>
including: Retained earnings	158.4	132.5	146.5	164.7	186.4
<b>Liabilities</b>	<b>476.6</b>	<b>562.1</b>	<b>522.2</b>	<b>549.3</b>	<b>590.3</b>
including: Loans and leases	66.4	118.0	35.9	54.1	159.7
Bonds	323.1	359.0	412.2	423.1	362.8
<b>Total equity and liabilities</b>	<b>700.1</b>	<b>800.5</b>	<b>775.5</b>	<b>820.5</b>	<b>878.9</b>
<b>RATIOS</b>					
<b>Interest bearing debt</b>	<b>389.5</b>	<b>477.0</b>	<b>448.1</b>	<b>477.2</b>	<b>522.5</b>
<b>Net interest bearing debt</b>	<b>358.3</b>	<b>440.8</b>	<b>409.2</b>	<b>444.7</b>	<b>477.1</b>
Net interest bearing debt to equity	1.6	1.8	1.6	1.6	1.7
Net interest bearing debt to 12-month cash EBITDA*	1.9	2.1	1.7	1.7	1.7

Source: KRUK S.A.

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



# KRUK – Cash-flow highlights (presentation format)

PLNm	Q1 2012	Q2 2012	Q3 2012	Q1-Q3 2012	Q1-Q3 2011	Q1-Q3 2012 vs. Q1-Q3 2011
<b>Cash flows from operating activities:</b>	<b>58.9</b>	<b>52.9</b>	<b>72.0</b>	<b>183.9</b>	<b>124.2</b>	<b>48%</b>
Debt purchased - recoveries	108.1	107.8	116.0	332.0	234.2	42%
Operating expenses related to debt purchased	-30.5	-26.6	-29.2	-86.3	-63.9	35%
Operating margin on credit management	3.1	2.3	2.7	8.0	12.6	-36%
General and administrative expenses	-12.7	-12.3	-12.2	-37.2	-28.9	29%
Other cash flows from operating activities	-9.1	-18.3	-5.2	-32.6	-29.9	9%
<b>Cash flows from investing activities:</b>	<b>-14.3</b>	<b>-85.7</b>	<b>-100.2</b>	<b>-200.2</b>	<b>-431.4</b>	<b>-54%</b>
Debt purchased - expenses	-12.3	-83.9	-94.0	-190.2	-425.6	-55%
Other cash flows from investing activities	-2.0	-1.7	-6.3	-10.0	-5.8	71%
<b>Cash flows from financing activities</b>	<b>-41.8</b>	<b>26.4</b>	<b>41.1</b>	<b>25.6</b>	<b>317.6</b>	<b>-92%</b>
Increase in loans and lease liabilities	61.9	66.9	111.1	239.9	120.5	99%
Bonds issue	70.0	50.0	0.0	120.0	256.0	-53%
Repayment of loans and lease liabilities	-143.6	-48.9	-5.5	-198	-79.9	148%
Redemption of bonds	-15.9	-39.6	-60.0	-115.5	-30.0	285%
Other cash flows from financing activities	-14.3	-2.1	-4.5	-20.9	51.0	-141%
<b>Net cash flows:</b>	<b>2.8</b>	<b>-6.4</b>	<b>12.9</b>	<b>9.3</b>	<b>10.4</b>	<b>-11%</b>

Source: KRUK S.A.

# In Q3 2012, KRUK introduced a functional currency to reduce the quarterly volatility of its financial results due to changes in foreign exchange rates

## Secapital S.a.r.l. compartment

As of July 1st 2012, a **compartment** (or a distinct part of business for which separate accounting is maintained) was established within subsidiary Secapital S.a.r.l, where **debt portfolios purchased by Secapital in Romania were placed**.

## Rationale for the changes

The decision was due to the **prevailing economic conditions** surrounding the Group. The intention was to achieve the **most fair and reliable reflection** of the economic transactions, events and factors. A significant part of the debt portfolios purchased by the Group, and hence its cash inflows and revenues, is **denominated in RON**.

## IAS 21

This approach is consistent with **IAS 21** which requires each individual entity preparing separate financial statements to determine its functional currency, being the currency in which the majority of its cash flows are generated, and to measure its performance as well as its financial and liquidity position in that currency.

## Presentation in financial statements

Assets and liabilities of foreign operations with functional currencies other than PLN are translated at the mid-market exchange rate quoted by the National Bank of Poland for the end of a reporting period and presented in **other comprehensive income**. If the investment in a foreign entity is divested, or in the case of dividend payment, the cumulative amount of the foreign exchange differences carried in equity is taken to profit or loss (and disclosed as net foreign exchange differences in finance income or cost).

## PLN

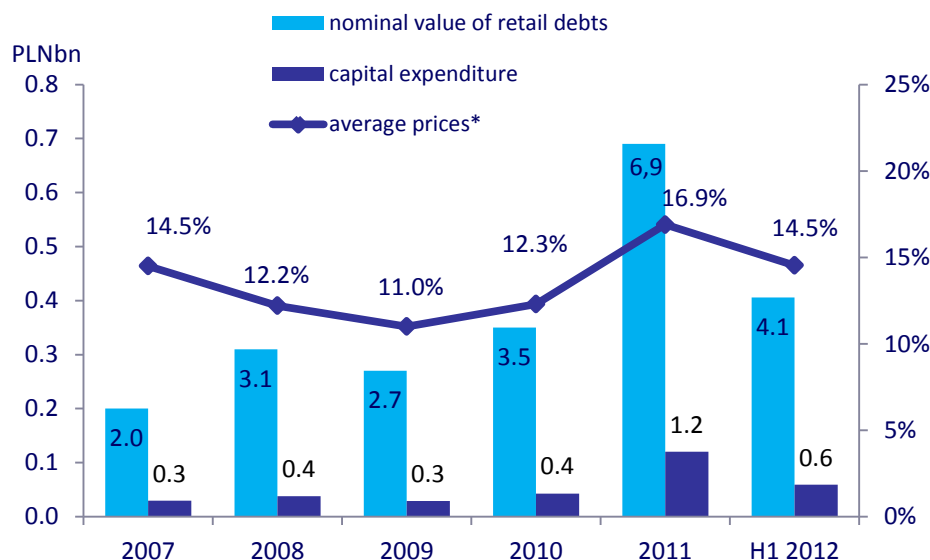
Consolidated financial statements are presented in the Polish złoty. The złoty is the Group's functional and presentation currency.

# Agenda

## Appendices

# As expected, the debt purchase market is strong, similarly to the previous year, but it is highly competitive

## POLAND

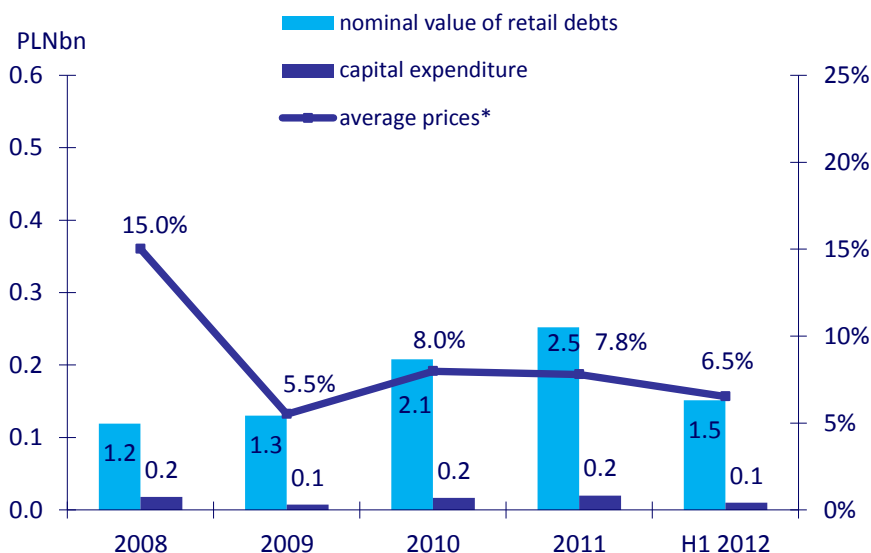


Market expenditures on retail debt portfolios in H1 2012 were close to 50% of the figure posted in the previous year.

Several large transactions in mostly low quality debt caused the average percentage price for H1 2012 to go down. The prices were highly competitive.

We are expecting to see a strong supply of debt portfolios in H2 2012.

## ROMANIA



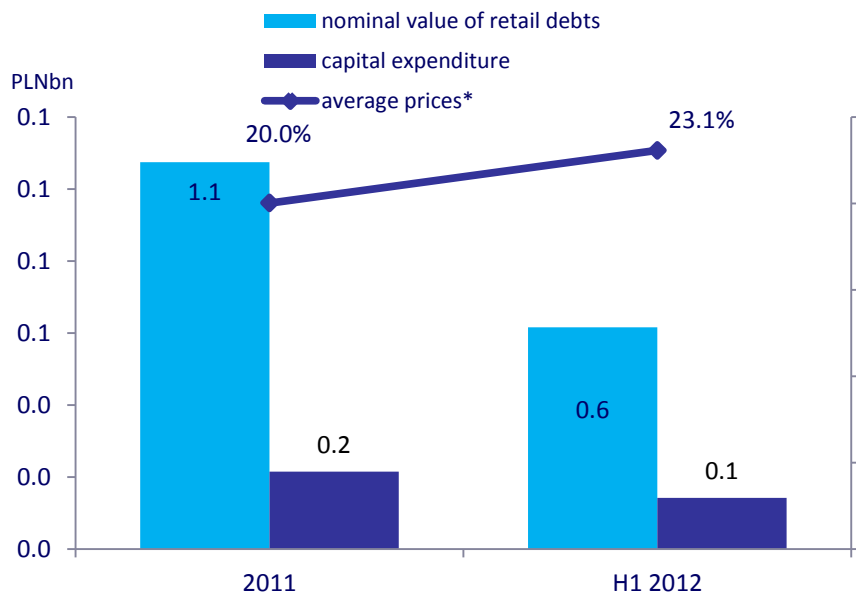
As expected, in H1 2012 the Romanian retail debt market was stable, reaching 50% of the entire 2011 year's figure.

Just like in Poland, the reduced average percentage price of debt was attributable to several transactions in large portfolios of debt that was long time past due.

We have been witnessing an increase in competitiveness of the Romanian market.

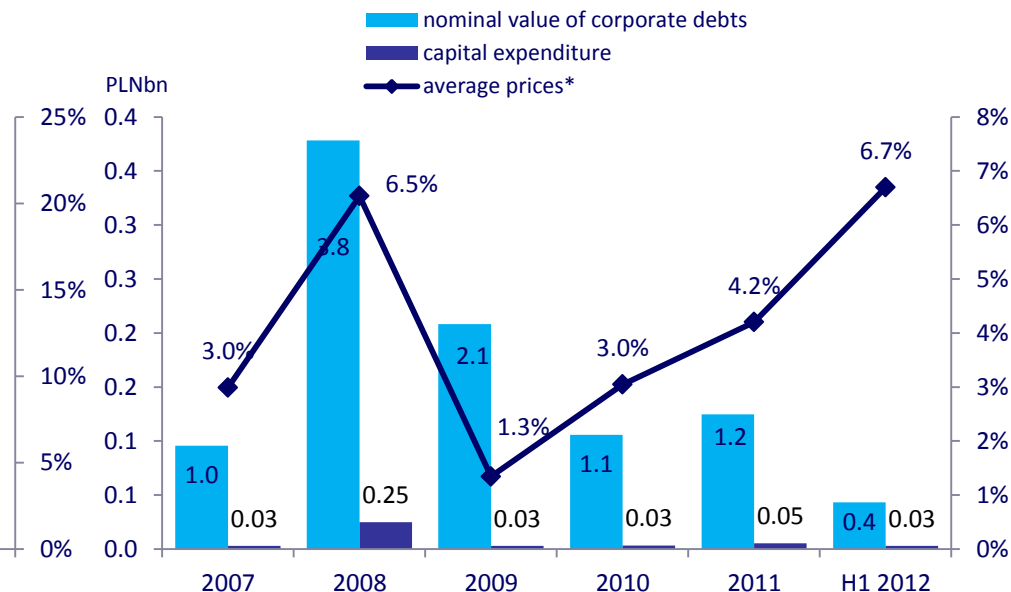
# Higher capital expenditure and increased average prices on the Czech retail debt and Polish corporate debt markets

## THE CZECH REPUBLIC



In H1 2012, sales of debt portfolios exceeded PLN 140m.  
 An increase in average prices on the Czech market is primarily attributable to the purchasing pressure of competition.

## POLAND – CORPORATE PORTFOLIOS



Changes in the structure and quality of corporate debt portfolios resulted in higher average prices in H1 2012 relative to the prior periods.

Source: KRUK S.A.

\* Average price calculated as a percentage of nominal value

# Tendency to opt for sale of debt portfolios and low lending activity by banks are hindering growth of credit management services

## POLAND



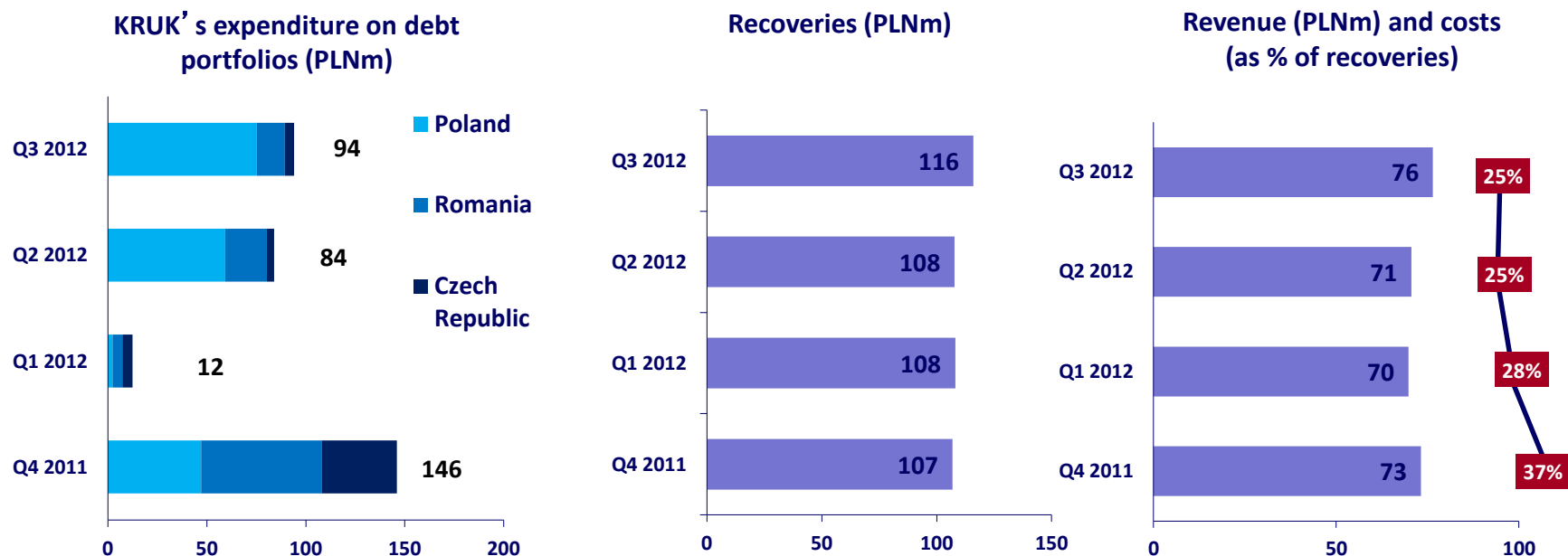
## ROMANIA



In the period of lower non-mortgage lending, some banks have decreased the volume of debts to be handled through credit management services.

We have been witnessing a tendency among clients to choose sales of debt portfolios instead of outsourcing their collection.

# KRUK – Recoveries in Q3 2012 up by PLN 8m, or 7.5%, relative to prior three quarters

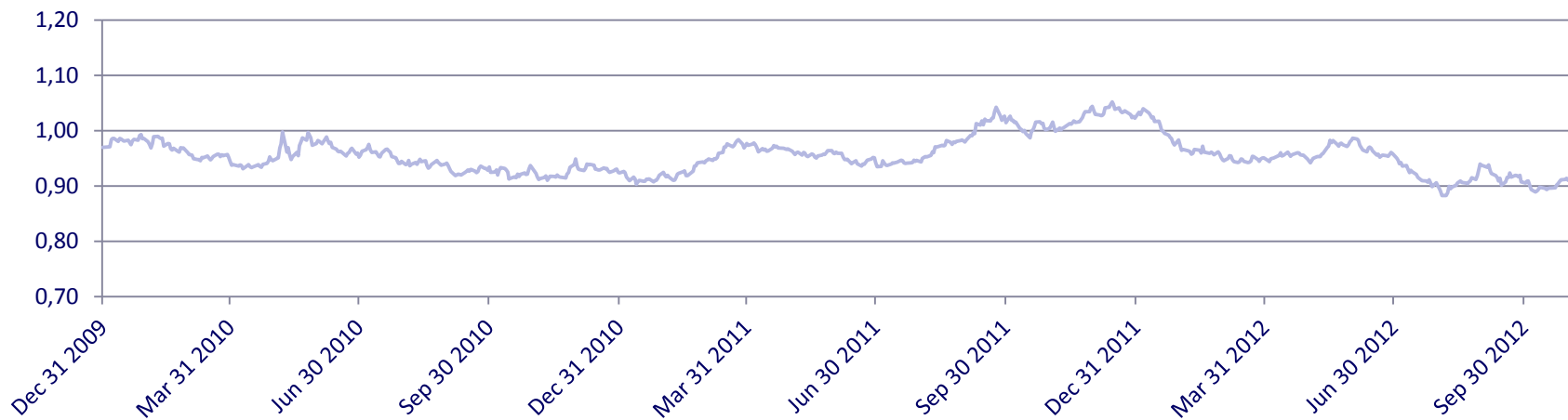


In Q3 2012 KRUK's **investments** in new debt portfolios amounted to **PLN 94m**, whereas in the entire H1 2012 it amounted to **PLN 96m**. The debt portfolio purchases market, especially in Q1 2012, was characterised by relatively high prices offered by competing entities.

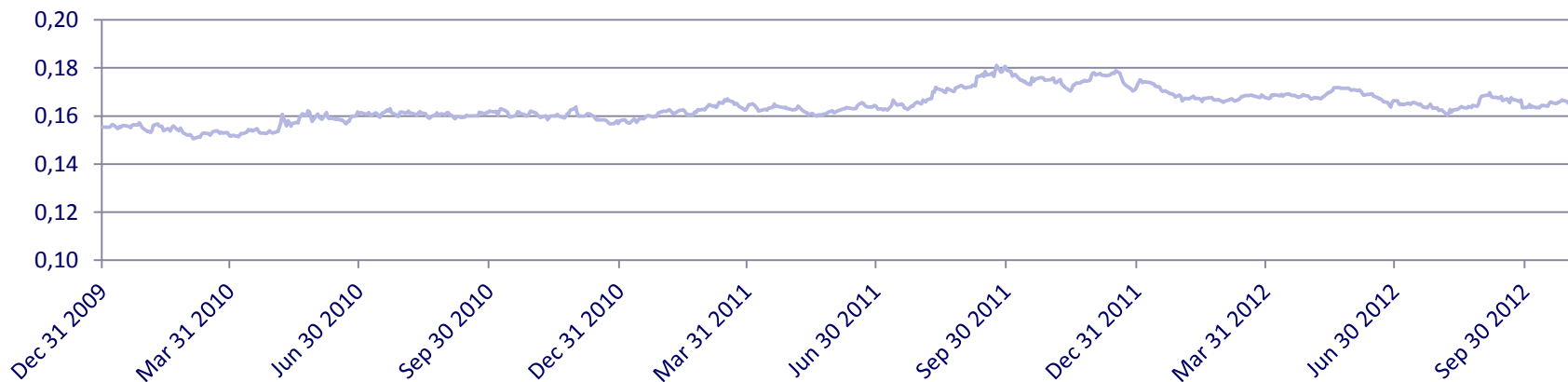
In Q3 2012, KRUK **purchased 15 debt portfolios**, including 8 retail debt portfolios from financial institutions, 4 corporate portfolios from financial institutions, and 3 retail debt portfolios from other entities.

# Exchange rates applicable to KRUK's foreign markets

RON/PLN mid-exchange rates since 2010



CZK/PLN mid-exchange rates since 2010





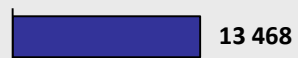
# Macroeconomic highlights

## POLAND

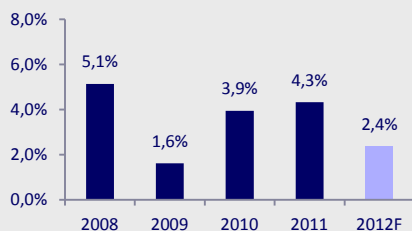
Population [2011, '000]



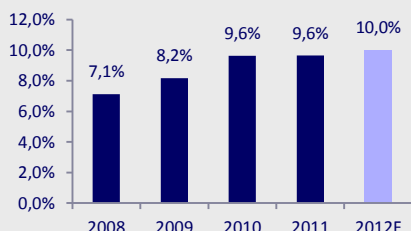
GDP per person [2011, in USD]



GDP growth [%]



Unemployment rate [%]

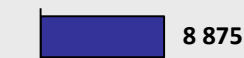


## ROMANIA

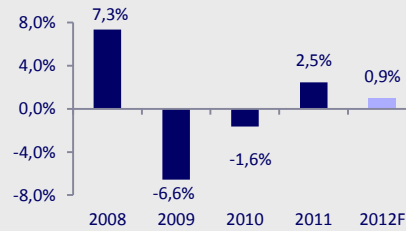
Population [2011, '000]



GDP per person [2011, in USD]



GDP growth [%]



Unemployment rate [%]



## THE CZECH REPUBLIC

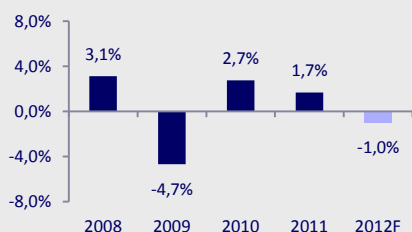
Population [2011, '000]



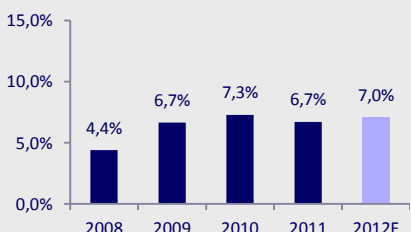
GDP per person [2011, in USD]



GDP growth [%]



Unemployment rate [%]



## SLOVAKIA

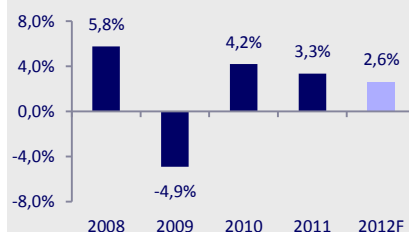
Population [2011, '000]



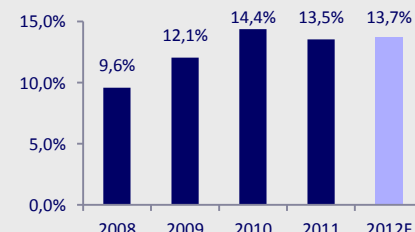
GDP per person [2011, in USD]



GDP growth [%]



Unemployment rate [%]



# KRUK - Debt structure and bonds redemption schedule

<b>Bonds (PLNm)*</b>	<b>2011</b>	<b>Q3 2012</b>	<b>2012**</b>	<b>2013**</b>	<b>2014**</b>	<b>2015**</b>	<b>2016**</b>
Issue	291	120	150	-	-	-	-
Redemption	30	116	120	102	130	41	114
<b>Bonds for redemption at end of period</b>	<b>357</b>	<b>361</b>	<b>387</b>	<b>285</b>	<b>155</b>	<b>114</b>	<b>-</b>

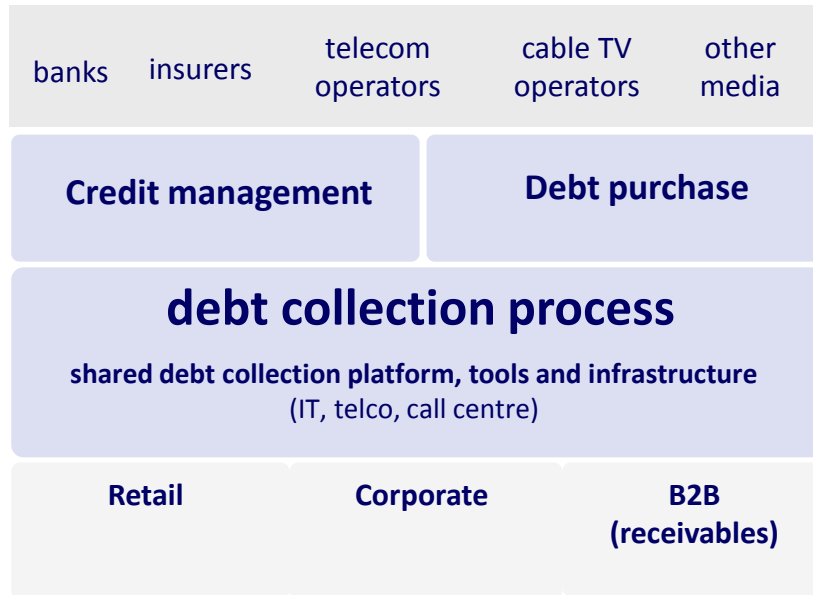
\* At nominal value

\*\* As at Nov 12 2012

<b>Bank credit facilities (PLNm)</b>	<b>Amounts made available by banks</b>	<b>Amounts drawn as at Sep 30 2012</b>
<b>Total bank credit facilities</b>	<b>230</b>	<b>155</b>
Investment credit facilities	25	13
Revolving credit facilities	205	142

# KRUK - Business model and milestones

## KRUK Group's business model



**We help people pay their debts**

**76%** of all debtors say they want to pay their past due debts\*

## KRUK Group's milestones – innovation leader

<b>2000</b>	Launch of the debt collection operations
<b>2001</b>	Introduction of the “success only fee” model in CMS
Debt portfolio market emerges – decision to raise new equity	
<b>2003</b>	KRUK as the debt collection market leader*** Enterprise Investors invests USD 21m (PEF IV) Purchase of the first debt portfolio
<b>2005</b>	First securitisation process in Poland Operating Branch launched in Wałbrzych
Decision to replicate business outside of Poland	
<b>2007</b>	Entry into the Romanian market Acquisition of Rejestr Dłużników ERIF BIG S.A.
Innovative approach to debtors	
<b>2008</b>	Amicable settlement solutions (voluntary settlement or court) introduced on a mass scale
<b>2010</b>	Legislative changes – Rejestr Dłużników ERIF active TV commercials as a mass debt collection tool
Prospects of a large supply of NPL	
<b>2011</b>	IPO on the WSE Entry into the Czech and Slovakian markets

Source: KRUK S.A. \* Długi jako wstydlivy problem (Debt as a shameful problem), CBnZE, 03/2010 \*\* Of total debt in collection in 2009, according to IBnGR  
\*\*\* In terms of the nominal value of debt

# How does KRUK recognise revenue from purchased debt portfolios?

## Purchased debt – division into interest and principal

- for each purchased debt portfolio, a discount rate (IRR for recovery) is calculated based on projected recoveries,
- the product of the discount rate for a given debt portfolio and the portfolio's fair value is recognised as revenue in a period,
- the difference between recoveries and revenue reduces the portfolio's fair value in the balance sheet (debt portfolio amortisation),
- each debt portfolio is reviewed quarterly; any changes in the actual or projected recoveries or expenses result in remeasurement of the fair value based on the original discount rate, and the difference is recognised in P&L as revaluation.

## Example calculation of recoveries and revenue from purchased debt portfolio

	PERIOD				
	0	1	2	3	Σ
Purchase value	100				
Planned recoveries	-100	70	70	70	110
Discount rate	49%				
Valuation at beginning of period		100	79	47	-
recoveries:		70	70	70	210
- revenue /interest portion/		49	38	23	110
- amortisation		21	32	47	100
Valuation at end of period		79	47	0	-

outcome of planned recoveries and purchase price

product of value and discount rate

difference between recoveries and revenue

starting value reduced by amortisation

Source: KRUK S.A.

**KRUK Group**



REJESTR DŁUŻNIKÓW  
**E R I F**  
BIG S.A.

Kancelaria Prawna  
**RAVEN**  
Krupa & Stańko



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