

Creditstar Group

Company presentation



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Credistar Group announcement regarding COVID-19 (1)

Dear Investors and Stakeholders,

I am writing to you to provide an Update regarding Credistar's response to coronavirus (COVID-19). Our team is monitoring the situation closely and have precautions in place to ensure that the health of our people and the health of our business is well maintained and risk scenarios are being constantly monitored. Creditstar is maintaining a healthy course for business growth.

Our people

Due to the online nature of our business, our people are not exposed to the risk of infection spreading via face-to-face customer contact. We have relocated our staff to home offices and are offering remote working flexibility to all business functions to prevent the risk people getting infected. Ensuring the well-being of our highly professional team is utmost important to keep the business running smoothly.

We're lucky to be an online business and while we're all working remotely, the business is running as normal.

How we are helping our customers and managing existing portfolio

We at Creditstar understand that these can be challenging times for our clients and we are providing our customers with

solutions such as discounts on extensions and restructured and better-suited repayment schedules. We are doing all of these initiatives to strengthen our client relationships and to help our clients through these difficult times.

We have increased flexibility in debt management processes.

- We have expanded repayment extensions possibilities for cases where it is needed.
- We have enhanced communication with our clients to provide them comprehensive support and education regarding repayment options and debt restructuring opportunities.
- We have reduced fees and simplified concluding agreements.
- We are offering free grace periods to frontline health-care workers who are responding to coronavirus.

Useful experience from the 2008 financial crisis and resilient business model

Credistar is in an advantageous position, compared to a number of other companies, as we have the experience of how to deal with our loan portfolio and clients during the time of crisis, as we successfully came through the financial crisis of 2008. Our experience is that being proactive with clients and

offering reasonable flexibility results in a win-win situation for both our business in terms of loan portfolio quality and customers in terms of paying their loan payments on time.

It is our experience, that even if non-performing loans in the short term somewhat increase as some of the customer's lose their income, they will be reengaged in the mid-term perspective. Loans are recoverable, as the average customer is relatively young in their mid 30's and the loan amounts are small in size. Average loan size in the portfolio is 1210 Euros.

Client repayments and non-performing loans (NPLs)

As at any time, we are closely monitoring our client repayments. Currently we do not see significant decreases in planned incoming funds. We are expecting some delays in repayments in the upcoming periods given the current situation in the economy, where we already see people's employment suspensions, lay-offs, etc.

We have set aside additional reserves of loan impairment charges to cover the possible negative impact of the Covid-19 effects on our loan portfolios.

Credistar Group announcement regarding COVID-19 (2)

Our service and new changes in acceptance controls

We have an underwriting strategy that will enable us to mitigate increasing unemployment rates. We use IT, underwriting and scoring systems to navigate through the changing environment and minimise the number of active customers who will face financial difficulties.

How we are doing underwriting and what we have changed

- Continued emphasis on returning clients and retention.
- We are asking additional information from clients regarding their solvency and current household financial situation.
- High attention is given to the business sector of applicant's employer and we are regularly monitoring impacts in any business sector or employment area.
- We focus only on applicants with sustainable employment and verified regular income.
- We avoid sectors that are most affected by the crisis. As an example, these are tourism, accommodation, food service, entertainment/recreation and aviation sectors. We are

constantly monitoring and making relevant adjustments to the business sectors we are limiting.

- We increase loan issuance to applicants, whose probability of default is lower due to the fact that their income originates from companies and industries that remain strong in the changing macro economical environment, as an example these are e-commerce, human health and information, communication and IT sectors. We are constantly monitoring and making relevant adjustments to the business sectors we are increasing the exposure to.
- Data-driven loan decisions and more conservative thresholds.
- We keep focusing on acceptance control for cases of increased short-term demand for our service. Our affordability and creditworthiness checks will take into account the latest economic circumstances.

Government stimulus measures

We are monitoring our target countries' governments, who have revealed a range of stimulus policies and measures, in response to the growing threat presented to the economies by

COVID-19. These stimulus measures, which are likely to be expanded in the near future, are aimed at assisting both consumers and businesses to cope with the effects of the quarantine measures to the economy.

Opportunity to emerge strong from the crisis.

At Credistar, we are confident that the business model is resilient and the business is well managed throughout these unsettling times. Going forward, we believe we can emerge even stronger from the crisis and take advantage of the growth opportunities.



Stay well and Kind regards,

Aaro Sosaar

CEO, Credistar Group

29.04.2020



Creditstar is an international consumer finance company. We use technology, automated processes, algorithms, and data analysis to make our credit products easily available to hundreds of thousands of customers in 8 countries in Europe.



creditstar group

Executive summary

Creditstar Group¹, established in 2006, is a provider of consumer financial services in Europe.

Creditstar has surpassed the **one million** user accounts milestone, the Company has **1,031,980²** customers across eight countries in Europe, including Estonia, Finland, Sweden, Poland, UK, Czech Republic, Spain and Denmark.

The Company is run by an entrepreneurial team of more than 100 people from 20+ nationalities of different age and backgrounds.

Creditstar had a successful first quarter with total assets more than EUR 132 M and net profit of EUR 1.3 M.

Creditstar is one of the most seasoned issuers in the Baltic bond market with 24 successful issues since being established.



Our Mission

We want our service to make people's everyday lives a little easier. Our clients can rely on us, when they need a simple and transparent short-term financial assistance.

Our Vision

We aim to deliver a simpler approach to personal financial services. We manage our client relationships with a positive tone, by being friendly and respectful. And we want to be a service provider who our clients trust, but moreover who they actually like.

Responsible Practices

At Creditstar, we are committed to responsible lending. It means that we are selective in giving out approvals to loan applications. We also urge our potential and existing clients to consider all the flip sides of the coin before taking on a new financial commitment. Our service is something that needs to be communicated with great integrity and we do our best to meet the expectations of all parties involved.

Creditstar at a glance

€9,501
(thousand)

Interest income

€1,323
(thousand)

Net profit

13.9%

Net margin

€132,038
(thousand)

Total assets

01.01-31.03.2020



Overview of the Company

Creditstar, a successful provider of consumer financial services, was established in 2006 in Tallinn, Estonia. Today it holds approximately 40% market share in Estonia¹ and customers in seven other countries across the Europe, including Finland, Sweden, Poland, UK, Czech Republic, Spain and Denmark. The Group has offices in Tallinn, Warsaw, London and Vilnius.

Company's revenue and customer growth has been fueled by entry to new geographical markets, expanding customer base and product development.

The Company offers unsecured online and mobile consumer loans in the amount of EUR 50 to 5,000 for a period of 5 days to 36 months (or longer in case of credit line).

Lending activity is supported by an industry-leading infrastructure that meets strict regulations and provides the exceptional user experience.

Creditstar Group acts according to Responsible Lending policy and thoroughly checks the background of all loan applicants.

Trusted by
many customers



1,031,980
registered users



804,553
active customers²



This is Creditstar

Excellence in operations

Creditstar has efficient and controlled processes around all aspects of customer lifecycle - portfolio allocation, marketing, customer due diligence, credit scoring, underwriting, customer support, cross-selling/retention and debt collection.

International and accomplished team

Creditstar is led by an international team of experienced professionals. The team has diverse backgrounds and skill sets with a focus on IT and banking. Native employees at each market ensure efficient communication with local counterparties and better understanding customers.

Transparent operations

Creditstar is regulated and licensed by relevant supervising authorities in all of its markets. The group has conservative provision policy and is reporting its financials quarterly.

Innovative products

Creditstar uses advanced statistical and machine learning models to make lending decisions, detect fraud and expand the customer base. Its scoring model is superior to banks relying on thousands of data points. Marketing optimization and customer segmentation analytics are also data-driven.

Scalable and timely processes

Company's international expansion focuses on growth, the process of expansion is standardized which ensures cost efficient and fast execution. A similar process is also implemented in product development and the way how the products are brought to market.

Compliance with legislation

Creditstar meets licensing requirements in all its geographic markets. Creditstar's IT platform ensures that the whole Creditstar Group can quickly adapt to changes in regulations.

International reach

The Company operates in 8 countries and is currently evaluating several other countries which the Company might enter in the foreseeable future.

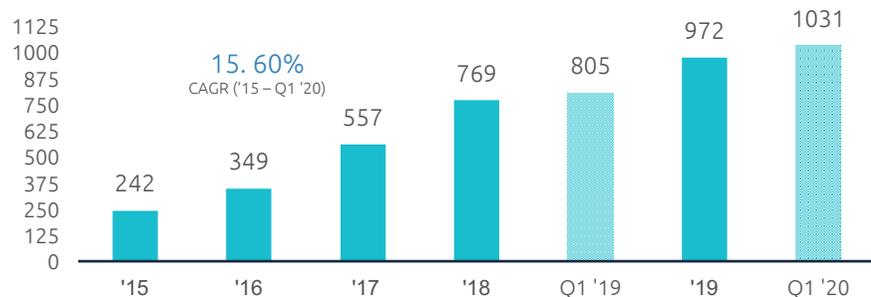
State-of-the-art in-house technology

The technology developed by Creditstar can shape new trends in lending behavior. The online lending platform is user friendly and provides excellent user experience from all devices at the same time accommodating comprehensive and efficient back-office functionality.

Track record

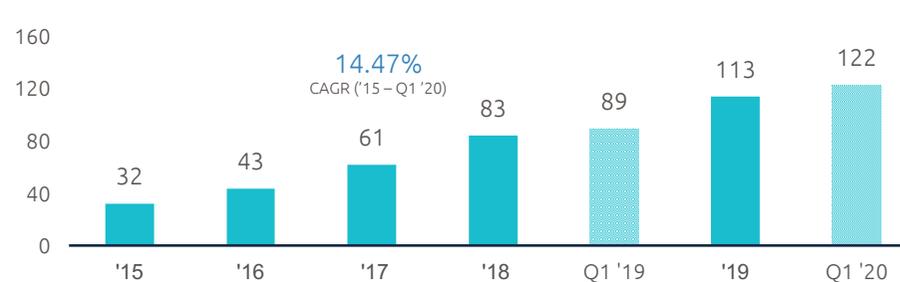
Customers

Total number of registered customers, TH



Loan portfolio

Loan portfolio after provisions, M EUR



International expansion¹

The Company is actively seeking new markets and has identified multiple new markets to expand its presence into.



Creditstar in the capital markets

Amount of bonds outstanding, M EUR; the coupon rate of the bonds, %



Latest milestones and developments



New licenses

Creditstar Estonia and Monefit Estonia (formerly ZiiP) received authorisation from the Estonian FSA in 2016.

Creditstar UK was granted full authorisation by the Financial Conduct Authority in 2016, replacing the previous temporary permission.

Creditstar Denmark ApS received authorisation from the Danish FSA in 2018.



New products

Monefit revolving credit launched in 2017. Similarly to credit cards, the new product allows the customers to withdraw and repay the funds flexibly according to their needs and possibilities (though, minimum monthly repayment applies).



Awards

Creditstar Group was selected as a National Champion representing Estonia in the 2016/17 European Business Awards.

In June 2017 Creditstar was nominated for the European Fintech Awards.



Successful fundraising

Creditstar completed three bond issues in 2016, one in 2017, three in 2018 and three more in 2019. As at December 2019, Creditstar had a total of 49.7 M EUR of bonds outstanding.



Expansion

In 2016 Creditstar Group started operations in Spain and Czech Republic.

In 2019 Creditstar Denmark ApS started operating in the Danish market.

Inc. 5000 has recognized Creditstar Group among the 5000 fastest-growing private companies in Europe IN 2018. Creditstar is on the list among top 150 financial services companies in Europe. Inc. is an International business magazine that publishes annual lists of fastest-growing privately-held small companies in U.S. and Europe.



Marketing



Strong team + partners

Combination of in-house marketing team and external digital marketing, performance marketing and media partners. Roles vary in time - in new markets full-service is ordered from local marketing agency. Later shift to the in-house team as partners continue in more limited role.

Benefits of becoming more international - marketing partnerships across several markets are convenient and cost-efficient.



Channels

Mostly variety of digital marketing options in both new and established markets. Additional TV advertising in established markets.



Loyalty programme

Returning customers have an incentive to use Creditstar's services. Based on the number of loans taken clients acquire a certain status. With every status upgrade the credit limit of the client increases. Special offers and awards for loyal customers.



Data driven approach

Each marketing action is measured and analysed. Automation and data analysis gives clear understanding of what works and what does not, which is especially important when entering new markets.



Customer retention

Segmentation and automation with direct marketing through different channels (e-mails / online retargeting / telemarketing / SMS campaigns).

Marketing automation and its special purpose software react to predefined triggers. Actions (e.g. web banners with specific communications and a trigger to a call centre when no action is evidenced within certain amounts of days).

Advanced data analytics and marketing

- ✦ Creditstar pursues data and analytics to build competitive advantage and improve the customer experience, loan underwriting and scoring.
- ✦ The Company is able to analyse big data volumes. That has resulted in improved marketing methods which can accommodate growth in current target markets and further international expansion.
- ✦ Scoring models reduce credit losses and increase revenue through expanding client base. In addition, such unified credit scoring model also provides the Company with an advantage when entering new markets.



Data driven decisions

Creditstar uses and develops scoring models based on thousands of data points to assess the credit risk



Real time

Despite loads of data analysed credit scoring and underwriting analytics is instantly



Automated processes

Advanced statistical and machine learning models make lending decisions, detect fraud, and expand the customer base more effectively



Optimisation

Reporting, Marketing optimization and customer segmentation analytics

Product portfolio

Creditstar offers three different products. The product offering varies by markets due to differences in regulation, customer preferences and maturity of the market (new markets - smaller amounts and simpler products).

Microloan



- ✦ Amount up to 2,000¹ EUR
- ✦ Period up to 3 months
- ✦ Defer payments for up to 30 days
- ✦ Applicable on every device

Instalment loan



- ✦ Amount up to 5,000¹ EUR
- ✦ Period up to 3 years
- ✦ Equal monthly instalments
- ✦ Defer payments for up to 30 days
- ✦ Applicable on every device

Credit account and credit line



- ✦ Amount up to 5,000 EUR
- ✦ Period up to 58 months or longer
- ✦ Revolving credit principle. A customer can apply for extra credit amount within a certain limit at any time
- ✦ Renewal of the period of the installments as the credit balance revolves (credit account) or choose the open-ended credit solution with no set duration (credit line)
- ✦ Repay in equal monthly installments (credit account) or according to minimum monthly installments (credit line)
- ✦ Postpone payments for up to 30 days
- ✦ Quick and easy user experience from all devices



Compliance and regulation



Sweden

Authorised and Regulated as a consumer credit company by the Swedish Financial Supervisory Authority – Finansinspektionen
<http://bit.ly/2L9boX6>



United Kingdom

Authorised and regulated by the Financial Conduct Authority under registration number 675392 <http://bit.ly/2e7NAWA>



Finland

Regulated by the Finnish Regional State Administrative Agencies <http://bit.ly/2flqmcu>



Poland

Registered as a loan institution in the Polish Financial Supervision Authority (KNF)
<https://bit.ly/2LpOZsD>



Estonia

Under supervision as a public consumer credit lender (Creditor) by Estonian Financial Supervisory Authority - Finantsinspektsioon
<https://bit.ly/2YbjhAZ> <https://bit.ly/2YfQsTU>



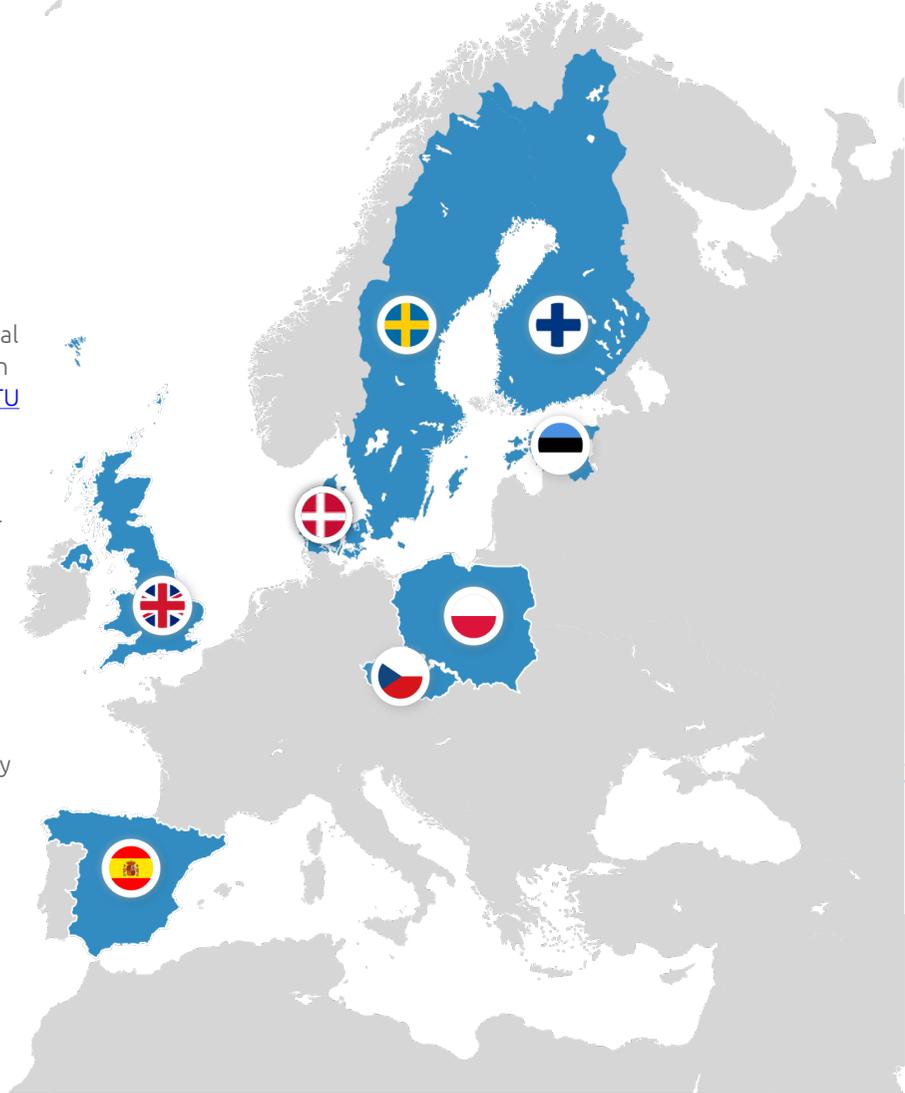
Czech Republic

Under supervision as a non-bank consumer credit provider by Czech National Bank.
<https://bit.ly/2Hb8fon> , identification no. 24247936



Denmark

Authorised and under supervision to undertake financial activities in Denmark by the Danish Financial Supervisory Authority
<https://bit.ly/2XUAWxa>



Customers

Creditstar has a very good understanding of its existing customer base. The behavior of all customers, both new and existing, is closely monitored. Creditstar's customer loyalty program has increased customer retention rates and lowered counterparty risk for Creditstar. Creditstar has **1,031,980** registered users as at March '2020. **804,553** of them have taken at least one loan and/or have logged in the homepage at least once during last 12 months.

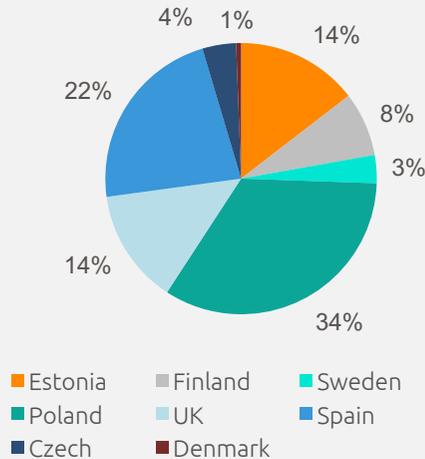
Profile of average customer

The typical Creditstar's customer remains out of the focus of large commercial banks.

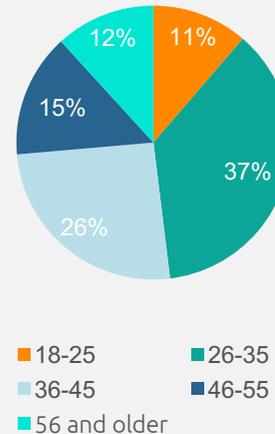
Key characteristics of the typical customer:

- ✦ Active young male
- ✦ Lives in a rural town
- ✦ Age group 26-35
- ✦ Has taken a loan more than once

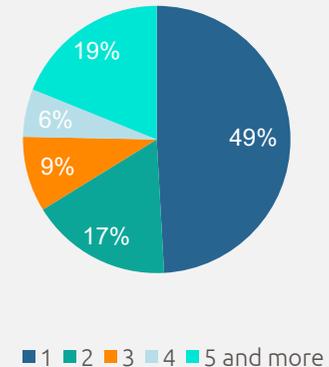
Customer geography¹



Customer age



No of loans taken from Creditstar



Loan portfolio

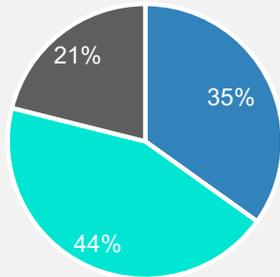
Summary

114,000	outstanding loans, number of agreements
152,037	gross value of the loans, thousand EUR
29,976	impairments, thousand EUR
122,061	net loan portfolio, thousand EUR
1,375	average size of a loan, EUR

Non-performing loans

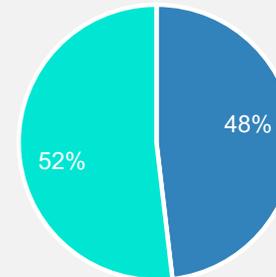
- ✦ Majority of the non-performing loans have been recoverable – the small size of the loans has helped to keep recovery rates at high levels.
- ✦ Historically up to 20% of all loans fail to comply with the initial or extended payment schedule. Such loans are recovered with a help of external debt collection service or bailiffs.
- ✦ Only a minor part of the loans has not been recoverable at all due to several reasons e.g. bankruptcy, death, fraud, etc.
- ✦ Creditstar has not lost a single court-case to its debtors.

Distribution of the loans by size



■ up to 499 ■ 500-999 ■ 1000 and more

Distribution of the loans by tenure



■ up to 6 months ■ more than 6 months

Loan underwriting process

Summary

Creditstar issues loans according to strict underwriting process which complies with applicable regulations and internal procedures.

Some specifics in the registration and loan application process varies depending on the legislation of the country in which the customer applies for the loan. In all cases, loan application process is completed in a short period of time.

Approximately 60% of loan applications are approved in Estonia and approximately 20% are approved in other markets.

Responsible lending

Creditstar follows responsible lending policy regardless of the market and regulation.

The policy includes thorough background check for all loan applicants, rejection of loan applications for repayment of previous loans and simple agreements. Its marketing and communication also calls for reasonable borrowing.

Over 70% of new loan applications are rejected due to the conflict with these rules.

Step 1: Registration

- ✦ Registration at Company's website
- ✦ Required only for new customers
- ✦ Primary customer identification. All new customers in Estonia are identified face to face (about to be dropped as regulation has been relaxed)

Step 2: Application

- ✦ Through mobile phone or website
- ✦ All new customers are required to provide personal information such as liabilities, income, employer

Step 3: Solvency check

- ✦ Loan Administrator contacts first time loan applicant by phone to confirm the information
- ✦ Verification of contact address and mobile phone number

Step 4: Scoring

- ✦ Loan applicants' financial background is checked with the credit assessment agency
- ✦ Credit history with previous loans
- ✦ Credit scoring and underwriting analytics
- ✦ Phone call with each customer

Step 5: Closing

- ✦ A loan is transferred to the client's account
- ✦ Payment schedule and loan agreement are sent to customers mailbox at Company's webpage

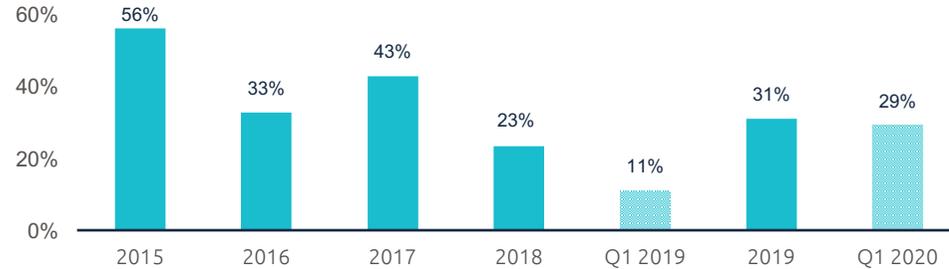


Portfolio performance



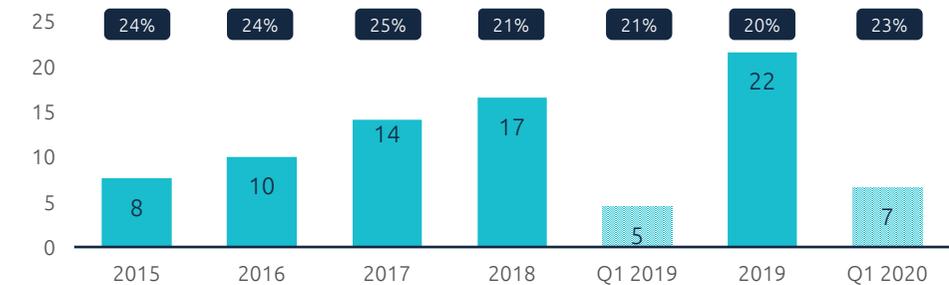
Continuous growth of the loan portfolio¹

Interest income growth



Interest income is on the rise¹

Net interest income (EUR M) and net interest margin²



Stable portfolio quality¹

Impairment charges² / average loan portfolio, %



The quality of the loan portfolio has improved over the years. Impairment charges relative to the loan portfolio have been decreasing over the last years.

¹ Growth from Q1 2020 vs Q1 2019 results and growth from Q1 2019 vs Q1 2018

² Q1 2020 and Q1 2019 net interest margins and impairment charges annualised

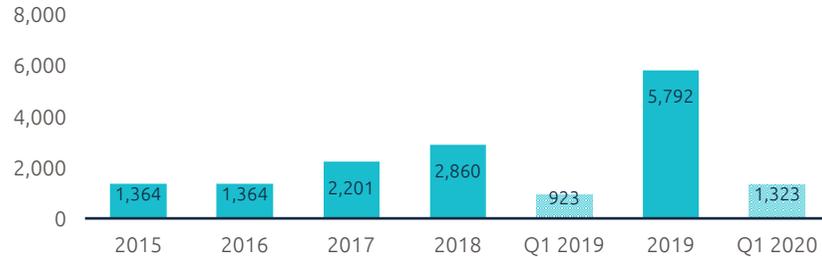
Source: Company's data



Financial highlights

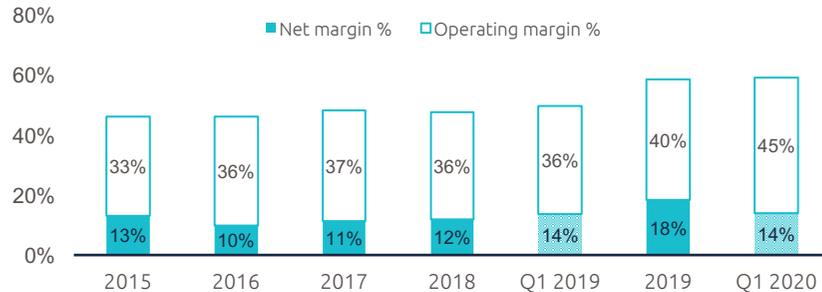
Profitable throughout its history

Net profit, TH EUR



Stable profitability

Net margin and operating profit margin, %



Efficient operations

Efficiency ratio, % = (operating expenses + wages and salaries) / revenue



Strong internal processes ensure lean and efficient operations. Efficiency has not suffered even after international expansion

Strong balance sheet

Equities and liabilities, M EUR



Financial statements

Creditstar Group AS

Consolidated income statement

(TH EUR)	2015	2016	2017	2018	Q1 2019	2019	Q1 2020
Interest & other income	10,365	13,734	19,604	24,172	6,750	31,655	9,501
Interest expense	-2,728	-3,763	-5,492	-7,615	-2,233	-10,126	-2,885
Net interest income	7,637	9,971	14,112	16,557	4,517	21,529	6,616
Other income	129	928	1,783	1,217	202	1,401	381
Operating expenses	-3,374	-4,603	-6,709	-6,404	-1,514	-6,912	-1,716
Wages and salaries	-997	-1,321	-1,969	-2,766	-745	-3,368	-1,004
Operating profit	3,395	4,975	7,217	8,604	2,460	12,650	4,277
Depreciation	-273	-453	-350	-436	-121	-484	-120
Currency effect	0	-232	-22	-300	77	-285	-751
Loan impairment charges	-1,751	-2,856	-4,425	-4,809	-1,418	-5,769	-2,003 ¹
Income tax	-7	-70	-219	-199	-80	-320	-80
Net profit	1,364	1,364	2,201	2,860	923	5,792	1,323

Consolidated balance sheet

(TH EUR)	2015	2016	2017	2018	Q1 2019	2019	Q1 2020
Cash	221	368	404	939	2,474	1,767	1,082
Loans to customers	31,624	42,315	61,463	83,201	88,520	113,242	122,061
Other assets	3,627	5,014	4,731	6,866	7,253	8,838	8,895
Total assets	35,472	47,697	66,598	91,006	98,247	123,847	132,038
Borrowings	23,853	34,200	50,449	69,932	76,337	96,294	103,698
Payables and prepayments	1,003	1,488	1,851	1,866	1,779	2,238	1,702
Total liabilities	24,856	35,688	52,300	71,798	78,116	98,532	105,400
Issued Capital	9,765	9,765	9,765	9,765	9,765	21,000	21,000
Reserve capital	320	320	325	325	325	325	325
Voluntary reserve	0	0	0	2,000	2,000	606	606
Retained earnings	531	1,924	4,208	7,118	8,041	3,384	4,707
Total equity	10,616	12,009	14,298	19,208	20,131	25,315	26,638
Total liabilities and equity	35,472	47,697	66,598	91,006	98,247	123,847	132,038



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