

A man with glasses and a beard, wearing a dark suit jacket over a light blue shirt, and a woman with long blonde hair, wearing a light-colored blazer over a blue shirt, are both smiling and looking at a tablet held by the woman. They are standing in front of a background of horizontal wooden slats. The overall image has a blue tint.

CREDITSTAR GROUP AS

Interim Report
Q3 2022

Tallinn, 31 October 2022



Meaningful progress towards improving our Customer Experience across markets

- ✦ We have improved our customer experience with full customer onboarding and credit drawdown automation in many target markets.
- ✦ We have enhanced our customer experience with payment services such as Paytrail and open banking data analysis via EasyCheck and Nordigen.
- ✦ We introduced “1-click” credit limit upgrades and dynamic pricing for Finland.
- ✦ We have made improvements to our repayment experience across target markets by fully automating recurring payments and collections across many markets.

New bond issue is planned for the 1st of December

- ✦ At the beginning of December 2022, Creditstar will issue new bonds. Investors are offered a subscription for two privately placed bonds:
 - ✦ 1) Creditstar 01.06.2024 secured notes (18 months), fixed annual coupon rate of 12.5%. Depending on the subscription amount of each investor, yield to maturity is up to 15.5% p.a.
 - ✦ 2) Creditstar 01.12.2025 secured notes (36 months), fixed annual coupon rate of 13.5%. Depending on the subscription amount of each investor, yield to maturity is up to 16.5% p.a.
- ✦ All bond issue documents and an updated company presentation will be available to all investors by the 7th of November.
- ✦ Proceeds of the bonds will be used to further finance the growth of the Company and refinance maturing notes.

Creditstar will hold an Investor Event on the 17th of November

- ✦ We will be hosting an Investor Webinar on Wednesday, the 17th of November, at 11:00 (Tallinn time) to update the Company's latest developments and allow meeting and hearing from the management. We will also discuss the new terms of the 1st of December bond issue. Invitations to the Investor Webinar will be sent out prior to the event.





Creditstar hires new key management team members

- ✦ As Creditstar continues to grow, we have hired new key team members to promote our international growth strategy and product organisation structure. We have strengthened our management team by hiring a VP of Operations.
- ✦ New positions will accelerate greater growth, make product-related decision-making transparent, and increase credit delivery and speed. These factors are particularly important while Creditstar rolls out new features and products across target markets.
- ✦ Creditstar is led by an international team of over 150 experienced professionals from over 30 nations. The team has diverse backgrounds and skill sets focusing on IT and Banking.

Creditstar is actively preparing to raise an equity investment round in the upcoming periods

- ✦ As the business is growing, Creditstar is going to increase equity.
- ✦ The additional capital will strengthen our balance sheet, help us scale operations to meet the strong demand from our current markets, and pave the way to enter new markets we have shortlisted for expansion.

Business has remained resilient throughout crises and recessions

- ✦ The consumer finance sector remains resilient throughout the disruption caused by various crises, and swift recoveries have followed any short-term negative impacts. Against that background, we closely monitor the situation and potential effects on the European economy.

Valuable experience from the 2008 financial crisis and resilient business model

- ✦ Creditstar 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 has shown that being proactive with clients and offering reasonable flexibility results in a win-win situation for our business in terms of loan portfolio quality and for customers in terms of paying their loan payments on time.





- ★ Our experience is that even if non-performing loans in the short term somewhat increase as some customers 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. The average loan size in the portfolio is around 1200 Euros.

Client repayments and non-performing loans (NPLs)

- ★ As at any time, we are closely monitoring our client repayments. Currently, we do not see decreases in planned incoming funds.
- ★ The key KPI for us to assess our portfolio quality is the NPL (non-performing loans to loans) ratio. The NPL is calculated by adding 90+ day late loans and then dividing that total number by the total outstanding amount of loans in the portfolio. Creditstar calculates NPL on quarterly basis and as an average of previous 3 months NPL's.
- ★ Group NPL's by quarters are as follows:

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
NPL	19,63%	19,58%	19,20%	18,14%	17,34%	16,95%	16,87%

- ★ The loan loss reserve of 1.5 million Euros of loan impairment charges we made for COVID-19 possible negative impacts, that remains unused have now been set aside to cover the possible negative impacts of the current economic conditions on our loan portfolios.

Our service and acceptance controls

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

Creditstar Group chosen as a finalist in the 2022 Banking Tech Awards

- ★ In September, Creditstar was shortlisted again for the second consecutive year for the 2022 Banking Tech Awards in the Best Use of IT for the Lending category.
- ★ The Banking Tech Awards recognize excellence and innovation in the use of IT in financial services worldwide. The awards go to the most talented companies in the Banking and fintech Industry.





Turbulence on P2P funding marketplace Mintos

- ✦ Mintos platform volume has decreased considerably this year due to the current conditions in the equity and crypto markets. Moreover, the war in Ukraine is affecting the overall P2P marketplaces, especially the Mintos platform. This resulted in rapidly increased pending payments in June and July.
- ✦ Our credit lines work differently from the simple instalment loans that are dominant on the Mintos platform - from a technical standpoint, the pending payments are quicker to increase if the platform funding is low.
- ✦ We have been proactively handling the situation by raising additional capital to cover the reduced funding from the Mintos platform, limiting credit origination where needed and by providing our valued Mintos investors with a higher yield of investments to compensate for any inconvenience.
- ✦ We could repay all pending payments on the Mintos platform, but this would sacrifice growth and the targets that were set for this year. Instead, we have agreed with the platform that pending payments will be paid at year end when they will either be refinanced or the platform has restarted functioning properly. This way, we can keep growing the business instead of decreasing our business.
- ✦ All other sources of financing are performing well. We successfully issued 24 million Euros in Bond at the beginning of June, where more than 75% of our bond investors opted for the longer period of the 36-month bond tranche.
- ✦ Our portfolios are performing well across the markets. Our default levels are at an all-time low.

Creditstar held a hackathon in September

- ✦ Creditstar's held a hackathon at Iglupark in Tallinn. It was a 48-hour event where 50 of our international team members got together to work on solving problems, developing and improving new technology and new product features and other interesting problems to improve our business and offerings to our customers.
- ✦ With the hackathon, we are able generate high-value actionable business and product concepts while boosting the innovation culture faster and further establishing idea-sharing, effective collaboration and creativeness driven by the enthusiasm towards a shared goal.





Creditstar Group CEO Aaro Sosaar was on stage speaking at the Milan Fintech Summit

- ✦ Creditstar's CEO Aaro was on stage at Milan Fintech Summit as one of the 4 Samurai (CEOs from Fintech and Tech companies) and discussed Open Collaboration in the Fintech world.
- ✦ The Milan Fintech Summit is an event dedicated to the future of innovation in financial services. Top-tier speakers and the best international fintech companies will showcase their innovations and solutions, meeting investors, stakeholders, and customers. The discussions revolve around how Fintech companies are transforming the financial services sector, proving new products and solutions for consumers and changing the future of finance.



2,695,000€

Q3 2022 – Net profit

Profit and interest income

- ★ Interest income increased by 3.04% in comparison to Q2 2022.
- ★ Net profit amounted to EUR 2,695 thousand.
- ★ Operating profit increased by 9.16% to EUR 5,301 thousand in Q3 2022 compared to EUR 4,856 in Q2 2022.

Expenses

- ★ Operating expenses decreased from EUR 2,841 thousand in Q2 2022 to EUR 2,606 thousand in Q3 2022.
- ★ Interest expense on loans and issued bonds amounted to EUR 5,929 thousand.
- ★ Wages and salaries cost was EUR 1,225 thousand, a decrease of EUR 227 thousand in Q3 2022 compared with the previous quarter.

Equity

- ★ Creditstar increased equity capital in the amount of EUR 2.6 M. Borrowings from shareholder were converted into equity capital under voluntary reserve.

Comment to the Interim Report

- ★ The numbers for 2021 have been adjusted in accordance to the Audited Annual Report of 2021. Main post-audit changes:
 - ★ In 2022 the Group's fixed intangible assets calculation method was amended, fair value method was replaced with acquisition cost method. Due to this 2020 and 2021 balances were adjusted, resulting additional total cost of EUR 1,375 thousand as follows:
 - ★ Other income decreased from EUR 1,310 thousand to EUR 25 thousand
 - Amortization cost of intangible fixes assets increased from EUR 1,326 thousand to 2,106 thousand.
 - ★ Wages and salaries cost decreased from 5,187 thousand to 4,497 thousand.
 - ★ Additional Corporate Income Tax reserves in amount of EUR 250 thousand were created, resulting in an increase in CIT cost from EUR 62 thousand to EUR 312 thousand.



Statement of the management board



The financial and other additional information published in the Interim Report January – September 2022 is true and complete. Consolidated financial statements give a true and fair view of the actual financial position, results of operations, and Groups cash flows.

Consolidated financial statements in the report for the period January – September 2022 are not audited.

Aaro Sosaar

Member of the Management Board

Tallinn, 31.10.2022



Consolidated Comprehensive Income Statement

In thousands Euro's

	4Q 2021	FULL 2021	1Q 2022	2Q 2022	3Q 2022	9M 2022
Interest income	13 463	48 068	13 755	14 612	15 056	43 423
Interest expense	-5 581	-18 865	-5 075	-5 473	-5 929	-16 477
Net interest income	7 882	29 203	8 680	9 139	9 127	26 946
Other income	8	26	1	10	5	16
Operating expenses	-2 727	-9 491	-2 949	-2 841	-2 606	-8 396
Wages and salaries	-1 226	-4 497	-1 364	-1 452	-1 225	-4 041
Operating profit	3 937	15 241	4 368	4 856	5 301	14 525
Depreciation	-1 113	-2 106	-347	-348	-349	-1 044
FX realized cost	-66	-98	-13	-46	-13	-72
Loan impairment charges	-1 837	-7 308	-1 905	-2 173	-2 123	-6 201
Corporate income tax	-209	-312	-100	-105	-121	-326
Net profit	712	5 417	2 003	2 184	2 695	6 882
FX translation adjustment	422	416	-314	-364	-271	-949
Comprehensive profit	1 134	5 833	1 689	1 820	2 424	5 933



Consolidated Balance Sheet

In thousands Euro's



	30.09.2021	31.12.2021	31.03.2022	30.06.2022	30.09.2022
Assets					
Cash	1 886	5 985	2 006	2 039	2 485
Loans to customers	169 983	180 981	192 945	206 023	214 280
Other assets	11 767	11 798	11 869	12 295	12 553
Total assets	183 636	198 764	206 820	220 357	229 318
Liabilities and Equity					
Borrowings	148 370	158 292	163 961	175 626	179 999
Payables and prepayments	2 096	2 318	3 016	3 068	2 632
Total liabilities	150 466	160 610	166 977	178 694	182 631
Equity					
Issued capital	21 000	21 000	21 000	21 000	21 000
Voluntary reserve	1 806	5 656	5 656	5 656	8 256
Retained earnings	10 364	11 498	13 187	15 007	17 431
Total equity	33 170	38 154	39 843	41 663	46 687
Total Liabilities and Equity	183 636	198 764	206 820	220 357	229 318



Consolidated Cash Flow Statement

In thousands Euro's

	4Q 2021	FULL 2021	1Q 2022	2Q 2022	3Q 2022	9M 2022
Operating activities						
Net profit	712	5 417	2 003	2 184	2 695	6 882
Adjustment to net profit:						
Depreciation	1 113	2 106	347	348	349	1 044
Interest income	-13 463	-48 068	-13 755	-14 612	-15 056	-43 423
Interest expense	5 581	18 865	5 075	5 473	5 929	16 477
Impairments	1 837	7 068	1 905	2 173	2 123	6 201
Change in operating assets:						
Loans to customers	-10 983	-36 218	-11 979	-13 078	-8 257	-33 314
Other receivables and prepayments	-538	-1 088	-1 027	-323	84	-1 266
Change in operating liabilities	-188	-350	1 108	52	-436	724
Interests received	11 509	37 936	11 782	11 889	12 933	33 604
Total cash flow from operating activities	-4 420	-14 332	-4 541	-5 894	364	-10 071
Investing activities						
Additions to tangible fixed assets	-	-	-	-	-263	-263
Additions to intangible fixed assets	-	-1 192	-	-	-428	-428
Total cash flow from investing activities	-	-1 192	-	-	-691	-691
Financing activities						
Proceeds from debt issued and borrowed funds	17 216	50 981	6 665	13 981	7 052	27 698
Repayment of debt issued and borrowed funds	-7 281	-15 462	-1 047	-2 806	-2 293	-6 146
Interest paid	-5 487	-19 151	-5 107	-5 437	-6 315	-16 859
Dividends paid incl. CIT	-	-	-	-	-	-
Equity injections	3 850	3 850	-	-	2 600	2 600
Total cash flow from financing activities	8 298	20 218	511	5 738	1 044	7 293
Total cash flow	3 878	4 694	-4 030	-156	717	-3 469
Cash and cash equivalents in beginning	1 886	1 533	5 985	2 006	2 039	5 985
FX impact	221	-242	51	189	-271	-31
Change in cash and cash equivalents	3 878	4 694	-4030	-156	717	-3 469
Cash and cash equivalents in the end	5 985	5 985	2 006	2 039	2 485	2 485



Creditstar Group AS

Lõõtsa 5

11415 Tallinn, Estonia

Phone: +372 6988710

Fax: +372 653 1508

www.creditstar.com

ESTONIA

Creditstar Estonia AS

Lõõtsa 5
11415 Tallinn
Estonia

Phone: +372 698 8710

Fax: +372 653 1508

www.creditstar.ee

FINLAND

Creditstar Finland Oy

Business Center Aleks
Aleksanterinkatu 15B
00100 Helsinki, Finland

Phone: +358 94 259 9688

Fax: +358 92 319 4133

www.creditstar.fi

SWEDEN

Creditstar Sweden AB

Sankt Eriksgatan 117
113 43 Stockholm
Sweden

Phone: +46 8 525 008 59

Fax: +46 11 496 6275

www.creditstar.se

POLAND

Creditstar Poland Sp. z o.o.

Praga 306,
Grochowska 306/308
Warsaw 03-840, Poland

Phone: +48 22 307 51 53

www.creditstar.pl

UNITED KINGDOM

Creditstar UK LTD

Mappin House, Oxford str.
London, W1W 8HF
United Kingdom

Phone: +44 20 3695 7544

www.creditstar.co.uk

CZECH REPUBLIC

Creditstar Czech S.R.O

Pobřežní 249/46, Karlín
186 00, Prague 8
Czech Republic

Phone: +420 2 28885888

www.creditstar.cz

SPAIN

Creditstar Spain S.L

Avinguda Pau Casals,
número 10, Principal 2a
08021 Barcelona
Spain

Phone: 93 178 6000

www.creditstar.es

DENMARK

Creditstar Denmark ApS

Østerbrogade 226,
2100 Copenhagen
Denmark

Phone: +45 89 88 48 36

www.creditstar.dk



creditstar group