creditstar group

CONSOLIDATED ANNUAL REPORT 2022

CREDITSTAR GROUP AS

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.

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General Information

Business name	**Creditstar Group AS**
Address	**Kai 4**
	10111 Tallinn
	Estonia
Registration code	**11728905**
Registration date	**05 October 2009**
Telephone	**+372 6 988 710**
Fax	**+372 6 531 508**
E-mail	**info@creditstar.com**
Web page	**www.creditstar.com**
Main activity	**EMTAK 64929 (Other lending activity, except for pawn shops)**
Beginning of fiscal year	**01. January 2022**
End of fiscal year	**31. December 2022**

Member of the Management Board	**Aaro Sosaar**
Members of the Supervisory Board	**Silva Sosaar**
	Valter Kaleta
	Kristjan Vahar

CONSOLIDATED MANAGEMENT REPORT

Structure of the Consolidation Group

The Creditstar Group consolidation group includes the following companies:

Creditstar Group AS	parent company	Registered in Estonia
Creditstar International OÜ	subsidiary	Registered in Estonia
Creditstar Estonia AS	subsidiary	Registered in Estonia
Monefit Estonia OÜ	subsidiary	Registered in Estonia
Monefit Card OÜ	subsidiary	Registered in Estonia
Creditstar Finland OY	subsidiary	Registered in Finland
Creditstar Sweden AB	subsidiary	Registered in Sweden
Creditstar Lithuania UAB	subsidiary	Registered in Lithuania
Creditstar Poland Sp. z o.o.	subsidiary	Registered in Poland
Creditstar UK Ltd.	subsidiary	Registered in UK
Creditstar Spain S.L.	subsidiary	Registered in Spain
Creditstar Czech s.r.o.	subsidiary	Registered in Czech Republic
Creditstar Denmark ApS	subsidiary	Registered in Denmark

Members of the Management Board and Supervisory Board of Creditstar Group AS

Member of the Management Board: Aaro Sosaar

Members of the Supervisory Board: Silva Sosaar, Valter Kaleta and Kristjan Vahar.

Shareholders of Creditstar Group AS, as of 31 December 2022

SA Financial Investments OÜ, registry code 12718041, owner of 100% of the share capital.

Our skilled professional team of over 120 people of more than 30 nationalities is central to successfully executing our growth strategy.

Profitable international finance business since 2006

Creditstar Group is a pioneering consumer finance company providing flexible personal loans and complementary financial services to private persons. We have proven our ability to run an efficient business.

10,000 €
Loans up to 58+ months.
Revolving Credit & Instalment Loan

1.27 m+
Registered users across all markets

230m €
Total assets

120+
Team members from 30 countries

Operational in
8 European countries

We have transformed the Estonian credit market by providing customers with a faster, more convenient and flexible service than banks. We strive to leverage our experience in Estonia to provide good quality financial services in attractive markets.

Latest Milestones and Developments...

monefit

Offerings by Monefit are growing. In 2022 our Monefit CreditLine became available in a total of 4 markets. Additionally we launched SmartSaver, offering attractive fixed returns on savings to achieve financial goals.

BANKING TECH AWARDS

Creditstar Group won the 2022 Best Use of IT for Consumer Lending award. The Banking Tech Awards recognise the best uses of technology in financial services around the world.

...Latest Milestones and Developments

DECEMBER 2022

Creditstar Group completes two bond issues and raises €14 million

We are pleased that, despite the challenging capital raising process and adverse market circumstances, we were able to raise €14 million in capital in November 2022 and issued two bonds with maturities of 18 and 36 months. Creditstar's new bonds were issued on December 1, 2022, with annual interest rates of 12.5% and 13.5% for the 18-month and 36-month bonds, respectively.

Creditstar Group won the 2022 Best Use of IT for Consumer Lending award.

Creditstar received the award for Best Use of IT in Consumer Lending. The Banking Tech Awards recognise achievement and innovation in the application of information technology in financial services throughout the globe. The awards are granted to the institutions who have used the finest technology in the field of consumer lending and are at the forefront of consumer lending innovation. The 2022 awards event was held on December 1, 2022, at the Royal Lancaster Hotel in London.

NOVEMBER 2022

Investor event and additional debt and equity financing

On November 17th, the Creditstar executive team had an investor event. The event was held to provide and update on Group's latest development, discuss the bond issue terms and give an opportunity to meet and hear from the management team about the future plans. Our resilient business model provides further opportunities to obtain additional funds. The management provided an overview about also seeking possibilities to raise additional debt and equity capital to fund future expansion.

Creditstar Launches Monefit SmartSaver

Creditstar launched SmartSaver under Monefit brand to offer a financial solution that provides an ideal balance of investing and savings. Initial customer response is positive and we are now scaling the product.

SmartSaver offers retail and corporate investors in Europe an opportunity to earn more on their investments, allowing customers to earn a fixed rate of 7% interest annually and helping them reach their financial goals faster.

SmartSaver, based on the P2P model, has no hidden fees or lock-in periods for withdrawals. Customers

European Business Awards®

Creditstar Group has won the National Winner Award for Estonia for Customer and Market Engagement in the 2019 European Business Awards. This is the third European Business Awards for Creditstar, having won the Growth Strategy of the Year Award in 2016/17 and International Expansion in 2017/18.

Creditstar Group was selected as one of 10 Ruban d'Honneur recipients for the ELITE Award for Growth Strategy of the Year in the 2016/17 European Business Awards.

More than 33 000 businesses from 34 countries participated in the competition and Creditstar Group was among only 110 finalists announced. The panel of independent judges praised Creditstar for its strong growth and core values of innovation, ethics, and success.

can start their investment journey with as low as 10 Euro and can withdraw their funds at any given time with 10 days notice. SmartSaver is open to anyone who is at least 18 years old and has a personal bank account in the European Economic Area, UK, or Switzerland.

JUNE 2022

Creditstar Group successfully completes €24m bond issuance

We are delighted to announce that Creditstar Group successfully placed bonds in the total amount of € 24 million with maturities of 18 and 36 months. The bonds were issued on the 1st of June. The bond was issued with 11.5% and 12.5% annual interest rates for the 18- and 36-month bonds, respectively. The proceeds of the offering will be used to finance the growth of Creditstar's fast-growing consumer credit portfolios in our target markets, as well as refinance maturing notes.

Creditstar Group's diversified investor base spans across Europe, and the company is one of the most seasoned issuers in the Baltic bond market with over 30 successful bond issues since being established. The private placement of the secured notes was registered by Nasdaq CSD SE, the collateral agent for the bond is PricewaterhouseCoopers Legal, and Sorainen prepared the documentation.

Aaro Sosaar, CEO of Creditstar Group, said, "Creditstar successfully continues to grow in 2022. Despite recent turbulent economic conditions, strong investor demand reflects the strength of Creditstar's outlook and confirms investor trust in Creditstar. We continue to see strong growth opportunities in our current markets and recognise that we have a tremendous opportunity to realise our vision and continue our exciting journey."

Chief Business Development Officer of Creditstar Group, Valter Kaleta, added "The money raised will support the Group's development and enable us to continue to focus on growing the business, credit volumes, the evolution of our platform and product offerings, and the expansion of our team. As a result, Creditstar Group is ramping up its growth with confidence."

OCTOBER 2022

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.

SEPTEMBER 2022

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

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.

Creditstar held a hackathon

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 transformed from a functional to a product organisation

To compare a functional organisational structure in which our business is divided into specialised functional areas, such as IT, finance, marketing, then product organisation is the grouping of sales and development/delivery efforts of products and services of the business.

Across Creditstar Group, we have identified lending or core operations products, funding products and new business or incubation products.

We have undergone this transformation to drive greater engagement with our product lines, to introduce a clear structure for the various parts of the business, to make product-related decision-making transparent, and to increase delivery and decision-making speed. These factors are particularly important while Creditstar rolls out new products across target markets.

Good results in 2022 despite challenging market conditions

We continue to see high demand for our products. We have diligently controlled our loan volumes across the markets over the challenging times of 2022. Customer repayments and non-performing loans (NPLs) have remained within expected levels.

We are pleased that the business model has remained robust and well-managed during these times. We believe we can emerge stronger from current market circumstances and capitalise on growth opportunities. We anticipate portfolio volumes to rise further, and lending will remain focused on higher-quality consumers.

EUROPEAN INNOVATOR NOMINEE EUROPEAN FINTECH AWARDS 2017

Being among the most promising FinTech companies of Europe, Creditstar Group was nominated for the European Fintech Awards 2017 and its European FinTech Top 100 list.

The European FinTech Awards is the place where innovative and disruptive FinTech companies are presented and awarded. The Top 100 list is generated by combining public voting and expert assessment.

Inc. 5000 EUROPE

Inc.5000 has recognised Creditstar Group as one of the fastest-growing companies in Europe in 2018. Creditstar Group is one of the few financial services companies in Estonia to have made the list, and is among the top 150 financial services companies in Europe.

For 37 years, Inc. has evaluated hundreds of thousands of companies worldwide, and Creditstar is honoured to join the exclusive club of Microsoft, Oracle, Facebook, Dyson and dozens of other prominent recent alumni.

Our products are designed for quick and easy user experience from all devices.

Our revenue and customer growth have been fuelled by entry to new geographical markets, expanding customer base and new product.

	Estonia	Finland	Czech Republic	Poland	Denmark	Spain	United Kingdom	Sweden
REVOLVING CREDIT	●	●	●					●
INSTALMENT LOAN	●		●	●	●	●	●	●
SMARTSAVER	Open to residents of 74 countries of all continents that have a bank account in the EEA							
SPLIT (TESTING)	●	○	○					●

REVOLVING CREDIT

- Amount up to 10 000 EUR
- Up to 58 months or longer with credit line
- Repayments in equal monthly instalments (credit account) or with minimum monthly instalments (credit line)
- Postpone repayments for up to 30 days

INSTALMENT LOAN

- Amount up to 10 000 EUR
- Up to 36 months
- Repayments in equal monthly instalments
- Postpone repayments for up to 30 days

SMARTSAVER

- Invest from 10 EUR to 50,000 EUR
- 7% interest paid per annum
- Withdraw funds at anytime & no additional fees
- Available to residents of 74 countries with bank account in EEA.

We are working hard to make private financial services available to everyone. Our aim is to provide a high level of customer service and financial services that respond to our customers' needs.

Creditstar's mission is to improve people's lives by using technology to provide seamless financial services.

Creditstar's vision is to be recognised as a trusted international leader in digital financial services.

Strategic targets

The company's strategy is to move from a strong local market leader in Estonia to an international financial services provider. The company has proven its ability to run an efficient business. Our aim is to leverage on the experience gained in Estonia to provide financial services of top-quality in selected countries.

Our goal is to expand to a stronger and more profitable business by applying similar marketing, technological and debt managing techniques that have proved to be successful in Estonia. Going forward we are committed to our customers, offering them financial services of good quality that are fast, reliable and simple.

Innovative and efficient

With a distinctive innovation, Creditstar intends to offer its customers the chance to have access to easy-to-use financial services with good quality at all times. Innovation and efficiency are the pillars of our strategy, the aim of which is to operate effectively and efficiently everywhere.

Freedom to operate everywhere

Our strategy prescribes constant international operations. Thanks to the convergence and development of international technology, data, communications and financial services, geographical location no longer puts constraints on our business. Using our technology, we are able to rationalise our processes and costs by better controlling our budgets and diversifying workflow across countries.

Core values

Our vision and mission are supported by the following core values: **customer focus, growth, professionalism, innovation and effective efficiency**. All the above-mentioned make Creditstar a responsible, friendly, success-driven, and dynamic organization. Whilst being dedicated to our core values, we can provide our customers with the best quality services that are also easy to use. This is exactly what allows us to build a client base of satisfied and loyal customers. Also – whilst consistently following our core values in everything we do, then this ensures us with a stable and professional team. In addition, we are an attractive Employer to other potential talents looking for new challenges.

Customer focus	We provide products and services that are relevant to our customers to establish long-term customer relationships. Whether externally or internally, we interact in a manner that entails integrity, professionalism, and efficient communication.
Growth	We grow organically via geographical expansion, adding new products to the portfolio, and by focusing on scalable solutions. We are also committed to constantly developing ourselves as people and professionals alike.
Professionalism	We continuously develop our qualities, skills and competence. We have a clear operations model and take responsibility for our actions. We are a responsible lender, communicating openly and transparently with our customers. We work as a team.
Innovation	We are always looking for ways to improve and embrace creativity. We innovate by encouraging new ideas, supporting trial and error, and focusing on the application of better solutions that meet new and existing needs of our customers.
Effective efficiency	Besides doing the right things, we are also all about doing these things right. Meaning: fast, simply, transparently, and with the best usage of all the dedicated resources whilst achieving the highest possible level of the desired result.

We provide consumer credit in 8 European countries

Plus SmartSaver to residents of 74 countries

Going green at Creditstar

We are committed to a sustainable future by being socially responsible and environmentally friendly in our everyday actions, and we encourage our people to do the same.

We reduce our ecological footprint by choosing from where we run our operations. Our headquarters in Tallinn is situated in the Ülemiste City – in Bernhard Schmidt's office building, one of the most modern and environmentally friendly buildings in the Baltics.

We aim to reduce the consumption of natural resources in offices. Green Office inspires employees to get involved and adopt environmentally-friendly habits.

We want to reduce the use of disposable products as much as possible by providing our Employees with sustainable choices.

We encourage our employees to think twice before printing and to be digital where possible.

Each year we hold a Digital Cleanup Day to reduce server power consumption, save vast amounts of CO2, extend our computer's lives, forge new digital habits, and be more efficient and satisfied.

We recycle our waste in the office to protect the environment and have as little negative impact on nature as possible.

We are a member of Finance Estonia, which organises the Green Finance conference dedicated to discussions on the green ethos as a future trend throughout the financial services world.

We have our very own Be Kind Initiative - every year, our employees go out in November with one mission: "To make the world a better place". No matter how big or small the deed, and whether it impacts one individual or millions.

monefit

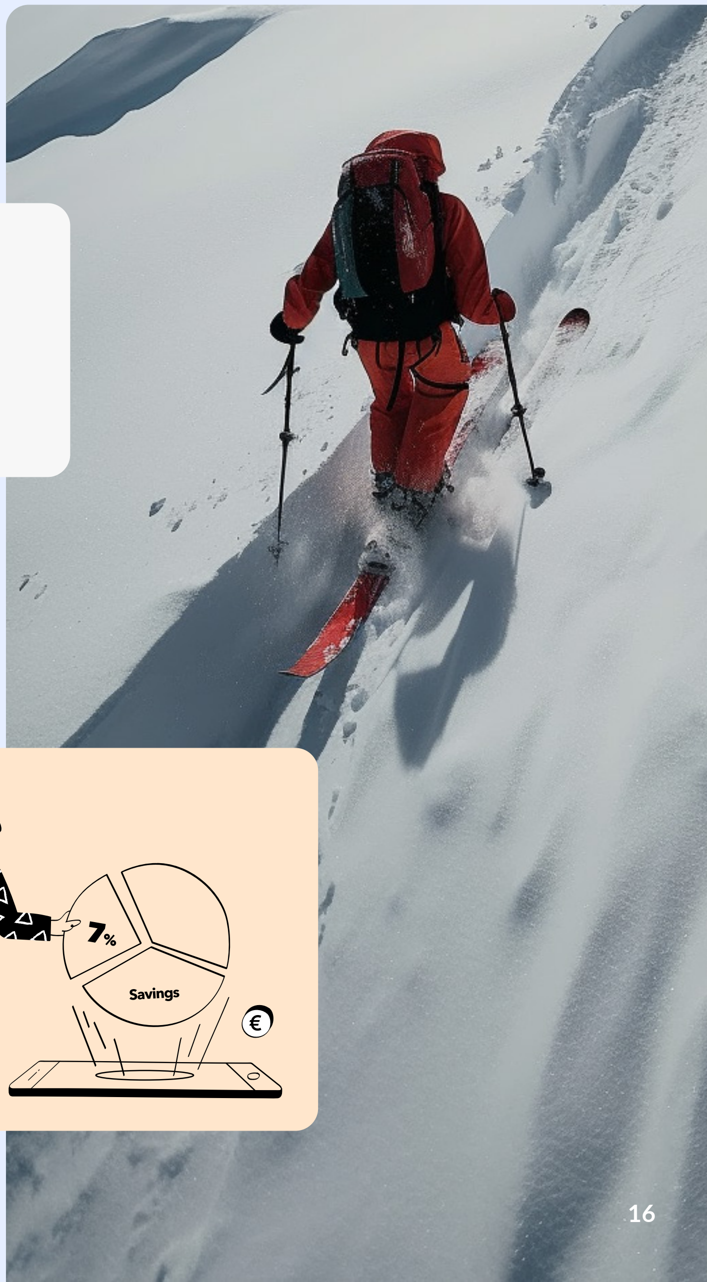
Boost your earnings and fast track your goals:

Monefit launches SmartSaver, offering attractive fixed returns on savings to achieve financial goals.

In October 2022 we launched Monefit SmartSaver, offering retail and corporate investors in Europe an opportunity to earn more on their savings.

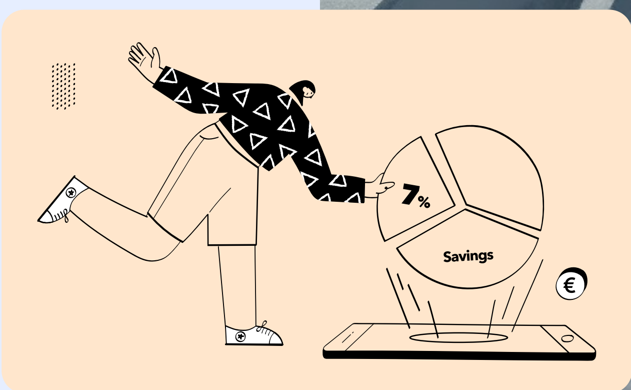
SmartSaver allows customers to earn a stable rate of 7% interest per annum. Fixed interests are calculated monthly, allowing customers to enjoy the compound interest as they grow their wealth overtime. Customers can withdraw their funds at any time.

Best suited for people wanting to save money, generate extra income, and achieve their financial and personal goals sooner, SmartSaver will make it easy for you.



- 7% interest per annum
- No fees of any kind
- 83 million interest paid out
- Withdraw your funds anytime

SmartSaver is powered by Lendermarket, a leading platform connecting investors with digital lending businesses across Europe. SmartSaver funds are invested into consumer credit issued by Creditstar Group.



Chief Executive's review

2022: A YEAR OF RESILIENCE AND CONTINUED GROWTH

Aaro Sosaar
CEO

In 2022, we faced challenging market conditions but remained committed to expanding our company. Despite these difficulties, we achieved a 25% increase in our net loan portfolio, reaching 226 million euros, and a 23% rise in income, totalling 59 million euros compared to 2021.

In recent years, the European economy has exhibited steady growth, with key indicators such as GDP, inflation, and consumer spending remaining stable. A particularly positive aspect of this economic landscape has been the low unemployment rate across the region, which demonstrates the strength of the labour market and the ongoing demand for skilled workers. This healthy economic performance has contributed to the resilience of the European economy in the face of external challenges.

However, the war in Ukraine had a pronounced impact on the capital markets and overall market sentiment in 2022. The conflict caused heightened uncertainty and risk aversion among investors, leading to increased volatility in financial markets and making funding more difficult to secure for many businesses. Yet, through our adaptability and resourcefulness, we successfully secured funding and persevered along our growth trajectory during these challenging times.

The volatile environment for crowdfunding platforms and the bond market made access to capital more expensive and challenging during the latter half of the year. To address this, we actively pursue several fundraising initiatives, which we expect to complete by the first half of 2023.

Throughout the year, we observed strong demand for our products and diligently managed our loan volumes across various markets. Customer repayments remained at expected levels, demonstrating the robustness and effective management of our business model. We are confident that we can emerge stronger from the current market challenges and capitalise on growth opportunities.

As we look forward to 2023, our outlook remains positive. We anticipate further growth in our portfolio volumes and will continue focusing on lending to higher-quality consumers. Creditstar is committed to aggressively pursuing opportunities for additional debt and equity funding to support future expansion and capitalise on growth prospects.

Our plans include broadening our product offerings in existing markets, scaling our credit line products, and providing purchase financing options. We will also focus on expanding our recently introduced investment product, SmartSaver. To improve our operations, the Group will streamline lending operations and enhance technology and underwriting models across all markets and platforms.

We are dedicated to reviewing and optimising our operating models to ensure our business remains lean and efficient. Increasing profitability remains a top priority as we continue to scale the business.

In conclusion, we are proud of our accomplishments in 2022 and are excited to seize the opportunities that lie ahead in 2023. We remain committed to our vision and look forward to continuing our journey of growth and innovation.

Aaro Sosaar

Chief Executive Officer

We have state of the art in-house technology.

Our clients straddle both the prime and near-prime groups.

Main economic indicators and ratios

(In thousands euros)

Balance sheet indicators	31.12.2022	31.12.2021
Total assets	235,806	196,948
Gross loan portfolio	276,000	223,414
Impairments to portfolio	-50,132	-42,430
Notes issued	73,576	63,980
Other borrowings	110,003	91,332
Equity	47,680	38,154

Income statement indicators	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Interest income	59,339	48,068
Interest expense	-24,323	-18,865
Net interest income	35,016	29,203
Personnel expenses	-4,910	-4,497
Operating expenses	-11,977	-9,491
Loan impairment charges and write-offs	-8,944	-7,308
Depreciation of tangible fixed assets and amortization of intangible fixed assets	-1,539	-2,106
Profit for the year	6,470	5,833

Financial ratios	31.12.2022	31.12.2021
Return on equity (ROE)	15,47%	14,20%
Profit margin (PM)	10,90%	12,13%
Asset utilization (AU)	25,16%	24,41%
Equity multiplier (EM)	4,95	5,16

Explanation of financial ratios:

- Return on equity (ROE) – net income expressed as a percentage of owner’s equity
- Profit margin (PM) – ratio of profitability against total revenue
- Asset utilization (AU) – ratio of total revenue against overall assets
- Equity multiplier (EM) – overall assets ratio against equity

We have a proven product strategy that meets our customers' needs.

We have over 1 000 000 registered customer accounts.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(In thousands euros)

	01.01.2022-31.12.2022	01.01.2021-31.12.2021	Note
Interest income	59,339	48,068	2
Interest expense	-24,323	-18,865	2
Net interest income	**35,016**	**29,203**	
Loan impairment and write-off charges	-8,944	-7,308	2
Other income	21	25	3
Operating expenses	-11,977	-9,491	3
Wages and salaries	-4,910	-4,497	
Depreciation of fixed assets	-1,539	-2,106	6
Currency exchange costs	-91	-98	
Operating profit	**7,576**	**5,728**	
Corporate income tax	-200	-312	1
Net profit for the year	**7,376**	**5,416**	
Currency re-evaluation effects	-906	416	
Total comprehensive income	**6 470**	**5,833**	

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KPMG, Tallinn

CONSOLIDATED BALANCE SHEET

(In thousands euros)

Assets	**31.12.2022**	**31.12.2021**	**Note**
Cash	364	5,985	
Short-term loans to customers	70,631	58,790	4
Other receivables and prepayments	3,738	3,307	5
Total current assets	**74,733**	**68,082**	
Long-term loans to customers	155,237	122,194	4
Tangible fixed assets	156	196	
Intangible fixed assets	5,680	6,476	6
Total non-current assets	**161,074**	**128,866**	
Total assets	**235,806**	**196,948**	

Liabilities and equity			
Short-term borrowings	125,684	102,274	7
Payables and prepayments	3,407	2,317	8
Total current liabilities	**129,091**	**104,591**	
Long-term borrowings	59,035	54,203	7
Total long-term liabilities	**59,035**	**54,203**	
Total liabilities	**188,126**	**158,794**	

Equity			
Issued capital	21,000	21,000	9
Other reserves	8,256	5,656	
Retained earnings	18,424	11,498	9
Total equity	**47,680**	**38,154**	
Total liabilities and equity	**235,806**	**196,948**	

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands euros)

	Issued capital	Retained earnings	Other reserves	Total
As at 31.december 2020	**21,000**	**5,959**	**1,806**	**28,765**
Profit for the period	-	5,833	-	5,833
Increase of voluntary reserves	-	-	3,850	3,850
Other changes	-	-293	-	-293
As at 31.december 2021	**21,000**	**11,498**	**5,656**	**38,154**
Profit for the period	-	6 470	-	6 470
Increase of voluntary reserves	-	-	2,600	2,600
Other changes	-	455	-	455
As at 31.december 2022	**21,000**	**18,424**	**8,256**	**47,680**

Equity is owned 100% by shareholders of the Group.

Additional information about changes in equity is presented in Note 1 and 9.

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CONSOLIDATED CASH FLOW STATEMENT

(In thousands euros)

Operating activities	01.01.2022-31.12.2022	01.01.2021-31.12.2021	Note
Profit for the year	7,376	5,416	
Adjustment to net profit			
thereof depreciation of tangible fixed assets and amortization of intangible fixed assets	1 539	2 106	6
thereof other adjustments	32 365	25 933	6
Change in operating assets			
thereof loans to customers	-52 586	-43 289	
thereof other receivables and prepayments	-431	643	
Change in operating liabilities	1 090	-350	
Net cash flow from operating activities	**-10 647**	**-9 541**	

Investing activities			
Addition to intangible assets	-694	-1 192	
Total cashflow from investing activities	**-694**	**-1,192**	

Financing activities			
Proceeds from notes issued and other borrowed funds	28 341	24 096	
Repayment of notes issued and other borrowed funds	-11 287	-15 462	
Other financing	6 730	25 944	
Interest paid	-18 521	-19 151	
Total cash flow from financing activities	**5 263**	**15 427**	
Total cash flow	**-6 078**	**4 694**	
Cash and cash equivalents in the beginning	**5 985**	**1 533**	
Change in cash and cash equivalents	-6 078	4 694	
FX impact	457	-242	
Cash and cash equivalents at closing	**364**	**5 985**	

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We have a track record of strong financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies Used for Preparation of the Financial Statements

General information

The consolidated financial statements of Creditstar Group AS (hereinafter also the Parent Company) and its subsidiaries have been prepared in accordance with Estonian Financial Reporting Standard - a set of financial reporting requirements based on internationally recognized accounting and reporting principles. The financial statements have been prepared in thousands of euros, unless otherwise indicated.

Main corrections in 2021 balances:

CONSOLIDATED BALANCE SHEET	Previous report	Current report	Difference
Other receivables and prepayments	5 126	3 307	-1 819
Short-term borrowings	104 090	102 274	-1 816

Correction made to present issued notes in amortised acquisition cost.

CONSOLIDATED CASH FLOW STATEMENT	Previous report	Current report	Difference
Adjustment to net profit - Other adjustments	-22 135	25 933	-48 068
Change in operating assets - thereof loans to customers	-36 218	-43 289	7 071
Change in operating assets - thereof other receivables and prepayments	-1 088	643	-1 731
Interest received	38 026	-	-38 026
Proceeds from notes issued and other borrowed funds	25 037	24 096	941
Increase in reserves	3 850	-	-3 850

Correction made to remove non-cash related movements and to present interest received as change of balances.

The Group comprises the following subsidiaries of Creditstar Group AS (the Parent Company):

Creditstar International OÜ

Creditstar Estonia AS

Monefit Estonia OÜ

Monefit Card OÜ

Creditstar Finland OY

Creditstar Sweden AB

Creditstar Lithuania UAB

Creditstar Poland Sp. z o.o.

Creditstar UK Ltd.

Creditstar Spain S.L.

Creditstar Czech s.r.o.

Creditstar Denmark ApS

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Creditstar International OÜ is a company registered in Estonia. The main objective of the company is management of investments. Creditstar International OÜ was founded by the parent company in November 2010.

Creditstar Estonia AS is a company registered in Estonia. The main objective of Creditstar Estonia AS is financing of private persons in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Estonia AS has been a part of the Group since July 2010.

Monefit Estonia OÜ is a company registered in Estonia. The main objective of Monefit Estonia OÜ is financing of private persons in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Monefit Estonia OÜ has been a part of the Group since April 2013.

Monefit Card OÜ is a company registered in Estonia. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Monefit Card OÜ has been a part of the Group since April 2016. The company is not engaged in active economic activities.

Creditstar Finland OY is a company registered in Finland. The main objective of Creditstar Finland OY is financing of private persons in Finland. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Finland OY has been a part of the Group since July 2010.

Creditstar Sweden AB is a company registered in Sweden. The main objective of Creditstar Sweden AB is financing of private persons in Sweden. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Sweden AB was founded by the parent company in March 2011.

Creditstar Lithuania UAB is a company registered in Lithuania. The main objective of Creditstar Lithuania UAB is financing of private persons in Lithuania. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Lithuania UAB has been a part of the Group since February 2012.

Creditstar Poland Sp. z o.o. is a company registered in Poland. The main objective of Creditstar Poland is financing of private persons in Poland. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Poland has been a part of the Group since January 2015.

Creditstar UK Ltd. is a company registered in UK. The main objective of Creditstar UK is financing of private persons in UK. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar UK has been a part of the Group since January 2015.

Creditstar Spain S.L. is a company registered in Spain. The main objective of Creditstar Spain is financing of private persons in Spain. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Spain has been a part of the Group since December 2015.

Creditstar Czech s.r.o. is a company registered in Czech Republic. The main objective of Creditstar Czech is financing of private persons in Czech Republic. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Czech has been a part of the Group since December 2015.

Creditstar Denmark ApS is a company registered in Denmark. The main objective of Creditstar Denmark is financing of private persons in Denmark. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Creditstar Denmark has been a part of the Group since December 2018.

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Consolidation

The consolidated financial statements comprise the financial indicators of the Group, consolidated on a line-by-line basis. Subsidiaries are consolidated from the date on which the control is transferred to the Group and cease to be consolidated from the date on which the control is transferred out of the Group.

A subsidiary is a company controlled by the Parent Company. Control means the ability to determine the subsidiary's financial and operating principles either by a shareholding, under a contract or through other means.

Additional information about subsidiaries is presented in Note 10.

In accordance with the Estonian Accounting Act and EFS, the financial statements of the parent company of the consolidation group are disclosed in the notes to the annual report. The parent company's financial statements have been prepared per the same principles that have been applied in the preparation of the consolidated annual accounts.

The accounting principles of all companies in the Group are consistent with the accounting policies of the Group. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Any receivables, liabilities, income, expenses, cash flow and unrealised profit and loss arising from transactions between the Parent Company and its subsidiaries have been fully eliminated in the consolidated financial statements.

Accounting for investments in subsidiaries in the Parent Company's unconsolidated balance sheet

In the Parent Company's unconsolidated balance sheet, investments in subsidiaries have been accounted for on a historical cost basis. This means that the investment is initially recognised at acquisition cost, consisting of the fair value of the payable amount, amortised thereafter by the impairment losses arising from the decrease in the value of the investment. The possible impairment of carrying values of investments will be reviewed when certain events or changes in circumstances indicate that the recoverable amount of the assets may have fallen below their carrying values.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the subsidiary is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount (higher of the two: value in use and fair value less costs to sell) of the subsidiary and its carrying value and recognises the amount in the income statement.

Dividends paid by the subsidiary are recorded when the Parent Company's right to receive the dividends (as financial income) is established, except for the portion of dividends payable at the expense of available shareholders' equity generated by the subsidiary before the Group acquires the company. The respective portion of the dividends is recorded as a reduction of the investment.

A. Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received. If payment is made in a period longer than the average, revenue is recognised at the present value of the consideration to be received. The interest received for the use of the company's funds are recognised as revenue on accrual basis during the contract period when it is probable that the economic benefits associated with the transaction will be received and its amount can be reliably measured.

Interest income

For all financial instruments measured at amortised acquisition cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Other revenue

Revenue from sales of services is recorded upon rendering the service.

Dividends

Dividend revenue is recognised when the Group's right to receive the payment is established.

B. Cash and cash equivalents

For the purposes of the cash flow statement, cash equivalents are short-term (with a maturity up to 3 months from the date of acquisition) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in market value, incl. cash in hand, current accounts at the bank, term deposits with a maturity of three months or less and money market fund units.

C. Financial assets

Financial assets are recorded at amortised cost, fair value, or acquisition cost method.

The following financial assets are reflected in the amortised acquisition cost:

(a) claims against buyers, accruals and other short-term and long-term claims (including loan claims);

(b) held-to-maturity financial investments (e.g., listed bonds), if the company has chosen the amortised cost method as the accounting method.

The accounting method chosen once for a financial instrument is applied consistently.

The following financial assets are recognized at fair value:

(a) short- and long-term financial investments in shares and other equity instruments, the fair value of which can be reliably estimated;

(b) short- and long-term financial investments in bonds and other debt instruments listed on the stock exchange,

i. which the company does not intend to hold until maturity;

ii. which the company intends to hold until maturity, but has chosen the fair value method as the accounting method; or

iii. where the company is not certain at the time of acquisition whether it intends to hold it until maturity;

(c) derivatives with a positive fair value.

Investments in shares and other equity instruments that are not publicly traded and whose fair value cannot be measured reliably are recorded using the acquisition cost method (i.e., acquisition cost minus possible discounts). Financial assets are presented in adjusted amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at adjusted amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or a group of financial assets that can be reliably estimated. Evidence of impairment is based on delinquency in interest or principal payments or other relevant factors.

The write-down of financial assets related to operating activities is charged to expenses in the income statement.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans with the associated allowance are written off when there is no realistic prospect of future recovery and all collaterals have been realised or transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised:

- where the rights to receive cash flow from the asset have expired
- the Group has transferred its rights to receive cash flow from the asset
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flow from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

D. Foreign currency transactions

The functional currency of the Parent Company is the euro, which is also the presentation currency for the Group's consolidated and the Parent Company's unconsolidated financial statements. All other currencies are considered to be foreign currencies. All foreign currency transactions are recorded on the basis of the foreign currency exchange rates of the European Central Bank officially valid on the transaction date.

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E. Tangible fixed assets

Tangible assets are recorded at acquisition cost, consisting of the purchase price and expenditures directly related to the acquisition. Following initial recognition, an item of tangible assets is carried in the balance sheet at its acquisition cost, less accumulated depreciation and any accumulated impairment losses. The cost limit when tangible asset is recorded is a minimum of 1,000 euros.

Depreciation of tangible assets is calculated on a straight-line basis. Depreciation rates are determined for each item of tangible assets individually, depending on its useful life. The following annual depreciation rates apply for tangible assets groups:

Computers and IT equipment	33.33%
Office furnishings	20 - 35%
Office equipment	10 - 35%

Tangible assets are derecognised upon transfer of the asset, or if the Group can expect no financial benefits from use or disposal of the asset. Any profits and losses arising from de-recognition of tangible assets are charged to "Other operating revenue" or "Other operating charges" in the income statement of the period when the tangible assets were derecognised.

F. Intangible fixed assets

Intangible assets measured on initial recognition at acquisition cost. Following initial recognition, intangible assets are carried in the balance sheet at its acquisition cost less any accumulated depreciation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The cost limit when intangible asset is recorded is a minimum of 1,000 euros.

The following annual depreciation rates apply for intangible assets groups:

Customer lists	7 years
Goodwill	10 years
Technology	2-10 years

G. Financial liabilities

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder. Such instruments include amounts of other borrowings and debt securities issued. Financial liabilities are initially recognised at their fair value less transaction costs directly attributable to acquisition. After initial recognition, financial liabilities are subsequently measured at their amortised acquisition cost by using the effective interest rate method. Financial liability is classified as short-term liability if the maturity of liability is within upcoming 12 months from balance sheet date. Gains and losses are in profit or loss when the liabilities are derecognised as well as through the depreciation process. The Group only has financial liabilities recorded at amortised acquisition cost.

H. Corporate income tax

The Parent Company and subsidiaries registered in Estonia

Pursuant to the Income Tax Act, Estonian companies are not subjected to pay income tax on the profit, but all

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dividends paid by the company are subject to income tax. Since income tax is paid on dividends rather than corporate profit, there are no differences between the tax bases and carrying values of assets and liabilities that may give rise to deferred income tax assets and liabilities.

The Group's potential tax liability related to the distribution of its retained earnings as dividends is not recorded in the balance sheet. The maximum amount of potential income tax liability has been disclosed in Note 9.

Income tax from payment of dividends is recognised as an expense in the income statement at the moment of declaring the dividends.

Subsidiaries registered abroad

In accordance with income tax acts, the company's net profit, adjusted by temporary and permanent differences stipulated in the income tax act, are subject to income tax in Finland, Sweden, Lithuania, Poland, UK, Spain, Czech Republic and Denmark.

Income tax to be paid is reported under current liabilities and deferred tax liabilities are under non-current liabilities. Deferred Income Tax assets are reported under current assets.

Income tax to be paid for 2022 is 200 thousand Euros.

I. Mandatory reserve

Pursuant to the Commercial Code of the Republic of Estonia and the articles of association of the Parent Company, at least 5% of the net profit attributable to the shareholders of the Parent Company must be transferred to the mandatory legal reserve each financial year, until the legal reserve amounts to at least 10% of the share capital. The mandatory legal reserve cannot be paid out as dividends, but it can be used for covering losses, if the losses cannot be covered from the available shareholder's equity. Mandatory legal reserve can also be used for increasing the share capital of the company.

J. Events after the balance sheet date

Material circumstances that have an effect on the valuation of assets and liabilities and became evident between the balance sheet date and the date of preparing the financial statements, but are related to transactions that took place in the reporting period or earlier periods, are recorded in the financial statements. Subsequent events that have not been taken into consideration when valuing the assets and liabilities but have a material effect on the result of the next financial year are disclosed in the financial statements (Note no. 13).

K. Related parties

A related party is a person or entity connected with the group to the extent that transactions between them do not necessarily take place on market terms. A person or a close relative of that person is a related party if that person:

(a) is a member of the group's management;

(b) has control or significant influence over the group (for example, through an interest in shares). An entity is a related party if one or more of the following conditions apply:

(a) the entity and the group are under common control;

(b) one entity is an entity controlled by a third party, and the other entity is under significant influence of that third party;

(c) the entity has control or significant influence over the group;

(d) the entity is under the control or significant influence of the group;

(e) entities over which a member of the group's management (or their close relative) has significant control or significant influence;

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(f) entities controlled by persons (or their close relatives) who have control or significant influence over the group.

Note 2. Interest income and expense & loan impairment charges

Per annum (in thousands euros)

Interest income by geographical area:	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
Estonia	33,375	27,732
Finland	6,379	4,622
Sweden	221	148
Poland	7,016	6,066
UK	441	462
Czech	675	851
Spain	11,089	8,161
Denmark	142	25
Total	59,339	48,068

Interest expense by type:	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
Notes issued	-8,741	-7,510
Loans and other financial instruments	-4,373	-3,709
Factoring	-527	-510
P2P	-10,682	-7,135
Total	-24,323	-18,865

Loan impairment charges and amounts written off:	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
Loan impairment allowance	-7,701	-7,068
Amounts written off from balance sheet	-1,243	-239
Total	-8,944	-7,308

Note 3. Operating expenses and other income

(In thousands euros)

Other income	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Other irregular income	21	25
Total	21	25

Operating expenses	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Bond related costs	-1,615	-1,373
P2P costs	-2,568	-1,662
3-rd party databases / ID costs	-1,200	-1,348
Collection costs	-264	-161
Customer service costs	-219	-229
Payment processing costs	-202	-226
Marketing costs	-1,916	-1,331
IT and Data costs	-1,048	-838
Finance, accounting, audit costs	-245	-272
Legal & management costs	-1,652	-843
Research and development costs	0	-385
Office costs	-401	-345
Personnel related costs	-552	-267
Other administrative costs	-95	-210
Total	-11,977	-9,491

Note 4. Loans to customers

(In thousands euros)

	31.12.2022	31.12.2021
Loans to customers [1]	276,000	223,414
Loan impairment allowance	- 50,132	- 42,430
Total	225,869	180,984

	31.12.2022	31.12.2021
Loans to customers with maturity up to 1-12 months	70,631	58,790
Loans to customers with maturity from 13-54 months	155,237	122,194
Total	225,869	180,984

[1] All loans to customers are unsecured loans to private individuals with amounts ranging from 40 to 10 000 euros. Loans are issued with a repayment date varying from 5 days to 54 months. Receivables with a significant breach of repayment terms are handled by collection agency. All loans to customers are considered to have similar risk characteristics. The balance sheet also includes receivables claimed based on court rulings in favour of the Group and are being collected mainly by court bailiffs.

	31.12.2022		31.12.2022		31.12.2022
Loans within due dates	205 147	Impairments	-6 915	Loans within due dates	198 232
Loans with 1 - 30 days overdue	15 094	Impairments	-2 088	Loans with 1 - 30 days overdue	13 006
Loans with 31 - 90 days overdue	10 549	Impairments	-5 182	Loans with 31 - 90 days overdue	5 367
Loans with 91+ days overdue	45 210	Impairments	-34 451	Loans with 91+ days overdue	10 760
		Additional impairments reserve	-1 496	Additional impairments reserve	-1 496
Total Gross portfolio	276 000	Total impairments	-50 132	Total Net portfolio	225 869

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	31.12.2021		31.12.2021		31.12.2021
Loans within due dates	164 710	Impairments	-7 057	Loans within due dates	157 653
Loans with 1 - 30 days overdue	11 341	Impairments	-1 351	Loans with 1 - 30 days overdue	9 990
Loans with 31 - 90 days overdue	7 043	Impairments	-2 917	Loans with 31 - 90 days overdue	4 126
Loans with 91+ days overdue	40 320	Impairments	-29 605	Loans with 91+ days overdue	10 715
		Additional impairments reserve	-1 500	Additional impairments reserve	-1 500
Total Gross portfolio	223 414	Total impairments	-42 430	Total Net portfolio	180 984

Note 5. Other receivables and prepayments

(In thousands euros)

Other receivables:	**31.12.2022**	**31.12.2021**
Short term claims	1,937	2,043
Future periods costs	588	106
Various deposits	701	701
Tax related accruals	504	452
Prepayments	8	5
Total other receivables and prepayments	3,738	3,307

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Note 6. Tangible and Intangible fixed assets

(Per annum, in thousands euros)

	IT hardware	Office equipment	Furniture	Total
Net book value at 31. December 2020	171	13	68	252
Additions	34	0	0	34
Depreciation	-73	-3	-14	-90
Net book value at 31. December 2021	132	10	55	196
Additions	51	8	0	59
Depreciation	-90	-2	-7	-99
Net book value at 31. December 2022	93	15	48	156

At 31.12.2021	IT hardware	Office equipment	Furniture	Total
Acquisition cost	**132**	**10**	55	196
Depreciation	**0**	**0**	0	0
Net balance	132	10	55	196

At 31.12.2022	IT hardware	Office equipment	Furniture	Total
Acquisition cost	**183**	**17**	55	255
Depreciation	**-90**	**-2**	-7	-99
Net balance	93	15	48	156

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	Unfinished development projects	Intangible assets Customer lists	Intangible assets Technology	Intangible assets Goodwill	Total
Net book value at 31. December 2020	**0**	**2 172**	**4 829**	**590**	**7 591**
Additions	0	395	797	**0**	**1 192**
Depreciation	0	-543	-1 351	**-122**	**-2 016**
Write-off to acquisition costs	0	0	-3 371	**-30**	**-3 401**
Write-off to amortization	0	0	3 080	**30**	**3 110**
Net book value at 31. December 2021	**0**	**2 023**	**3 984**	**469**	**6 476**
Additions	52	-15	597	**0**	**635**
Depreciation	0	-526	-798	**-106**	**-1 430**
Net book value at 31. December 2022	**52**	**1 483**	**3 783**	**363**	**5 680**
At 31.12.2021					
Acquisition cost	**0**	**4 227**	6 480	1 061	11 768
Depreciation	**0**	**-2 204**	-2 496	-592	-5 292
Net balance	0	2 023	3 984	469	6 476
At 31.12.2022					
Acquisition cost	**52**	**4 213**	7 077	1 061	12 403
Depreciation	**0**	**-2 730**	-3 294	-698	-6 722
Net balance	52	1 483	3 783	363	5 680

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Note 7. Short-term and long-term borrowings

(In thousands euros)

	31.12.2022	31.12.2021
Short-term borrowings:		
Notes issued [1]	27 010	32 579
Borrowings [2]	97,534	68,830
Interest accrued on notes issued	722	694
Interest accrued on borrowings	418	471
Total short-term borrowings	125 684	102 574
Long-term borrowings:		
Notes issued [1]	46,476	31,658
Borrowings [2]	12,559	22,545
Total long-term borrowings	59,035	54,203

[1] As of 31.12.2022 Creditstar consolidation group has issued bonds in the amount of 76,0 million Euros with a due dates between 2023 - 2025. The annual interest rate of the issued bonds is 10,5% up to 14%.

[2] Borrowings of the Group at 31.12.2022 amounted to 110 million Euros with annual interest rates from 10% up to 21,5%.

Collateral for Notes issued is the claims in the loan portfolio of Creditstar International OÜ's subsidiary Creditstar Estonia AS, value at 31.12.2022 is 108,9M euro (31.12.2021 82,3M euro) and pledge on bank accounts of Creditstar Estonia AS.

Collateral for Borrowings is a pledge on claims in the loan portfolios of Creditstar International OÜ's subsidisries, except claims in portfolio of Creditstar Estonia AS, value at 31.12.2022 is 33,8M euros (31.12.2021 38,1M euros) and additionally collateral for borrowings is Creditstar Group AS guarantee, value at 31.12.2022 is 47,2M euros (31.12.2021 33,4M euro)

Total short-term liabilities of the Group amount to 129 million Euros and total short-term assets of the Group amount to 75 million Euros. Short-term borrowing includes private loan agreements with creditors, peer-to-peer marketplace financing and credit lines from a financial institution. The borrowings are recorded as short term due to contractual dates, in practice majority of these business and investor relationships are long-term in nature, have lasted for a long period of time and the contractual due dates are extended on an ongoing basis. The management does not foresee any changes in these business and investor relationships in the foreseeable future and expects the liabilities to be extended beyond 2023.

In 2022 Creditstar redeemed 3 maturing Notes in the total amount of 28,2 million euros and issued 4 new Notes in the total amount of 37,7 million euros maturing in 2023, 2024 and 2025.

Majority of automatically extending direct loans have been extended in 2022 and their maturity is in 2023.

P2P and other lending maturities match with loan claims maturities.

Based on the above, management does not expect any issues in the foreseeable future in meeting its liabilities presented as short-term in the balance sheet as at 31 December 2022.

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Note 8. Payables and prepayments

(In thousands euros)

	31.12.2022	31.12.2021
Accounts payable	1,657	592
Employee-related liabilities	776	829
Tax liabilities	424	590
Provisions	551	306
Total	3,407	2,317

Note 9. Owner's equity

As of 31 December 2022, the Group's share capital was divided into 3 333 340 shares with a nominal value of 6.30 euros (all shares were of the same type.

Potential corporate income tax liability

As of 31 December 2022, the Group's retained earnings amounted to 11 950 thousand euros. The maximum possible corporate income tax liability related to the disbursement of the whole retained earnings balance as dividends is 2 390 thousand euros. Thus, the Group can pay dividends in the total amount of 9 560 thousand euros in net dividends. The maximum possible income tax liability has been calculated based on the assumption that the net dividends to be paid and the related total income tax expenses would not exceed the distributable profit as of 31 December 2022.

Note 10. Subsidiaries

Name of subsidiary	Country of registration	www/Reg. code	Ownership %
Subsidiaries of CREDITSTAR GROUP AS:			
CREDITSTAR INTERNATIONAL OÜ	Estonia	www.creditstar.com	100%
CREDITSTAR SPAIN S.L.	Spain	www.creditstar.es	2,9%
Subsidiaries of CREDITSTAR INTERNATIONAL OÜ:			
CREDITSTAR ESTONIA AS	Estonia	www.creditstar.ee	100%
MONEFIT ESTONIA OÜ	Estonia	www.monefit.ee	100%
CREDITSTAR FINLAND OY	Finland	www.creditstar.fi	100%
CREDITSTAR SWEDEN AB	Sweden	www.creditstar.se	100%
CREDITSTAR LITHUANIA UAB	Lithuania	www.creditstar.lt	100%
MONEFIT CARD OÜ	Estonia	11953111	100%
CREDITSTAR POLAND SP. Z O.O.	Poland	www.creditstar.pl	100%
CREDITSTAR SPAIN S.L.	Spain	www.creditstar.es	97,1%
CREDITSTAR UK LTD.	UK	www.creditstar.co.uk	100%
CREDITSTAR CZECH S.R.O.	Czech Republic	www.creditstar.cz	100%
CREDITSTAR DENMARK ApS	Denmark	www.creditstar.dk	100%

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Note 11. Related party disclosures

(In thousands euros)

Shareholders of Creditstar Group AS, as of 31 December 2022

SA Financial Investments OÜ, registry code 12718041, owner of 100% of the share capital.

For the purpose of these consolidated financial statements related parties comprise of:

a) Shareholders with significant influence over the Group and companies controlled by them

b) Management Board, their close relatives and companies controlled by them

Purchases from related parties:	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
Companies controlled by shareholders with significant influence over the Group	13 702	18 642

Purchases include accrued interests in amount of 5,8M euros (2021: 2,3M euros), rest of the purcahses are related to financing transactions

Amounts owed to related parties:	**31.12.2022**	**31.12.2021**
Companies controlled by shareholders with significant influence over the Group	42 894	29 254

Amounts owed by related parties:	**31.12.2022**	**31.12.2021**
Companies controlled by shareholders with significant influence over the Group	1 620	1 615

Management remunerations:	**01.01.2022-31.12.2022**	**01.01.2021-31.12.2021**
Members of the Management and Supervisory Board	172	181

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Note 12. Financial risk management

Risk Identification

The Group follows the requirements and procedures in its activities and risk management developed by the Management Board and Supervisory Board of the Group according to the legislation of the Republic of Estonia, other instructions issued by regulatory authorities as well as good practice. The Risk Management System of the Group is centralised which ensures implementation of uniform risk management principles as well as fast and efficient response to market changes. The elaboration and development of risk management methodology principles is the responsibility of the Management Board of the company.

For risk identification the Group:

- ensures established modern risk sensitive methods for evaluating and managing all significant risks that makes it possible to find a balanced compromise between revenues and risks;
- considers the risk amount related to main business activities and their possible influence over the overall financial status of the whole Group;
- monitors the compliance of risk evaluation and management procedures with the changing conditions and inspects the necessity for changing them;
- ensures established procedures and limits for risk evaluation and management to develop and launch new products;
- monitors that the structure and the total amount of risks will not compromise the Group stability.

The main risks involved in the business activities of the Group are as follows:

- credit risk
- liquidity risk
- interest rate risk
- operational risk

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a loan contract and the Group will incur a loss as a result of that. The Group manages and controls credit risk by setting limits on the maximum exposures for individual counterparties. The credit risk is spread, as the Group has a large number of customers with relatively small single payments. Loans to customers range between 40 Euros and 10 000 Euros.

The Group optimises the capacity and structure of the loan portfolio based on risk-spreading. The limitations to the loan portfolio and term structure are monitored by the Group's management. All Group's loans to customers are involved in credit evaluation. The Group closely monitors its loan portfolio to provide early identification of possible changes in the creditworthiness of counterparties and regularly performs stress-tests and scenario analysis of credit risk to evaluate the quality of its loan portfolio and sensitiveness to changes in the overall economic conditions.

The Group's impairment methodology foresees impairments to all loan claims outstanding on the balance sheet date irrespective of whether the due date has been passed or not as of the balance sheet date.

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Fair value of assets and liabilities

According to the Management Board, the carrying amount of the Group's financial assets and liabilities is a reasonable approximation of fair value. Fair value has been determined based on the discounted cash flow method.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The liquidity risk of Creditstar is influenced by the following factors:

- ensuring sustainable liquidity reserve for meeting short-term requirements of customers;
- access to capital markets;
- terms and quality of assets and liabilities.

Maintaining adequate structure of assets and liabilities as well as planning short- and long-term liquidity is the task of the Group's Management Board. The Group's Management Board has implemented a model considering the base of resources involved in investment resource planning. The main liquidity proportions as well as proportions of fixed-term assets and liabilities are fixed within the model frame.

Interest rate risk

Interest rate risk is the risk that fair value or future cash flow of a financial instrument will fluctuate because of changes in the market interest rate. As of 31 December 2022, the Group had no floating interest rate loans.

Operational risks

Operational risk reflects possible factors impairing normal business activities of the Group or causing damage in some other way – for instance, disturbances in information systems, shortcomings in rules of internal procedure, incompetence and mistakes of personnel, frauds, natural disasters. The Group has rules of internal procedure with the objective to minimise operational and other risks that might emerge due to interruptions or crisis. The rules of internal procedure state which actions are to be taken and by whom to normalise the work processes and how and by whom the work processes are to be restored if necessary.

Information technology risk is the risk impairing the Group activities that might occur due to technical failures and connection of local computer networks to the global network and increasing the possibility of confidential information being obtained by third unauthorised parties. The possible disturbances or interruptions in computer and communication systems are risks to be taken seriously. Upon ensuring the reliability and soundness of the information system it is of utmost importance that the supporting and backup systems developed considering the system interruptions as well as damage or permanent damage to software, hardware, files or documentation are regularly updated and periodically checked as well as access to the hardware and software of the system as well as information in the system is granted only to authorised persons.

Activity risk is the risk that emerges from incompetent rules of internal procedure. It is possible during the Group activity that deliberate or unintentional mistakes are made in calculations and reporting that disfigure the real financial status or outcome of the Group. For most effective avoidance of errors, rules of internal procedure are drawn up by the Group that adequately describe all of the Group operations.

Initiation, granting (deciding), fulfilment and monitoring of transactions as well as bookkeeping and registration is divided between different departments/employees. This ensures the possibility to conduct independent checking and limits the possibility of occurrence of deliberate or unintentional mistakes.

Personnel risk is the risk related to loyalty, competence and suitability of employees to perform their duties. To

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avoid possible damages, only persons with proper education and suitable experience are hired. The Group has laid down employment principles and training programmes, criteria for qualification assessment (incl. attestation system) and sustainability of management. Upon evaluation of personnel risk, the Management Board evaluates adequacy of personnel procedures and personnel management.

Legal risk arises from null and void transactions and wrong evaluation of circumstances bearing legal meaning. The Group's legal department participates in procedures bearing legal meaning, development of customer contracts for the Group's customers and in business relations as well as monitors their compliance with the law. Standard contracts have been developed to provide the Group's usual services. Terms and conditions of non-standard contracts are agreed with lawyers.

System security risk. The utilised security systems, rules and procedures ensure preservation of Group's assets and avoid access of unauthorised persons to the Group's assets, documentation and electronic communications systems.

Prevention of money laundering. The Group has laid down procedures for prevention of money laundering and terrorism and considers training of its employees on prevention of money laundering and terrorism to be of utmost importance.

Reporting. The Group has a reporting system for operational risks, loss events and incidents.

Note 13. Events After Balance Sheet Date

The management has not identified any significant uncertainty-causing events or circumstances that could cast serious doubt on the ability of the companies of the consolidation group to continue their operations.

Note 14. Parent company's separate income statement

(In thousands euros)

	01.01.2022-31.12.2022	**01.01.2021-31.12.2021**
Interest income	299	43
Other operating income	50	2
Other operating expenses	-84	-34
Salaries	-61	-48
Depreciation of intangible assets	-106	-106
FX costs	-1	0
Operating profit	97	-143
Profit for the year	97	-143

Note 15. Parent company's separate balance sheet

(In thousands euros)

Assets	**31.12.2022**	**31.12.2021**
Cash	1	4,204
Other receivables	8,943	6,087
Total current assets	8,944	10,291
Investments in subsidiaries	2,908	3,015
Total fixed assets	2,908	3,015
Total assets	11,852	13,306
Liabilities and Equity		
Short term borrowings		
Short term loans to subsidiaries	0	4,205
Payables and prepayments	71	17
Total current liabilities	72	4,222
Total liabilities	72	4,222
Equity		
Issued capital	21,000	21,000
Voluntary reserve	8,256	5,656
Retained earnings	-17,475	-17,572
Total equity	11,781	9,084
Total liabilities and equity	11,852	13,306

Note 16. Parent company's separate changes in equity

(In thousands euros)

	Issued capital	Reserves	Retained earnings	Total
As at 31.december 2020	21 000	0	-17 429	3 571
Profit /-loss) for the period	0	0	-143	-143
Increase in reserves	0	5 656	0	5 656
As at 31.december 2021	21 000	5 656	-17 572	9 084
Balance sheet value of subsidiaries under the control or significant influence of parent	0	0	-2 500	-2 500
Value of subsidiaries under the control or significant influence of parent in equity method	0	0	31 570	31 570
Corrected non-consolidated equity at 31. December 2021	21 000	5 656	11 498	38 154
As at 31.December 2021	21 000	5 656	-17 572	9 084
Profit /-loss) for the period	0	0	97	97
Increase in reserves	0	2 600	0	2 600
As at 31.december 2022	21 000	8 256	-17 475	11 781
Balance sheet value of subsidiaries under the control or significant influence of parent			-2 500	-2 500
Value of subsidiaries under the control or significant influence of parent in equity method			38 399	38 399
Corrected non-consolidated equity at 31. December 2022	21 000	8 256	18 424	47 680

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Note 17. Parent company’s separate cash flow statement

(In thousands euros)

	01.01.2022-31.12.2022	01.01.2021-31.12.2021
Operating activities		
Profit for the year	97	-143
Adjustment to net profit		
thereof depreciation of fixed assets	106	106
thereof other adjustments to net profit	-298	-43
Change in operating assets	43	81
Change in operating liabilities	54	-3
Net cash flow from operating activities	2	-2
Financing activities		
Change in overdraft	-4,205	4,205
Total cash flow from financing activities	-4,205	4,205
Total cash flow	-4,203	4,203
Cash and cash equivalents in the beginning	4,204	1
Change in cash and cash equivalents	-4,203	4,203
Cash and cash equivalents at closing	1	4,204

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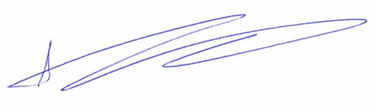
Our company and team are well aligned to continue attracting substantial growth in the future.

SIGNATURES TO THE ANNUAL REPORT 01.01.2022 - 31.12.2022

Management board of Creditstar Group AS has approved the Annual Report for 01.01.2022 - 31.12.2022 of Creditstar Group AS and proposes to the General Shareholder's Meeting to acknowledge it:

Management Board of Creditstar Group AS:



Member of the Management Board Aaro Sosaar 25.07.2023

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

To the Shareholders of Creditstar Group AS

Opinion

We have audited the consolidated financial statements of Creditstar Group AS (the Group), which comprise the consolidated balance sheet as at 31 December 2022, the consolidated comprehensive income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics OÜ
Licence No 17

Eero Kaup

Certified Public Accountant, Licence No 459

Tallinn, 25 July 2023