

INTERIM REPORT

Q4 2023





Highlights

Q4 2023 (1/3)

Good outcomes in 2023 despite challenging market environments

- The past year has been successful for Creditstar. We've achieved revenue growth and maintained our profitability margin. This outcome shows our effective business strategies and operational efficiency in adverse economic environments.
- Creditstar's loan portfolio quality has remained within expectations throughout the year. Despite slight increases in impairment rates, the overall portfolio continues to exhibit strength and resilience.
- The growth of our loan portfolio this year is primarily attributed to the expansion within our repeat customer segment. For 2024, we aim to increase the proportion of new customers, thereby broadening our market reach and gaining faster portfolio growth.
- We've observed a reduction in the credit limit sizes for certain customer segments. This trend is primarily a result of the increasing expenses incurred by our customers, which we take into account during our credit risk assessment. These rising customer expenses are linked to factors like growing mortgage-related costs and overall inflationary pressures. Maintaining our ongoing focus, we aim to continue attracting higher-quality customers in 2024. This approach, which has proven effective, is expected to enable us to enhance average credit limit amounts and thereby accelerate the growth of our overall portfolio.
- In the face of a rising interest rate environment in 2023, Creditstar achieved successful results in our weighted average interest rates. This positive outcome is mainly attributable to the growth of our SmartSaver investment product, offering a competitive interest rate of 7.25-8.33% APY, offering appealing returns to our SmartSaver investors. Although we've seen some increases in certain funding costs, like bonds, the overall reduction in weighted average funding costs is a positive indicator. We anticipate a continued decline in average interest rates as we further scale SmartSaver and implement other financial strategies to strengthen our funding and liquidity in the future.
- As we reflect on the achievements of 2023, Creditstar has made significant progress in being the financial toolkit to complement everyday life for our customers. Since 2006, our commitment has been to empower individuals with smart financial tools. Our growth and innovation have not only enhanced the financial products we already own but also expanded our market presence and product offerings.



Highlights

Q4 2023 (2/3)

- In 2023, we witnessed sustainable growth in our existing markets, focusing on serving higher-quality consumers and anticipating a rise in portfolio volumes. Creditstar actively pursued additional debt funding to support this expansion, enabling us to broaden our product range. Creditstar successfully completed two bond issues and welcomed new investors. We have also opened the doors to new financing sources. Our recently launched
- Operational excellence and innovation have been at the core of our growth, with the SmartSaver product indicating a promising future and the opening of a new headquarters in Tallinn reflecting our ongoing evolution. We've streamlined our teams to focus on efficiency and talent density, maintaining a lean and effective operational model.
- By streamlining operations and enhancing technology, we continually review and optimise our operating models to ensure our business remains lean, efficient, and profitable.
- 2023 has been a year of strategic growth, resilience, and innovation for Creditstar. Our efforts in expanding market presence, financial growth, operational advancements, technological innovation, compliance adherence, and people management have collectively strengthened our position for continued success. We look forward to the exciting opportunities ahead as we enter 2024.

Positive outlook for 2024

- Our markets continue to offer excellent growth opportunities. We anticipate increasing portfolio volumes, with our lending efforts increasingly focused on higher-quality customers.
- Creditstar has made significant strides in securing additional debt funding, and we intend to continue on this trajectory. This strategic focus aims to support our expansion and capitalise on growth opportunities more effectively in the current year.
- As part of our product development efforts, we aim to expand our offerings in existing markets. This includes scaling out credit line products, offering purchase financing options, and continuing to grow our new investment product, SmartSaver.
- The Group remains committed to streamlining lending operations and further advancing our technology and underwriting models across all markets and platforms.
- Operational efficiency and optimisation are at the heart of our approach. We are dedicated to continuously refining our operating models to ensure the business remains lean and efficient. As we scale, our key priority is to remain profitable, leveraging the progress and capital acquired in 2023 to foster stronger growth in 2024.



Highlights

Q4 2023 (3/3)

Creditstar successfully raised €12 million through bond issuance and loan syndicate

- In November 2023, Creditstar Group successfully raised €12 million by issuing two new bonds and a loan syndicate. The bonds were issued on December 1st, with 18 and 30-month terms.
- The proceeds from this funding will be used to expand our consumer credit portfolios in key markets and refinance existing liabilities.
- Aaro Sosaar, CEO of Creditstar Group, said, "This funding will enable us to grow and focus on improving our business and platform. We see great opportunities in our existing markets and are well-positioned to meet our goals."
- Valter Kaleta, a Board Member at Creditstar Group, expressed his positive outlook: "I'm glad to see significantly many new investors taking part in our current capital raise. Their active participation in our bonds and the loan syndicate demonstrates strong confidence in our company. Moving forward, we intend to maintain our momentum in capital raising, including further bond sales, to support our lending operations."
- Creditstar Group has a diverse investor base across Europe and is a prominent issuer on the Baltic bond market, with a record of over 30 successful bond issues. The latest issuance was registered by Nasdaq CSD SE, with PricewaterhouseCoopers Legal as the collateral agent and legal documentation prepared by Sorainen.

Investor event and additional debt and equity financing

- On November 16th, the Creditstar executive team held an investor event. Attendees had the opportunity to hear about the group's future plans and receive updates on current developments.
- Creditstar is seeking possibilities to raise additional debt and equity capital to fund future expansion.

Creditstar Group was a finalist in the 2023 Banking Tech Awards

- Creditstar was shortlisted for the 2023 Banking Tech Awards for the third consecutive year—this time in the Best Newcomer Banking Brand category with our Monefit brand.
- The Banking Tech Awards recognise excellence and innovation in the use of IT in financial services worldwide. The awards are presented to the most talented companies in the banking and fintech industries.



Financial performance

1,574,000€

Q4 2023 – Net profit

Profit and interest income

- Interest income increased by 6.6% in comparison to Q3 2023.
- Net profit amounted to EUR 1.574M.
- Operating profit remained on the same level as in Q3, increase of 0.5% from EUR 4.784M to EUR 4.808M.

Expenses

- Operating expenses increased from EUR 2.582M in Q3 2023 to EUR 3.636M in Q4 2023. The increase in operating expenses in Q4 is primarily due to the higher costs associated with debt funding.
- Interest expense on borrowings amounted to EUR 7.861M.
- Wages and salaries cost was EUR 1.291 thousand, an increase of EUR 53 thousand in Q4 2023 compared with the previous quarter.
- The positive results in unrealized FX re-evaluation changes are attributed to favorable currency rates of PLN.

Comment to the Consolidated Cash Flow Statement

- Other adjustments consist interest expenses in amount of EUR 7.861M and loan impairment allowances in amount of EUR 2.708M.



The financial and other additional information published in the Interim Report January 2023 - December 2023 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 2023 - December 2023 are not audited.

Aaro Sosaar

Member of the Management Board

Tallinn, 31.01.2024

Consolidated Comprehensive Income Statement

In thousands Euro's

	Total 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023
Interest income	59 339	15 028	15 209	15 925	16 977	63 139
Interest expense	-24 323	-6 803	-7 150	-7 321	-7 861	-29 135
Net interest income	35 016	8 225	8 059	8 604	9 116	34 004
Other income	21	2	1	0	619	622
Operating expenses	-11 977	-2 038	-2 315	-2 582	-3 636	-10 571
Wages and salaries	-4 910	-1 371	-1 259	-1 238	-1 291	-5 159
Operating profit	18 150	4 818	4 486	4 784	4 808	18 896
Depreciation	-1 539	-402	-402	-373	-495	-1 672
FX realized cost	-91	-15	-11	-1	-12	-39
Loan impairment charges	-8 944	-2 497	-2 501	-2 619	-2 708	-10 325
Corporate income tax	-200	-35	-55	-60	-19	-169
Net profit	7 376	1 869	1 517	1 731	1 574	6 691
FX translation adjustment	-906	169	-59	-228	2 540	2 422
Comprehensive profit	6 470	2 038	1 458	1 503	4 114	9 113

Consolidated Balance Sheet

In thousands Euro's

	31.12.2022	31.03.2023	30.06.2023	30.09.2023	31.12.2023
Assets					
Cash	364	1 385	1 391	2 588	3 247
Loans to customers	225 868	226 078	228 796	234 784	244 696
Other assets	9 574	9 522	9 804	9 853	8 779
Total assets	235 806	236 985	239 991	247 225	256 722
Liabilities and Equity					
Borrowings	184 719	184 815	185 773	191 676	195 839
Payables and prepayments	3 408	2 453	3 043	2 871	4 091
Total liabilities	188 127	187 268	188 816	194 547	199 930
Equity					
Issued capital	21 000	21 000	21 000	21 000	21 000
Voluntary reserve	8 256	8 256	8 256	8 256	8 256
Retained earnings	18 423	20 461	21 919	23 422	27 536
Total equity	47 679	49 717	51 175	52 678	56 792
Total Liabilities and Equity	235 806	236 985	239 991	247 225	256 722

Consolidated Cash Flow Statement

In thousands Euro's

	Total 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Total 2023
Operating activities						
Net profit	7 376	1 869	1 517	1 731	1 574	6 691
Adjustment to net profit:						
thereof depreciation of tangible fixed assets and amortization of intangible fixed assets	1 539	402	402	373	495	1 672
thereof other adjustments	32 365	9 300	9 651	9 940	10 569	39 460
Change in operating assets:						
thereof loans to customers	-52 586	-2 707	-5 219	-8 607	-12 620	-29 153
thereof other receivables and prepayments	-431	201	-386	-210	439	44
Change in operating liabilities	1090	-955	590	-172	1 220	683
Total cash flow from operating activities	-10 647	8 110	6 555	3 055	1 677	19 397
Investing activities						
Additions to intangible fixed assets	-694	-186	-234	-209	-95	-724
Total cash flow from investing activities	-694	-186	-234	-209	-95	-724
Financing activities						
Proceeds from debt issued and borrowed funds	3 5071	11 682	4 059	8 479	8 144	32 364
Repayment of debt issued and borrowed funds	-11 287	-13 505	-4 893	-4 109	-3 462	-25 969
Interest paid	-18 521	-5 249	-5 422	-5 791	-5 684	-22 146
Total cash flow from financing activities	5 263	-7 072	-6 256	-1 421	-1 002	-15 751
Total cash flow	-6 078	852	65	1 425	580	2 922
Cash and cash equivalents in beginning	5 985	364	1 385	1 391	2 588	364
Change in cash and cash equivalents	-6 078	852	65	1 425	580	2 922
FX impact	457	169	-59	-228	79	-39
Cash and cash equivalents in the end	364	1 385	1 391	2 588	3 247	3 247

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