

# CREDITSTAR GROUP AS

Interim Report  
Q2 2020

Tallinn, 31 July 2020





## Business remained resilient throughout Q2 despite COVID-19 and resuming to growth

- ✦ Due to the online nature of our business, the company has been running as normal throughout the second quarter. All staff worked remotely at the beginning of the quarter but, as the situation with COVID-19 improved, our staff have been gradually returning to the workplace.
- ✦ We are encouraged by the extent to which we see our business stabilising into a “new normal” operating environment. Many of the government restrictions have been lifted or eased in our operating markets and we are resuming growth. Against that background, we are closely monitoring and have taken steps to reduce adverse effects from a possible second wave of COVID-19.
- ✦ Client repayments and non-performing loans (NPLs) have remained within expected levels throughout the period. In April, we saw a modest increase in payment delays in Spain and Poland, but these stabilised by May. The rest of the operating markets have remained resilient, and the overall portfolio quality of the group has performed to pre-COVID expectations.
- ✦ We are continuing to see strong demand for our products. Throughout the quarter, we have been prudent in carefully managing our new lending volumes and have prioritised collections and quality of the loan portfolio. As lockdown restrictions have been rolled back and clients repayments have remained at expected levels, we increased our credit issuance and resumed growth at the end of the second quarter.
- ✦ We expect to progressively grow credit volumes in the coming months and lending remains focused on our higher quality customers.
- ✦ At Creditstar, we are glad to see the business model is resilient and the business is well managed throughout these times. We believe we can emerge even stronger from the crisis and take advantage of the growth opportunities.

## Successful bond issues in June

- ✦ In the beginning of June 2020, Creditstar issued and sold bonds to investors in the total amount of EUR 18.33 million. The bonds were issued with 12- and 18-month maturities, with 13% and 14% annual interest rates, respectively. The proceeds were used to redeem maturing bonds and to finance loan portfolio growth across multiple markets. The bond issues were advised by Redgate Capital.
- ✦ We are glad to successfully complete another bond issue and recognise the trust and confidence our investors have in Creditstar’s future and products. Given the timing with the maturing bonds and circumstances with COVID-19 virus, the successful financing round shows great strength of the company and positions us to grow substantially in the future.





# 1,066,000€

## Q2 2020 – Net profit

### Comments to the changes in the interim report

- ✦ Consolidated financial reports for the year 2019 have been audited and reported numbers for the year 2019, Q1 and Q2 2020 in this interim report have been adjusted accordingly.

### Loan impairment charges and reserve for potential negative COVID-19 impact

- ✦ Loan impairment charges amount to EUR 1,920 thousand in Q2 2020. Impairment charges were increased by EUR 500 thousand in Q1 2020 due to the potential macro-economic impact on Creditstar's loan portfolios. In Q2, impairment charges reserves for potential COVID-19 impact were increased by a further EUR 500 thousand, bringing the reserve to a total of EUR 1 million. This is an unrealised reserve. Portfolio quality is monitored very closely. Impairment charge reserve will be either increased or decreased in the upcoming periods, depending on the situation with COVID-19 and how the economic outlook develops.

### Profit and interest income

- ✦ Interest income decreased by 15.70% in comparison to Q1 2020. The decrease was attributable to more conservative lending policies and discounts offered on different customer fees due to COVID-19. In the third quarter, we expect growth to exceed the second quarter.
- ✦ Net profit amounted to EUR 1,066 thousand.
- ✦ Operating profit decreased by 25.04% to EUR 3,206 thousand in Q2 2020 compared to Q1 2020.

### Expenses

- ✦ Operating expenses decreased from EUR 1,716 thousand in Q1 2020 to EUR 959 thousand in Q2 2020.
- ✦ Interest expense on loans and issued bonds amounted to EUR 3 153 thousand.
- ✦ Wages and salaries cost was EUR 1,137 thousand, increase by EUR 133 thousand in Q2 2020 compared with previous quarter.





## Creditstar increased equity capital in the amount of EUR 2.0 million

- ✦ Creditstar increased equity capital in the amount of EUR 2.0 M.
- ✦ Borrowings from current shareholder and related parties were converted into equity capital. The equity capital will be converted into share capital in due course.

## Information in regards Creditstar Estonia AS bank accounts

- ✦ Creditstar Estonia AS has a bank account open in Citadele bank in Estonia.





The financial and other additional information published in the Interim Report January – June 2020 is true and complete. Consolidated financial statements give a true and fair view of the actual financial position, results of operations and cash flows of the group.

**Consolidated financial statements in the report for the period January – June 2020 are not audited.**

Aaro Sosaar

Member of the Management Board

Tallinn, 31.07.2020



# Consolidated Comprehensive Income Statement

In thousands Euros's

	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020	2020
Interest income	8 484	8 896	31 905	9 501	8 009	17 510
Interest expense	-2 736	-2 790	-10 107	-2 885	-3 153	-6 038
<b>Net interest income</b>	<b>5 748</b>	<b>6 106</b>	<b>21 798</b>	<b>6 616</b>	<b>4 856</b>	<b>11 472</b>
Other income	397	387	1 402	381	446	827
Operating expenses	-1 710	-1 798	-7 172	-1 716	-959	-2 675
Wages and salaries	-853	-994	-3 402	-1 004	-1 137	-2 141
<b>Operating profit</b>	<b>3 582</b>	<b>3 701</b>	<b>12 626</b>	<b>4 277</b>	<b>3 206</b>	<b>7 483</b>
Depreciation	-121	-121	-483	-120	-121	-241
FX realized cost	-12	-11	-27	-18	-26	-44
Loan impairment charges	-1 357	-1 536	-6 326	-2 003*	-1 920*	-3 923*
Corporate income tax	-80	-85	-172	-80	-73	-153
<b>Net profit</b>	<b>2 012</b>	<b>1 948</b>	<b>5 618</b>	<b>2 056</b>	<b>1 066</b>	<b>3 122</b>
FX translation adjustment	-49	-241	251	-733	337	-396
<b>Comprehensive profit</b>	<b>1 963</b>	<b>1 707</b>	<b>5 869</b>	<b>1 323</b>	<b>1 403</b>	<b>2 726</b>

\* We have set aside an additional 1 million Euros of reserve in the first quarter of loan impairment charges to cover the possible negative impact of the COVID-19 effects on our loan portfolios.

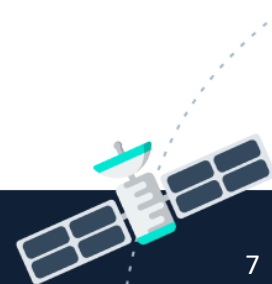


# Consolidated Balance Sheet

In thousands Euros's



	30.06.2019	30.09.2019	31.12.2019	31.03.2020	30.06.2020
<b>Assets</b>					
Cash	1 641	1 022	1 770	1 082	2 017
Loans to customers	95 346	105 589	112 408	122 061	124 915
Other assets	7 335	7 311	9 590	8 895	10 705
<b>Total assets</b>	<b>104 322</b>	<b>113 922</b>	<b>123 768</b>	<b>132 038</b>	<b>137 637</b>
<b>Liabilities and Equity</b>					
Borrowings	80 896	89 350	96 107	103 698	107 148
Payables and prepayments	2 096	1 279	2 726	1 702	828
<b>Total liabilities</b>	<b>82 992</b>	<b>90 629</b>	<b>98 833</b>	<b>105 400</b>	<b>107 976</b>
<b>Equity</b>					
Issued capital	9 765	9 765	21 000	21 000	21 000
Mandatory reserve	325	325	325	325	325
Voluntary reserve	2 000	2 000	606	606	2 606
Retained earnings	9 240	11 203	3 004	4 707	5 730
<b>Total equity</b>	<b>21 330</b>	<b>23 293</b>	<b>24 935</b>	<b>26 638</b>	<b>29 661</b>
<b>Total Liabilities and Equity</b>	<b>104 322</b>	<b>113 922</b>	<b>123 768</b>	<b>132 038</b>	<b>137 637</b>



# Consolidated Cash Flow Statement

In thousands Euros's

	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020	2020
<b>Operating activities</b>						
Net profit	1 963	1 707	5 869	1 323	1 403	2 726
Adjustment to net profit:						
Depreciation	121	121	483	120	121	241
Interest income	-2 086	-1 657	-7 143	-2 255	-1 124	-3 379
Interest expense	2 736	2 790	10 107	2 885	3 153	6 038
Impairments	1 357	1 536	5 924	2 003	1 920	3 923
Other adjustments	173	-32	-251	733	-337	396
Change in operating assets:						
Loans to customers	-10 243	-7 653	-29 207	-9 653	-2 854	-12 507
Other receivables and prepayments	-289	-744	-1 879	173	-1 810	-1 637
Change in operating liabilities	-817	959	860	-536	-874	-1 410
<b>Total cash flow from operating activities</b>	<b>-7 085</b>	<b>-2 973</b>	<b>-15 237</b>	<b>-5 207</b>	<b>-402</b>	<b>-5 609</b>
<b>Financing activities</b>						
Proceeds from debt issued and borrowed funds	10 262	7 842	33 757	9 343	7 133	16 476
Repayment of debt issued and borrowed funds	-1 187	-1 616	-8 492	-1 987	-2 754	-4 741
Interest paid	-2 609	-2 508	-9 197	-2 837	-3 042	-5 879
<b>Total cash flow from financing activities</b>	<b>6 466</b>	<b>3 718</b>	<b>16 068</b>	<b>4 519</b>	<b>1 337</b>	<b>5 856</b>
<b>Total cash flow</b>	<b>-619</b>	<b>745</b>	<b>831</b>	<b>-688</b>	<b>935</b>	<b>247</b>
<b>Cash and cash equivalents in beginning</b>	<b>1 641</b>	<b>1 022</b>	<b>939</b>	<b>1 770</b>	<b>1 082</b>	<b>1 770</b>
Change in cash and cash equivalents	-619	745	831	-688	935	247
<b>Cash and cash equivalents in the end</b>	<b>1 022</b>	<b>1 767</b>	<b>1 770</b>	<b>1 082</b>	<b>2 017</b>	<b>2 017</b>





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