



# Creditstar International

Company Presentation.

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” *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.*

# Executive summary

Creditstar Group<sup>1</sup>, established in 2006, is a provider of consumer financial services in Europe.

Creditstar has gained trust of more than 805,000<sup>2</sup> customers in 8 countries across the Europe, including Estonia, Finland, Sweden, Poland, UK, Czech Republic, Spain and Denmark.

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

With total assets of approximately 91 M EUR and net profit of 2.8 M EUR Creditstar had another record year in 2018.

Creditstar is one of the most seasoned bond issuers in the Baltic bond market with 22 successful issues over last 12 years.



A woman with blonde hair and glasses, wearing a light-colored long-sleeved shirt and a matching long coat, is walking through an outdoor cafe area. She is holding a tablet computer in her right hand and looking at it. She has a brown shoulder bag. The background shows rows of white chairs and tables, suggesting a cafe or restaurant setting. The lighting is soft, and the overall tone is professional and modern.

## Our Mission

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

## Our Vision

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

## Responsible Practices

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

# Creditstar at a glance

**€25,601**

(thousand)

Interest income

**€3,230**

(thousand)

Net profit

**12.6**

**%**

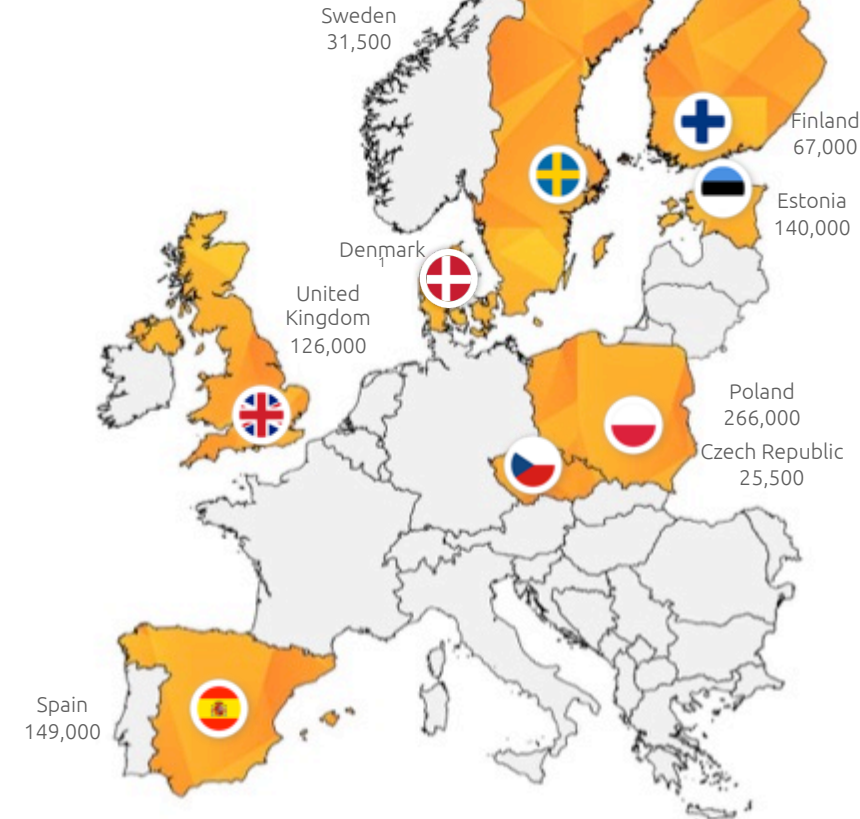
Net margin

**€98,247**

(thousand)

Total assets

Registered users, as of March '19



# Overview of the Company

Creditstar, a successful provider of consumer financial services, was established in 2006 in Tallinn, Estonia. Today it holds approximately 40% market share in Estonia<sup>1</sup> and presence in 7 other markets in Europe.

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

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

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

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

Trusted by  
many customers



805,487  
registered users



628,441  
active customers<sup>2</sup>

# This is Creditstar



## Excellence in operations

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



## International and accomplished team

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



## Transparent operations

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



## Innovative products

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



## Scalable and timely processes

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



## Compliance with legislation

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



## State-of-the-art in-house technology

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



## International reach

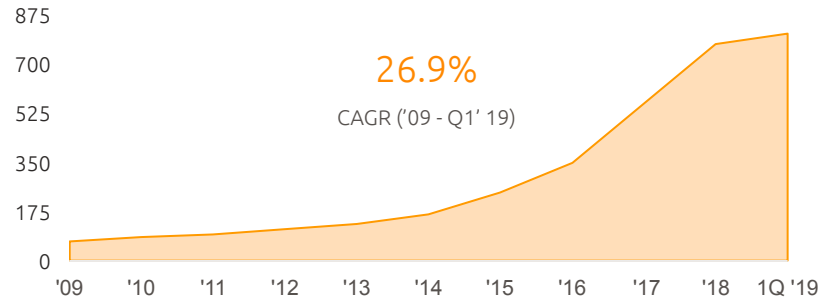
The Company operates in 8 countries and is currently evaluating several other countries which the Company might enter in the foreseeable future.



# Track record

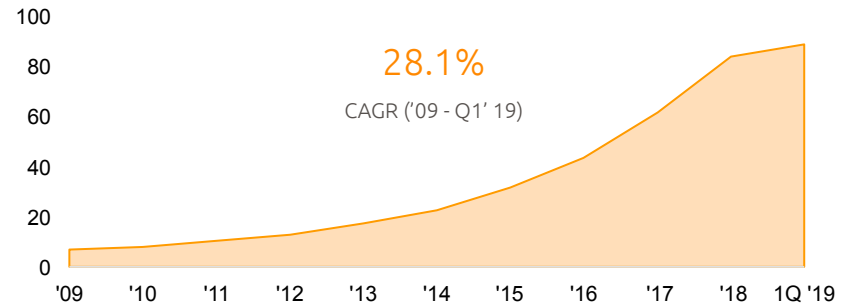
## Customers

Total number of registered customers, TH



## Loan portfolio

Loan portfolio after provisions, M EUR



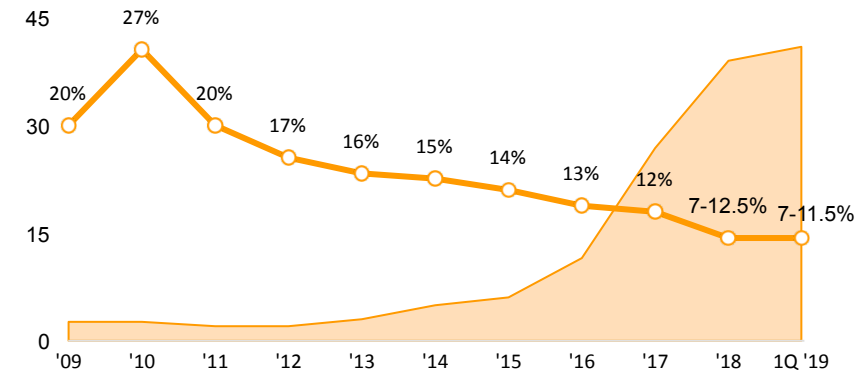
## International expansion<sup>1</sup>

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



## Creditstar in the capital markets

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



# Latest milestones and developments



## New licenses

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

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

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



## Successful fundraising

Creditstar completed three bond issues in 2016, one in 2017 and three more in 2018. As of March 2019 Creditstar has in total 40.91 M EUR of notes outstanding.



## Expansion

In 2016 Creditstar Group started operations in Spain and Czech Republic. Today the Spanish and Czech subsidiaries have already 73,000 and 14,000 registered users.

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



## New products

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



## Awards

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

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



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

# Marketing



## Strong team + partners

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

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



## Channels

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



## Loyalty programme

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



## Data driven approach

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



## Customer retention

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

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

# Advanced data analytics and marketing

Creditstar pursues data and analytics to build competitive advantage and improve the customer experience, loan underwriting and scoring.

The Company is able to analyse big data volumes. That has resulted in improved marketing methods which can accommodate growth in current target markets and further international expansion.

Scoring models reduce credit losses and increase revenue through expanding client base. In addition, such unified credit scoring model also provides the Company with an advantage when entering new markets.



## Data driven decisions

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



## Real time

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



## Automated processes

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



## Optimisation

Reporting, Marketing optimization and customer segmentation analytics

# Product portfolio

Creditstar offers 3 different products. The product offering varies by markets due to differences in regulation, customer preferences and maturity of the market (new markets - smaller amounts and simpler products)

## Microloan



Amount up to 2,000<sup>1</sup> EUR  
Period up to 3 months  
Defer payments for up to 30 days  
Applicable on every device

## Instalment loan



Amount up to 5,000<sup>1</sup> EUR  
Period up to 3 years  
Equal monthly instalments  
Defer payments for up to 30 days  
Applicable on every device

## Credit account and credit line



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



# Compliance and regulation



## Sweden

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



## United Kingdom

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



## Finland

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



## Poland

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



## Estonia

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



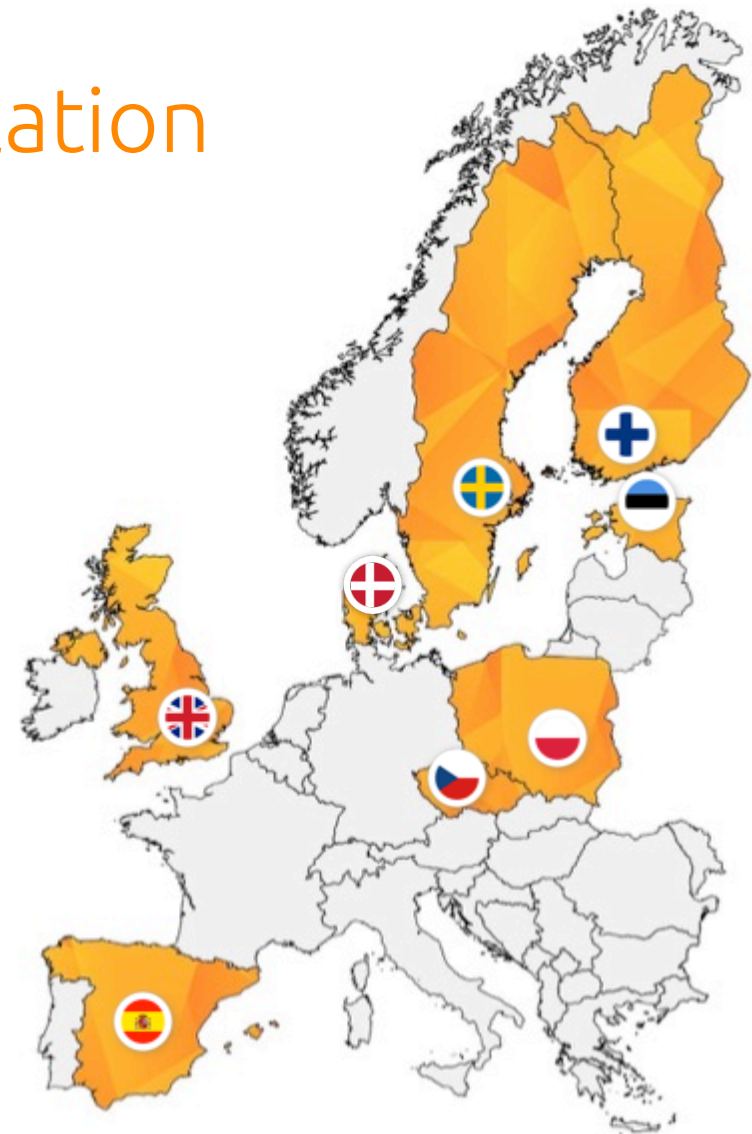
## Czech Republic

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



## Denmark

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



# Customers

Creditstar has a very good understanding of its existing customer base. The behavior of all customers, both new and existing, is closely monitored. Creditstar's customer loyalty program has increased customer retention rates and lowered counterparty risk for Creditstar. Creditstar has 805,487 registered users as of March'2019. 628,441 of them have taken at least one loan and/or have logged in the homepage at least once during last 12 months.

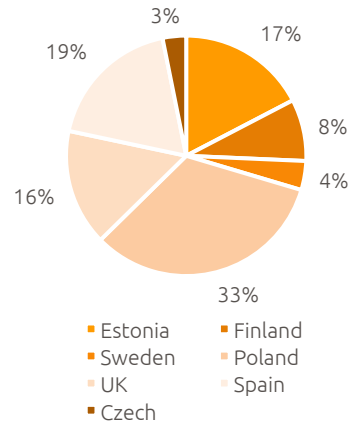
## Profile of average customer

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

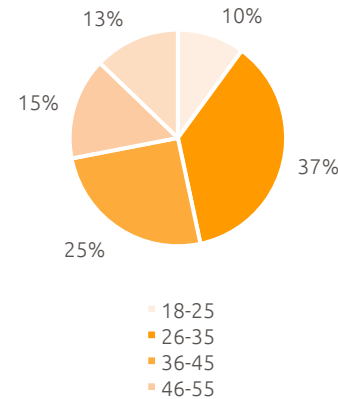
Key characteristics of the typical customer:

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

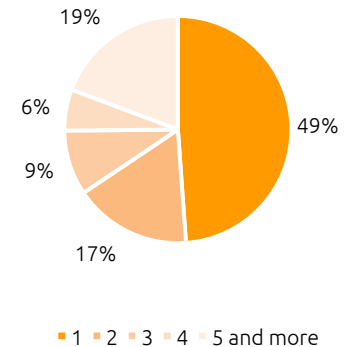
## Customer geography<sup>1</sup>



## Customer age



## No of loans taken from Creditstar



# Group structure



## Operations in the Company

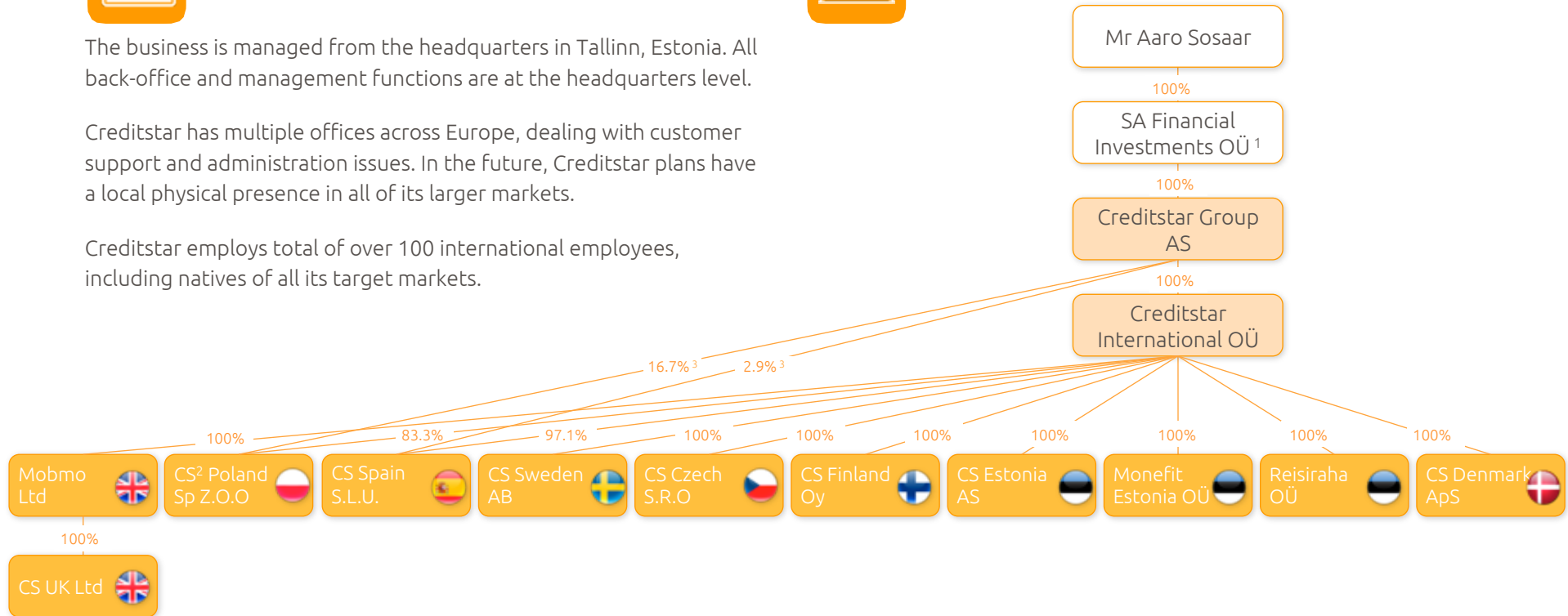
The business is managed from the headquarters in Tallinn, Estonia. All back-office and management functions are at the headquarters level.

Creditstar has multiple offices across Europe, dealing with customer support and administration issues. In the future, Creditstar plans have a local physical presence in all of its larger markets.

Creditstar employs total of over 100 international employees, including natives of all its target markets.



## Legal Structure



<sup>1</sup> SA Financial Investments OÜ owns share also in other entities not related to Creditstar (hence not presented in the chart)

<sup>2</sup> "CS" is an abbreviation for "Creditstar"

<sup>3</sup> Transfer of holding from Creditstar Group AS to Creditstar International OÜ is in progress

# Management team

## Aaro Sosaar

**Managing Director (since 2007), shareholder**

Prior to Creditstar Aaro worked and studied in London.

Cass Business School (UK), Banking and International Finance.

Member of Estonian Investors Association



## Sven Silver

**Chief Financial Officer (2007)**

Previously Chief Accountant in various Estonian companies.

Tallinn College of Technical University of Tallinn, Business and Financial Management



## Valter Kaleta

**Chief Business Development Officer (2012)**

Previously Managing Director in an international branding agency LOOVOOL.

Int. Uni. Concordia Audentes, Business Management and International Marketing



## Aleksei Kurov

**Head of Operations (2018)**

Before joining Creditstar, Aleksei held managerial positions in Friendly Finance Group, EstateGuru, CV Keskus, Runway International, Western Union UK and Chequepoint UK.

University of LEX in Tallinn, Law



## Jevgeni Komkin

**Head of Marketing (2018)**

Before joining Creditstar, Jevgeni held a CMO position at Credy and Head of Mobile position at Admiral Markets Group.

Estonian Business School, International Business Administration



## Kristjan Sepp

**Head of IT (2018)**

Joined with Creditstar in April 2015, since 2017 held a Head of Product position. Before joining Creditstar, he held project manager positions in various technology driven companies.

Tallinn University, IT Administration



## Ulla Ugast

**Head of Customer Service (2012)**

Joined Creditstar in 2008 and worked in customer service.

Previously head of department position in retail sector.

She has studied Personnel Management



## Kadi Raudsepp

**Head of Legal and Compliance (2018)**

Before joining Creditstar, Kadi held a Head of Legal and Administration position in Admiral Markets Group.

Tartu University, Master of Arts in Law



## Mykola Herasymovych

**Principal Data Scientist (2018)**

Before joining Creditstar, Mykola held research intern position in Estonian Central Bank for 3 months.

University of Tartu, Quantitative Economics



## Aleksei Moronov

**Head of Credit Risk (2017)**

Previously Head of Underwriting in Bigbank AS.

Tallinn University of Technology, Banking and Finance



# Country managers

## George Zhordania

### Country Manager (2015)

Before joining Creditstar, George worked on various positions in Credit Management in Estonia, Finland, Sweden and Lithuania

George has studied Hotel Management and Economics, he is currently finishing PR-studies at the Uni. of Tartu



## Tanel Lassik

### Country Manager (2017)

In Creditstar since June 2014. Before joining Creditstar, Tanel worked in insurance (ERGO) and banking (SEB)

Tartu Vocational Education Centre, currently studies Business Management and Administration



## Monika Niebelska

### Country Manager (2015)

Before joining Creditstar, worked as Country Manager at international digital performance marketing company and Debt Manager in consumer finance sector

University of Wroclaw, Linguistics



## Taavi Rekor

### Country Manager (2014)

Before joining Creditstar, held a Business Manager position in an UK based consumer finance company.

Tallinn University, studies in Institute of Estonian Language and Culture



## Carles Federico

### Country Manager (2015)

Before joining Creditstar, Carles worked for Adcash, Hansaworld and Skype

Pompeu Fabra University, Business and Administration



## Dennis Ynborg

### Country Developer (2018)

Before joining Creditstar, Dennis held a customer service and field service management position in Agfa Graphics.

Warsaw University, Internal Security studies



## Pawel Szukalski

### Country Manager (2017)

Before joining Creditstar, worked as Country Manager for the biggest e-commerce company in Poland and team lead in Google.

Nicolaus Copernicus University, Law



## Anders Jensen

### Country Developer (2019)

In Creditstar since April 2019. Before joining Creditstar, Anders worked in different management positions within the service industry.

Copenhagen Hospitality College, Copenhagen



## Nerijus Mačiulis

### Business Development Manager – New Markets (2014)

Before joining Creditstar, worked in General Financing / Societe Generale Group (Consumer financing)

Vilnius Gediminas Technical University, Business Management and Administration



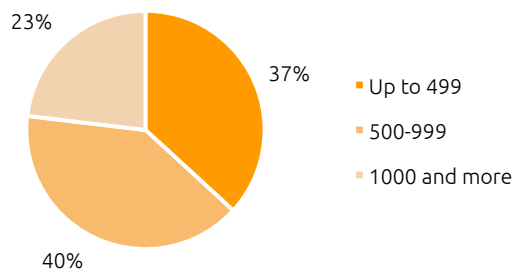


# Loan portfolio

## Summary

106,000	outstanding loans, number of agreements
111,842	gross value of the loans, thousand EUR
23,322	impairments, thousand EUR
88,520	net loan portfolio thousand EUR
1,050	average size of a loan, EUR

## Distribution of the loans by size



## Non-performing loans

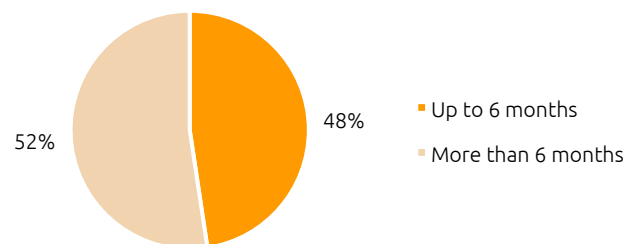
Majority of the non-performing loans have been recoverable – the small size of the loans has helped to keep recovery rates at high levels.

Historically up to 20% of all loans fail to comply with the initial or extended payment schedule. Such loans are recovered with a help of external debt collection service or bailiffs.

Only a minor part of the loans has not been recoverable at all due to several reasons e.g. bankruptcy, death, fraud, etc.

Creditstar has not lost a single court-case to its debtors.

## Distribution of the loans by tenure



# Loan underwriting process

## Summary

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

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

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

## Responsible lending

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

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

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

### Step 1: Registration

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

### Step 2: Application

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

### Step 3: Solvency check

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

### Step 4: Scoring

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

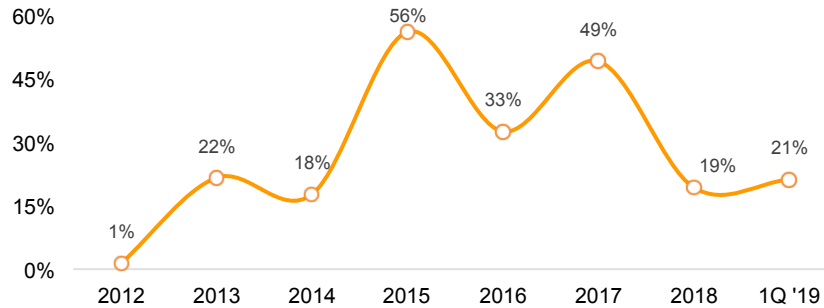
### Step 5: Closing

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

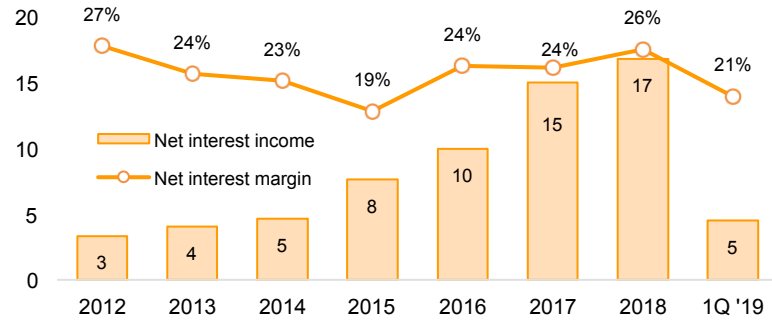
# Portfolio performance

## Continuous growth of the loan portfolio

Interest income growth, y-o-y

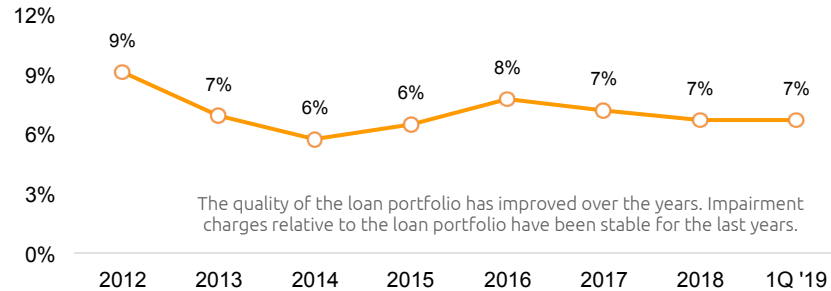


## Interest income is on the rise



## Stable portfolio quality

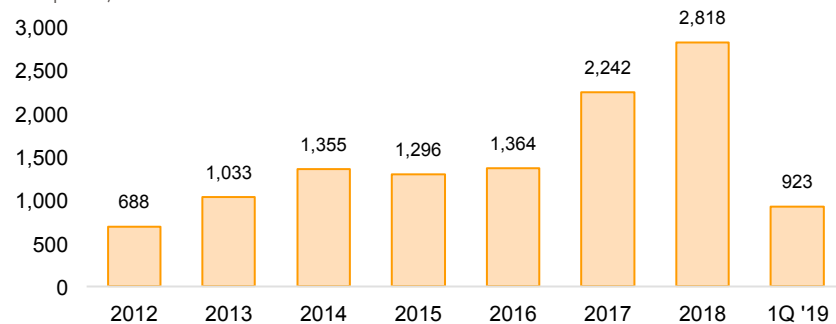
Annual impairment charges / average loan portfolio, %



# Financial highlights

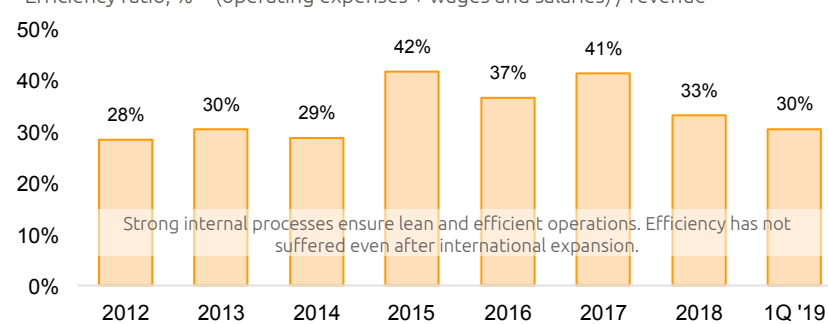
## Profitable throughout its history

Net profit, TH EUR



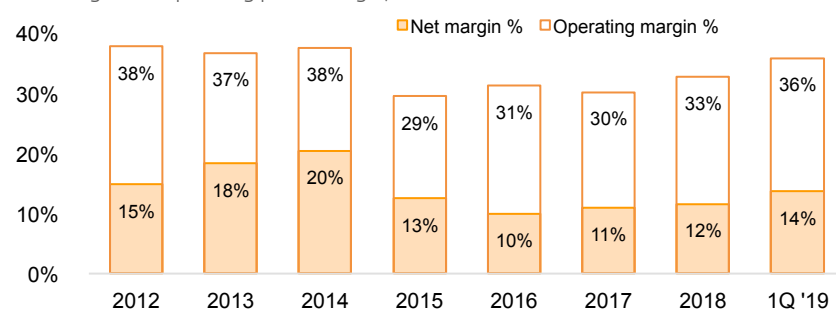
## Efficient operations

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



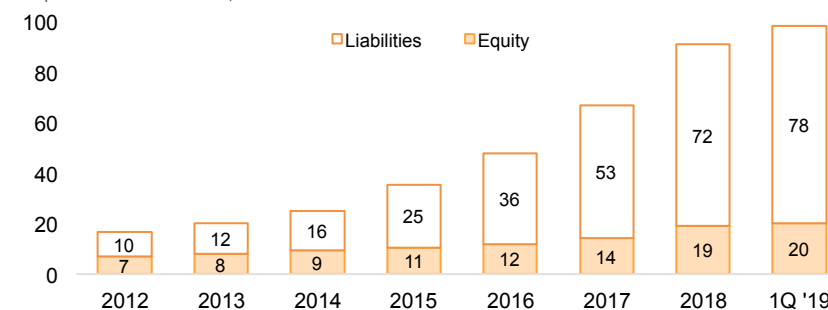
## Stable profitability

Net margin and operating profit margin, %



## Strong balance sheet

Equities and liabilities, M EUR



A man with glasses and a beard, wearing a brown blazer over a blue shirt, is sitting at a desk. He is looking at a computer monitor that displays various financial charts, including a bar chart and a pie chart. The background is a blurred office environment. The image has a warm, golden-yellow color overlay.

# Financial statements

Creditstar Group AS



# Consolidated income statement

(TH EUR)	2013	2014	2015	2016	2017	2018	1H'2019
Interest & other income	5,646	6,644	10,365	13,734	19,604	24,422	14,275
Interest expense	-1,609	-1,968	-2,728	-3,763	-5,492	-7,615	-4,600
<b>Net interest income</b>	<b>4,037</b>	<b>4,676</b>	<b>7,637</b>	<b>9,971</b>	<b>14,112</b>	<b>16,807</b>	<b>9,675</b>
Operating expenses	-1,161	-1,345	-3,313	-3,693	-4,926	-5,324	-2,787
Wages and salaries	-552	-567	-997	-1,321	-1,969	-2,768	-1,521
Depreciation	-254	-272	-273	-453	-350	-436	-242
Currency cost	0	0	0	-241	-22	-300	28
<b>Operating profit</b>	<b>2,070</b>	<b>2,492</b>	<b>3,054</b>	<b>4,290</b>	<b>6,845</b>	<b>7,979</b>	<b>5,153</b>
Loan impairment charges	-1,034	-1,134	-1,751	-2,856	-4,425	-4,858	-2,876
Tax	-3	-3	-7	-70	-219	-303	-155
<b>Net profit</b>	<b>1,033</b>	<b>1,355</b>	<b>1,296</b>	<b>1,364</b>	<b>2,201</b>	<b>2,818</b>	<b>2,122</b>

# Consolidated balance sheet

(TH EUR)	2013	2014	2015	2016	2017	2018	1Q '2019	2Q '2019
Cash	870	147	221	368	404	939	2,474	1,641
Loans to customers	17,062	22,531	31,624	42,315	61,463	83,201	88,520	95,346
Other assets	2,360	2,414	3,627	5,014	4,731	6,866	7,253	7,335
<b>TOTAL ASSETS</b>	<b>20,292</b>	<b>25,092</b>	<b>35,472</b>	<b>47,697</b>	<b>66,598</b>	<b>91,006</b>	<b>98,247</b>	<b>104,322</b>
Borrowings	12,126	15,338	23,853	34,200	50,449	69,932	76,337	80,896
Payables and prepayments	201	434	1,003	1,488	1,851	1,866	1,828	2,096
<b>Total liabilities</b>	<b>12,327</b>	<b>15,772</b>	<b>24,856</b>	<b>35,688</b>	<b>52,300</b>	<b>71,798</b>	<b>78,165</b>	<b>82,992</b>
Issued Capital	3,175	3,175	9,765	9,765	9,765	9,765	9,765	9,765
Reserve capital	320	320	320	320	325	325	325	325
Voluntary reserve						2,000	2,000	2,000
Retained earnings	4,470	5,825	531	1,924	4,208	7,118	7992	9240
<b>Total equity</b>	<b>7,965</b>	<b>9,320</b>	<b>10,616</b>	<b>12,009</b>	<b>14,298</b>	<b>19,208</b>	<b>20,082</b>	<b>21,330</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>20,292</b>	<b>25,092</b>	<b>35,472</b>	<b>47,697</b>	<b>66,598</b>	<b>91,006</b>	<b>98,247</b>	<b>104,322</b>

# Overview of financing (consolidated)

Owners equity	20.1 M EUR	Registered share capital EUR 9.8 M EUR Dividend payments limited to 20% of the annual net profit
Private loans	20.3 M EUR	Maturity: different maturities, automatically extending agreements Interest rate: weighted average 14.71% Collateral: none
Bonds	40.9 M EUR	6 outstanding bond issues Maturities: 6-2019 (5 M EUR) 11-2019 (2.9 M EUR), 12-2019 (8.99 M EUR), 6-2020 (14.98 M EUR), 6-2021 (9 M EUR) Coupon rate: 7%-12.5% Collateral: secured with pledges on claims, bank accounts
Credit line	4.4 M EUR	Creditor: a Swedish financial group Interest rate: 12%
P2P financing	9.8 M EUR	Mintos Marketplace Interest rate: weighed average 12% Collateral: buy-back guarantee

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