CONSOLIDATED ANNUAL REPORT 2023

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 pawn shops)**
Beginning of fiscal year	**1 January 2023**
End of fiscal year	**31 December 2023**

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 comprises of 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 Poland Sp. z o.o.	subsidiary	Registered in Poland
Creditstar UK Ltd.	subsidiary	Registered in the UK
Mobmo Ltd.	subsidiary	Registered in the 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 2023

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

Our skilled professional team of over 100 people of more than 30 nationalities is central to successfully executing our growth strategy.

Profitable international finance business since 2006

Creditstar Group's mission is to enable our customers to live their best financial life. We do that by offering financial products - credit and investment - tailored to our customers' everyday needs. We have proven our ability to run an efficient business.

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

Up to 8.33% APY
Offering daily returns via P2P investment product

288m €
Total assets

1.29 m+
Registered users across all markets

100+
Team members from 30 countries

CREDIT PRODUCT
Operational in
8 European countries

INVESTMENT PRODUCT
Investors currently from
40+ countries

Latest Milestones and Developments...

monefit

Launched in October 2022 our Monefit SmartSaver investment product has seen strong growth throughout the year. As of the end of 2023 it had 5000 active investors from over 41 countries.

BANKING TECH AWARDS

Creditstar Group was a finalist in the 2023 Banking Tech Awards. The Banking Tech Awards recognise the best uses of technology in financial services around the world.

...Latest Milestones and Developments

DECEMBER 2023

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

We are glad to see many new investors taking part in this capital raise. Their active participation demonstrates strong confidence in our company. We raised €12 million in November 2023 and on December 1 we issued 2 bonds with maturities of 18 and 30 months and with annual interest rates of 13.5% and 14.5% respectively.

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.

SEPTEMBER 2023

Creditstar held a hackathon

Creditstar held a hackathon in our new Tallinn office. Our international team members spent two days solving problems, creating new technology, and improving our business and customer offerings.

AUGUST 2023

One Team initiative was rolled out

As part of our commitment to customer service, we have adopted a One Team initiative - developed and supported to enable multi-skilled workers to serve multiple markets and products.

JUNE 2023

Creditstar successfully completed the issuance of 2 new bonds for €14.1 million

Creditstar Group raised capital in the total amount of €14.1 million and issued 2 bonds with maturities of 12 and 24 months. The proceeds of the offering will be used to finance the growth of Creditstar's growing consumer credit portfolios in our target markets, as well as refinance maturing notes.

MAY 2023

Introducing Monefit.com: A unified international brand

We aim to create a one-click financial solution and be the go-to platform for managing and optimising finances seamlessly. We continue to put our customers first and adapt to their ever-evolving needs under the Monefit brand. Our dedication strengthens our position as a global leader in digital finance.

MAY 2023

Creditstar relocated its headquarters to a new office space in Porto Franco

Creditstar relocated its headquarters to a modern office space at 4 Kai Street, designed to support our growing business and expanding operations.

We have implemented “One Team” initiative – a scalable lean multi-skilled operating structure

The introduction of omnichannel communications throughout all operational areas of the business has not only enhanced our customer communication flexibility but has also positively impacted collections by improving income against forecasts through refined communication flows with clients.

Instead of geographically and functionally segregated silos, the unified customer success team combines the diverse skills of our employees to offer top-quality service through various channels across our 2 product categories (credit product and investment product) and covering 5 markets as of the end of 2023.

We adapt it continuously based on comprehensive customer feedback and careful monitoring of consumer behaviours.

Good outcomes in 2023 despite challenging market environments

We’ve achieved revenue growth and maintained our profitability margin. This outcome shows our effective business strategies and operational efficiency in adverse economic environments. Our growth and innovation have not only enhanced the financial products we already own but also expanded our market presence and product offerings.

The growth of our loan portfolio in 2023 is primarily attributed to the expansion within our repeat customer segment. Our loan portfolio quality has remained within expectations throughout the year. Despite slight increase in impairment rates, the overall portfolio continues to exhibit strength and resilience.

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.

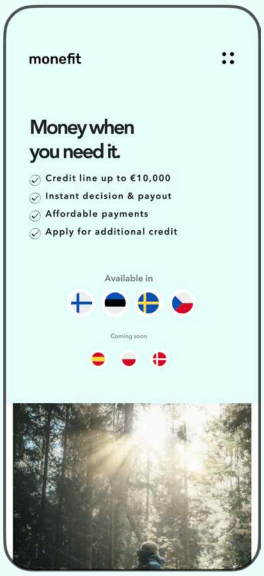
Inc. 5000 EUROPE

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.

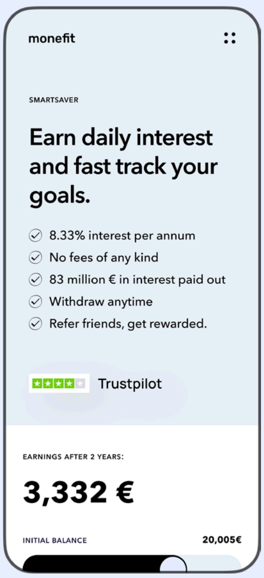
Our revenue and customer growth have been fuelled by entry to new geographical markets, expanding customer base and new product.



CREDIT

Access up to 10,000 EUR through our flexible credit line over 58+ months or opt for a fixed-term loan of up to 36 months. Both options offers fair and transparent pricing and the convenience of postponing payments for 30 days and flexible repayment plans.

Easy access
Suitable for various lifestyle needs
Attractive pricing
Favourable repayment
Faster service



INVESTMENT

P2P investment product offering fixed returns of 7.25% to 8.33% APY. Investors worldwide can benefit from daily interest payments and convenient access, making it ideal for anyone looking to save money, earn extra income, and reach their financial goals faster.

Easy access
High yield return
No fees or hidden cost
Low barrier to entry
Invest up to €250K

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.

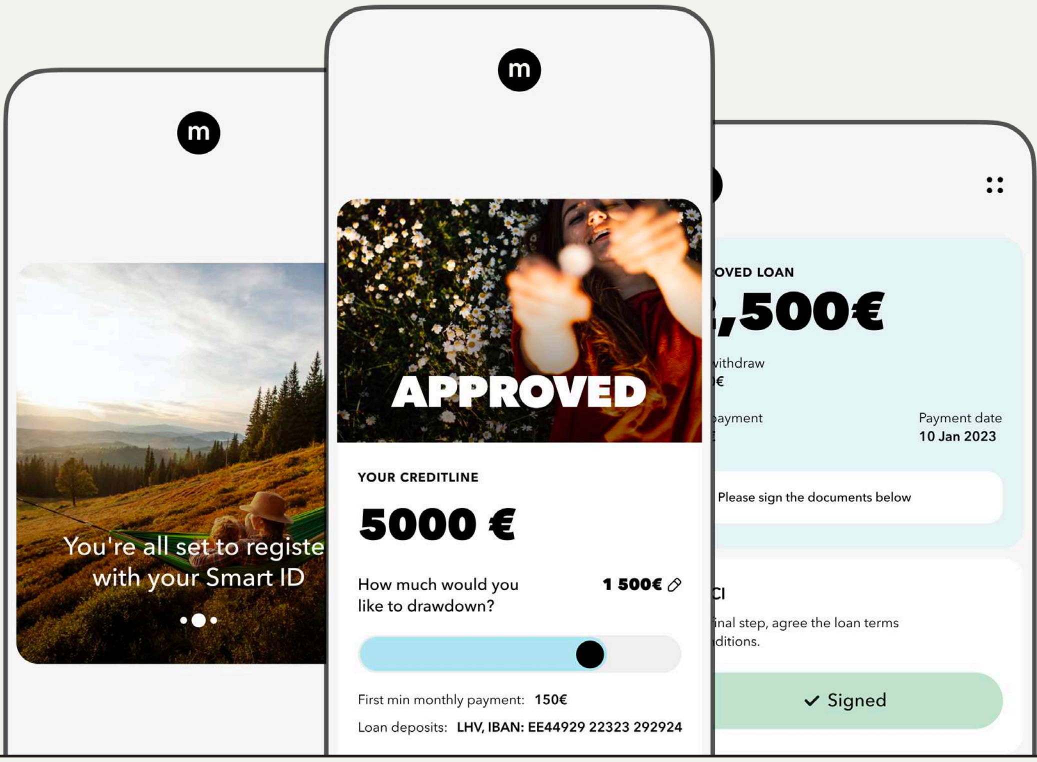
We provide consumer credit in 8 European countries

Plus SmartSaver currently to investors from 40+ countries

monefit

Your personal CreditLine. When you need it.

Borrow up to €10,000 with affordable monthly payments for all your needs. Ideal for your everyday expenses, paying for your dream holiday or everything in between.



Suitable for various lifestyle needs. Examples (not exhaustive):
Travel & holidays / Home renovations / Education / Home appliances / Technology / Rent deposit / New car / Vehicle repairs / Wedding / Unexpected events

- Credit line up to €10,000
- Instant decision & payout
- Affordable payments
- Apply for additional credit

monefit

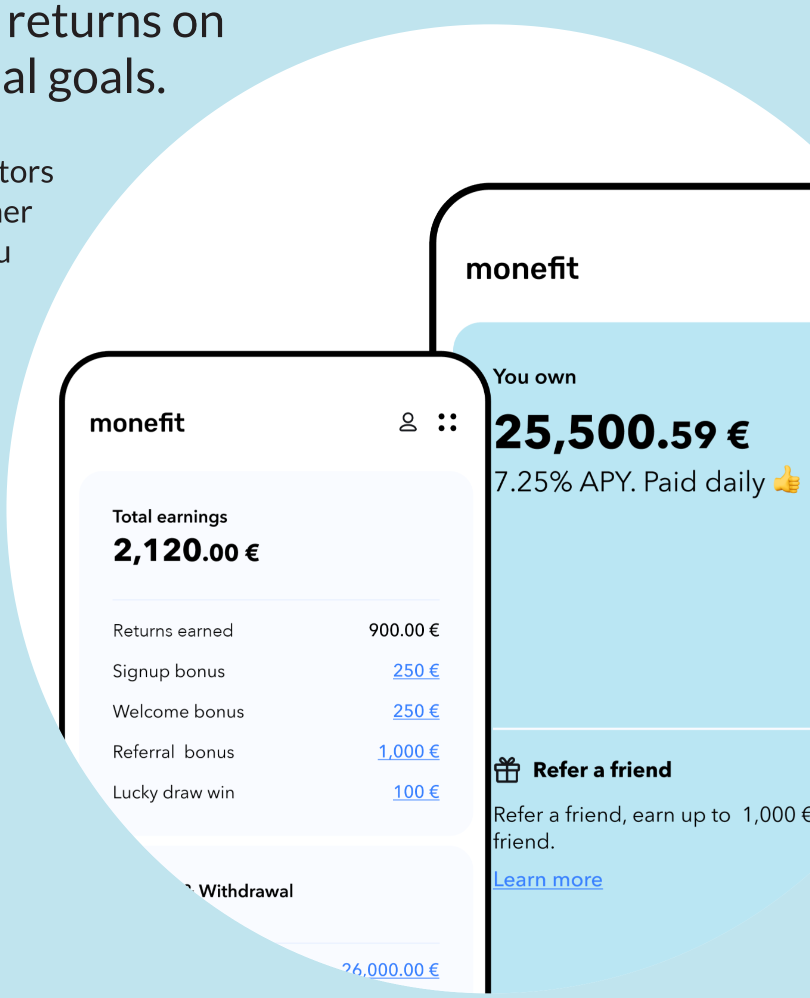
Super charge your earnings towards your goals

Monefit launched SmartSaver in October 2022, offering attractive fixed returns on investments to achieve financial goals.

More than 5,000 retail and corporate investors have seized the opportunity to achieve higher returns on their investments. Whether you are looking for passive income or to save for the next big purchase, SmartSaver has got you covered.

Earn returns based on your daily balance. Adding funds is as simple as can be – you can either transfer from your bank or card. And your funds are always within reach, accessible in 10 business days.

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



- **Daily returns starting from 7.25%**
- **No fees of any kind**
- **100 million+ interest paid out**
- **Withdraw your funds anytime**

SmartSaver funds are invested into consumer credit issued by Creditstar Group. Join a global community of investors from over 40 countries and enjoy returns between 7.25% and 8.33% APY and many more amazing rewards.

Chief Executive's review

2023: A YEAR OF STRATEGIC GROWTH AND STEADY PROGRESS

Aaro Sosaar
CEO

This past year has been one of steady progress for Creditstar. Despite the challenging market conditions, we have maintained a consistent growth path and kept our profitability stable, reflecting the solid execution of our business strategies and operational efficiencies.

Despite the market environment, Creditstar's loan portfolio quality has consistently met our expectations. While we encountered slight increases in impairment rates, our portfolio's overall strength and resilience remained strong. This year, our expansion was mainly supported by the return business from our existing customers. Looking ahead to 2024, our strategy is focused on expanding our customer base by welcoming a greater number of new clients, which we expect will lead to an accelerated increase in our portfolio size.

Acknowledging the rising expenses faced by our customers, we adapted by adjusting credit limit sizes for certain segments. These changes, driven by rising costs such as mortgage expenses and the general inflationary trend, reflect our careful approach to credit risk evaluation. Our focus on high-quality customer acquisition continues, an approach we believe will drive up average credit limit amounts and contribute positively to our overall portfolio growth.

During the rising interest rate environment of 2023, Creditstar managed to maintain favorable weighted average interest rates. The growth of our recently launched SmartSaver investment product, offering a competitive APY of 7.25-8.33%, has been well received by investors and has helped us adjust our funding costs favorably.

Since our inception, Creditstar has been dedicated to empower our customers with smart financial tools, enhancing their everyday lives. Over the year, we have seen consistent performance in our current markets and have been developing on broadening our range of products. We completed two bond issuances and expanded our sources of financing, paving the way for further growth and expansion.

This year, we established new headquarters in Tallinn and streamlined our team structures company-wide through initiatives such as 'One Team.' Our aim is to enhance both our efficiency and the talent density within our teams. Our continuous focus on refining operational processes and integrating technology is aimed at driving our future growth and efficiency.

As we reflect on the achievements of 2023, it's clear that Creditstar's strategy of market expansion, operational and financial operations, and people management has positioned us strongly for the future. With a positive outlook for 2024, we anticipate further growth in portfolio volumes, a continued emphasis on high-quality customers, and expanded product offerings. Our efforts to secure additional debt funding will support our strategic expansion, enabling us to capitalise on the opportunities that lie ahead.

I am thankful for the dedication of our team and the trust of our customers and investors. Together, we have navigated the complexities of 2023 and emerged stronger, poised for an exciting future. We stay true to our vision of empowering our customers and investors to live their best financial lives, providing innovative financial solutions, and we look forward to continuing our journey of growth and innovation.

Aaro Sosaar

Chief Executive Officer

We see overall reduction in weighted average funding cost and anticipate a continued decline in average interest rates as we further scale Monefit SmartSaver.

Main economic indicators and ratios

(In thousands euros)

Financial position statement's indicators	31.12.2023	31.12.2022
Total assets	288 442	235 806
Gross loan portfolio	335 171	276 000
Impairments to portfolio	-59 079	-50 132
Notes issued	77 153	73 576
Other borrowings	146 596	110 093
Equity	58 239	47 680

Comprehensive income statement's indicators	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Interest income	63 139	59 339
Interest expense	-31 459	-24 323
Net interest income	31 680	35 016
Personnel expense	-3 854	-4 910
Operating expense	-10 289	-12 068
Loan impairment charges	-8 480	-8 944
Depreciation of tangible assets and amortization of intangible assets	-1 845	-1 539
Profit for the year	10 662	6 470

Financial ratios	31.12.2023	31.12.2022
Return on equity (ROE)	14,19%	15,47%
Profit margin (PM)	16,89%	10,90%
Asset utilization (AU)	21,89%	25,16%
Equity multiplier (EM)	4,95	4,95

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 interest income
- Asset utilization (AU) – ratio of interest income 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 FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In thousands euros)

	01.01.2023-31.12.2023	01.01.2022-31.12.2022	Note
Interest income	63 139	59 339	2
Interest expense	-31 459	-24 323	2
Net interest income	**31 680**	**35 016**	
Other income	1 374	21	3
Operating expenses	-10 289	-12 068	3
Loan impairment and write-off charges	-8 480	-8 944	2
Wages and salaries	-3 854	-4 910	
Depreciation of tangible assets and amortization of intangible assets	-1 845	-1 539	6
Operating profit	**8 585**	**7 576**	
Corporate income tax	-319	-200	1
Net profit for the year	**8 266**	**7 376**	
Foreign currency exchange differences	2 396	-906	
Total comprehensive income	**10 662**	**6 470**	

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(In thousands euros)

Assets	31.12.2023	31.12.2022	Note
Cash and cash eqiuivalents	809	364	
Short-term loans to customers	88 018	70 631	4
Other receivables and prepayments	6 471	3 737	5
Total current assets	**95 298**	**74 732**	
Long-term loans to customers	188 074	155 237	4
Tangible assets	467	156	
Intangible assets	4 602	5 680	6
Total non-current assets	**193 144**	**161 074**	
Total assets	**288 442**	**235 806**	

Liabilities and equity			
Short-term borrowings	150 784	126 640	7
Payables and prepayments	4 515	3 407	8
Total current liabilities	**155 299**	**130 047**	
Long-term borrowings	74 904	58 078	7
Total long-term liabilities	**74 904**	**58 078**	
Total liabilities	**230 203**	**188 125**	

Equity			
Issued capital	21 000	21 000	
Other reserves	10 098	7 805	9
Retained earnings	18 874	11 498	
Annual period profit / loss	8 266	7 376	
Total equity	**58 239**	**47 680**	
Total liabilities and equity	**288 442**	**235 806**	

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands euros)

	Issued capital	Retained earnings	Other reserves	Total
As at 01.01.2022	**21 000**	**11 498**	**5 656**	**38 154**
Net profit for the year	-	7 376	-	7 376
Other comprenesive income (-loss)	-	-	-906	-906
Increase of voluntary reserves	-	-	2 600	2 600
Currency exchange differences	-	-	455	455
As at 31.12.2022	**21 000**	**18 874**	**7 805**	**47 680**
Net profit for the year	-	8 266	-	8 266
Other comprenesive income (-loss)	-	-	2 396	2 396
Currency exchange differences	-	-	-103	-103
As at 31.12.2023	**21 000**	**27 140**	**10 098**	**58 239**

Equity is owned 100% by shareholders of the Group.

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CONSOLIDATED CASH FLOW STATEMENT

(In thousands euros)

Operating activities	**01.01.2023-31.12.2023**	**01.01.2022-31.12.2022**	**Note**
Profit for the year	8 266	7 376	
Adjustment to net profit			
thereof depreciation of tangible assets and amortization of intangible assets	1 845	1 539	6
thereof other adjustments	39 980	32 365	
Change in operating assets			
thereof loans to customers	-59 171	-52 586	
thereof other receivables and prepayments	267	-431	
Change in operating liabilities	1 108	1 090	
Total cash flow from operating activities	**-7 705**	**-10 647**	
Investing activities			
Addition to tangible assets	-428	-	
Addition to intangible assets	-650	-694	
Sale of subsidiaries	1 291	-	
Total cashflow from investing activities	**213**	**-694**	
Financing activities			
Proceeds from notes issued and other borrowed funds	31 272	28 341	
Repayment of notes issued and other borrowed funds	-18 014	-11 287	
Other financing	11 034	6 730	
Interest paid	-16 251	-18 521	
Total cash flow from financing activities	**8 041**	**5 263**	
Total cash flow	**549**	**-6 078**	
Cash and cash equivalents in the beginning	**364**	**5 985**	
Change in cash and cash equivalents	549	-6 078	
FX impact	-104	457	
Cash and cash equivalents at closing	**809**	**364**	

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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 2022 balances:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Liabilities	Previous report	Current report	Difference
Short-term borrowings	125 683	126 640	957
Long-term borrowings	59 035	58 078	-957

Correction made for more accurate presentation of short and long term Bond liabilities.

Liabilities	Previous report	Current report	Difference
Other reserves	8 256	7 805	-451
Retained eranings	18 424	11 498	-6 925
Annual period profit / loss	0	7 376	7 376

Correction made to separate annual period profit/loss from retained earnings and other comprehensive income/ loss was removed from retained earnings to other reserves

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 Poland Sp. z o.o.

Creditstar UK Ltd.

Mobmo 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 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.

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 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.

Mobmo Ltd. is a company registered in the UK. The business plan and procedures of the company comply with the Group policy and company reports are presented as consolidated line-by-line. Mobmo Ltd. has been a part of the Group since December 2023.

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.

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.

<u>Accounting for investments in subsidiaries in the Parent Company's unconsolidated balance sheet</u>

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.

<u>Interest income</u>

For all financial instruments measured at amortised acquisition cost, interest income or expense is recognised 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

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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.

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);

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 Loan receivables

Group makes a collective assessment of impairment for loan receivables. Company has developed an impairment model that incorporates assumptions and parameters in assessing impairment for a group of receivables with similar credit risk characteristics.

Company has grouped loan receivables according to similar credit risk characteristics that are indicative of the borrower's ability to pay all amounts due according to the contractual terms.

The recoverable amount of loan receivables is assessed based on historical loss experience for exposures with similar credit risk characteristics.

Receivables are written down to the present value of their estimated future cash inflows.

Components of the impairment model:

Probability of default (PD);

Exposure at default (EAD);

Loss given default (LGD);

Discount rate.

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

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.

E. Tangible 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 recognized 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 computer systems	33.33%
Office furnishings and repairs	10 - 20%
Office appliances and fixtures	20%

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 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 amortization 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 recognised is a minimum of 1,000 euros.

The following annual amortization rates apply for intangible assets groups:

Customer lists	14,28%
Goodwill	10%
Technology	10-50%

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 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 2023 is 319 thousand Euros.

I. 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).

J. 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;

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

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Note 2. Interest income and expense & loan impairment charges

Per annum (in thousands euros)

Interest expense by type:	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Notes issued	-12 915	-8 741
Loans and other financial instruments	-6 914	-4 373
Factoring	-621	-527
P2P	-11 008	-10 682
Total	**-31 459**	**-24 323**

Interest income by geographical area:	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Estonia	35 733	33 375
Finland	8 608	6 379
Sweden	115	221
Poland	5 686	7 016
UK	173	441
Czech	151	675
Spain	12 609	11 089
Denmark	64	142
	63 139	**59 339**

Loan impairment charges and amounts written off:	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Loan impairment allowance	-8 480	-7 701
Amounts written off from balance sheet	-	-1 243
Total	**-8 480**	**-8 944**

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Note 3. Operating expenses and other income

(In thousands euros)

Other income	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Profit from sale of tangible assets	1	-
Other revenue from sale of services	30	21
Other interest income	10	-
Other income	1 332	-
Total	**1 374**	**21**

Operating expenses	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Customer register and identification costs	-617	-1 200
Customer loan collection and legal fees	-422	-264
Customer service and communication costs	-108	-219
Customer payment processing fees	-124	-202
Marketing and advertising costs	-947	-1 916
Engineering and loan platform costs	-713	-1 048
Office costs	-546	-401
Various purchased services	-2 228	-1 897
IT services	-332	-
Bond costs	-67	-1 615
Loan, factoring and P2P platform costs	-3 773	-2 568
Personnel costs	-207	-552
Other administrative costs	-137	-95
Other expense	-68	-91
Total	**-10 289**	**-12 068**

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Note 4. Loans to customers

(In thousands euros)

	31.12.2023	31.12.2022
Loans to customers [1]	335 171	276 000
Loan impairment allowance	-59 079	-50 132
Total	**276 092**	**225 869**

	31.12.2023	31.12.2022
Loans to customers with maturity up to 1-12 months	88 018	70 631
Loans to customers with maturity up to 13-54 months	188 074	155 237
Total	**276 092**	**225 869**

[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.

	Gross value 31.12.2023		Impairments 31.12.2023		Net value 31.12.2023
Loans within due dates	251 364	Impairments	-8 438	Loans within due dates	242 926
Loans with 1 - 30 days overdue	17 179	Impairments	-2 169	Loans with 1 - 30 days overdue	15 010
Loans with 31 - 90 days overdue	11 648	Impairments	-5 205	Loans with 31 - 90 days overdue	6 443
Loans with 91+ days overdue	**54 980**	**Impairments**	**-43 267**	**Loans with 91+ days overdue**	**11 713**
		Additional impairments reserve	**-**	**Additional impairments reserve**	**-**
Total Gross portfolio	**335 171**	**Total impairments**	**-59 079**	**Total Net portfolio**	**276 092**

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	Gross value 31.12.2022		Impairments 31.12.2022		Net value 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**	**10 759**
		Additional impairments reserve	**-1 496**	**Additional impairments reserve**	**-1 496**
Total Gross portfolio	**276 000**	**Total impairments**	**-50 132**	**Total Net portfolio**	**225 868**

Note 5. Other receivables and prepayments

(In thousands euros)

Other receivables:	**31.12.2023**	**31.12.2022**
Short term claims	1 554	1 937
Accrued expenses	253	588
Various deposits	964	701
Tax related accruals	539	504
Other short term liquid receivables*	3 000	-
Prepayments	161	8
Total other receivables and prepayments	**6 471**	**3 737**

* Other claims totalling €3 million are similar to cash equivalents. These are bond securities held by the Group, which had investor commitments and were converted into cash shortly after the reporting date.

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Note 6. Tangible and intangible assets

(In thousands euros)

	IT hardware	Office equipment	Furniture	Total
Net book value at 01.01.2022	**132**	**10**	**55**	**196**
Additions	51	8	-	59
Depreciation	-90	-2	-7	-99
Net book value at 31.12.2022	**93**	**15**	**48**	**156**
Additions	14	205	208	427
Depreciation	-64	-31	-21	-116
Net book value at 31.12.2023	**43**	**189**	**235**	**467**

At 31.12.2022	IT hardware	Office equipment	Furniture	Total
Acquisition cost	**256**	**20**	68	345
Depreciation	**-163**	**-5**	-20	-189
Net balance	**93**	**15**	**48**	**156**

At 31.12.2023	IT hardware	Office equipment	Furniture	Total
Acquisition cost	**270**	**226**	276	772
Depreciation	**-227**	**-37**	-41	-305
Net balance	**43**	**189**	**235**	**467**

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	Prepayment	Unfinished development projects	Intangible assets Customer lists	Intangible assets Technology	Intangible assets Goodwill	Total
Net book value at 01.01.2022	**0**	**0**	**2 023**	**3 984**	**469**	**6 476**
Additions	-	52	-15	597	-	**635**
Amortization	-	-	-526	-798	**-106**	**-1 430**
Net book value at 31.12.2022	**0**	**52**	**1 483**	**3 783**	**363**	**5 680**
Additions	20	162	-	468	-	**650**
Write-off	-	-	-507	-	-	**-507**
Amortization	-	-	-127	-988	**-106**	**-1 221**
Net book value at 31.12.2023	**20**	**214**	**848**	**3 264**	**256**	**4 602**
At 31.12.2022						
Acquisition cost	-	52	4 213	7 077	1 061	12 403
Amortization	-	-	-2 730	-3 294	-698	-6 722
Net balance	**0**	**52**	**1 483**	**3 783**	**363**	**5 680**
At 31.12.2023						
Acquisition cost	20	214	3 706	7 545	1 061	12 546
Amortization	-	-	-2 857	-4 281	-805	-7 943
Net balance	**20**	**214**	**848**	**3 264**	**256**	**4 602**

Note 7. Short-term and long-term borrowings

(In thousands euros)

	31.12.2023	31.12.2022
Short-term borrowings:		
Notes issued [1]	30 664	28 057
Borrowings [2]	118 182	97 534
Interest accrued on notes issued	855	722
Interest accrued on borrowings	1 117	418
Prepaid financing costs	-34	-90
Total short-term borrowings	**150 784**	**126 640**
Long-term borrowings:		
Notes issued [1]	46 489	45 519
Borrowings [2]	28 414	12 559
Total long-term borrowings	**74 904**	**58 078**

[1] As of 31.12.2023 Creditstar consolidation group has issued bonds in the amount of 79,3 million Euros with a due dates between 2024 - 2026. The annual interest rate of the issued bonds is 10,5% up to 14,5%.

[2] Borrowings of the Group at 31.12.2023 amounted to 118,2 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 31.12.2023 is 127,5M euro (31.12.2022 108,9M 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 subsidisaries, except claims in portfolio of Creditstar Estonia AS, value at 31.12.2023 is 30,8M euros (31.12.2022 33,8M euros) and additionally collateral for borrowings is Creditstar Group AS guarantee, value at 31.12.2023 is 47,5M euros (31.12.2022 47,2M euro).

Total short-term liabilities of the Group amount to 155,3M Euros and total short-term assets of the Group amount to 95,3M 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 2024.

In 2023 Creditstar redeemed 4 maturing Notes in the total amount of 27,8 million euros and issued 4 new Notes in the total amount of 28,5 million euros maturing in 2024, 2025 and 2026.

Majority of automatically extending direct loans have been extended in 2023 and their maturity is in 2024.

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 2023.

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Note 8. Payables and prepayments

(In thousands euros)

	31.12.2023	31.12.2022
Accounts payable	3 168	1 657
Employee-related liabilities	692	776
Tax liabilities	372	278
Tax provisions	127	146
Other debts	6	124
CIT allowances	150	427
Total	**4 515**	**3 407**

Note 9. Owner's equity

As of 31 December 2023, the Group's retained earnings amounted to 27 140 thousand euros. The maximum possible corporate income tax liability related to the disbursement of the whole retained earnings balance as dividends is 5 428 thousand euros. Thus, the Group could pay dividends in the total amount of 21 712 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 2023.

As of 31 December 2023 Other reserves include capital injections which are not yet converted into registered capital in the amount of 8 256 thousand euro (2022: 8 256 thousand euro) and comprehensive currency exchange differences reserves in the amount of 1 842 thousand euros (2022: -451 thousand euros).

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%
MONEFIT CARD OÜ	Estonia	www.monefit.com	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%
MOBMO LTD.	UK	07820005	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 2023

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

Sales to related parties:	**01.01.2023-31.12.2023**	**01.01.2022-31.12.2022**
Companies controlled by shareholders with significant influence over the Group	30	0

Amounts owed to related parties:	**31.12.2023**	**31.12.2022**
Companies controlled by shareholders with significant influence over the Group	13 065	42 894

Amounts owed by related parties:	**31.12.2023**	**31.12.2022**
Companies controlled by shareholders with significant influence over the Group	2 850	1 620

Management remunerations:	**31.12.2023**	**31.12.2022**
Members of the Management and Supervisory Board	161	172

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.

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 2023, 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.

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

(In thousands euros)

	01.01.2023-31.12.2023	**01.01.2022-31.12.2022**
Interest income	1 415	299
Other operating income	87	50
Other operating expenses	-115	-84
Salaries	-46	-61
Depreciation of intangible assets	-106	-106
Operating profit	**1 235**	**97**
Profit for the year	**1 235**	**97**

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Note 15. Parent company's separate statement of financial position

(In thousands euros)

Assets	31.12.2023	31.12.2022
Cash and cash equivalents	1	1
Other receivables	10 262	8 943
Total current assets	**10 262**	**8 944**
Investments in subsidiaries	2 549	2 546
Intangible assets	256	363
Total non-current assets	**2 805**	**2 908**
Total assets	**13 068**	**11 852**
Liabilities and Equity		
Short term borrowings		
Short term loans to subsidiaries	0	0
Payables and prepayments	52	71
Total current liabilities	**52**	**72**
Total liabilities	**52**	**72**
Equity		
Issued capital	21 000	21 000
Voluntary reserve	8 256	8 256
Retained earnings	-16 241	-17 475
Total equity	**13 015**	**11 781**
Total liabilities and equity	**13 068**	**11 852**

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Note 16. Parent company's separate changes in equity

(In thousands euros)

	Issued capital	Reserves	Retained earnings	Total
As at 31.december 2021	**21 000**	**5 656**	**-17 572**	**9 084**
Profit /-loss) for the period	-	-	97	97
Increase in reserves	-	2 600	-	2 600
Corrected non-consolidated equity 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**

As at 31.December 2022	**21 000**	**8 256**	**-17 475**	**11 781**
Profit /-loss) for the period	-	-	1 235	1 235
Increase in reserves	-	-	-	-
As at 31.december 2023	**21 000**	**8 256**	**-16 240**	**13 016**
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	-	-	47 722	47 722
Corrected non-consolidated equity at 31. December 2023	**21 000**	**8 256**	**28 982**	**58 238**

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Note 17. Parent company's separate cash flow statement

(In thousands euros)

	01.01.2023-31.12.2023	01.01.2022-31.12.2022
Operating activities		
Profit for the year	1 235	97
Adjustment to net profit		
thereof amortization of intangible assets	105	106
thereof other adjustments to net profit	-3	-298
Change in operating assets	-1 318	43
Change in operating liabilities	-19	54
Total cash flow from operating activities	**0**	**2**
Financing activities		
Change in overdraft	0	-4 205
Total cash flow from financing activities	**0**	**-4 205**
Total cash flow	**0**	**-4 203**
Cash and cash equivalents in the beginning	**1**	**4 204**
Change in cash and cash equivalents	0	-4 203
Cash and cash equivalents at closing	**1**	**1**

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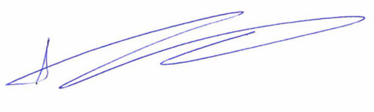
Our company and team are well aligned to continue attracting substantial growth in the future.

SIGNATURES TO THE ANNUAL REPORT 01.01.2023 – 31.12.2023

Management board of Creditstar Group AS has approved the Annual Report for 01.01.2023 - 31.12.2023 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 28.06.2024

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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 statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, 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 2023, 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.

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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, 28 June 2024

Müügitulu jaotus tegevusalade lõikes

Tegevusala	EMTAK kood	Müügitulu (EUR)	Müügitulu %	Põhitegevusala
Muu laenuandmine, v.a pandimajad	**64929**	**1415000**	**100.00%**	**Jah**