

NEO Finance, AB

Sales report 2020 Q3

Vilnius
2020-10-15

Management comments

- Loans issued in the third quarter of 2020 amounted to **4.72 million EUR**. The biggest impact on the success of the issuances was in August. During that month were issued loans for **1.786 million EUR** and all-time record was achieved. August overtake the most successful months of last year July and January of this year.
- An NPS survey was conducted in August. The audience of the survey was customers who took new loans or repaid an existing loan during the August. According to the results of the survey, the NPS indicators are very positive: even **85%** of those who took a new loan and **75%** of those who have repaid the loan, would recommend the **NEO Finance** platform.
- In 2020 Q3 **NEO Finance** has announced, on the Nasdaq stock exchange, a decision to increase its authorized capital by additional contributions, taken at the extraordinary general meeting of the company's shareholders. It was decided to issue up to 120,007 ordinary registered shares and authorized capital of **NEO Finance** was increased by almost **260 thousand EUR**.
- The authorized capital of **UAB FinoMark**, which currently is developing a new crowdfunding platform, was increased at the end of September. As the sole shareholder of the company, **NEO Finance** decided to increase the authorized capital of **UAB FinoMark** by **100 thousand EUR**.
- As part of the development strategy presented during the IPO, **NEO Finance** is expanding the geographic scope of **Neopay's** payment initiation service (MIP) and in August launched it in a new market – the Netherlands. Now investors from all three Baltic countries and the Netherlands have the opportunity to top up their **NEO Finance** accounts using the **Neopay** service, which allows them to start investing immediately.
- In the third quarter of 2020 **Neopay** improved the results and performed more than **1.64 million transactions**. Most payments to major banks were made through APIs. After several successful new customer integrations in September, the number of payment initiation service transactions increased by **20%** compared to the August results.

Events



Social events

- **July**
Webinar for advanced investors.
 - **August**
Webinar for new investors;
Webinar for foreign investors.
 - **September**
Presentation of the new program for VIP Club;
Webinar for advanced investors.
- In 2020 Q3 was made a decision to increase the authorized capital of **NEO Finance** and capital was successfully increased by almost **260 thousand EUR.**
 - At the end of September, **NEO Finance** made a decision to increase the share capital of **UAB FinoMark** by **100 thousand EUR.**
 - **Neopay** is expanding its geographical boundaries and in August launched MIP service in a new market – the Netherlands.

Management accounts



The vast majority of revenues related to P2P lending activities are distributed throughout the loan period. Management accounts represent future intermediary fee income as the result of loans issued in specific quarter.

	2020 Q3	2020 Q2	Δ, %	2019 Q3	Δ, %
Loans issued, K EUR	4,719	4,038	17%	5,115	-8%
Intermediary fee income, K EUR*	458	401	14%	404	13%
<i>Intermediary fee / Loans issued ratio</i>	9.7%	9.9%	-	7.9%	-
PIS income, K EUR	84	68	23%	36	132%
Other income, K EUR	451	405	11%	367	23%
Total income, K EUR	992	874	14%	807	23%

At the end of 2020 Q3 receivable intermediary fee amounted to **5.75 million EUR**

* Intermediary fee income in the table is represented as a result of the loans issued at the same quarter, which will be received throughout the loan period. E.g. 458 thousand EUR is a result of 4,719 thousand EUR issued and will be received throughout entire loan period.

Payment Initiation Service (PIS)

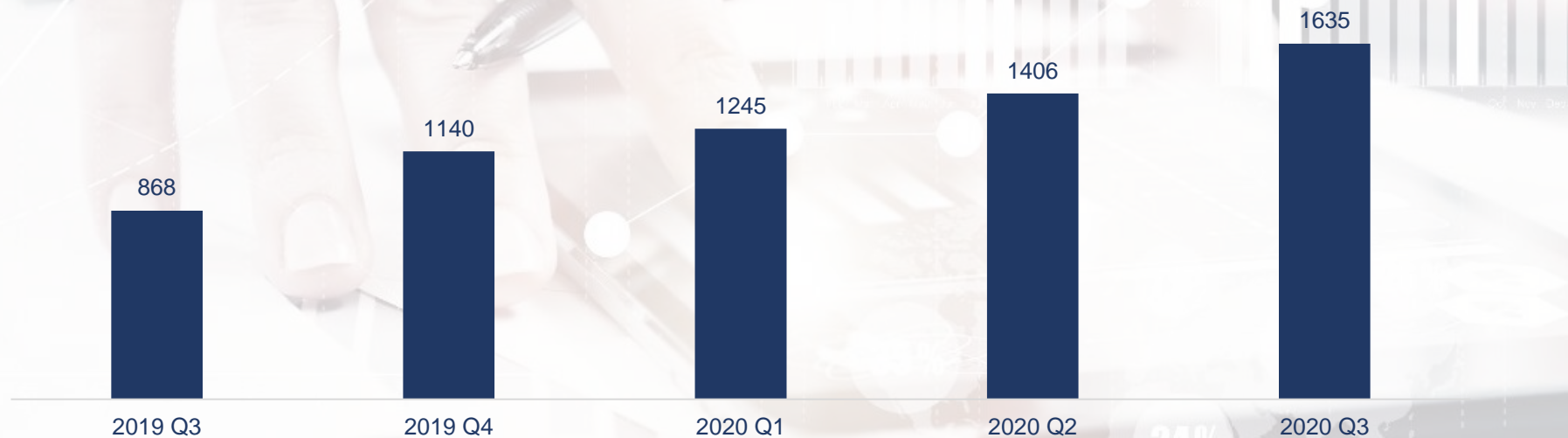


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service) that is used for billing for goods or services at e-shops when the payment initiation service is provided by a licensed broker. Using PIS e-shop makes payment faster, more convenient and cheaper.

“**NEO Finance**” is a [licensed payment initiation service provider](#) which provides this service using the **Neopay** brand trademark.

During 2020 Q3 “**NEO Finance**” clients made **1 635 466** transactions. Most payments were made through APIs with major banks.

PIS transactions, quantity, thousands

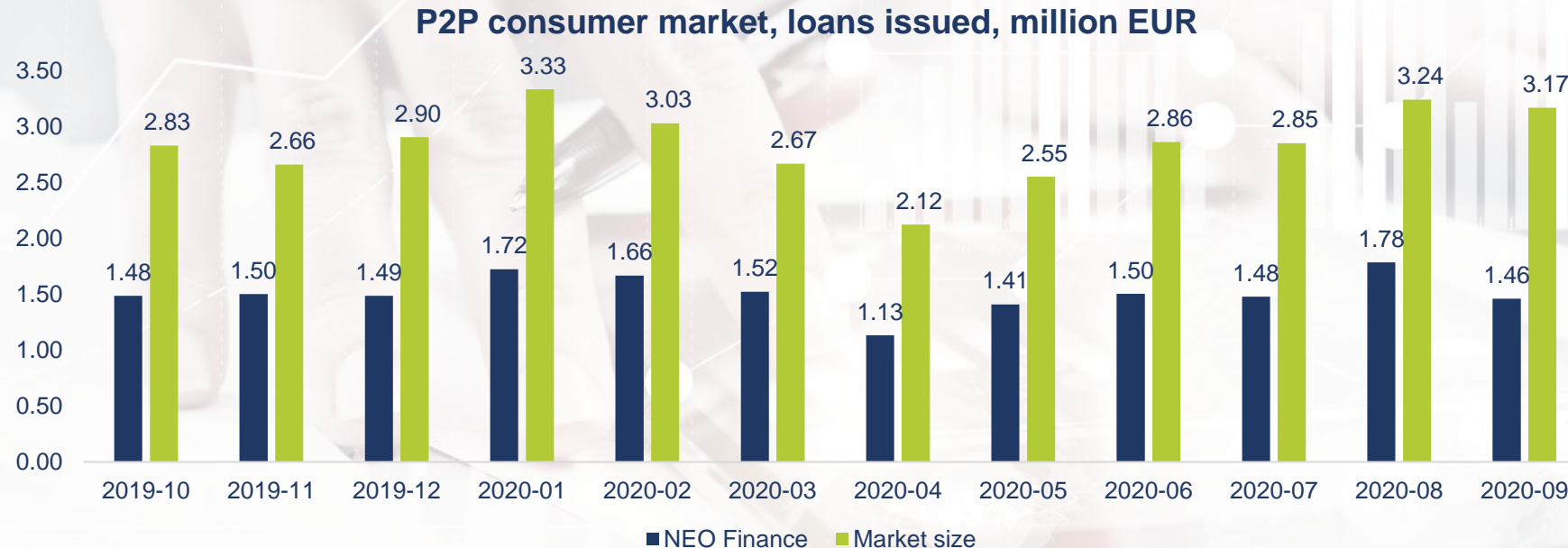


P2P consumer loan market in Lithuania



After reduction of restrictions imposed by the pandemic, P2P lending platforms begin to recover. In 2020 Q3 P2P consumer loan market size was **9.26 million EUR**. Comparing to 2019 Q3 the issued loans volume fell by 2% from **9.42 million EUR**. **“NEO Finance”** share drop was 8% in the same period. **“NEO Finance”** market share was **51%** with **4.72 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms during 2020 Q3 reached the peak of **3.24 million EUR** in August. **“NEO Finance”** clients borrowed **1.78 million EUR** in August, compared to the same month in 2019, **“NEO Finance”** issued loans volume grew by **8%**.

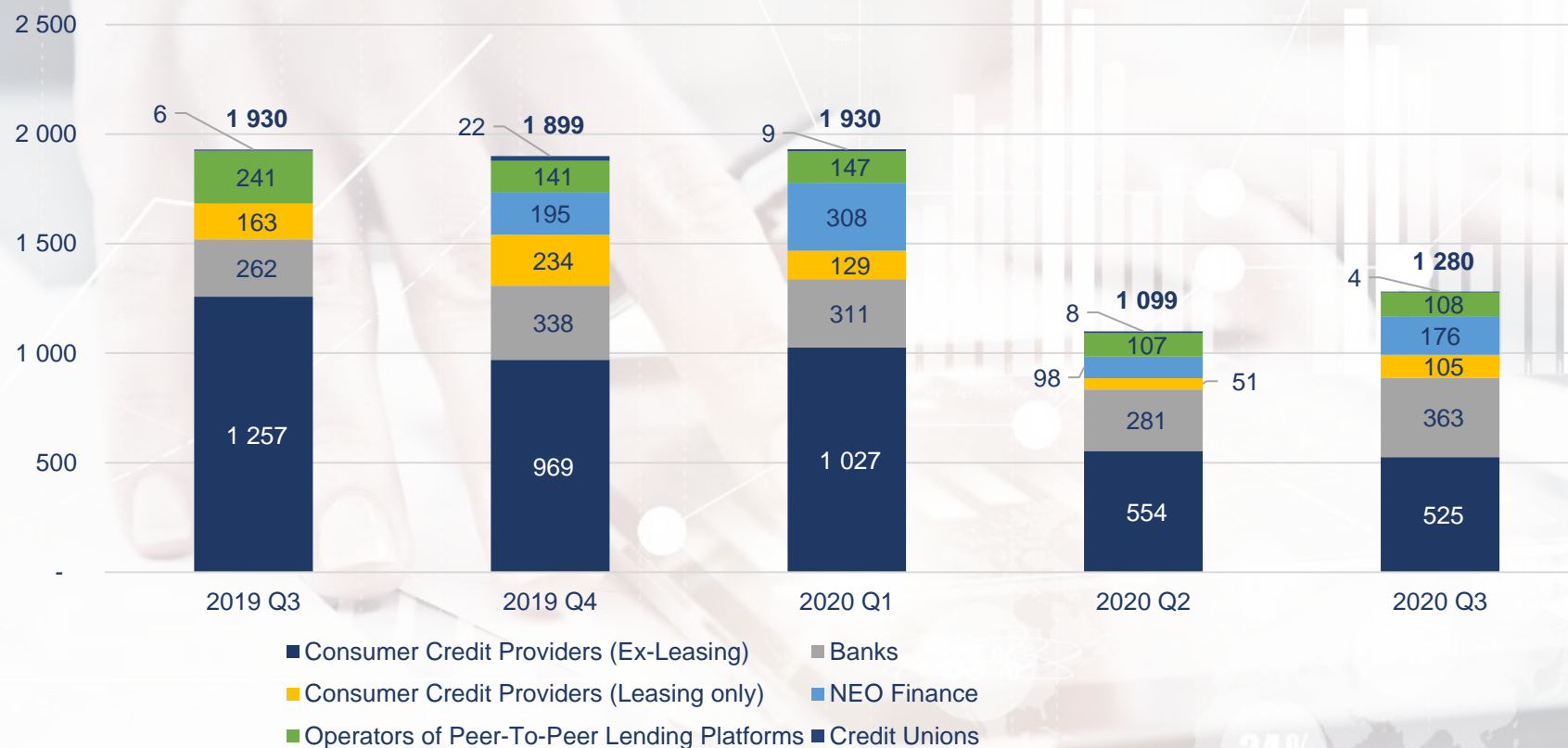


Refinancing



Starting with 2019 Q4 “**NEO Finance**” made it available to refinance its own loans for borrowers who are being refinanced by competition. Out of **4.72 million EUR** financed in 2020 Q3 – **1.28 million EUR** was refinancing loans, meaning that “**NEO Finance**” lenders helped these borrowers to reduce their instalment amount. At “**NEO Finance**” borrowers can get a loan where a part of funds are for refinancing purpose and additional amount is for consuming purpose. Refinancing is shown without additional loan amount.

Refinancing distribution, K EUR



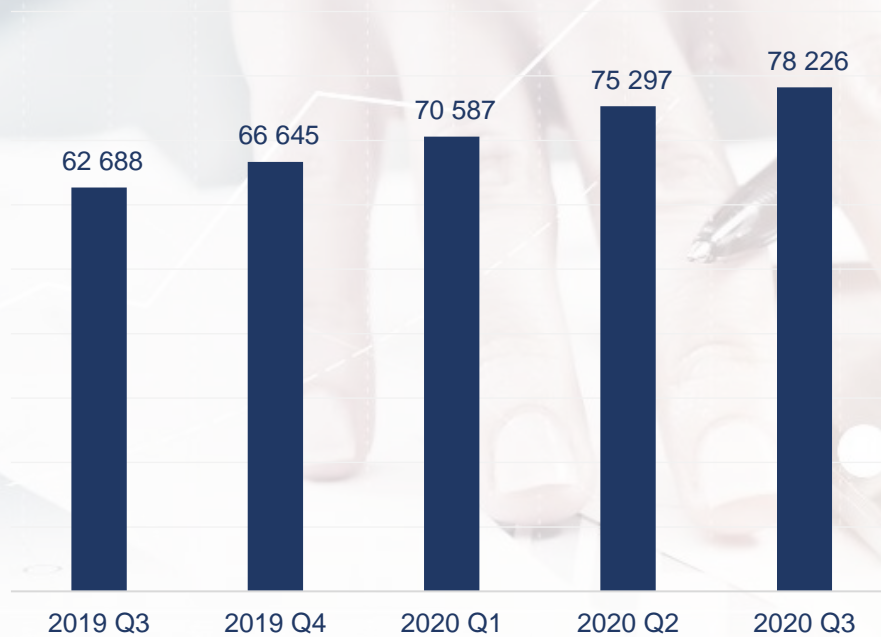
Borrowers



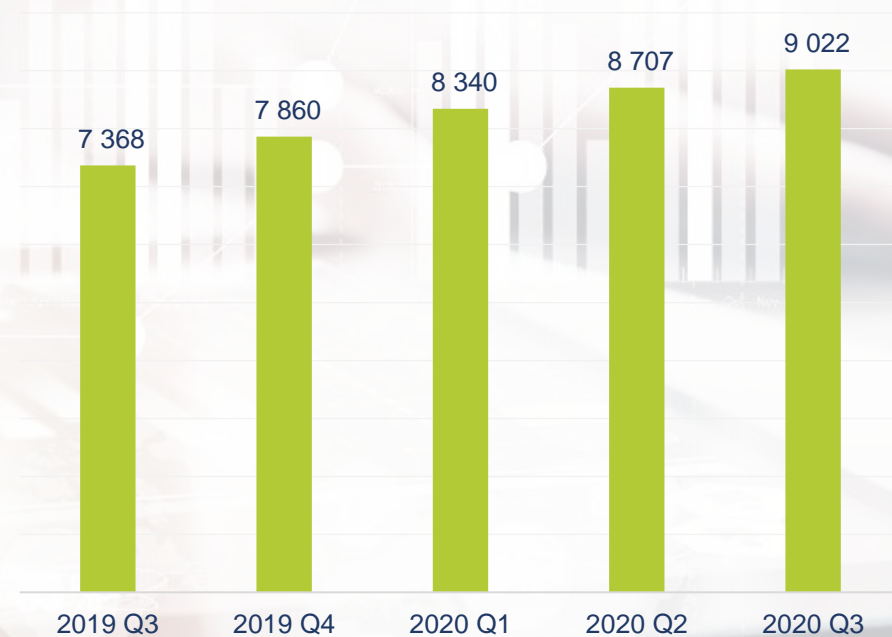
In 2020 Q3 established brand and proven acquisition strategy attracted **2 929 new registered borrowers**. At the end of 2020 Q3 the number of registered borrowers grew to a total of **78 226**. Compared to 2019 Q3, the number of registered borrowers grew by **25%**.

In 2020 Q3 the number of active borrowers grew by **315 users**. At the end of 2020 Q2 the number of active borrowers reached a total of **9 022**. Compared to 2019 Q3, the number of active borrowers grew by **22%**.

Registered borrowers



Active borrowers



Lenders



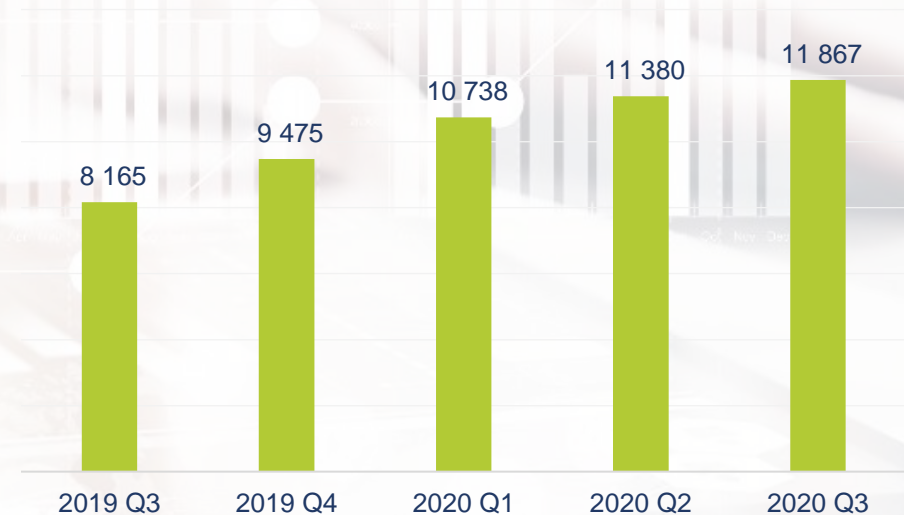
In 2020 Q3 increasing number of international partners and referral programme attracted **1 373 new registrations** to a total of **26 010**. 553 of them did not finish the identification step. Compared to 2019 Q3, the number of registered lenders grew by **78%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2020 Q3 the number of active lenders grew by **487**. At the end of 2020 Q3 the number of active lenders reached a total of **11 867**. Compared to 2019 Q3, the number of active lenders grew by **45%**. The top countries regarding new lenders in the descending order are Lithuania, Netherlands, Germany and Belgium.

Registered lenders



Active lenders



Lenders have already earned 9.4 million EUR in returns.

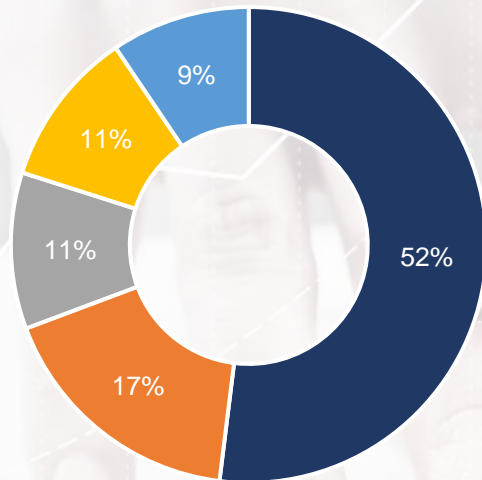
Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2020 Q3 amounted to **734**. Registered lenders during 2020 Q3 distribution by TOP 5 countries is provided below:

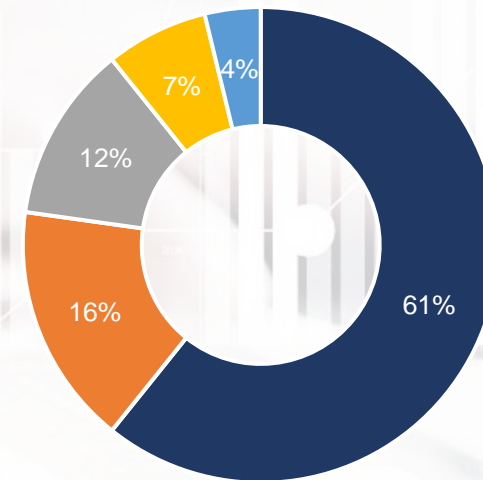
Active lenders, who registered during 2020 Q3 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Netherlands ■ Germany ■ Belgium ■ Spain ■ Italy

Active lenders distribution by country



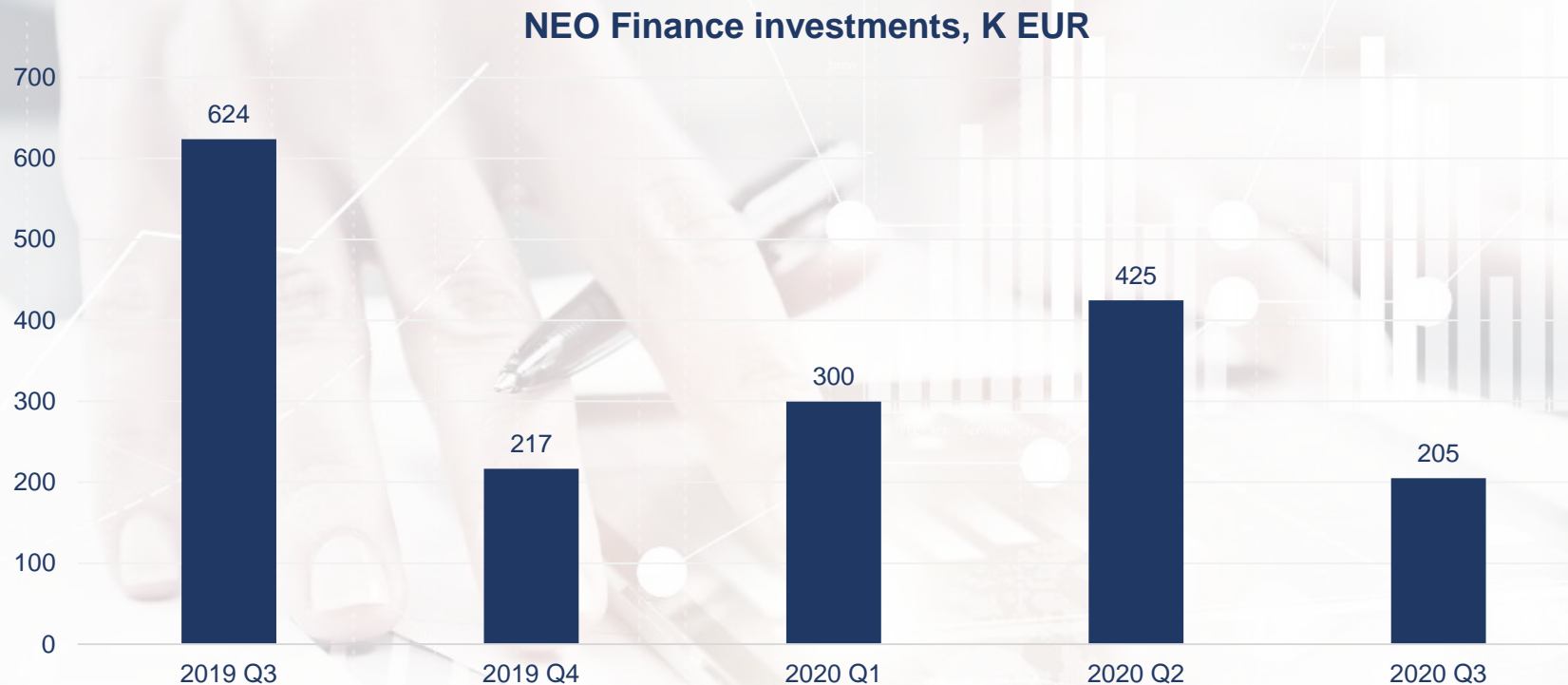
■ Netherlands ■ Germany ■ Belgium ■ Italy ■ Portugal

NEO Finance investments



“NEO Finance”, as a consumer credit provider, co-invests into loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In 2020 Q3 “NEO Finance” invested **205 thousand EUR**.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **4.98 million EUR**.



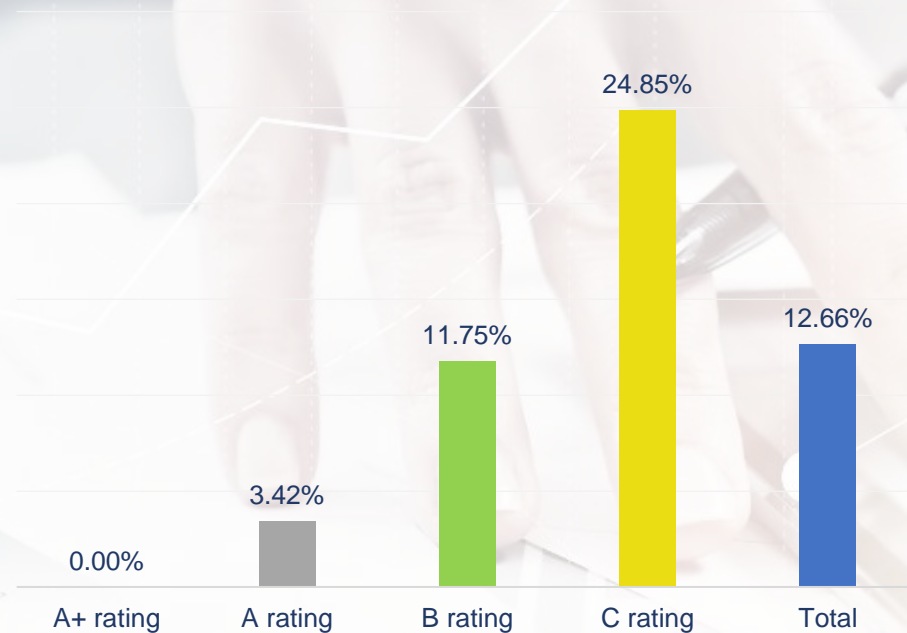
Overdue loans



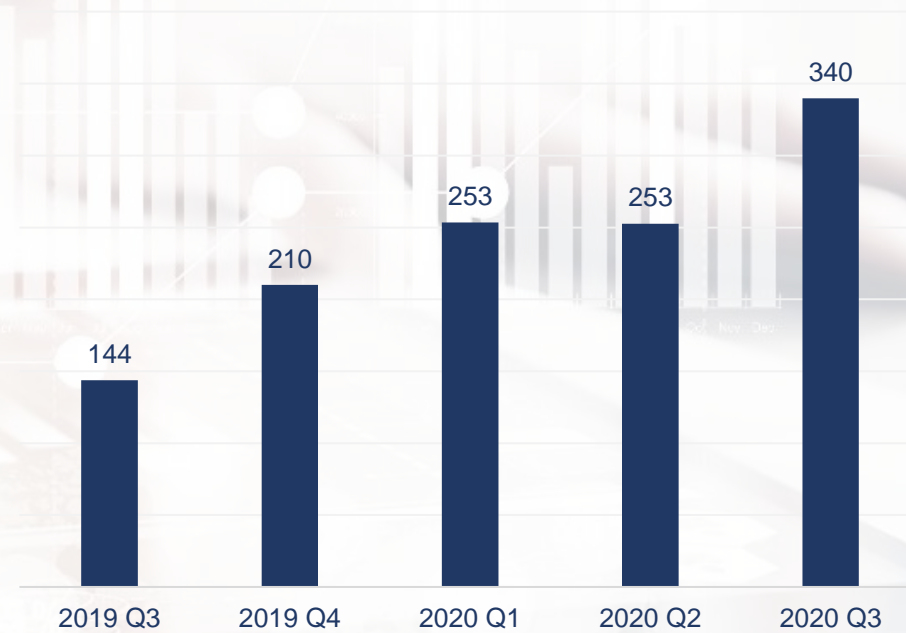
At the end of 2020 Q3 out of **20 643 issued loans** – **2 287 loans**, or **11.08%**, were overdue for more than 90 consecutive days. Respectively, out of **58.08 million EUR** financed – **7.35 million EUR** or **12.66%** were overdue more than 90 days.

“**NEO Finance**” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2020 Q3 **340 thousand EUR** were recovered and distributed to lenders.

EUR, overdue >90 days, %.



Amount recovered, K EUR



Recovery

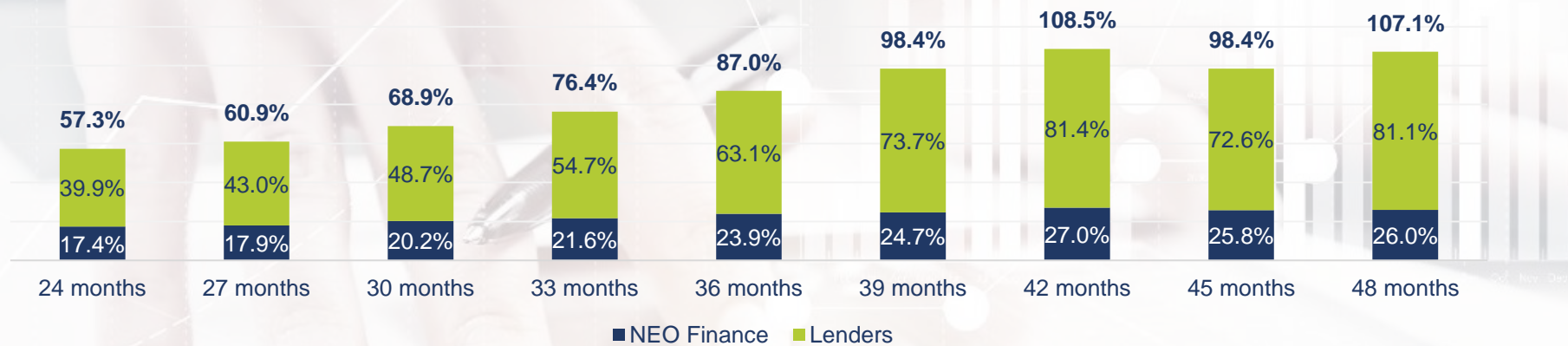


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

It should be noted, that all third-party legal costs incurred by **“NEO Finance”** related to recovery process are covered first, while NEO Finance intermediary fees are covered on par with lenders.

Recoveries are calculated as follows: The oldest batch of terminated loans consists of 14 loans with 21 670 EUR principal at termination. Next batch consists of 20 loans with 31 347 EUR principal at termination. The longest period of recovery will represent only 14 loans with 21 670 EUR. Next period will represent 34 loans (14 from the first batch and 20 from the second) and will reflect recoveries from a total of 53 017 EUR and etc.

Recovery as % of principal outstanding at termination



Months after termination	24 months	27 months	30 months	33 months	36 months	39 months	42 months	45 months	48 months
Principal at termination	€ 1 726 112	€ 1 185 740	€ 879 039	€ 696 857	€ 436 744	€ 272 552	€ 151 459	€ 53 017	€ 21 670
Loans, units	579	418	332	275	195	134	80	34	14

Provision fund

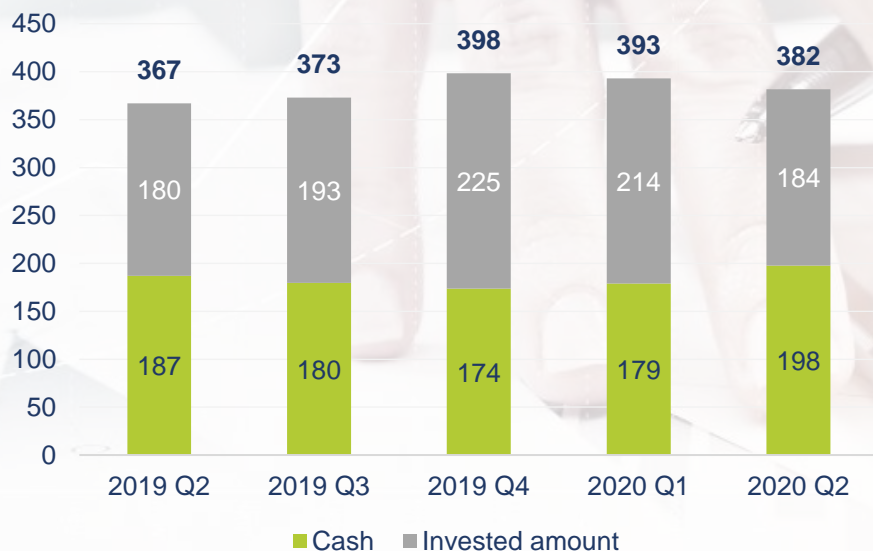


“NEO Finance” offers a “**Provision fund**” service, which allows lenders to reduce their investment risk. If a loan defaults – “NEO Finance” guarantees to repay the lender with all of its assets. During 2020 Q3 the service covered **177 341 EUR**.

For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “**Provision fund**”. Starting from 2019 Q3 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's internal cash flow management. In order to fulfill its obligations to lenders, the company may, if necessary, use other assets of the company.

At the end of 2020 Q3 there were **381 553 EUR** of accumulated funds, and the total guaranteed amount was **3 125 652 EUR**, resulting in **12%** coverage ratio.

Provision fund, K EUR



Guaranteed amount, K EUR

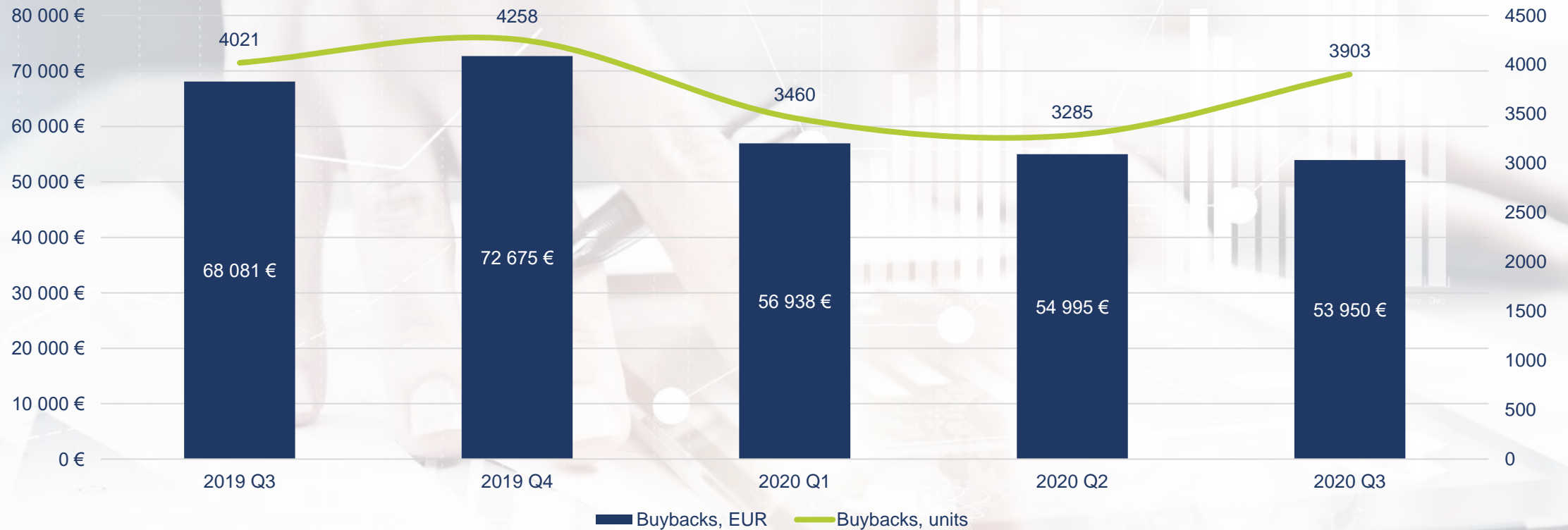


Buybacks



“NEO Finance” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “NEO Finance” . In 2020 Q3 lenders sold **3 903 investments** for **54 thousand EUR**.

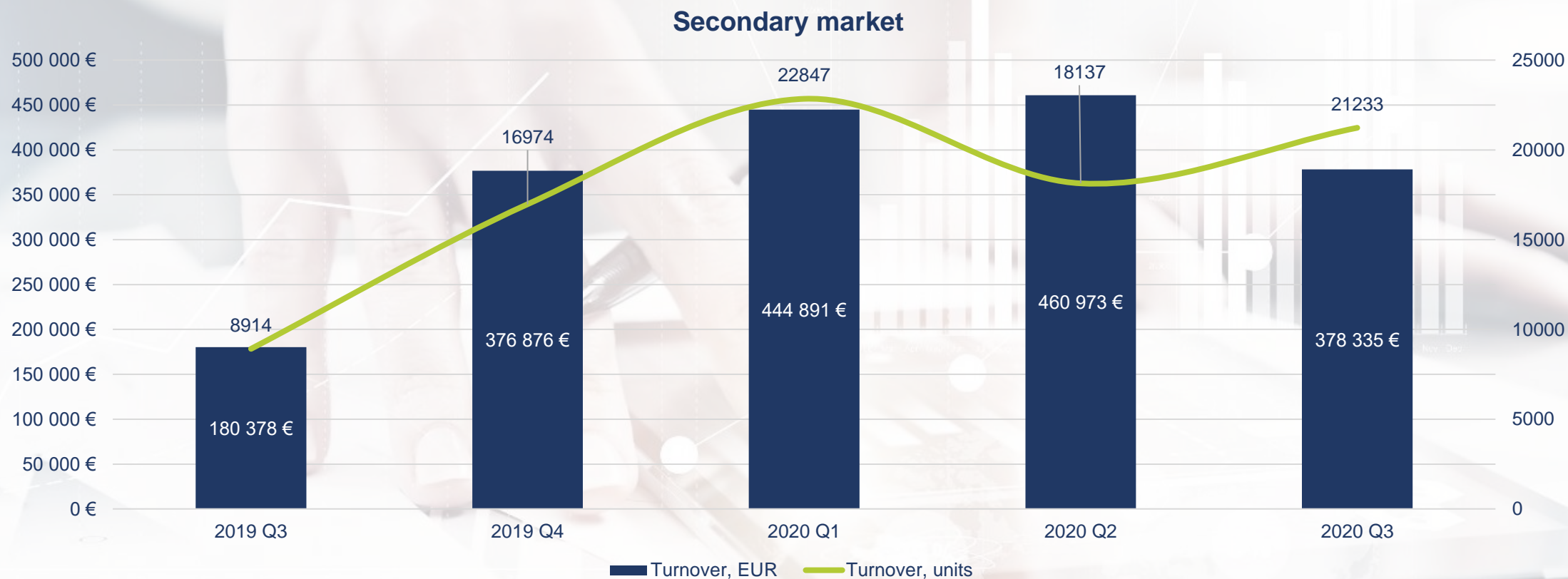
Buybacks



Secondary market



Secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns or sell a nonperforming investment. It also provides liquidity when lender feels the need to cash out. During 2020 Q3 secondary market turnover was **378 thousand EUR**. Average transaction was **17.82 EUR**.



Main statistics

Since launch till the end of 2020 Q3

11 867

Active lenders

2 725 €

Average portfolio

9 401 752 €

Interest received

58 077 599 €

Issued loans

3 034 511 €

Investments sold in
secondary market

32 341 160 €

Outstanding
principal