



NEO
Finance



NEO FINANCE, AB

Sales report 2021 Q1



Head of Administration Quote

Q1 2021 NEO Finance presented preliminary and audited 2020 financial statements on the Nasdaq market, announced the change of the head of administration, The General Meeting of Shareholders approved a motivation program for NEO Finance employees with share options, as well as, the subsidiary crowdfunding platform “FinoMark”, allowing legal entities to borrow up to 500,000 EUR was launched. Sales results of the platform you will find in the next quarter’s report.

“NEO Finance” started to offer larger loan amounts for A+ and A-rated borrowers - increased the loan amount up to EUR 25,000 and extended the repayment period to 10 years, as well increased the loan amount for the C rating - up to EUR 14 000. The company presented new C-rated loans and investment opportunities for legal entities.

Following the platform’s choice of new media planning partners, a new media planning strategy was launched by changing the main communication message and redesigning promotional videos.

In Q1 2021, the platform granted a record amount of consumer loans for EUR 5.73 million. The largest number of loans was issued in March, reaching a record of EUR 2.17 million.

The company further expanded the geographical boundaries of “Neopay’s” payment initiation service: in 2021 Q1, the largest banks in Poland, Sweden, Finland, and Norway were connected to the service. The total number of connected financial institutions exceeded 100, the full list of which by country can be seen [here](#).

“Neopay” representatives participated in the virtual event “Baltic E-Commerce Forum 2021”, broadcasted from Estonia. New “white label” functionality was introduced to financial institutions. During Q1 2021 more than 3.48 million transactions were initiated through “Neopay”.



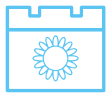
Events

Social events



JANUARY

- Webinar „Investing for legal entities“;
- Webinar for advanced investors.



MARCH

- Webinar for new investors;
- Webinar for VIP members;
- “Neopay” representatives participated in the virtual event “Baltic E-Commerce Forum 2021”, broadcasted from Estonia.



News

- Loans for a new C-rating have been launched, as well as the possibility of investing in legal entities on the platform.
- In February, Aleksėjus Loskutovas took over as head of administration.
- In March, “NEO Finance” issued a record number of loans for EUR 2.17 million.
- “Neopay” has introduced a new “white labe” functionality to financial institutions.
- Banks from Poland, the Netherlands, Sweden, Finland, and Norway were connected to “Neopay”, which helped outperform the 100th number of connected financial institutions.



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 a specific quarter.

	2021 Q1	2020 Q4	Δ, %	2020 Q1	Δ, %
Loans issued, K EUR	5,73	5,42	6%	4,91	17%
Intermediary fee income, K EUR*	619	558	11%	484	28%
Intermediary fee / Loans issued ratio	10,8%	10,3%	-	9.9%	-
PIS income, K EUR	185	147	26%	59	214%
Other income, K EUR	386	386	0%	390	-1%
Total income, K EUR	1190	1091	9%	932	28%

At the end of 2021 Q1 receivable intermediary fee amounted to 6.13 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. 619 thousand EUR is a result of 5,730 thousand EUR issued and will be received throughout entire loan period.



Payment Initiation Service (PIS)



A Payment initiation service (PIS) is a service where a payment order is initiated from a payment account opened at the institution of another payment service provider.

A user-initiated payment service is an alternative to a bank transfer (“banklink” service) that is used for billing goods or services at e-shops when the payment initiation service is provided by a licensed payment service provider. Using PIS e-shop makes payment faster, more convenient, and cheaper.

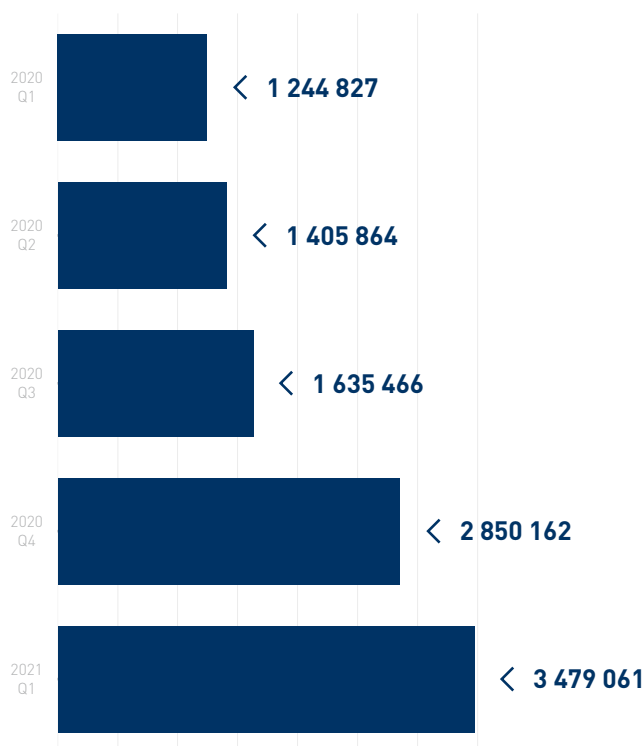
“NEO Finance” is a licensed payment initiation service provider which provides this service using the “Neopay” brand trademark.

During Q1 2021 “NEO Finance” clients made

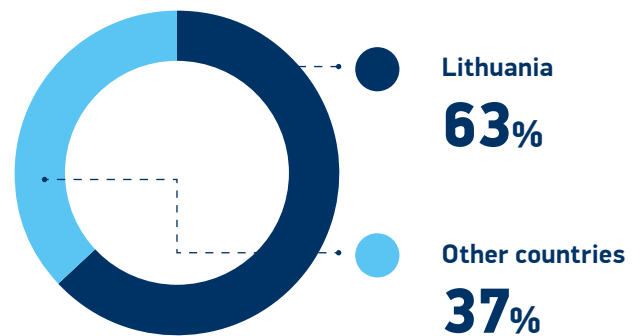


3 479 061 transactions

PIS transactions, quantity, thousands



PIS transactions distribution by countries



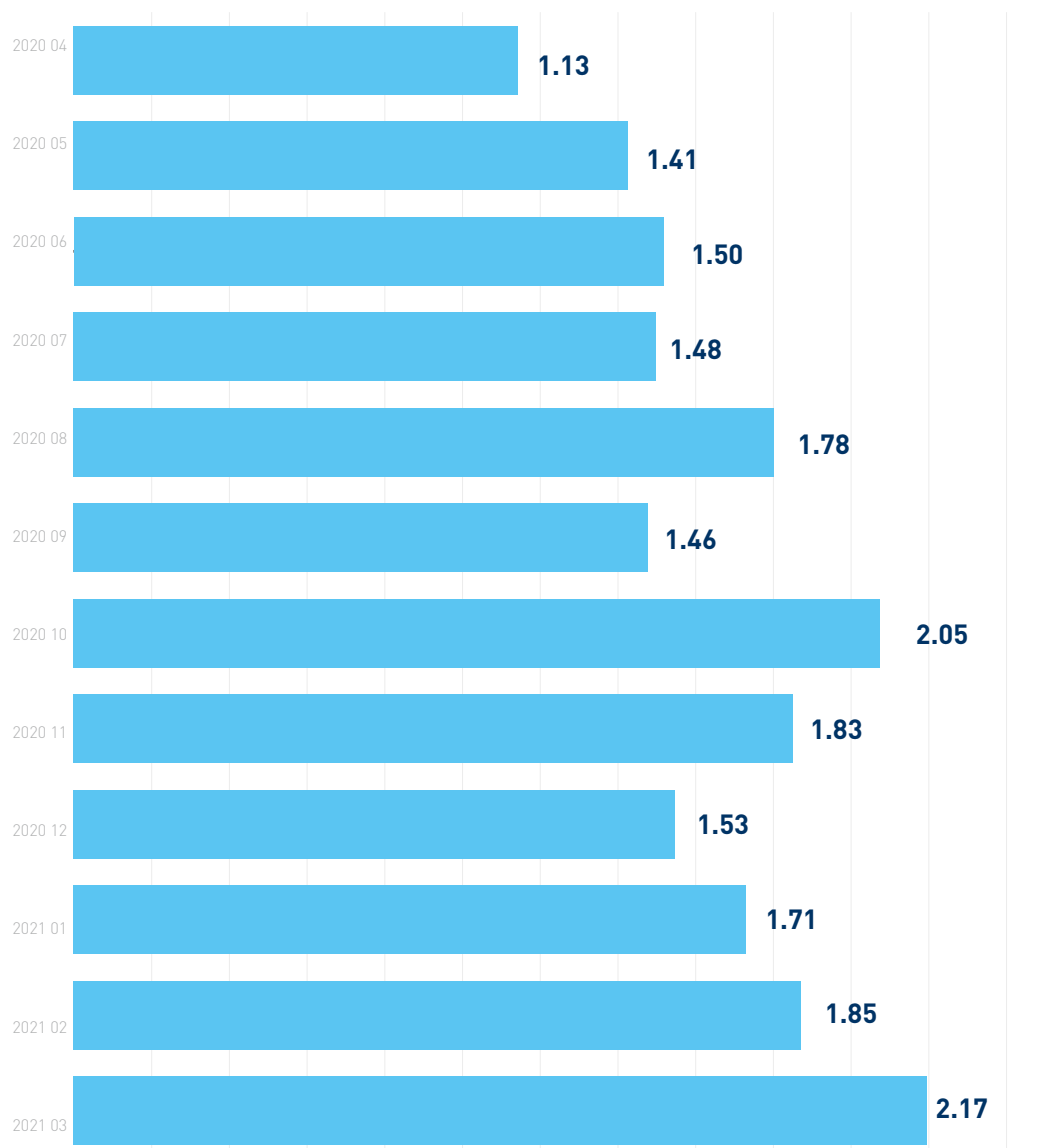


“NEO Finance” issued loans

In Q1 2021, “NEO Finance” issued loans for 5.73 million EUR. This is a record result of issued loans during the quarter in the company’s history.

“NEO Finance” clients borrowed a record amount of 2.17 million EUR in March. Compared to the same month in 2020, “NEO Finance” issued loans volume grew by 43%.

Neo finance, loans issued, million EUR





Refinancing

In Q1 2021, “NEO Finance” managed to increase the number of credits that were refinanced from banks because some non-credit providers transformed to specialized banks and the company offered favorable conditions to borrowers.

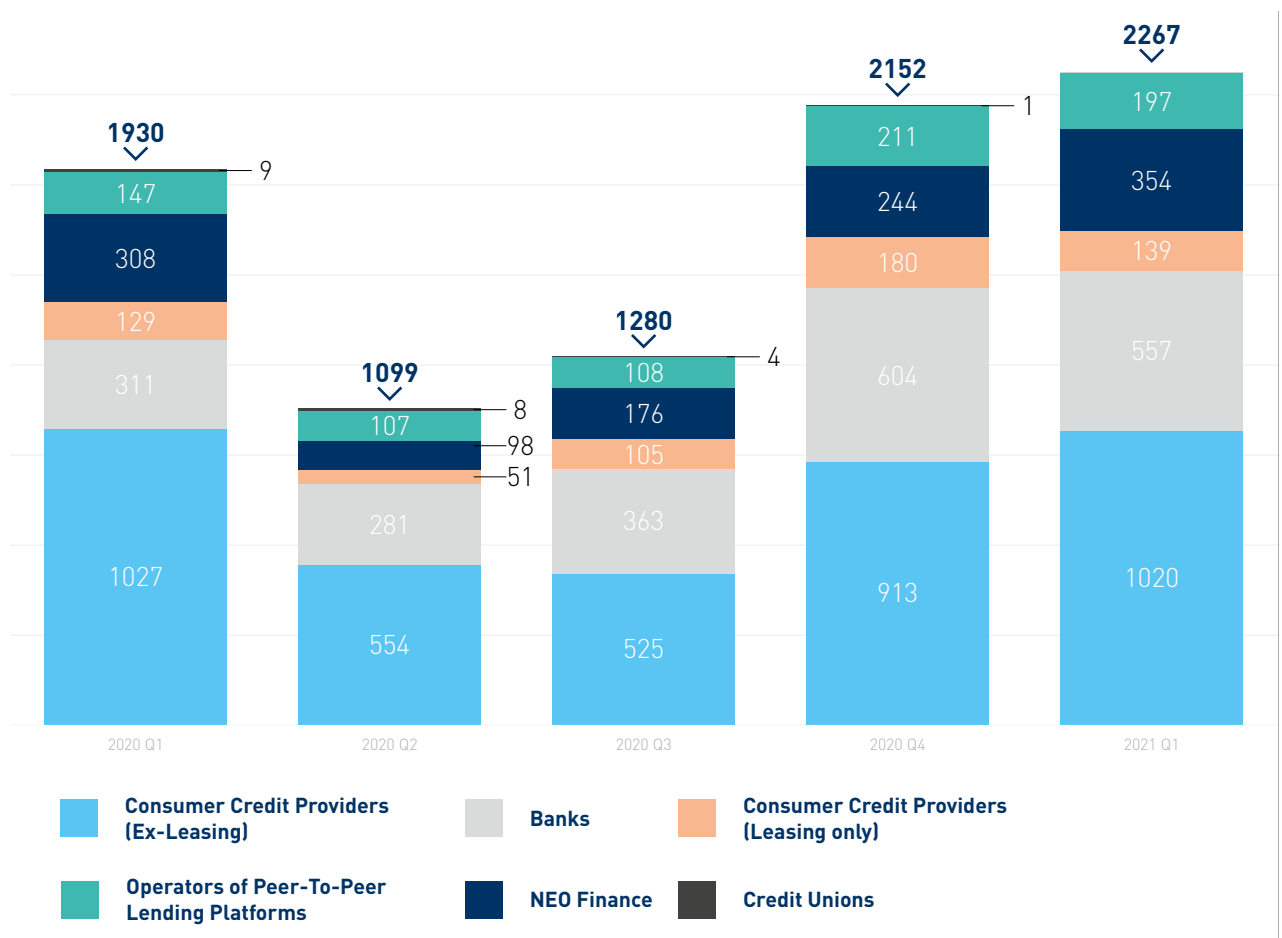
In Q1 2.27 million EUR

was refinancing loans out of 5.73 million EUR all financed loans. It means that “NEO Finance” lenders helped these borrowers to reduce their installment amount.



At “NEO Finance” borrowers can get a loan where a part of the funds are for refinancing purposes and an additional amount is for consuming purposes. The refinancing is shown without an additional loan amount.

Refinancing distribution, K EUR

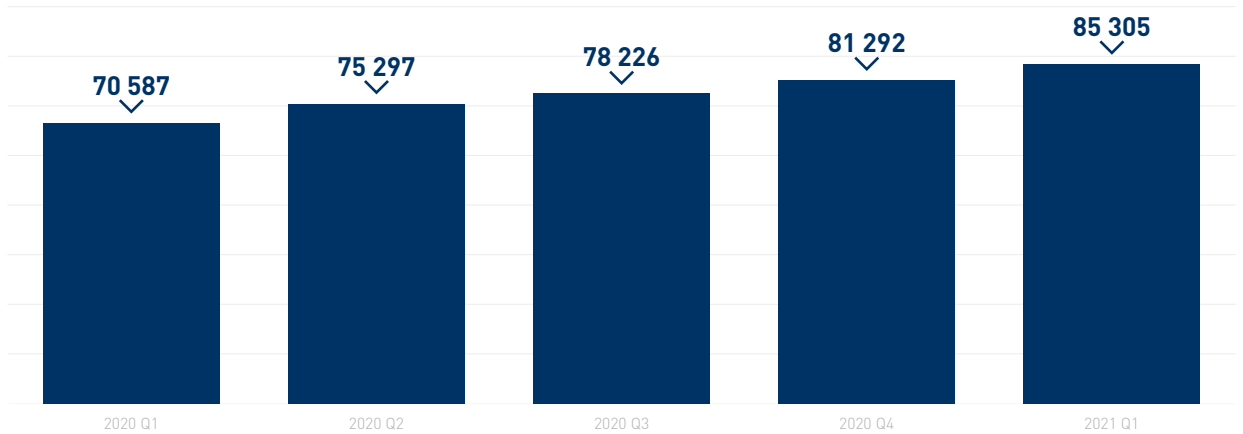




Borrowers

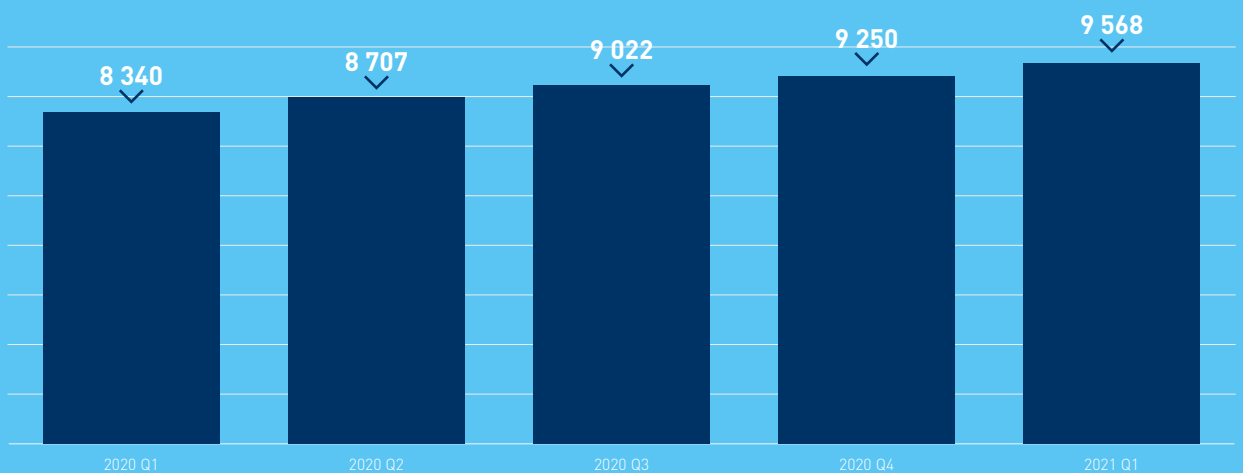
In Q1 2021, consistently increasing brand awareness and proven strategy attracted 4 013 new registered borrowers. At the end of Q1 2021, the number of registered borrowers grew to a total of 85 305. Compared to Q1 2020, the number of registered borrowers grew by 21%.

Registered borrowers



In Q1 2021, the number of active borrowers grew by 313 users. At the end of Q1 2021, the number of active borrowers reached a total of 9 568. Compared to Q1 2020, the number of active borrowers grew by 15%.

Active borrowers





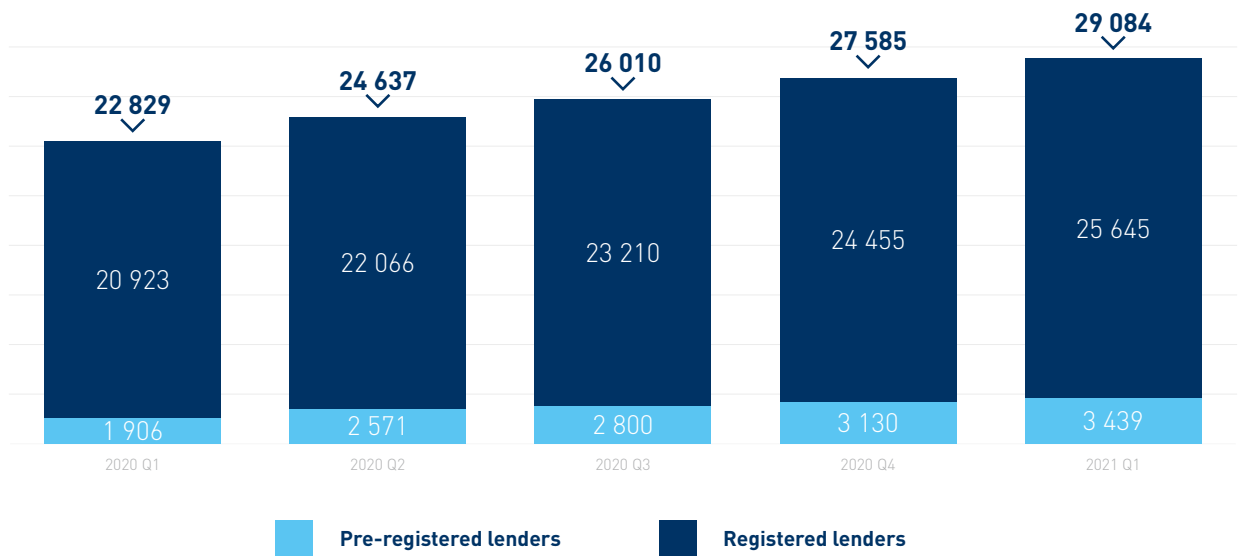
Lenders

In Q1 2021, an increasing number of international partners and referral programs attracted 1 499 new registrations to a

total of **29 084**

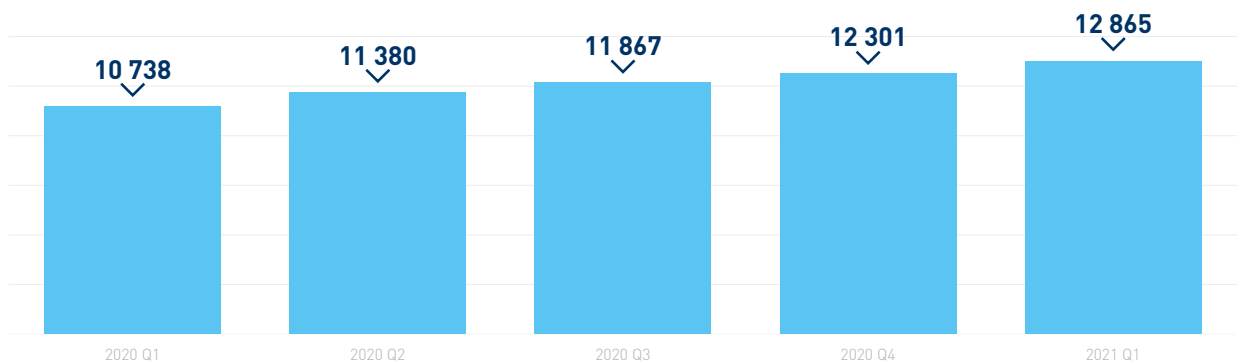
3 439 users didn't finish the identification step. Compared to Q1 2020, the number of registered lenders grew by 27%. To sum up, cooperation with publishers attracts an increasing number of foreign lenders.

Registered lenders



In Q1 2021, the number of active lenders grew by 564. At the end of 2021 Q1, the number of active lenders reached a total of 12 865. Compared to Q1 2020, the number of active lenders grew by 20%. The top countries regarding new active lenders that registered in Q1 in the descending order are residents from Lithuania, Netherlands, Germany, and Belgium.

Active lenders

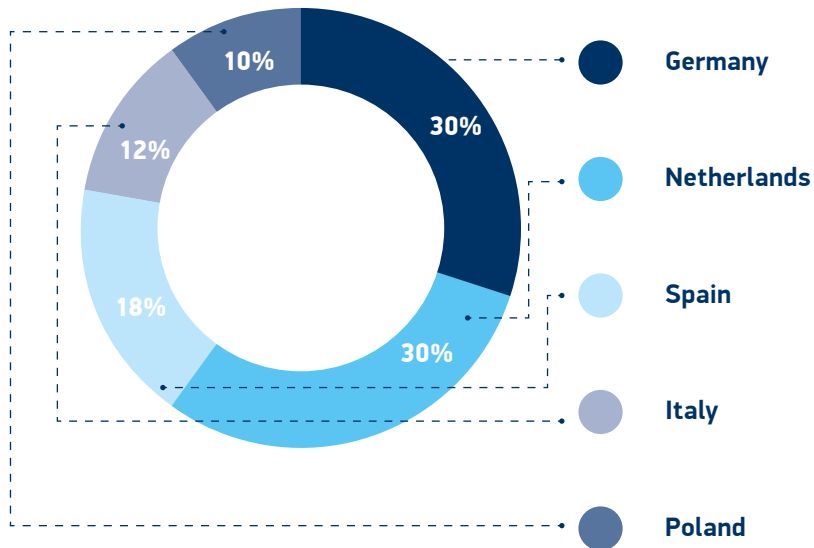




Foreign lenders

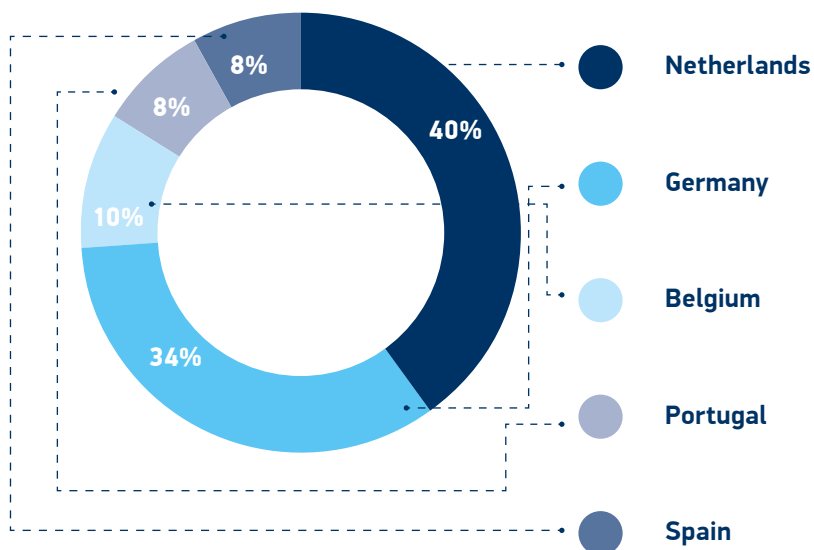
During Q1 2021, registered lenders from outside Lithuania amounted to 321. Registered lenders during Q1 2021 distribution by TOP 5 countries is provided below.

Registered lenders distribution by country



Active lenders who registered during Q1 2021 distribution by TOP 5 countries are provided below.

Active lenders distribution by country





NEO Finance investments

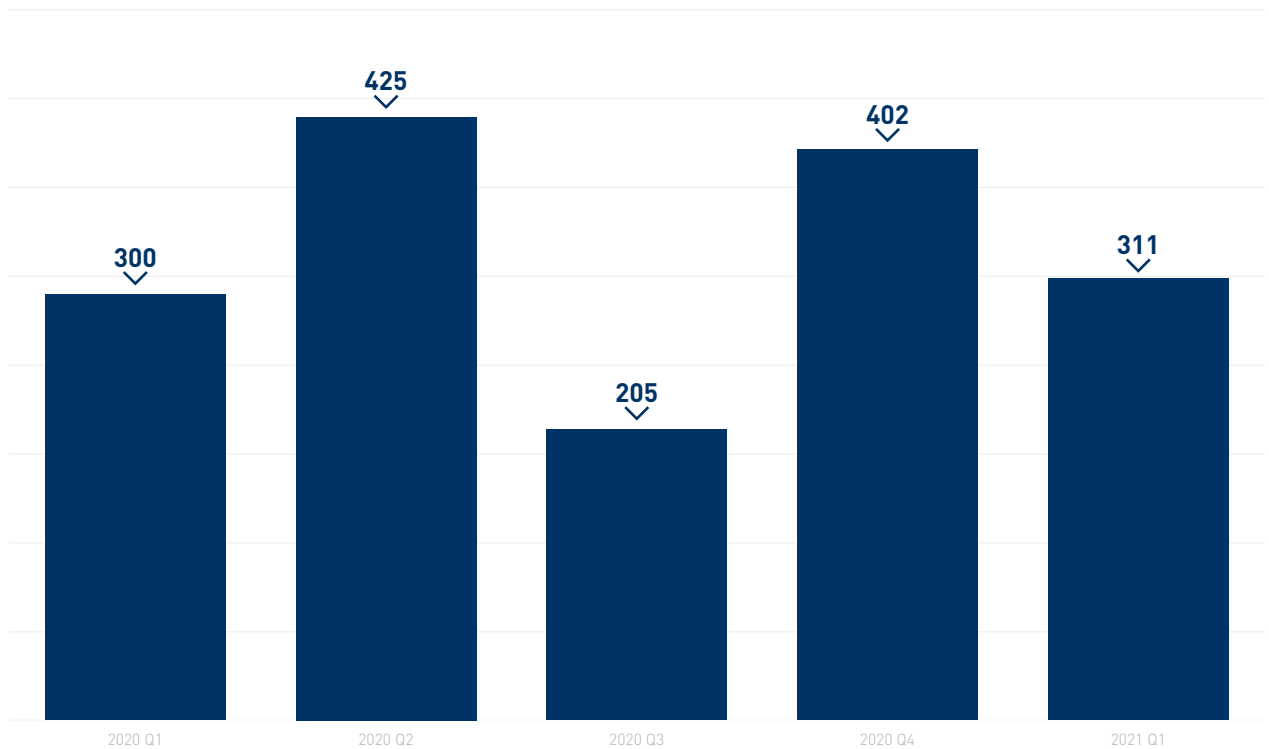
“NEO Finance” as a consumer credit provider invests in loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In Q1 2021, “NEO Finance” invested 311 thousand EUR.



Since the company launch in December 2015, “NEO Finance” investments into loans reached

5.71 mln. EUR.

NEO Finance investments, K EUR





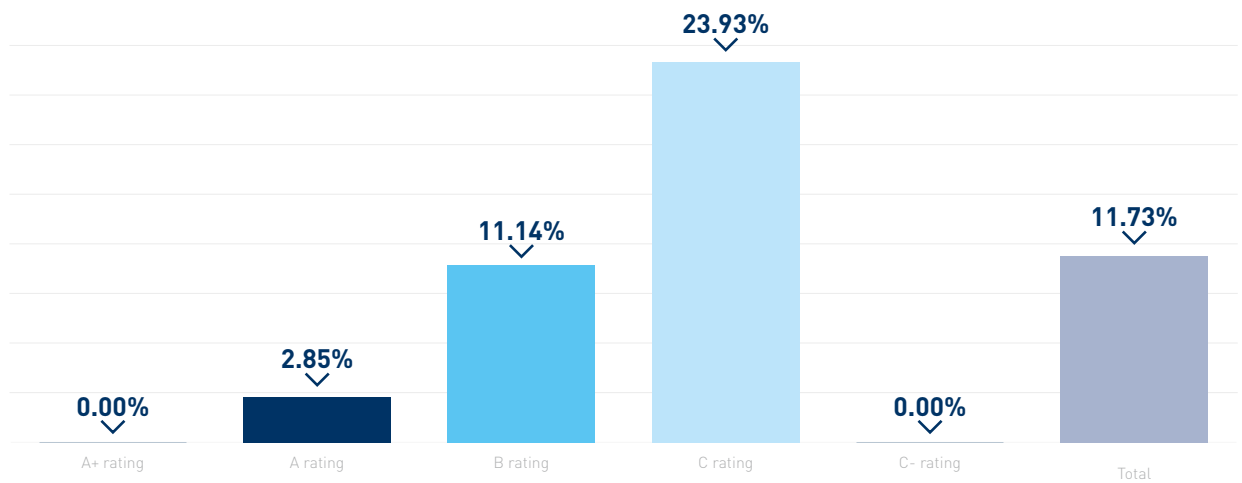
Overdue loans

At the end of Q1 2021, 10.42% (2 470) loans out of 23 706 issued loans were overdue for more than 90 consecutive days. 11.73% (8.12 million EUR) out of 69.22 million EUR financed credits were overdue more than 90 days.

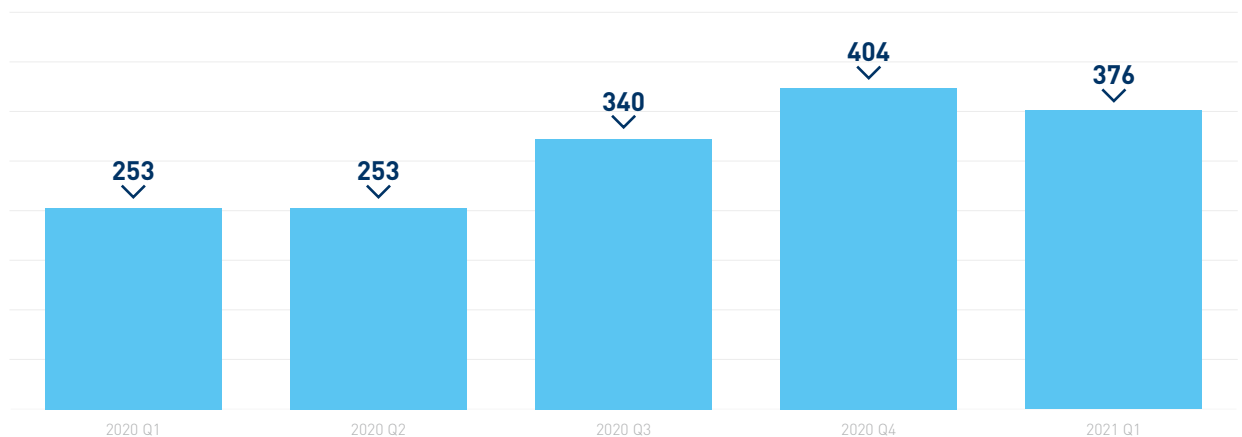
„NEO Finance“

is highly concerned about loan repayments, therefore great effort was put in the recovery of payments from terminated loans. During Q1 2021, 376 thousand EUR were recovered and distributed to lenders.

EUR, overdue >90 days, %



Amount recovered, K EUR





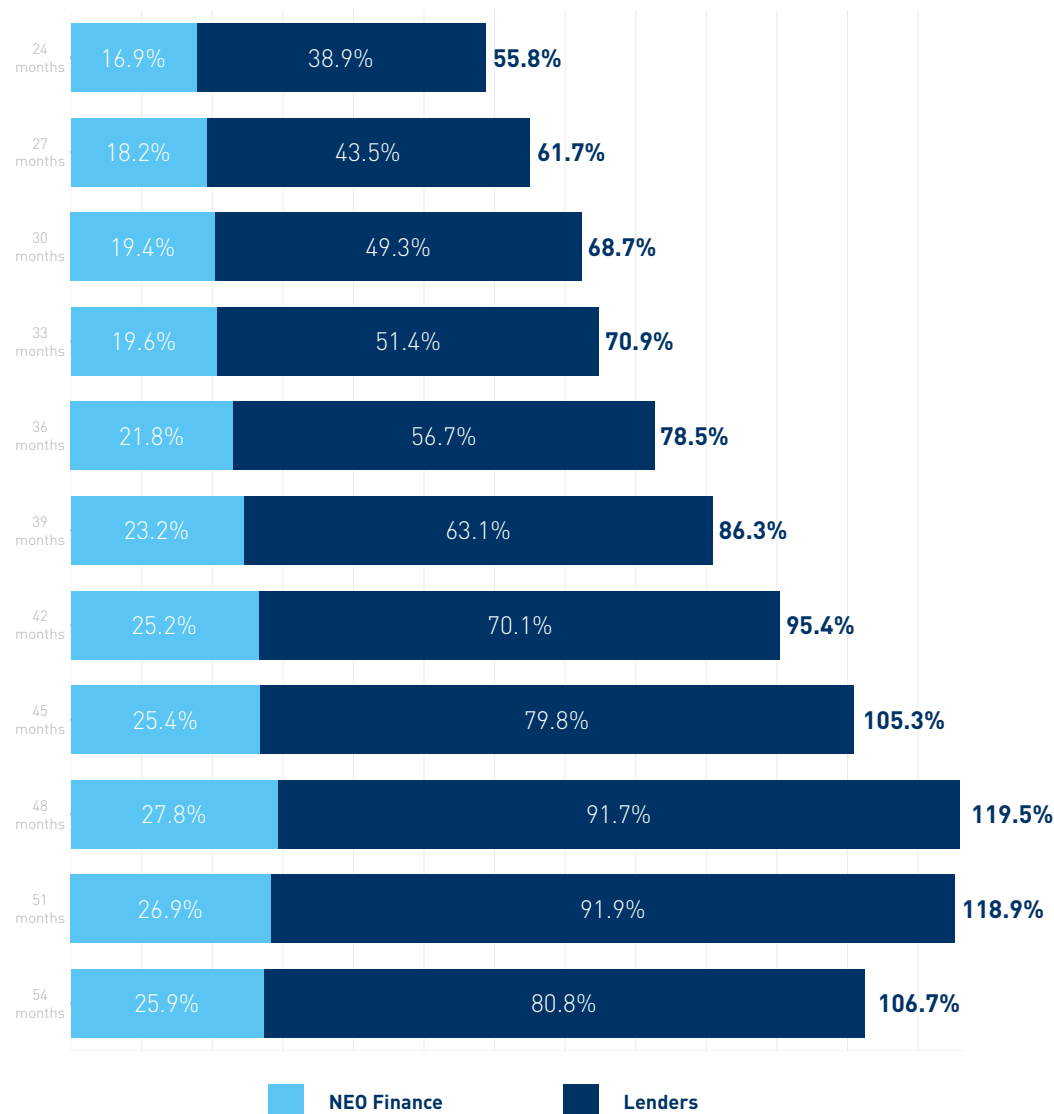
Recovery

Recovery starts 2 years after termination. The table below represents initial amounts at termination, while the chart shows the distribution between “NEO Finance” and lenders.

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

Recoveries are calculated as follows: the oldest batch of terminated loans consists of 14 loans with 21 670 EUR principal at termination. The 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. The 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





Recovery

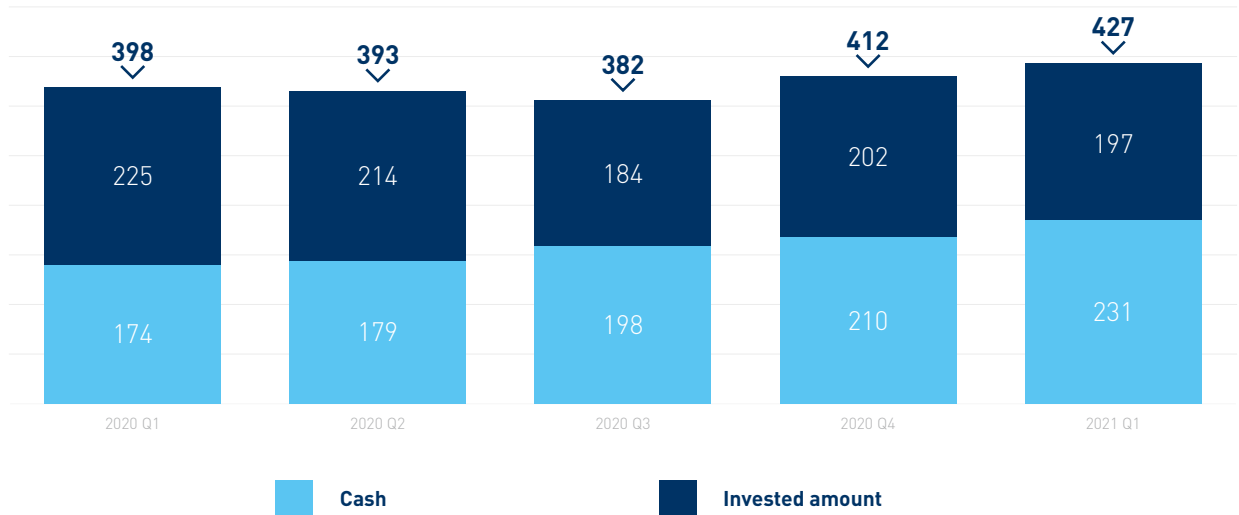
Months after termination	Principal at termination	Loans, units
24 months	2 883 283	917
27 months	2 233 416	735
30 months	1 726 112	579
33 months	1 185 740	418
36 months	879 039	332
39 months	696 857	275
42 months	436 744	195
45 months	272 552	134
48 months	151 459	80
51 months	53 017	34
54 months	21 670	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 Q1 2021 the service covered 149 769 EUR.

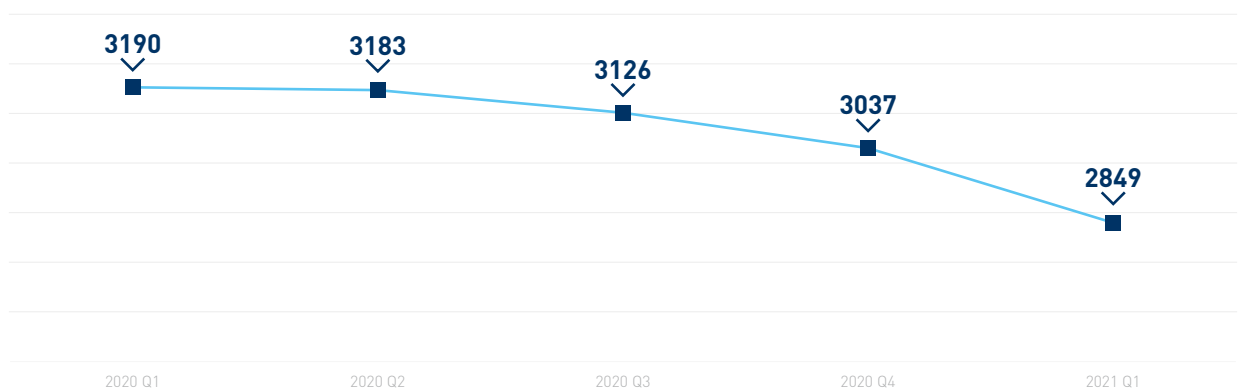
Provision fund, K EUR



For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “provision fund”. Starting from Q3 2019, 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 Q1 2021, there were 427 417 EUR of accumulated funds, and the total guaranteed amount was 2 849 214 EUR, resulting in a 15% coverage ratio.

Guaranteed amount, K EUR





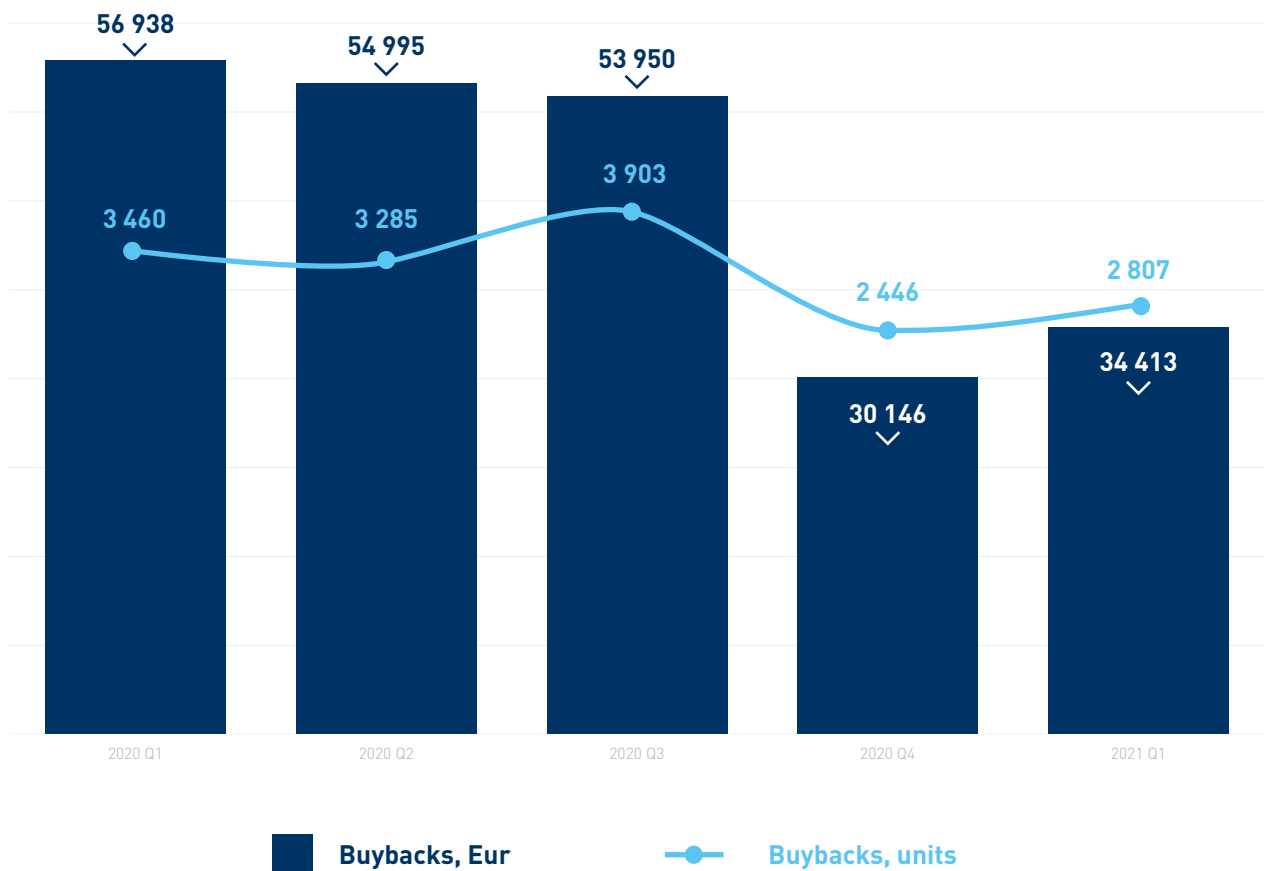
Buybacks service

“NEO Finance” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option within 30 days to sell their investment for 50-80% of it’s primary value to “NEO Finance”.

In 2021 Q1, lenders sold

2 807 investments for **34 413 EUR.**

Buybacks





Secondary market

A 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 non-performing investment. It also provides liquidity when lender feels the need to cash out.

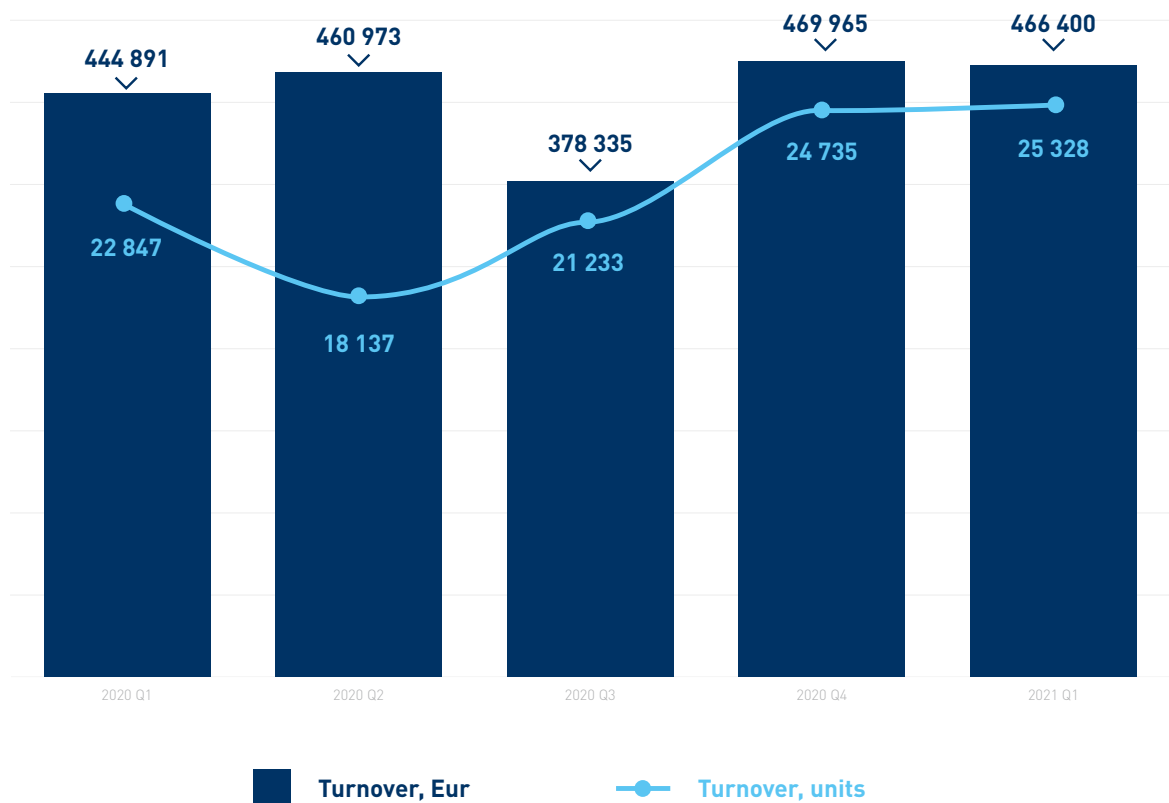
During 2021 Q1, secondary market turnover was

466 400 EUR

Average transaction was

18 EUR

Secondary market



Main statistics

Since launch till the end of 2021 Q1



12 865

Active lenders



2 804 €

Average portfolio



11 772 892 €

Interest received



69 215 970 €

Issued loans



3 970 876 €

Investments sold in secondary market



36 078 438 €

Outstanding principal

