

NEO FINANCE, AB

Sales report for 2022 Q4

Vilnius | 2023-01-31



NEO
Finance



NEO Finance, AB

Confirmation of the responsible persons at the Company

31 January 2023, Vilnius

Vilnius

We hereby confirm that, to the best of our knowledge, that sales report for Q4 2022 is a true and fair representation of the quarterly performance.

Head of Administration, NEO Finance AB

Evaldas Remeikis

Financial analyst, NEO Finance AB

Tomas Savickas

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Evaldas Remeikis

Head of Administration

In Q4 2022, as in the previous quarter, all our businesses grew in volume terms. Compared to the same quarter in 2021, the amount of loans issued through the Paskolų Klubas platform grew by 54%, with EUR 10.6 million of loans funded. The number of Neopay payment transactions grew by 32.5% to 6 358 thousand units and the amount of loans issued through FinoMark to SMEs increased by 3.8 times, with a total of EUR 956 thousand in loans issued.

As in the previous quarter, the growth engine of Paskolų Klubas remains the well-targeted marketing campaigns and the attractive pricing for borrowers provided by the platform's retail and institutional investors. While inflation is falling, consumers have to pay high heating and electricity bills and, for those with mortgages, higher interest rates on home loans. These factors are still contributing to the growth in borrowing. Also, due to favorable pricing, a very high share of borrowers refinanced their existing consumer loans in the Paskolų Klubas this quarter, i.e. consumers transferred loans to the platform from other lenders – the share of such loans was 58% (EUR 6.1 million out of EUR 10.6 million). The growth in consumer credit volumes and the increasing demand for refinancing led to an increase in the loan portfolio to EUR 54 million at the end of the year.

It is important to note that the growth in loans is sustainable, with the number of non-performing loans falling from 8.78% of the total loan portfolio to 8.59% in the quarter. This is a particularly good result, as more and more economists have been talking about the growth in non-performing consumer loans, which is not reflected in our statistics. In order to maximize the quality of the portfolio, we are actively working on the recovery of non-performing and pre-judicial loans. The amount of non-performing loans recovered and returned to investors during the quarter amounted to EUR 629 thousand. In order to provide a transparent and detailed view of all debt recovery steps, we have updated our investor disclosures and are now providing even more information on the loan recovery process. The strategy of Paskolų Klubas is to enable lending also to riskier customers (C and C- ratings), which is why the platform uses advanced risk assessment algorithms based on artificial intelligence to predict the credit risk of customers with different credit ratings as accurately as possible. We offer investors higher-risk consumer finance with correspondingly higher interest rates, with the aim of earning the same or even higher returns. Higher-risk customers are more likely to default, which is why the loss on a higher proportion of outstanding loans is offset by higher interest rates.

The number of payment transactions reached 6 358 thousand units in Q4 2022, surpassing the same quarter in 2021 by 32.5%. Neopay also set another record by ending the year with more than EUR 1.423 billion in payments collected in 2022. Both the growth in the number of transactions and the growth in settlement amounts reflect the growing consumer confidence in Neopay's services.

In response to customer demand, we actively began developing two new products: buying on instalment and buying without mark-up ("Buy now, pay later"). More details about these products and their launch will be provided in the first quarter of this year. We are actively working on sales of our newly launched "Automated Refunding" product. Based

on market trends and customer interest, we see that this product is relevant for our customers and they are keen to install it. The main benefits to them are time savings and improved business processes. Our solution makes operating an e-business significantly easier and more efficient.

FinoMark's loan volume grew trendily in Q4 of 2022. During this quarter, FinoMark's team offered to investors 54 loan projects for a total amount of EUR 956 thousand. We are pleased to have been able to maintain the upward trend for another quarter. All FinoMark projects that are listed on the market are analyzed in detail and evaluated very carefully, as the current economic situation makes it necessary to be more careful and conservative in the assessment of project owners and the collateral they provide.

In the last quarter of the year, the FinoMark team has been productive and will continue to work on building a basket of stable and sustainable small and medium-sized companies. We are also pleased together that the FinoMark team maintains a start-up atmosphere in its activities and is united in its focus on the common best result. In the near future, FinoMark will enter a new phase where we will be able to provide investors and borrowers not only with a good experience and environment to invest or borrow, but also with new opportunities for borrowers to borrow, and even more sustainable and secure projects for investors. In the middle of 2022 created feature (Referral) will continue to be popular with investors and allows investors to actively invite other investors to join the platform and receive additional financial benefits once they have started to invest via the platform.

Company structure

NEO Finance AB is currently conducting its activities under three different brands: Paskolų Klubas, Neopay and FinoMark.

In 2016, the company was the first to be included on the Bank of Lithuania's list of P2P lending platforms. NEO Finance AB's Paskolų Klubas brand provides P2P lending services in Lithuania. Citizens of the European Union, the Free Trade Association and the European Economic Area, for whom services are provided under the NEO Finance brand, may also invest in loans.

In 2017, the company obtained an electronic money institution license, which allows it to provide services throughout the European Union. Payment initiation and account information services were launched under the Neopay brand.

In 2020, NEO Finance AB acquired the FinoMark crowdfunding platform, which began operations in February 2021 when the Bank of Lithuania included it on its list of crowdfunding platform operators.

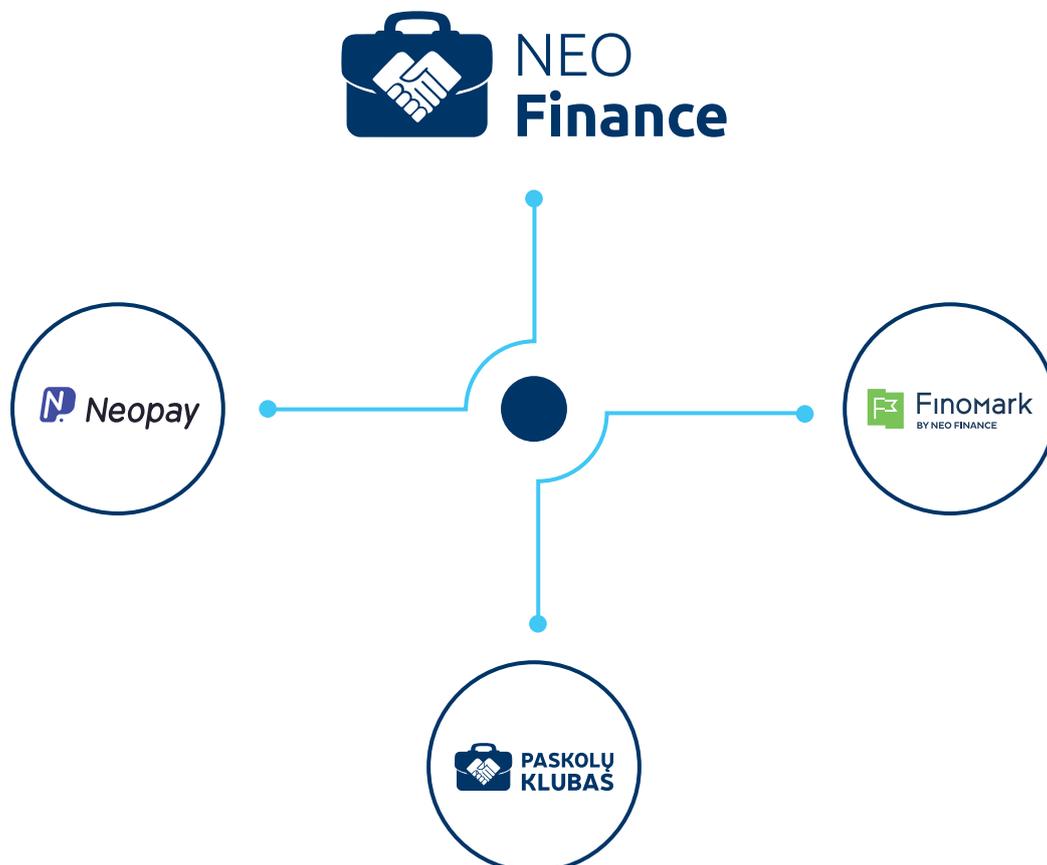
In 2019, the Dutch subsidiary NEO Finance B.V. was established, as a basis to attract investors from the Benelux countries for loans issued on NEO Finance's inter-lending platform.

As at the date of publication of this report, NEO Finance AB owns 94.63% of the shares of FinoMark UAB.

The company has no branches and/or representative offices.



FIELDS OF ACTIVITY





P2P lending platform

Services:

Investing for natural people and legal entities:

- High return for investors 8-16%.
- No hidden commissions fees.
- Fast, convenient and online service.

Consumer loans for natural people:

- Loan's interest from 5%.
- No upfront fees.
- Fast, convenient and online service.



Open banking

Services:

Payment initiation, account information and other payment services:

- Fast contract signing process and easy integration.
- Collection of payments from the banks.
- Instant payments;
- Application for customers business needs.
- Instant payments.
- API integration for more than 200 financial institutions.



Crowdfunding platform

Services:

Investing for natural people.

And legal entities:

- Investments of more than 500 EUR per loan are possible.
- Average interest 11%.
- Personal consulting.

Loans for legal entities:

- SME loans up to 500 K EUR.
- Loans for more 12 months operating companies.
- Evaluation of applications within 24 hours.

Key developments



Q4 2022 DEVELOPMENTS AT NEO FINANCE AB:

- In December, the NordIX investment criteria were updated by increasing the portfolio limit to EUR 10 million and by allocating an additional EUR 500,000 for investment.
- In December, Customer Service Guidelines updated.
- In December, some orders were consolidated in the Company:
 - Approval of the new version of the Operational and Security Risk Incident Management Procedure;
 - Approval of the Fraud Prevention and Reporting Procedure;
 - Updating the policy and rules on the delegation of operational functions.

Events

On 26th of October, an online webinar of the Paskolų Klubas was held on the topic “How will investing change in the crisis?”.

Investment specialist Vytas Kereišis talked about the recession and P2P – what is the historical and foreign perspective, portfolio risk assessment and preparation for the recession, fixed and fixed income investments, P2P liquidity during the recession, the impact of the recession on the secondary market, and how the solvency of the borrowers will change during the crisis.

On 27th of October, Vilnius hosted the first and probably the biggest event to raise people’s financial literacy – the Financial Freedom Forum, which was also attended by the Paskolų Klubas and FinoMark.

The event featured presentations by well-known professionals in their respective fields, workshops in different fields, and discussion panels. Topics covered included economic trends, personal finance management, investment success stories of ordinary people. The thematic areas were divided into different investment areas: Real Estate (direct investments, P2P platforms, etc.), Securities (stocks, funds, etc.), Alternative Investments (cryptocurrencies, commodities, etc.). In the thematic P2P area, Vytas Kereišis, Investment Specialist at Paskolų Klubas, and Gražvydas Balčas, Head of FinoMark, invited people to come to the stands and learn more about the possibility of investing in business or personal loans.

On 15th of December, Head of administration Evaldas Remeikis participated in an “Investuok” webinar.

Evaldas Remeikis gave a presentation on “Changes in the behaviour of borrowers and investors” at the webinar “Crowdfunding and Lending – Interest rates are rising but defaults are increasing – in search of stability”.

On 20th of December, an online webinar for NEO Finance VIP Club members was held – “2022 Closing Discussion”.

During the discussion, CEO Evaldas Remeikis and Investment Specialist Vytas Kereišis talked about the current economic situation in Lithuania and the world, retail and institutional investors and the planned future of the platform from a strategic point of view, as well as discussed the improvements proposed by investors to the platform and what news investors can expect in 2023.

NEO Finance VIP klubas
2022 metų uždarymo diskusija
Gruodžio 20 d. | 18 val.
zoom
su Evaldu Remeikiu ir Vytu Kereišiu

ONLINE SEMINARAS
Kaip pasikeis investavimas per krizę?
2022.10.26 – 17:00
Lektorius Vytas Kereišis investavimo specialistas
PASKOLŲ KLUBAS

Investuok SEMINARAS
Sutelktinis finansavimas ir skolinimas – palūkanos auga, bet vėlavimų daugėja – stabilumo biešškant – gruodžio 15 d.

2022 M. SPALIO 27 D. LITEXPO
Tapk didžiausios finansinio raštingumo konferencijos Lietuvoje dalimi!
FFF FINANCIAL FREEDOM FORUM
PRISIJUNK IR TUJ

Management accounts

Revenue accumulation. The majority of revenue from P2P lending activities is distributed over the loan period. These revenues are received only when the borrower actually makes instalments. For management purposes, future intermediary fees are recognized in the year they are generated.

	2022 Q4	2021 Q4	Δ, %	2020 Q4	Δ, %
Loans granted, EUR	10 634 980	6 866 829	55%	5 420 321	96%
Intermediary fee income*, EUR	1 595 231	728 053	119%	584 648	173%
Intermediary fee / Loans granted, %	15%	11%	41%	11%	39%
Other income, EUR	464 481	462 016	1%	387 263	20%
Total revenue, EUR	2 059 712	1 190 069	73%	971 911	112%

At the end of the Q4 of 2022, the brokerage fee receivable in future periods amounted to

EUR **8.32** million

Paskolų Klubas



P2P lending platform Paskolų Klubas



Paskolų Klubas, which is operated by NEO Finance AB, is the largest P2P lending platform in Lithuania. The platform unites customers who want to borrow with those who can lend and want to invest in consumer credit and thus earn a return on investment.



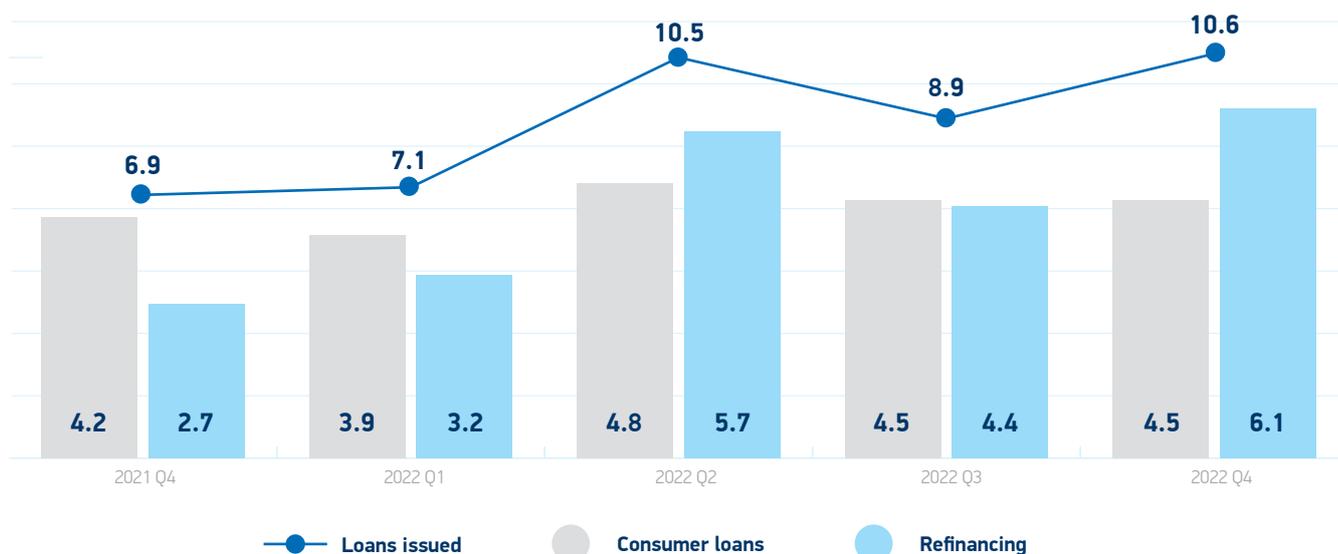
Q4 2022 DEVELOPMENTS AT P2P LENDING PLATFORM PASKOLŲ KLUBAS:

- In October, a partnership with the financial literacy app Poklet was launched.
- In November, the process of opening additional accounts for investors was relaunched.
- In November, a social media campaign “Check your rating”, inviting investors to find out their credit rating for free, was launched.
- In December, a birthday campaign was launched with a 50% discount on brokerage fees for borrowers.
- In December, the Buyback contract terms were updated: from now on, the platform must notify investors within 14 calendar days if it wants to adjust the sales ratios of investments.
- In December, the loan limits for customers were increased: the maximum amount of available commitments, excluding interest and all other fees:
 - For A+ and A-rated customers, it cannot exceed EUR 35 000;
 - For B-rated customers, the maximum amount cannot exceed EUR 30 000;
 - For C-rated customers, not more than EUR 20 000;
 - For C-rated clients, it may not exceed EUR 12 000.

In Q4 2022, EUR 10.6 M of loans were issued through NEO Finance’s Paskolų Klubas P2P lending platform, which is 54% more than in Q4 2021.

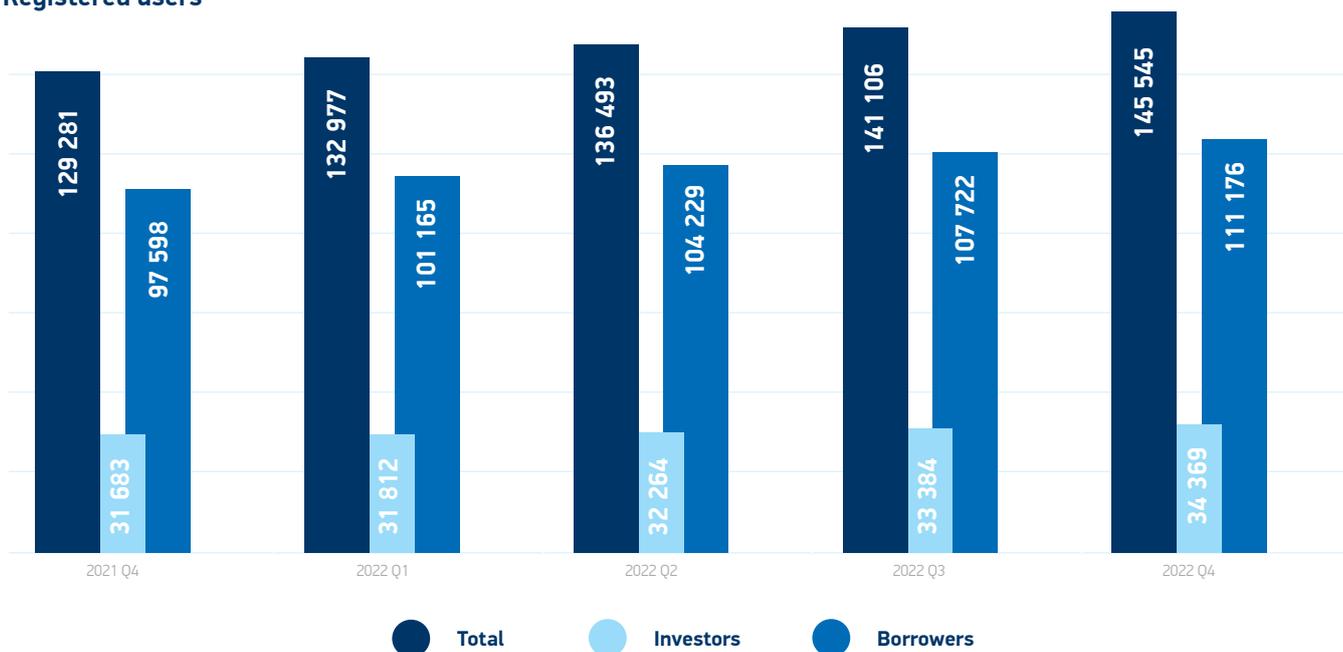
On a monthly basis, the largest amount of loans issued in Q4 was in October, Paskolų Klubas issued loans for EUR 3.7 M in one month.

P2P lending platform, loans issued, M EUR



During the Q4 of 2022, the number of registered users grew by 3.1 percent. Growth in the number of consumer credit recipients was 3.2 percent, investors – 3.0 percent. The total increase of users during the Q4 of 2022 was 4,439 new customers.

Registered users



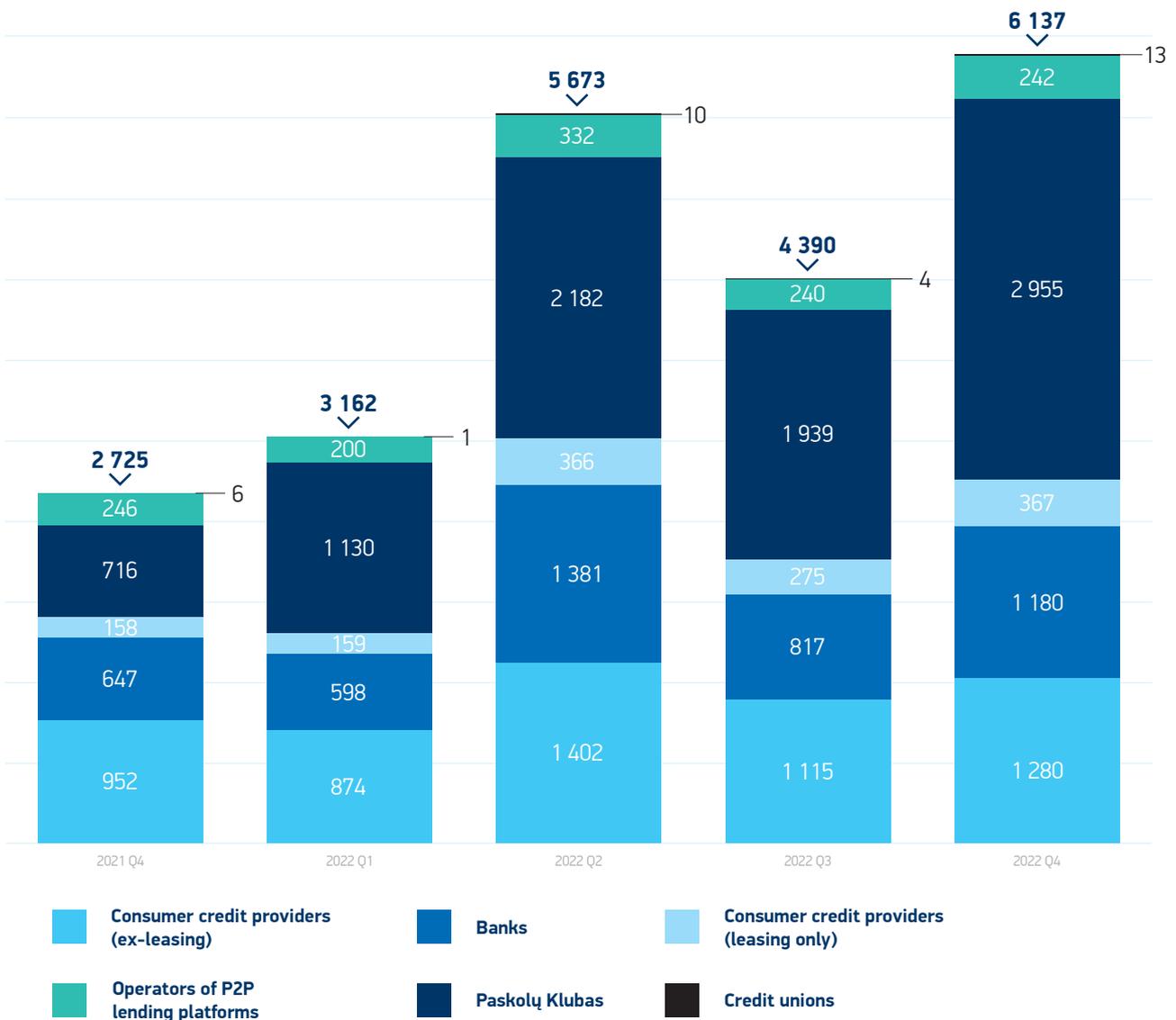
Refinancing

Of the EUR **10.6 M**

of loans financed in Q4 2022, EUR 6.1 M were refinancing loans. The P2P lending platform helped the recipients of those loans reduce their previous monthly payment amount and/or interest rate.

Borrowers can refinance a loan while borrowing additionally, with some of the new loan going to refinance an existing loan and the rest to pay for a purchase. The amount considered refinanced by a loan recipient does not include the additional amount.

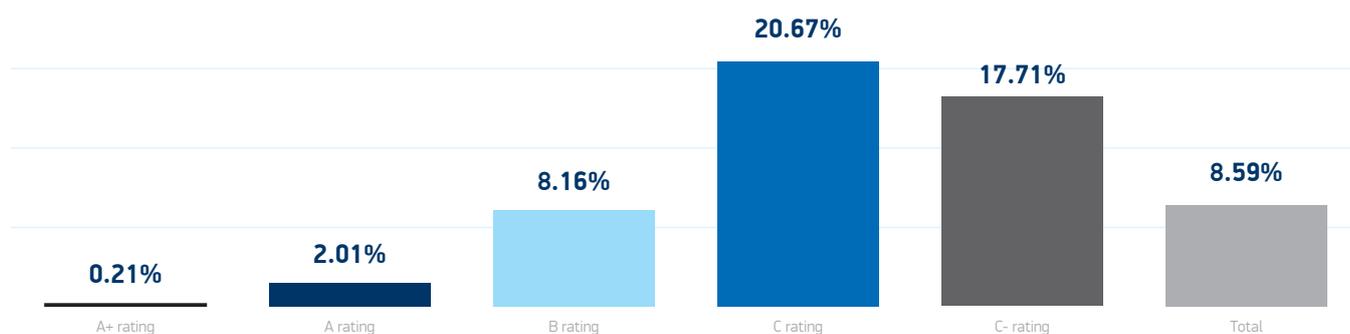
Refinancing distribution, K EUR



Overdue loans

At the end of Q4 2022, of 37 376 outstanding loans, 3 168 (8.48%) were overdue more than 90 consecutive days. Of the EUR 128.1 M of loans issued, loans for EUR 11 M (8.59%) were more than 90 days overdue. During Q4 2022, EUR 629 K were recovered and distributed to lenders.

Loans, overdue >90 days, %

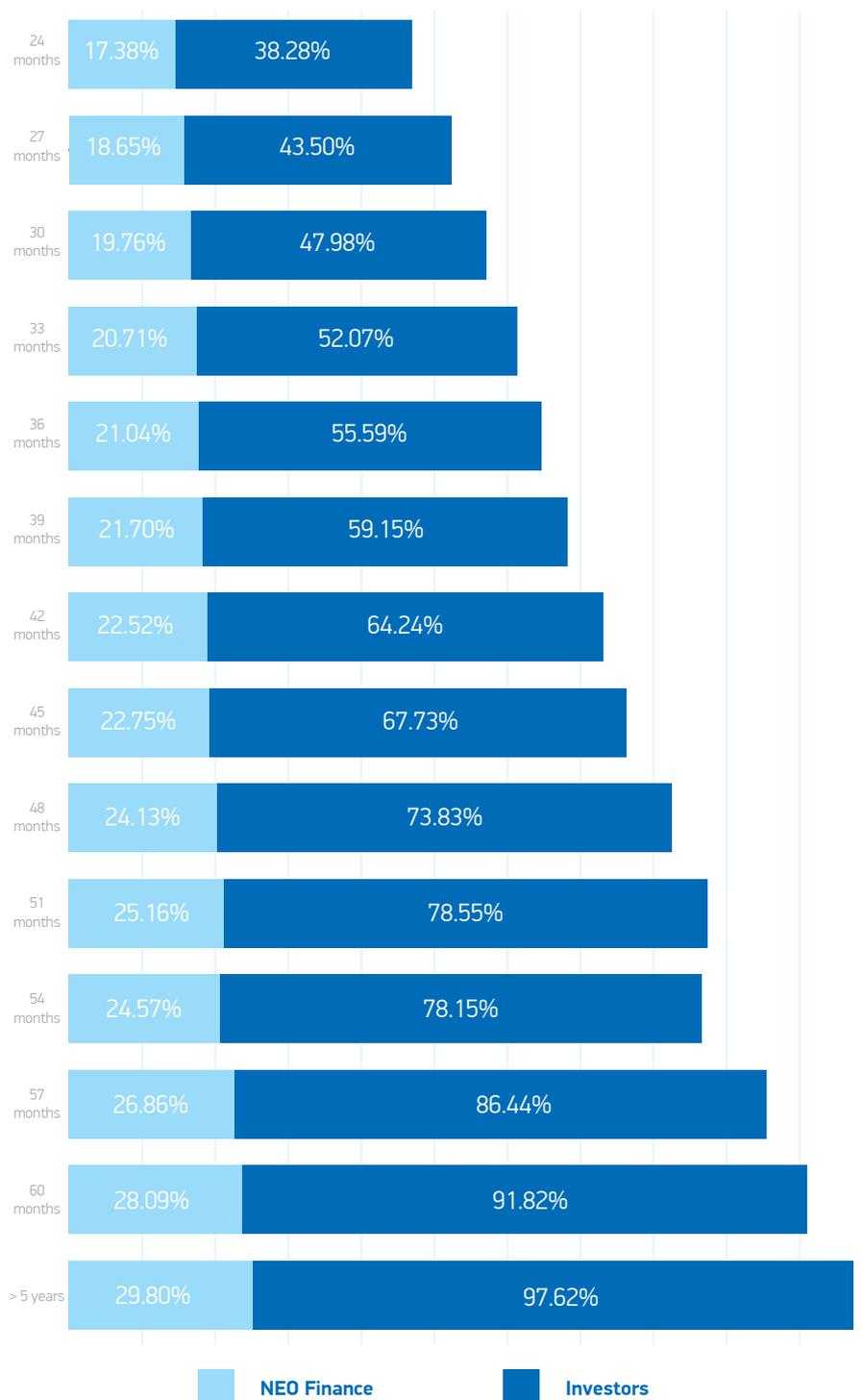


Amount recovered, K EUR

	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Recovered amount, K EUR	502	459	556	651	629
Overdue (>90days) loan amount, K EUR	9 172	9 583	9 793	10 319	11 000

Debt recovery begins immediately after the termination of the contract, but due to the completion of litigation and bailiff proceedings, the results of recovery appear after an average of 2 years. First, all third-party legal costs incurred by NEO Finance AB in connection with the recovery process are covered. The intermediary fee due to NEO Finance AB is covered together with the amount due to lenders. Below is a breakdown of the amounts in fact recovered on behalf of NEO Finance AB and lenders.

Recovered % of principal outstanding at termination

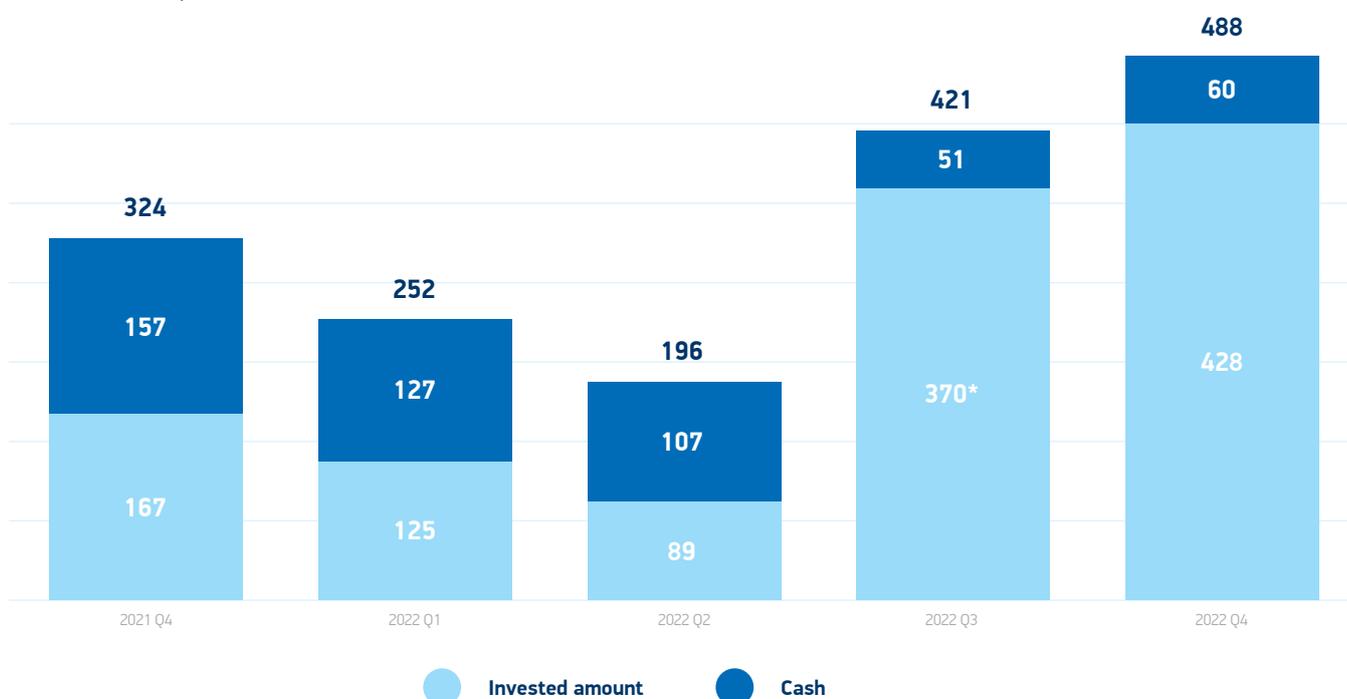


Months after termination	Principal at termination	No. of loans
24 months	8 621 858	2 683
27 months	7 963 210	2 488
30 months	6 977 100	2 183
33 months	6 162 128	1 946
36 months	5 399 929	1 682
39 months	4 475 977	1 398
42 months	3 672 957	1 156
45 months	2 883 283	917
48 months	2 233 416	735
51 months	1 726 112	579
54 months	1 185 740	418
57 months	879 039	332
60 months	696 857	275
> 5 years	935 442	457

Provision fund

The provision fund lets lenders reduce investment risk. If a loan defaults, the provision fund secures therepayment of the invested amount. In Q4 2022, EUR 83 684 was paid out to lenders from the provision fund.

Provision fund, K EUR



To manage liquidity risk, NEO Finance AB calculates the sufficiency of its funds for covering provision fund liabilities. Since Q3 2019, some of those funds have been invested in loans, with the remainder held in a separate bank account. The purpose of this account is to support the company’s internal cash flow management. To fulfil its obligations to lenders, the company may, if necessary, use other of its assets.

*The Provision Fund investment statistics were updated on September 23, 2022. After the updates, the invested amount consists of the net value of NEO Finance, AB’s investments in loans and from this amount all NEO Finance, AB’s liabilities (issued bonds, taken loans) have been subtracted.

At the end of Q4 2022, the amount accumulated in the provision fund account was EUR 488 K and the total guaranteed amount was EUR 1.15 M. The coverage ratio was thus 42%.

	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
Guaranteed amount, K EUR	2 405	2 113	1 726	1 427	1 156

Provision fund service for new investments abolished as of 1 March 2022.

Buyback service

When an agreement with a borrower is terminated, the buyback service gives lenders the opportunity, within 30 days, to sell their investment to NEO Finance AB at 50-100% of its remaining face value.

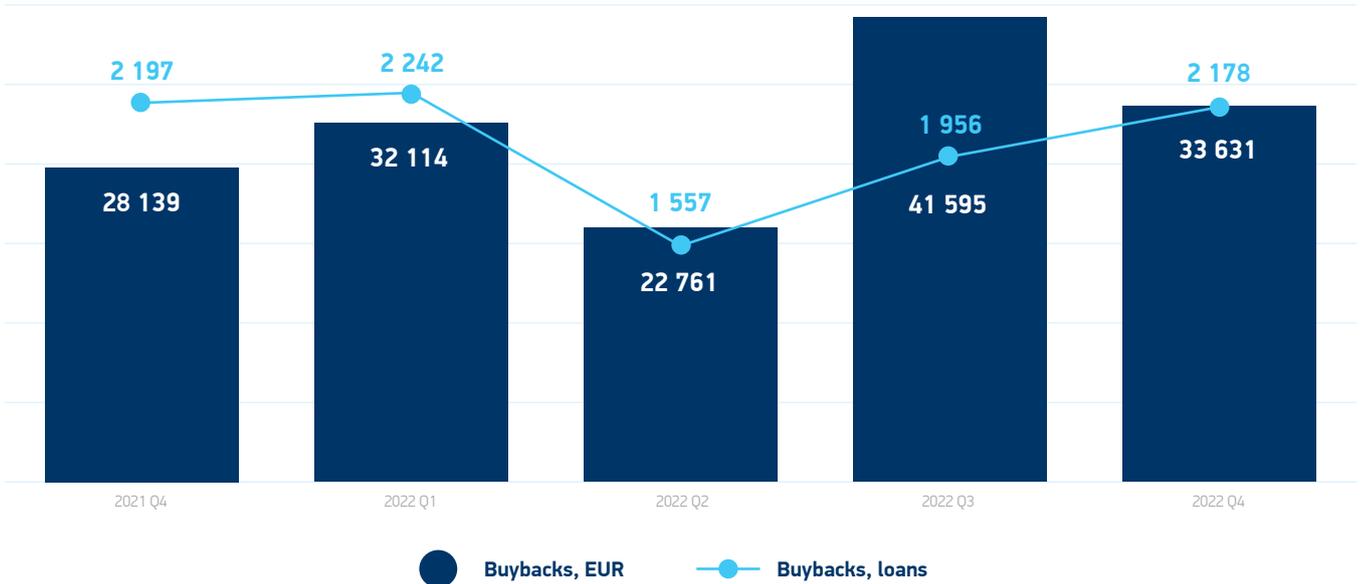


IN Q4 2022, LENDERS SOLD

2 178

investments to NEO Finance AB for EUR 33 631.

Buybacks



Secondary market

In the secondary market, lenders can buy and sell investments. The secondary market allows lenders to actively manage investments along with credit and liquidity risks.

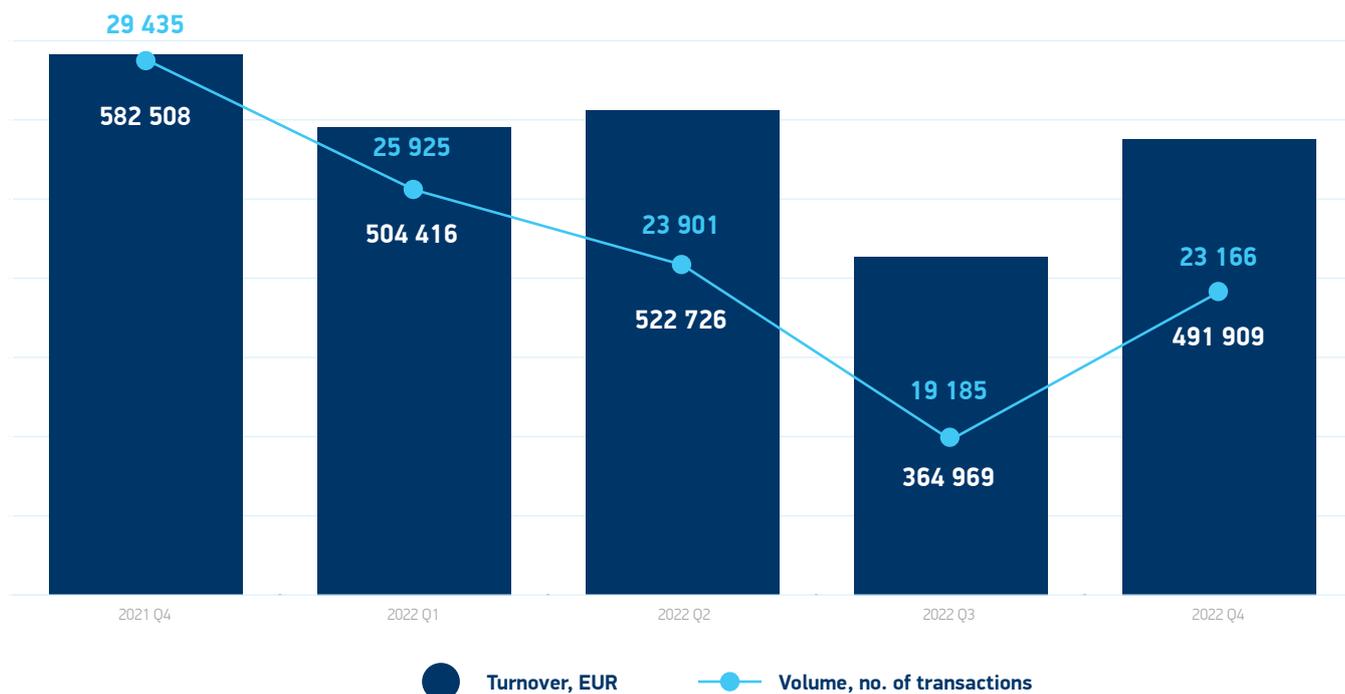
SECONDARY MARKET TURNOVER IN Q4 2022 TOTALLED

EUR **491 909**

THE AVERAGE TRANSACTION AMOUNT WAS

EUR **21.23**

Secondary market



NEO Finance AB's investments

NEO Finance AB, as a provider of consumer credit, can also invest in loans on the Paskoļų Klubas P2P lending platform along with other registered lenders. By investing in loans, the company aims to increase the speed with which loans are financed, thereby ensuring the platform's attractiveness for both borrowers and lenders.

As the amount of credit requests on the Paskoļų Klubas market increases and in order to finance them faster, from May 20, 2022, a decision was made to increase the limit of NEO Finance, AB, which allows the company to invest in loans.

The investment limit of NEO Finance, AB has been increased from 50% up to 80% of initial amounts of consumer loan. The company can immediately invest up to 50 percent the initial amounts of A+, A and B rated consumer credit. However, if the financing of the above-mentioned rated loans is not completed within 48 hours, NEO Finance, AB has the opportunity to finance an additional 30% of initial amounts of consumer loan.

NEO Finance, AB had the opportunity to finance up to 50% of all loans placed on the market on the Paskoļų Klubas platform. Due to the growing supply of loans, it was decided to increase the investment limit of NEO Finance, AB to 80% of the initial consumer credit amount. When a credit rating of A+ or A is granted to a consumer credit recipient - NEO Finance, AB can immediately grant a consumer credit of up to EUR 15,000, if a credit rating of B is granted - up to EUR 8,800, but not more than 80 percent of the initial amount of the consumer credit. NEO Finance may not adhere to the above maximum investment amounts and grant consumer credit to consumer credit recipients of all credit ratings, if the investors have already financed at least 20 percent of the consumer credit amount and at least 24 hours have passed since the application for consumer credit was submitted to the loan market.

NEO Finance, AB can invest in C and C-rated loans only when other investors finance at least 20 percent of loan amount and at least 48 hours have passed from the submission of the application for consumer loan on the loan market.



IN THE Q4 OF 2022 NEO FINANCE, AB INVESTED IN LOANS

EUR **153 000**

**NEO Finance AB's
investments, K EUR**

2021 Q4

2021 Q1

2022 Q2

2022 Q3

2022 Q4

36

78

85

273

153

The company's policy on avoiding conflicts of interest is available [here](#).

Institutional investor

In August 2021, the company began collaborating with the institutional investor nordIX, a German fixed income asset manager.

Under the agreement, nordIX invests by acquiring a portfolio of loans that NEO Finance AB forms on the P2P lending platform according to criteria pre-agreed with the institutional investor.

nordIX
fixed income & derivatives



AS OF THE END OF 2022 Q4, THE PORTFOLIO THAT NORDIX
HAD ACQUIRED FROM NEO FINANCE AB HAD A TOTAL SIZE OF

EUR **9.4 M.**

NORDIX'S INVESTMENTS, EUR

1 368 807 2021 Q4

1 523 144 2021 Q1

4 177 636 2022 Q2

2 033 186 2022 Q3

3 389 821 2022 Q4

Hamburg, Germany-based nordIX specializes in fixed income investments, with a focus on bonds and derivatives. The company manages several mutual and special funds and develops intelligent investment opportunities. Besides its asset management work, nordIX also advises institutional customers regarding bonds and other fixed income products. The company supports institutional investors in Germany, Austria and Switzerland and manages several hundred million euros in a variety of different investment funds.

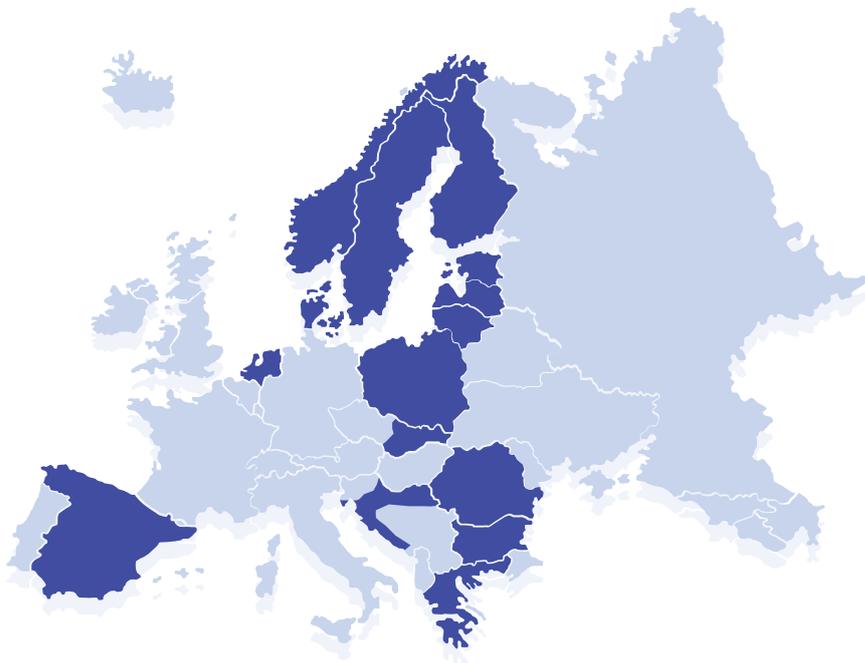


Neopay

NEO Finance AB is a licensed provider of payment initiation, account information services and other payment solutions. These services are provided under the Neopay brand.

Neopay provides payment initiation, account information services and other payment solution services through secure open APIs with banks and other financial institutions as required by the Law on Payments of the Republic of Lithuania and the Payment Services Directive 2 (PSD2).

At the end of the fourth quarter of 2022, Neopay services were available in Lithuania, Latvia, Estonia, Finland, Sweden, Norway, Denmark, the Netherlands, Poland, Greece, Romania, Spain, Croatia, Bulgaria and Slovakia, integrated with more than 200 financial institutions. The latest list by country can be found [here](#).



Q4 2022 DEVELOPMENTS AT NEOPAY:

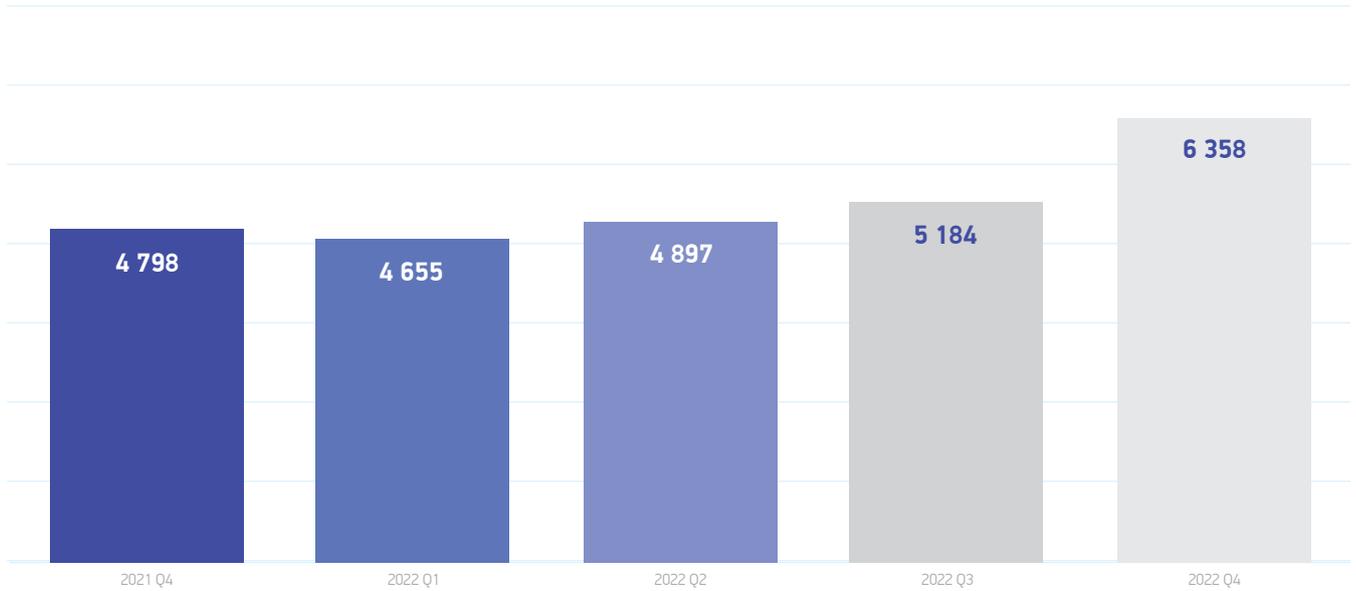
In December we handled a remarkable 2.21 million transactions – a new monthly record. The largest numbers of transactions were initiated from Swedbank and SEB Bank.

At year-end, we reached another record as total payments via Neopay during the year exceeded €1.423 billion.

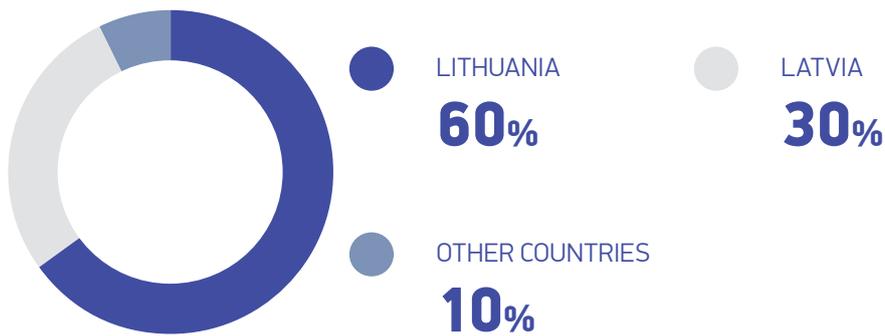
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Payment initiation transactions, thousands



Payment initiation transactions by country



In addition to payment initiation and account information services, Neopay offers SEPA Instant Credit Transfers, bulk payments, recurring payments, fee collection and allocation, active payment links, ID verification, and 1-click payment capabilities. It offers 'white label' solutions, with a secure payment window tailored to the customer's brand design, and open banking interface testing for financial institutions. Some services are only provided in specific countries and/or through supporting banks.



FinoMark

In February 2021, after assessing FinoMark UAB's business model, the Bank of Lithuania gave the platform permission to carry out crowdfunding activities.

When it launched, VIP lenders from the Paskolų Klubas P2P lending platform were given an exclusive opportunity to get acquainted with projects published on the platform and invest in them. In June 2021, the crowdfunding platform was presented publicly and became accessible to all investors.



Q4 2022 DEVELOPMENTS AT FINOMARK:

- Since October, all borrowers have been provided with personal managers.
- In November, cooperation with notaries was launched to enable customers to pledge assets remotely.
- In November, monitoring of the loan documents supporting the purpose of the loan was launched to verify that investors' funds have been used for their intended purpose.
- In December, a free credit assessment of borrowers was carried out to attract more borrowers.
- In Q4, the feature (Referral) created in August was continued, allowing investors to actively invite other investors to join the platform.

FinoMark issued loans amount, EUR



Active investor's portfolio amount, EUR



Average loan term.

Interest paid

Average loan amount

Average interest rate

30.6 month.

158 090 EUR

20 215 EUR

11.5%

