



NEO
Finance



NEO FINANCE, AB

Sales Report Q4 2021



COMMENT BY THE CEO

The fourth quarter of last year was somewhat turbulent. In the loan market, growing competition was felt between lenders, banks and specialised banks, and interest rates declined as a result. Traditionally, some market players invest more at year-end to boost the visibility of their brands in the media and on TV and social networks. Thus, consumer loans issued on our P2P lending platform Paskolų Klubas in Q4 2021, at EUR 6.86 million, were 11% less than in Q3 2021. Still, 27% more loans were granted in Q4 2021 than in the same period of 2020, and loans issued on the platform during last year as a whole totalled EUR 27.38 million, which is 43% more than in 2020.

We continue working with the German fixed income asset manager nordIX. Since the collaboration began, the fund has invested EUR 2.55 million in NEO Finance, AB's loan portfolio.

The fourth quarter was successful for Neopay. Users of the service initiated nearly 4.8 million payments, 68% more than in the third quarter. In December we set new daily and monthly records for the number of payments. In 2021 as a whole, Neopay completed more than 16 million payments – 2.3 times more than in 2020.

FinoMark steadily increased its volume of loans to business entities, with EUR 258 K of loans issued on the platform in Q4 2021.

In order to offer customers new services and products, we look for synergies among our business directions and actively collaborate with other market participants. In November, we launched a joint product of P2P lending platform Paskolų Klubas and Neopay – instalment purchasing, combining payment at online stores via Neopay with the ability to obtain a consumer loan via P2P lending platform Paskolų Klubas, all in one place. The end of the year brought the start of a convenient tipping service, DennyTips, for which Neopay provides the payment solution.

During Q4 2021 we participated actively in exhibitions and events: Retail 21, E-komercija, Riga Comm, Expo Warsaw, Supernamai, Mano Investicija, and more.

Meanwhile, we eagerly enter 2022, ready to continue developing services and products for our customers, to actively respond to market changes, and to raise the intensity of our operations in other countries.

Paulius Tarbūnas
Chief Executive Officer





Key developments

Q4 2021 DEVELOPMENTS AT NEO FINANCE, AB

- On 29 November, the last EUR 400 K bond issue of the EUR 1.1 M of bonds issued in 2018 was redeemed.
- On 18 December, Paulius Tarbūnas was appointed as CEO of NEO Finance, AB with the approval of the Bank of Lithuania. He previously led the company's Open Banking Department and oversaw the development and growth of the Neopay service.
- In December, the company appointed KPMG Baltics SIA as its certified advisor for the Nasdaq Baltic First North market. The role of the certified advisor is to provide advice and oversee the company's compliance with the requirements of the First North market.
- In December, NEO Finance AB launched the group website www.neofinancegroup.com, for publishing information for shareholders and investors.
- In December, Enlight Research published an equity research report on NEO Finance AB for investors. Enlight Research aims to publish two reports per year on NEO Finance AB.

Other developments

Q4 2021 DEVELOPMENTS AT P2P LENDING PLATFORM PASKOLŲ KLUBAS:

- New products were introduced: instalment purchasing and the opportunity to obtain a first EUR 500 loan for a 6-month term free of charge. A feature was also added to allow customers to sign documents using two-factor authentication.
- In October, actions were taken to increase activity on the secondary market. Within a week secondary market turnover increased by 126% compared to the previous month.
- In the months of November and December, Paskolų Klubas was a gold sponsor of the “My Investment” conference organized by the Delfi news portal. More than 15 articles were published on the Delfi portal in addition to three conference speakers and presentation of NEO Finance, AB’s brands.
- In December a monthly record of EUR 144.5 K in intermediary fees collected was set.

Q4 2021 DEVELOPMENTS AT NEOPAY:

- In October, Neopay connected three new financial institutions: N26, Wise, and Getin Noble Bank.
- In December, two records were set – for 83.7 K payments in a day and 1.7 M in a month.
- In December, Neopay was integrated on the OpenCart platform and customers were given the option of bulk payments.

Q4 2021 DEVELOPMENTS AT FINOMARK:

- In October, financing of C-rated investment products began on the platform.
- In October, the number of investors grew by 22% from the previous month and one legal investor was attracted.
- In November, an English-language version of the website was launched and a new “Smart Investment” feature was introduced.
- In December, the platform was presented to the Dutch investors.
- In December, the share capital of FinoMark, UAB was increased.



Events



OCTOBER

- SUPERNAMAI 2021 exhibition. Participated under the Paskolų Klubas brand, sought to attract borrowers.
- RIGA COMM 2021 conference. Participated under the Neopay brand. Neopay CEO Paulius Tarbūnas spoke at the conference on e-commerce and open banking.
- EXPO XXI Warszawa exhibition. Participated under the Neopay brand.
- Fintech Summit Poland. Neopay was awarded as “Paytech Solution of the Year” and was the subject of a presentation entitled “Neopay: an Open Banking Solution”.
- Fintech INN virtual conference. Chairman of the Board Evaldas Remeikis took part in a discussion on future changes in open banking.
- “Smart Start 2021” career event organised by the Vilniaus Kolegija University of Applied Sciences. Participated under all of NEO Finance AB’s brands.



NOVEMBER

- Delfi.lt “Mano Investicija” Conference. Participated under the Paskolų Klubas, FinoMark and Neopay brands.



DECEMBER

- Rockit conference “Wrap up of 2021: the Fintech scene in Lithuania”. Neopay CEO Paulius Tarbūnas was a speaker and took part in a roundtable discussion.





Management accounts

	Q4 2021	Q3 2021	Δ, %	Q4 2020	Δ, %
Loans issued, K EUR	6 867	7 726	-11%	5 420	27%
Intermediary fee income, K EUR	668	777	-14%	558	20%
Intermediary fee/Loans issued ratio	9.7%	10.1%		10.3%	
PIS income, K EUR	247	209	18%	149	66%
Other income, K EUR	334	329	1%	384	-13%
Total income, K EUR	1 248	1 315	-5%	1 091	14%

Intermediary fee income is presented in the table as a result of the loans issued in the specified quarter to be received throughout the loan period. For example, intermediary fee income of EUR 668 000 for Q4 2021 is a result of the EUR 6.867 M of loans issued and will be received across the entire loan period.

At the end of Q4 2021, intermediary fee receivables totalled EUR 6.78 M.

P2P lending platform Paskolų Klubas

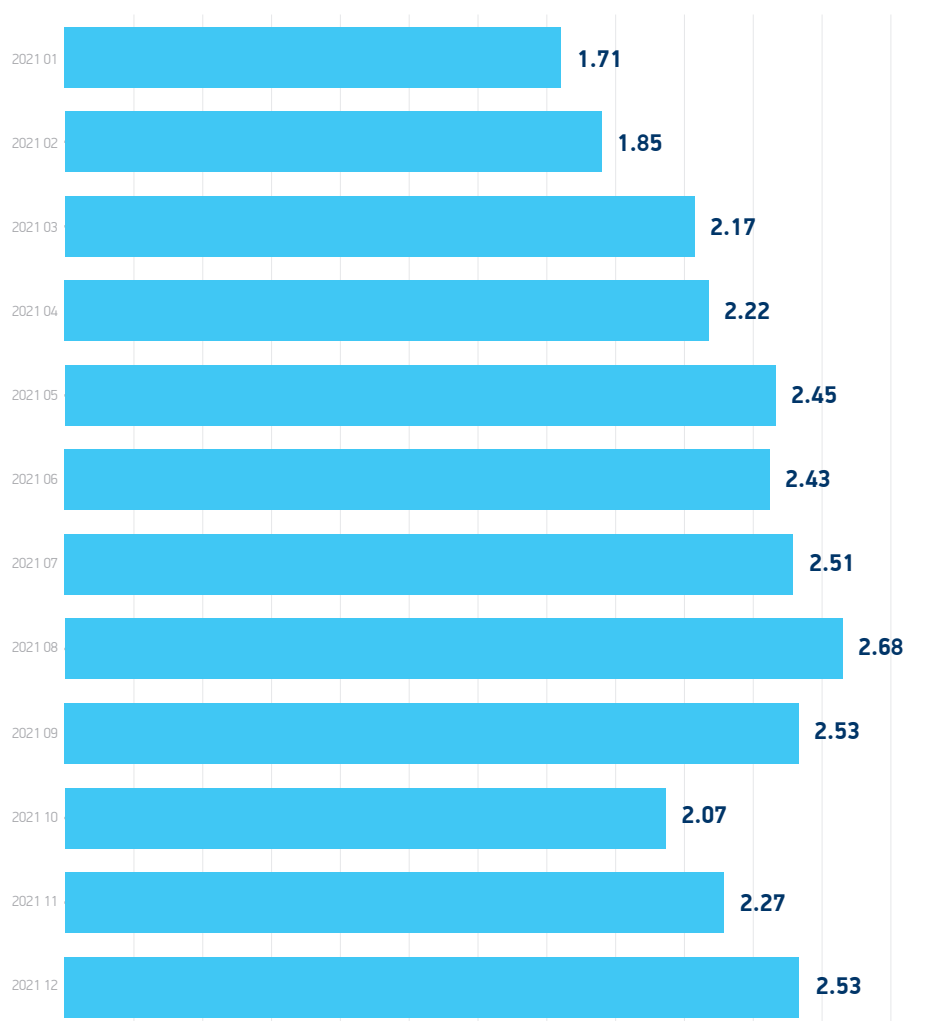


Newly issued loans

In Q4 2021, EUR 6.86 M of loans were issued through the P2P lending platform Paskolų Klubas administered by NEO Finance AB, which is 11% less than in Q3 2021. Nonetheless, 27% more loans were granted in the last quarter of 2021 than in the same period of 2020.

The largest amount of issued loans through the Paskolų Klubas in Q4 was in December - EUR 2.53 M. Compared to the same month in 2020, the volume of loans issued through the platform increased by 65%.

P2P lending platform, loans issued, M EUR





Refinancing

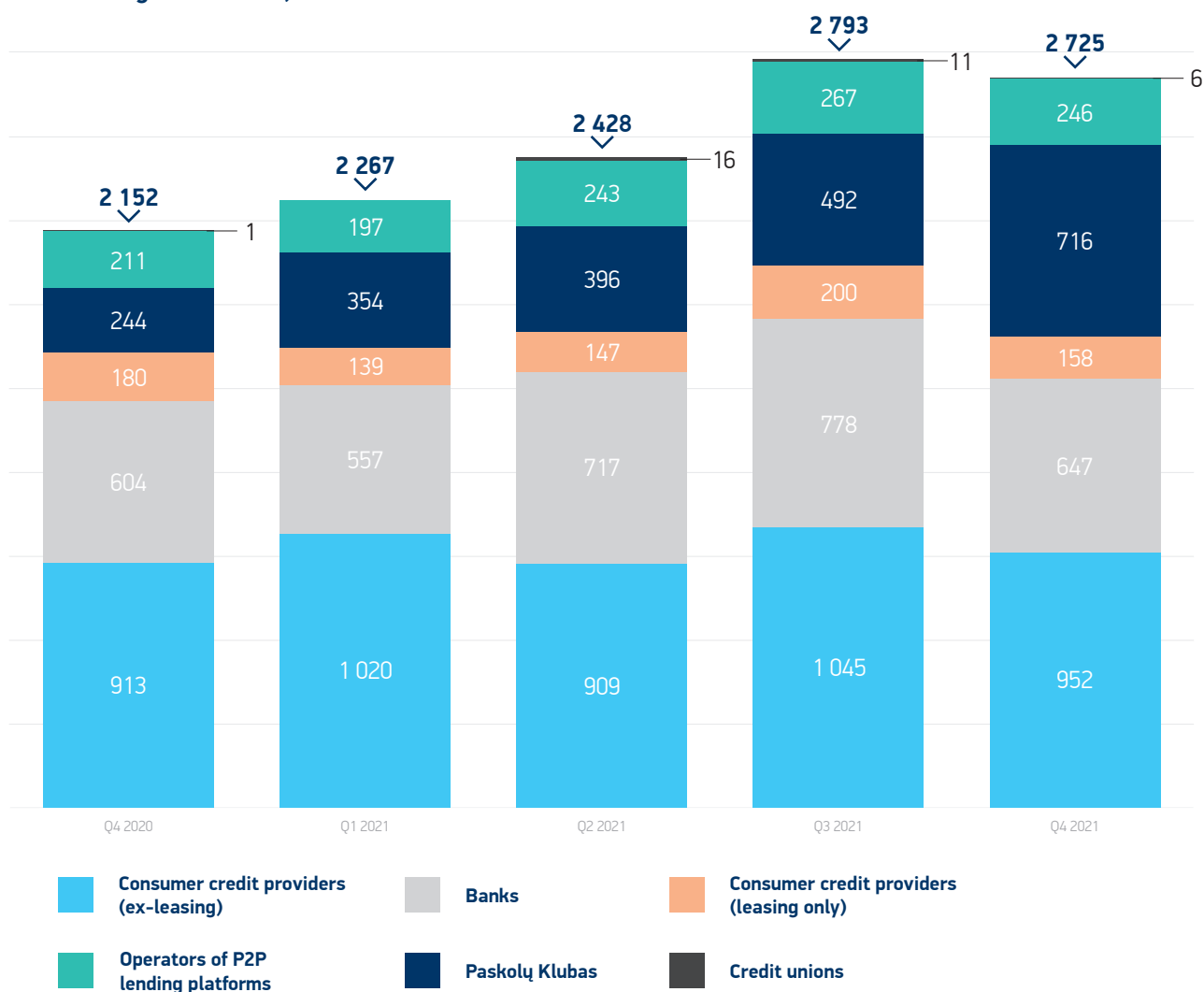
Of the **EUR 6.86 M**

of loans financed in Q4 2021, EUR 2.725 M were refinancing loans. P2P lending platform helped the recipients of those loans to reduce their previous monthly payment amount and/or interest rate.



Borrowers can refinance a loan while borrowing additionally, i.e., some of a new loan goes 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

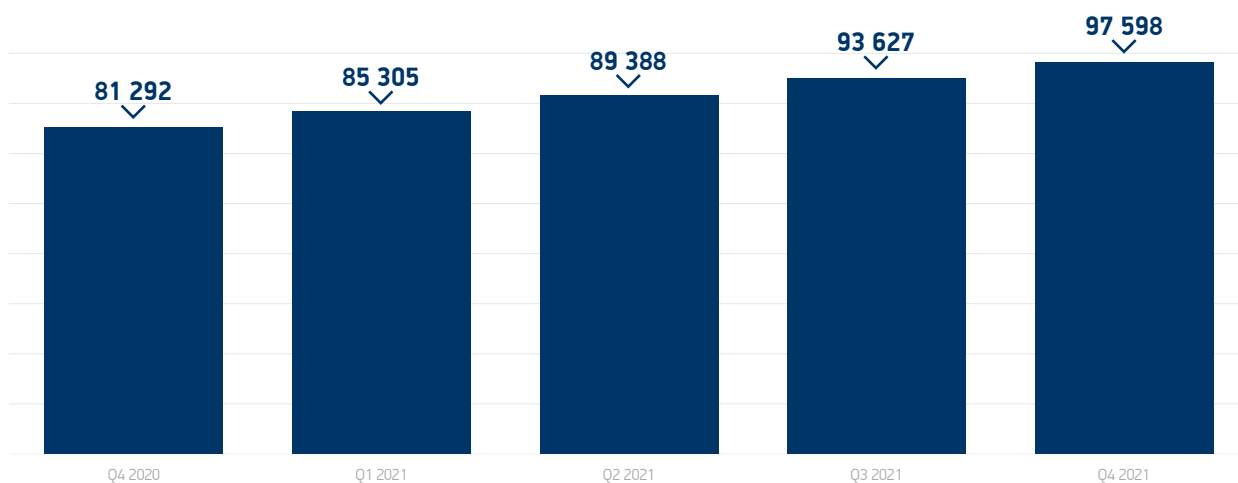




Borrowers

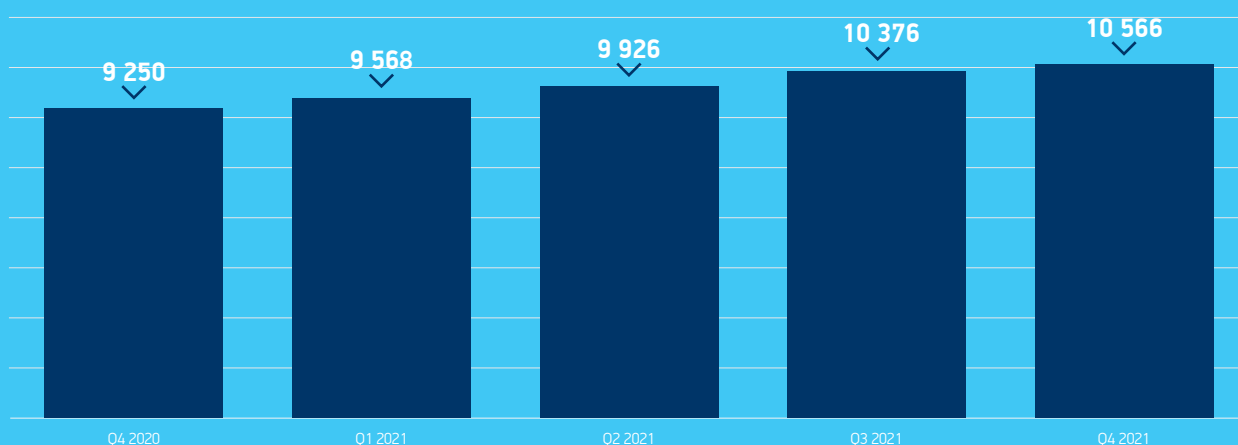
Paskolų Klubas's increasing brand awareness and strategy helped attract 3 971 new borrowers in Q4 2021. At year-end, the number of registered borrowers grew to 97 598, an increase of 20% from a year before.

Registered borrowers



The number of active borrowers on the P2P lending platform also grew in Q4 2021 with 190 active borrowers added in the period, for a total of 10 566 at year-end. That was 14% more than at the end of 2020.

Active borrowers



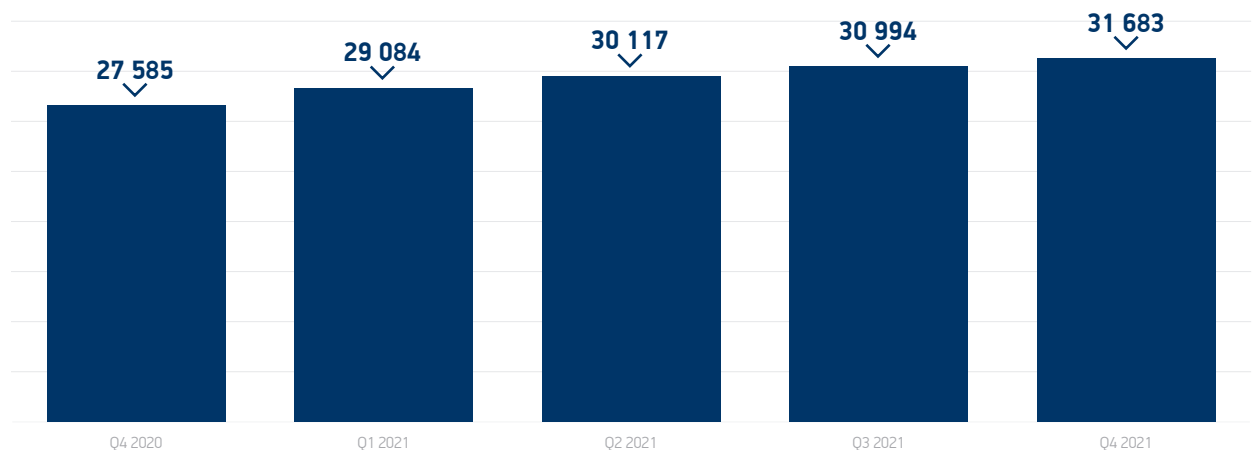


Lenders

In Q4 2021, 689 new lenders registered on the P2P lending platform. Compared to Q4 2020, the number of lenders who had registered or begun registering grew 15%.

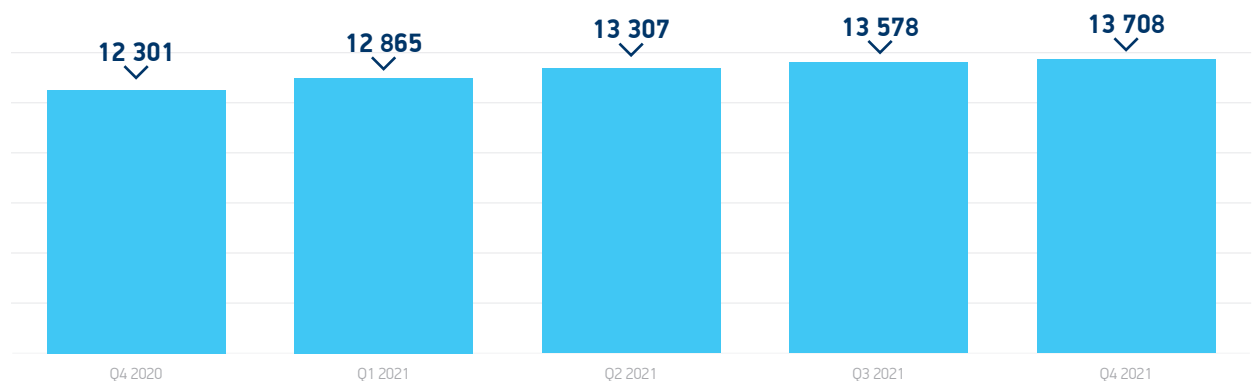
In total, the platform had 31 683 registered users at the end of Q4 2021.

Registered lenders



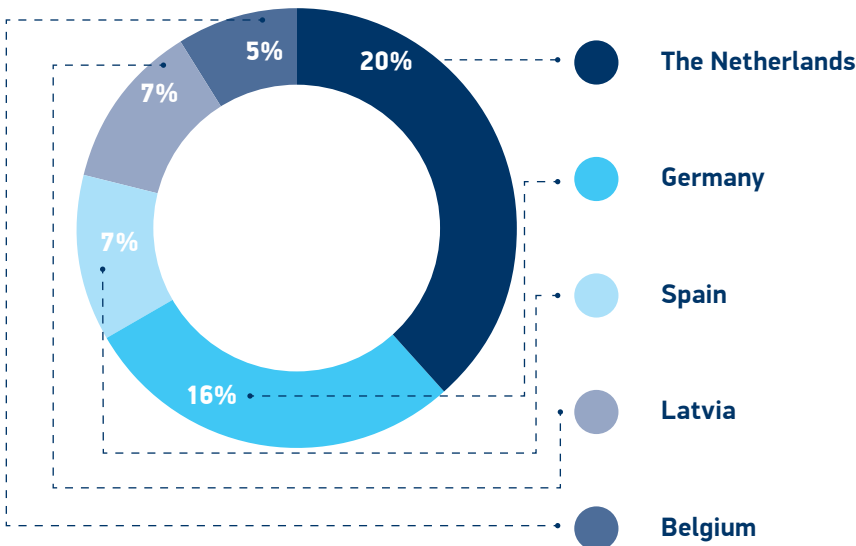
Q4 2021 saw the addition of 130 active lenders and at the end of the quarter the number of active lenders totalled 13 708. That was 14% more than at the end of Q4 2020. Among lenders that registered in Q4 2021, the largest numbers, in decreasing order, were from Lithuania, the Netherlands and Belgium.

Active lenders



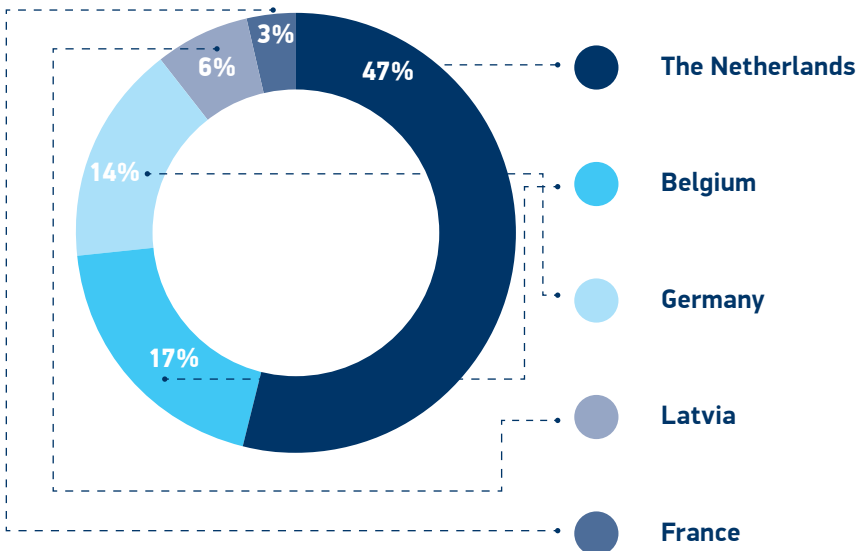
As of Q4 2021, there were a total of 151 registered lenders from outside Lithuania. Most heavily represented were the five countries listed below.

Registered lenders by country



Among active lenders who registered in Q4 2021, the five countries listed below were most active.

New active lenders by country





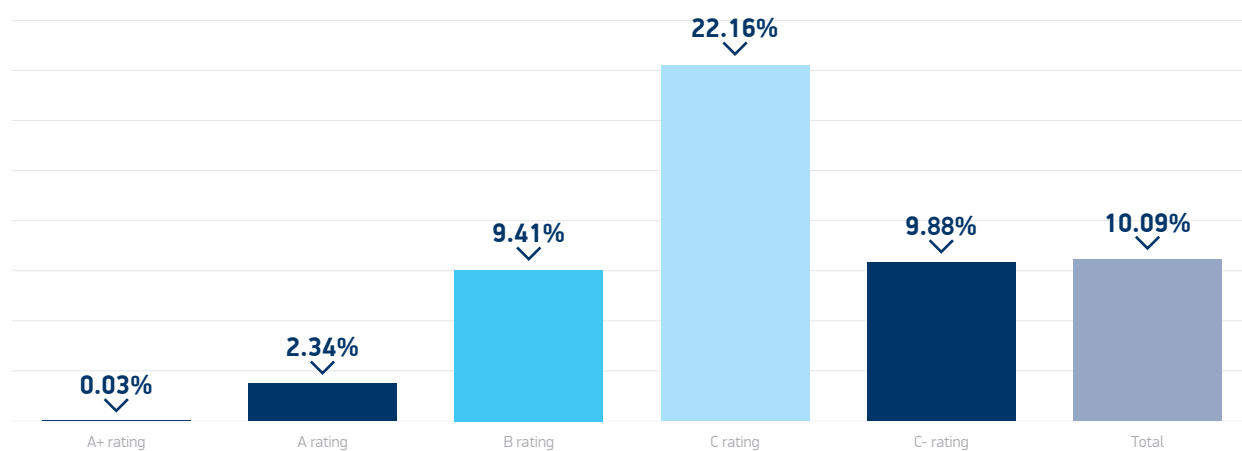
Overdue loans

At the end of Q4 2021, of 29 417 outstanding loans, 2 810 (9.55%) were overdue more than 90 consecutive days. Of the EUR 90.91 M of loans issued, loans for EUR 9.17 M (10.09%) were more than 90 days overdue.

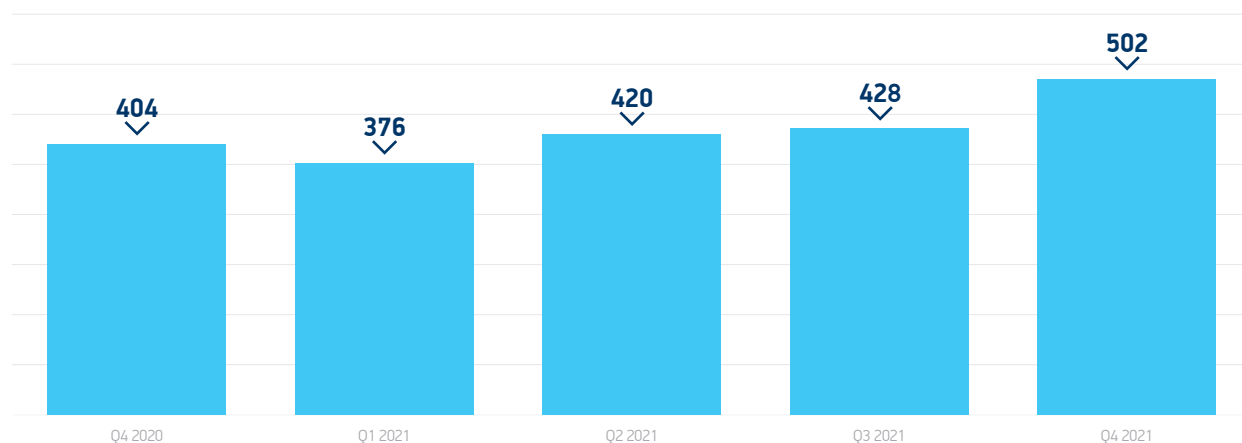
During Q4 2021,

EUR 502 000 were recovered and distributed to lenders.

EUR, overdue >90 days, %



Amount recovered, K EUR

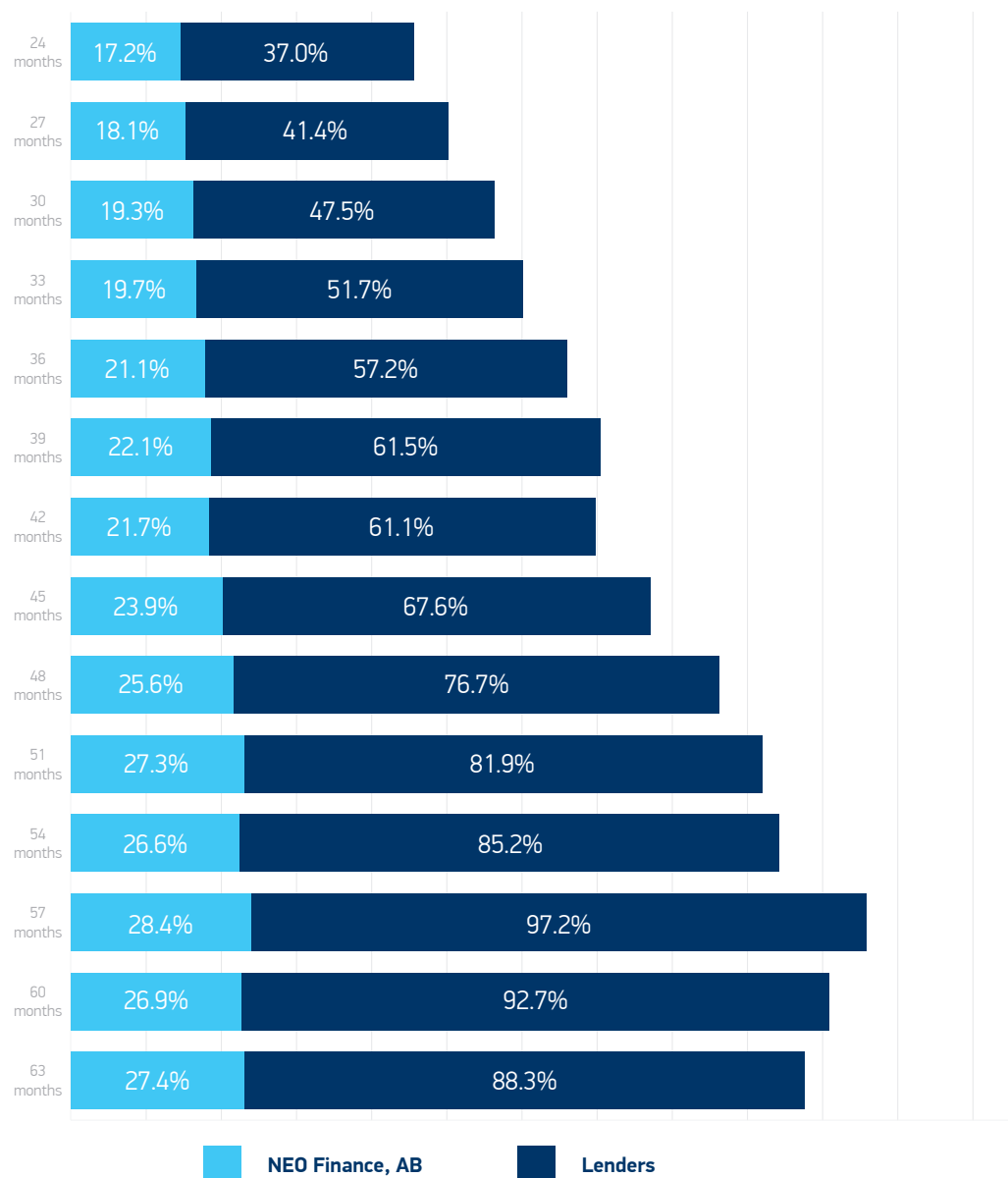




Recovery

Recovery on average begins 2 years after the termination of an agreement. 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





Recovery

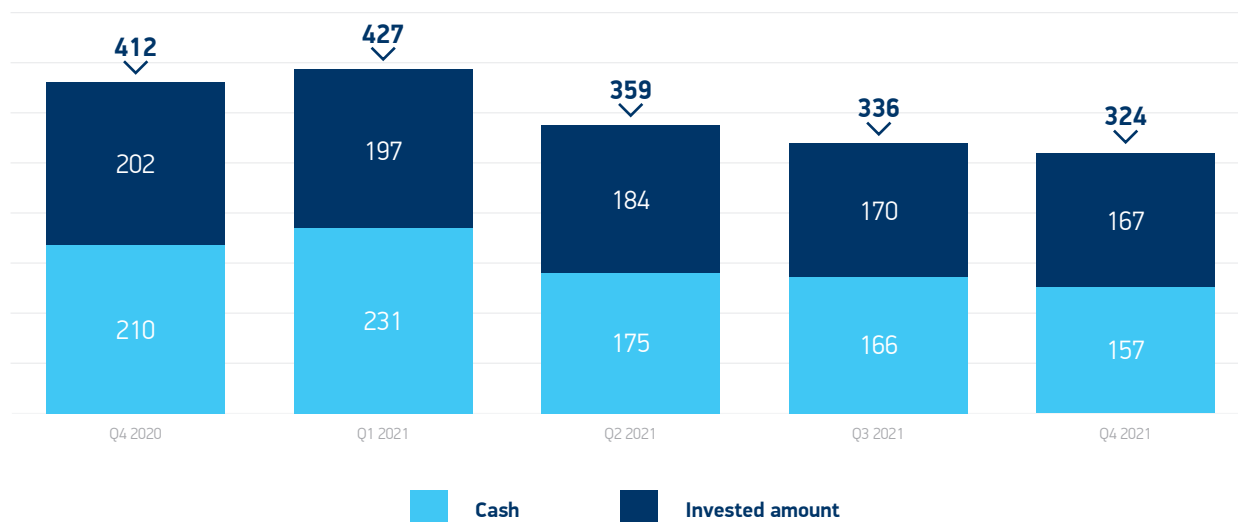
Months after termination	Principal at termination	No. of loans
24 months	5 399 929	1 682
27 months	4 475 977	1 398
30 months	3 672 957	1 156
33 months	2 883 283	917
36 months	2 233 416	735
39 months	1 726 112	579
42 months	1 185 740	418
45 months	879 039	332
48 months	696 857	275
51 months	436 744	195
54 months	272 552	134
57 months	151 459	80
60 months	53 017	34
63 months	21 670	14



Provision fund

The provision fund lets lenders reduce investment risk. If a loan defaults, the provision fund secures the repayment of the invested amount. In Q4 2021, EUR 130 441 was paid out to lenders from the provision fund.

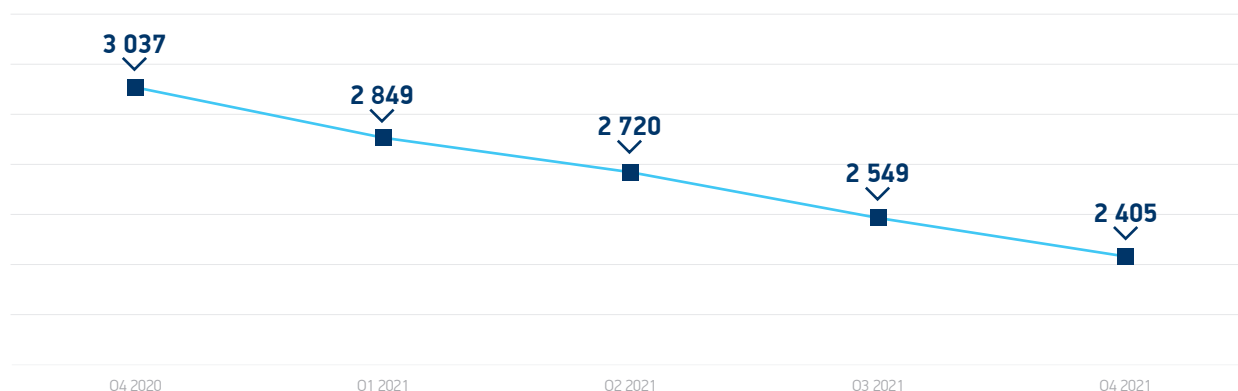
Provision fund, K EUR



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, and the remainder is held in a separate bank account. The purpose of this account is to ensure the company's internal cash flow management. To fulfil its obligations to lenders, the company may, if necessary, use other of its assets.

At the end of Q4 2021, the amount accumulated in the provision fund account was EUR 324 K and the total guaranteed amount was EUR 2.405 M. The coverage ratio was thus 13%.

Guaranteed amount, K EUR





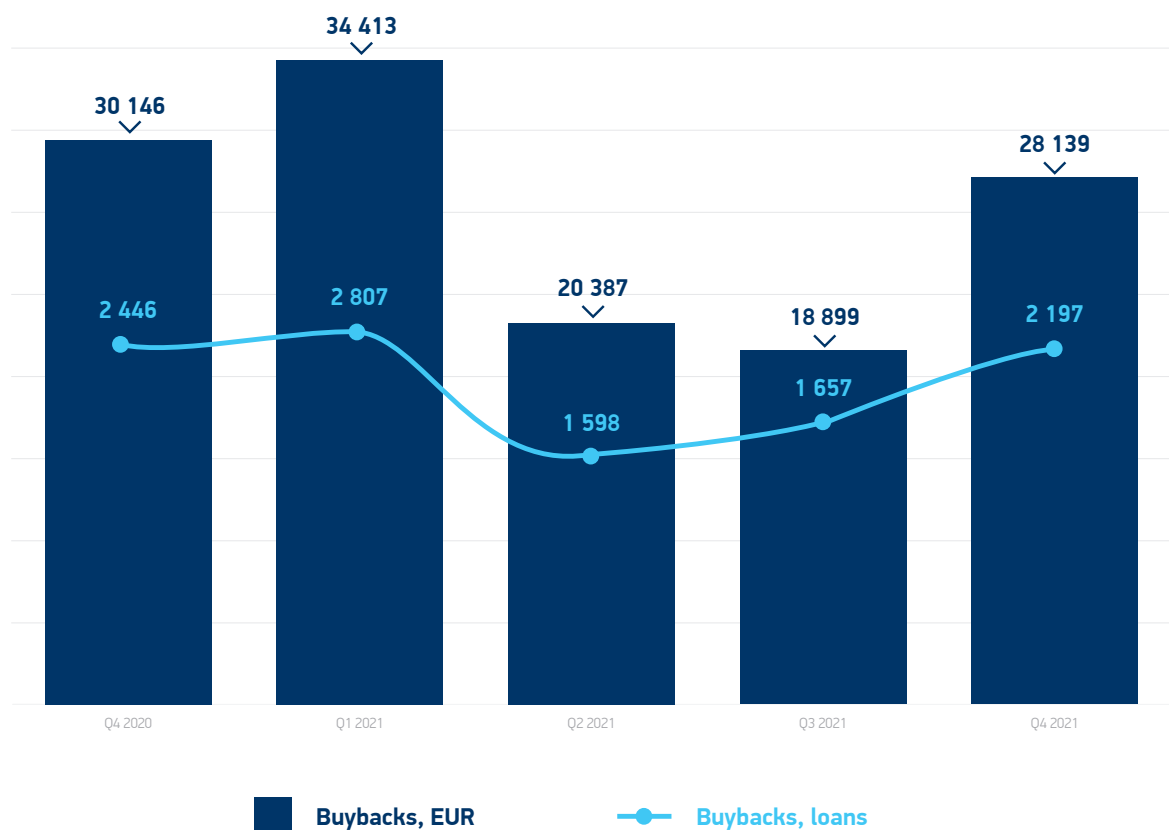
Buyback service

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 2021, lenders sold

2 197 investments to NEO Finance, AB for EUR 28 139.

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 2021 totalled

EUR 590 432

The average transaction size was

EUR 20

Secondary market





NEO Finance AB's investments

NEO Finance, AB, as a provider of consumer credit, can also invest in loans on the P2P lending platform Paskolu Klubas 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.

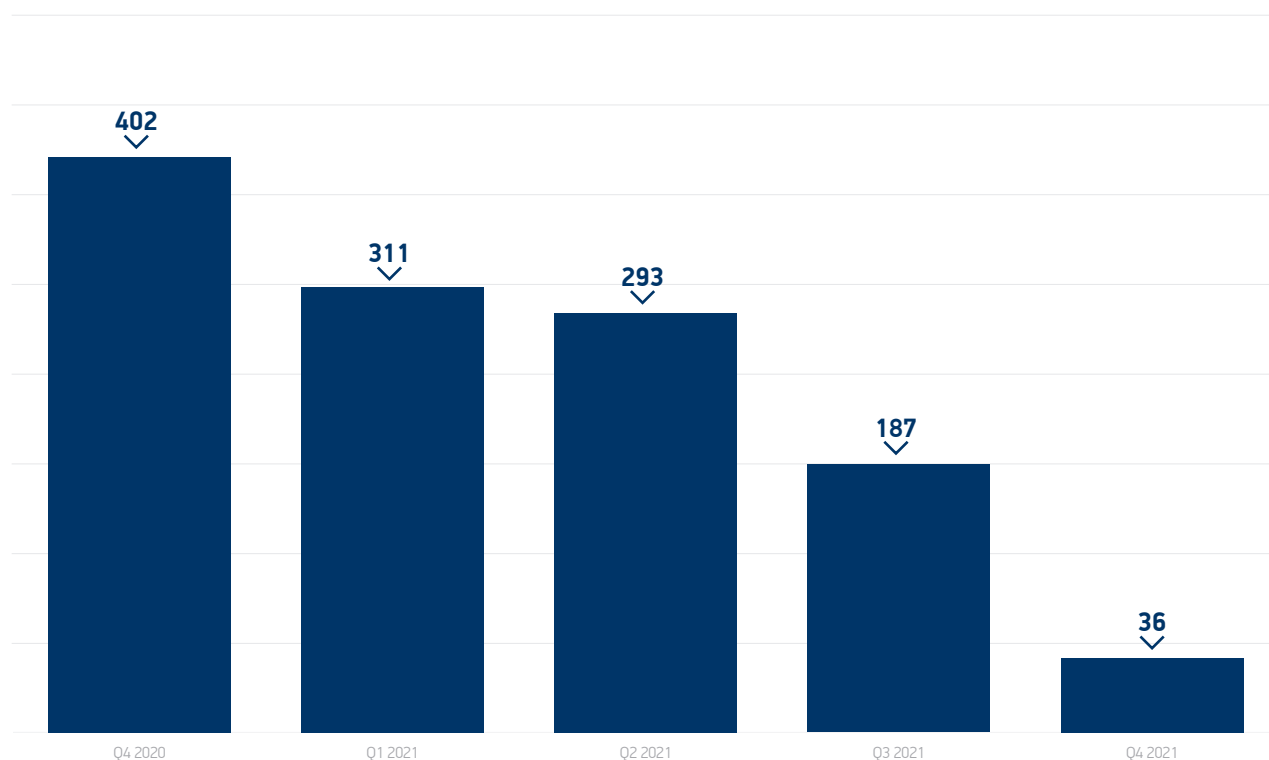
Given the constantly growing number of lenders, lenders' level of activity and a growing investment portfolio, loans are being financed on the platform without any significant delay, thus NEO Finance, AB itself is investing less and less in loans.



In Q4 2021, NEO Finance, AB invested

EUR 36 K in loans.

NEO Finance AB's investments, K EUR



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, which committed to investing at least EUR 3 M in NEO Finance, AB's loan portfolio.

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.

As of the end of 2021, the portfolio that nordIX had acquired from NEO Finance, AB had a total size of

EUR 2.55 M.



nordIX's investments in Q4 2021

434 089 EUR	449 973 EUR	484 745 EUR
2021-10	2021-11	2021-12

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 and account information services. The company provides these services under the Neopay brand.

Neopay provides payment initiation and account information services through secure APIs with banks and other financial institutions as per the requirements of the Republic of Lithuania Law on Payments and the EU's Revised Payment Services Directive (PSD2).

The number of banks and financial institutions from which payments can be initiated in Europe via Neopay totalled 130 at the end of Q4 2021. The latest list by country is available [here](#).

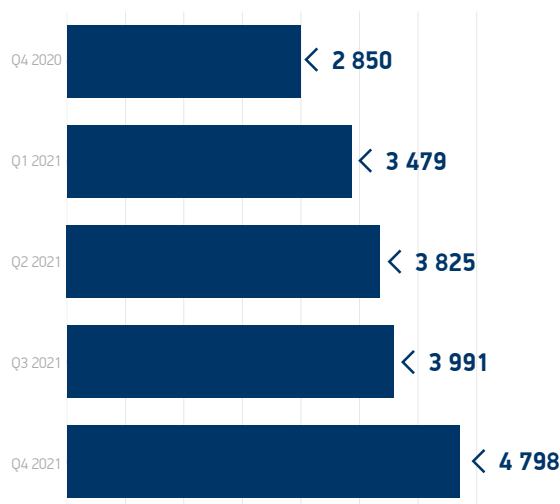


In Q4 2021, **4.8 M payments** were initiated through Neopay.

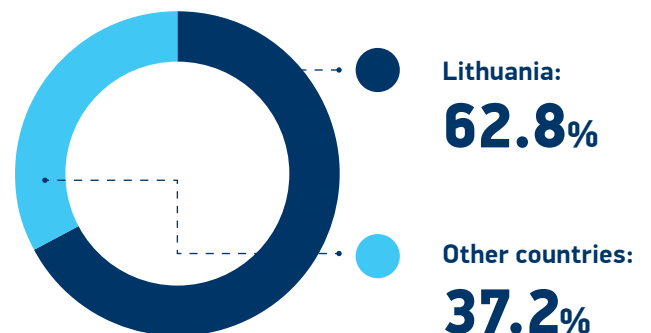
That is 20% more payments than in the previous quarter and 68% more than in Q4 2020. In 2021 as a whole, Neopay assisted in making 16.091 M payments, 2.3 times more than during 2020. In Q4 2021, most payments (62.8%) were initiated in Lithuania, and the remainder in Latvia, Estonia, the Netherlands, Finland and Poland.

During Q4 2021, Neopay began to offer customers bulk payments, where a large number of payments can be initiated at once.

Payment initiation transactions, quantity, K



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.



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 P2P lending platform Paskolų Klubas 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.

FinoMark business loans issued, EUR:

