

NEO Finance, AB

AUDITOR'S REPORT
on the financial statements of 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NEO FINANCE, AB

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NEO FINANCE, AB (the Company), which comprise the balance sheet as at December 31, 2021, and the income statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and (of) its financial performance for the year then ended in accordance with the Business Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

In addition, our responsibility is to consider whether information included in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Company's annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The Company's annual report has been prepared in accordance with the requirements of the Law on Financial Reporting by Undertakings of the Republic of Lithuania.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Business Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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

auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We shall 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.

Auditor

Genadij Makušev¹

Auditor's certification No. 000162

March 31, 2022

Upės str. 21-1, Vilnius

Grant Thornton Baltic UAB

Audit company's certification No. 001513

**This is a free translation to English of the Auditors' report and Financial statements issued in Lithuanian language. The financial statements of NEO FINANCE, AB originally issued in Lithuanian language have been audited.*

¹ An electronic document is signed with an electronic signature, has the same legal force as a signed written document and is a permissible means of proof. Only the Independent auditor's report is signed with the electronic signature by the Auditor.



NEO FINANCE, AB

Audited financial statements for the year 2021



NEO
Finance



NEO Finance, AB

Confirmation of the responsible persons at the Company

31 March 2022, Vilnius

We hereby confirm that, to the best of our knowledge, the financial statements for 2021, prepared in accordance with applicable accounting standards, give a true and fair view of the Company's assets, liabilities, financial position, and profit or loss, and that the Annual Report presents a fair view of the development and operations of the business as well as the situation of the Company, including a description of the principal risks and uncertainties that it faces.

Head of Administration, NEO Finance AB

Paulius Tarbūnas

Head of Finance, NEO Finance AB

Aivaras Bielskis

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Evaldas Remeikis

Chairman of the Board of NEO Finance AB

In 2021, the impact of the pandemic lessened and the financial markets as a whole gradually began to recover. We felt this especially starting in the second quarter. Although the consumer credit market in Lithuania is highly competitive, we successfully grew our peer-to-peer lending business. We increased our lending via Paskolų Klubas by 44%, granting loans for EUR 27.4 M and taking 4.8% of the market among all credit providers and 2.8% of the market among consumer credit providers including credit institutions.

Accelerated growth was supported by a larger and more effectively used marketing budget, steady enhancement of the IT system and, of course, a professional team serving borrowers and investors.

Among major news in 2021, NEO Finance's start of cooperation with a first institutional investor is worth highlighting. That is significantly helping to further increase the volume of loans granted. Being joined by the German fixed income asset manager nordIX is a big endorsement for us and a huge show of trust in our platform – its professional risk management and effective assurance of recovery and return to investors while successfully managing compliance processes and risks.

I want to stress that the platforms operating in Lithuania only recently became able to successfully attract institutional investors, thanks to changes in legislation. Now we can finally compete on an equal footing with other EU platforms in attracting investors and improving conditions for our Lithuanian users. One of the goals of Paskolų Klubas is to take 10% of the Lithuanian consumer credit market and become a serious competitor to our big "high-street" banks. The above-mentioned change in legislation is pivotal for the platforms.

The peer-to-peer lending market got a positively boost in 2021 not only from the receding pandemic but also from the effects of inflation. Rising incomes and higher prices encouraged more borrowing. That was particularly evident in the area of home repairs. I believe the impact of the pandemic will continue to weaken in 2022, and that lending volumes in the market will grow. We expect the growth of Paskolų Klubas to far exceed the growth of the market.

As regards inflation and investing, increased risk has now prompted investors to rethink their strategies and reshape investment portfolios. Carrying very low risk relative to the return, investing in loans has remained attractive among investors, whose numbers are growing fast. The reason, it would seem, is attractive investment returns that exceed the average annual rate of inflation at a time when it is extremely difficult to find investment vehicles with that

type of risk and return.

Having firmly established a profitable business model, NEO Finance's team is now starting preparations to expand abroad and, unless the geopolitical situation deteriorates, we intend to enter a new market with Paskolų Klubas in 2023. We have a wealth of expertise, a unique information system-platform, and the ability to make money in a very small but competitive market. It is therefore time to embark decisively on expansion abroad and to double the volume of loans financed in the near future.

During 2021, the Lithuanian payments market continued to grow and expand, driven by the development of electronic money institutions and the payment institutions industry. The number of payment transactions increased and the sector's income from direct activities grew. The number of payment transactions initiated through Neopay more than doubled during the year, reaching 16 million payments in 2021.

2021 was also significant for the crowdfunding market, with the entry into force of a new regulation of the European Parliament and the Council allowing platforms to carry out crowdfunding activities in all EU countries once they are licensed in one of them. The FinoMark platform, which launched in 2021, has big growth ambitions. It has already taken steps to obtain an operating licence from the Lithuanian regulator under the new licensing regime. Soon after obtaining that licence and confirming our growth trajectory, we plan to expand to other EU countries, not only in terms of attracting investors from other EU countries but also by starting to offer business loans in those countries.

The FinoMark platform is being further successfully developed and will offer both investors and borrowers new features to make financing a business even faster and easier in terms of both risk assessment and other relevant aspects. We expect that in 2022 investors will continue successfully deciding to put money to work via crowdfunding platforms and will give increasing attention to this type of investment.



Paulius Tarbūnas

Head of Administration of NEO Finance AB

The Company had a good year in 2021. All three of its brands – Paskolų Klubas, Neopay and FinoMark – grew not just in scale but also in revenue. The Company had a net profit of EUR 117 700 for the year.

Paskolų Klubas maintained its leading position in the peer-to-peer lending market, capturing over 50% of that market. Its share of Lithuania's consumer credit market continued to grow, reaching 2.8% at the end of the year. A total of EUR 27.4 M of loans were granted on the platform in 2021, an impressive 44% more than in 2020. The quality of the loan portfolio also improved: at the end of 2021, of all the loans granted in the history of Paskolų Klubas, 10.09% were more than 90 days overdue, while at the end of 2020 the figure was 12.04%.

The number of Paskolų Klubas users continued to grow, both borrowers and investors. Borrowers were up 20.06% during the year, while the number of investors grew 14.86%. Among registered borrowers, the share of active customers in 2021 was 10.83%, while among investors, the share of active customers was 56.47%.

Note that the intermediation fees received by the Paskolų Klubas are spread over the lifetime of the loan and are collected when a borrower makes a monthly payment. Future intermediation fees receivable at the end of 2021 totalled EUR 6.78 M, an increase of EUR 0.83 M during the year. The intermediary fee receivable for transactions concluded during 2021 amounted to EUR 2.7 M.

We continue our collaboration with the German fixed-income asset manager nordIX. From the start of the cooperation through the end of 2021, the fund invested EUR 2.55 M in a portfolio of NEO Finance loans.

Last year was very successful and productive for the Neopay service. The number of payments initiated via Neopay in 2021 more than doubled compared to 2020, to over 16 M. December 2021 brought two record for

Neopay: 83 700 payments in one day and 1.7 M payments in one month. At the end of 2021, the Neopay service was available in Lithuania, Latvia, Estonia, Finland, Sweden, Norway and the Netherlands, as well as Poland, Greece, Romania and Spain, and was integrated with more than 200 financial institutions.

Great attention was given in 2021 to developing and improving the Neopay service. A white label solution was developed, customer self-service capabilities were expanded, invoice management through an API was offered, and buying on instalment was introduced, integrating Neopay and Paskolų Klubas. At year-end, the easy tipping service DennyTips was launched with a payment solution provided by Neopay.

February 2021 saw the launch of the FinoMark crowdfunding platform FinoMark operated by FinoMark UAB, a subsidiary of NEO Finance AB. The platform provides loans of up to EUR 500 000 for small and medium-sized enterprises for up to 36 months. Through the end of 2021, 41 loans were granted on the platform for a total of EUR 666 000.

The average number of employees at the Company in 2021 was 35. Late in the year, the company undertook a reorganisation of its organisational structure, clearly separating business units and business support functions, and forming new IT and Operations Management departments. In addition, in line with legal requirements, the Company also designated persons responsible for control functions.

Basic information about the Company

COMPANY NAME:

NEO Finance, AB

LEGAL FORM:

Joint stock company

ADDRESS:

A. Vivulskio St. 7, Vilnius, Lithuania

REGISTRATION DATE:

21 January 2014

2014



Paskolų klubas UAB has been established

2015



Peer-to-peer lending platform Paskolų klubas has been launched

2016



The company was the first included in the list of peer-to-peer lending platforms administered by the Bank of Lithuania

2016



Company name has been changed to NEO Finance UAB

COMPANY CODE:

303225546

PHONE NUMBER:

+370 700 80075

WEBSITE:

www.neofinancegroup.com

EMAIL:

info@neofinance.com

2017

2017

2018

2019

2020



An unlimited licence for electronic money institution has been obtained



Payment initiation and account information service Neopay has been launched



Company name has been changed to NEO Finance AB



The company has successfully completed the IPO



The FinoMark crowdfunding platform has been acquired

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.

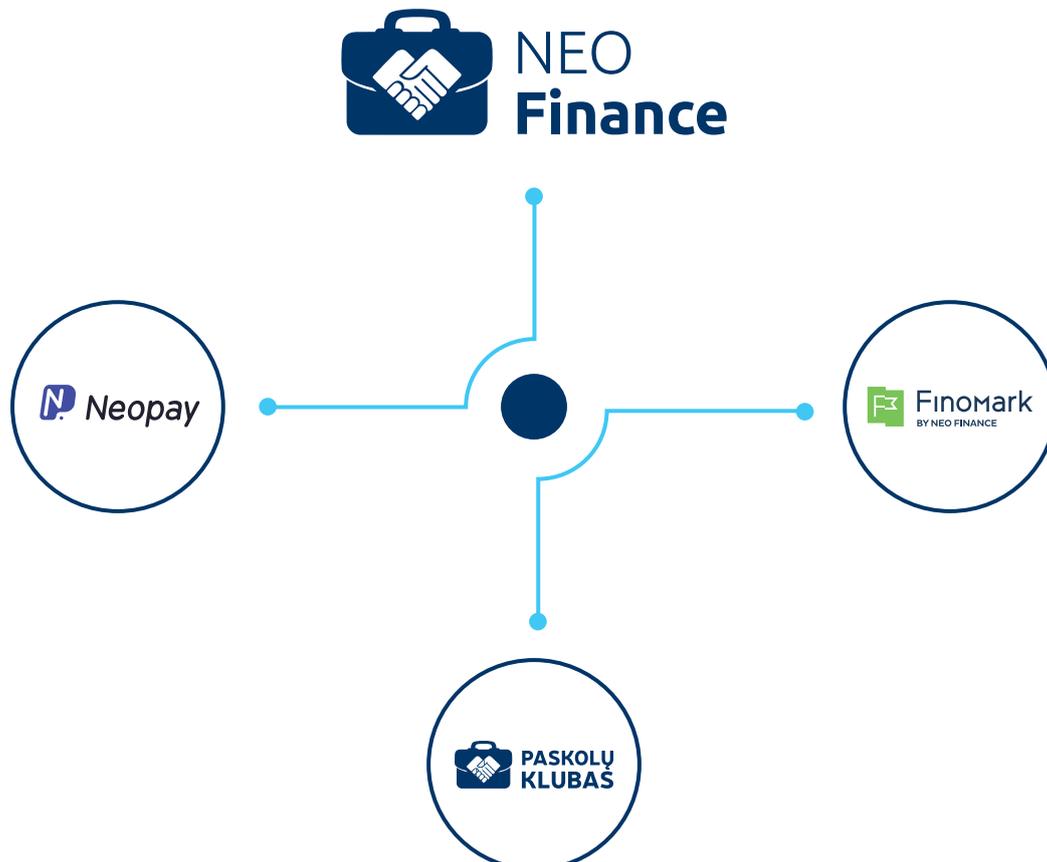
In 2019, the Dutch subsidiary NEO Finance B.V. was established, as a basis to attract investors from the Benelux countries for loans issued on NEO Finance's inter-lending platform.

NEO Finance AB owns 91.68% of the shares of FinoMark UAB.

The company has no branches and/or representative offices.



FIELDS OF ACTIVITY:





**PASKOLŲ
KLUBAS**



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 service.

Account information service.

Other payment services:

- Fast contract signing process and easy integration.
- Collection of payments from the banks.
- Application for customers business needs.
- Instant payments.
- Good price guarantee.



Crowdfunding platform

Services:

Investing for natural people.

And legal entities:

- Investments of more than 500 EUR per loan are possible.
- Average interest 9%.
- Personal consulting.

Loans for legal entities:

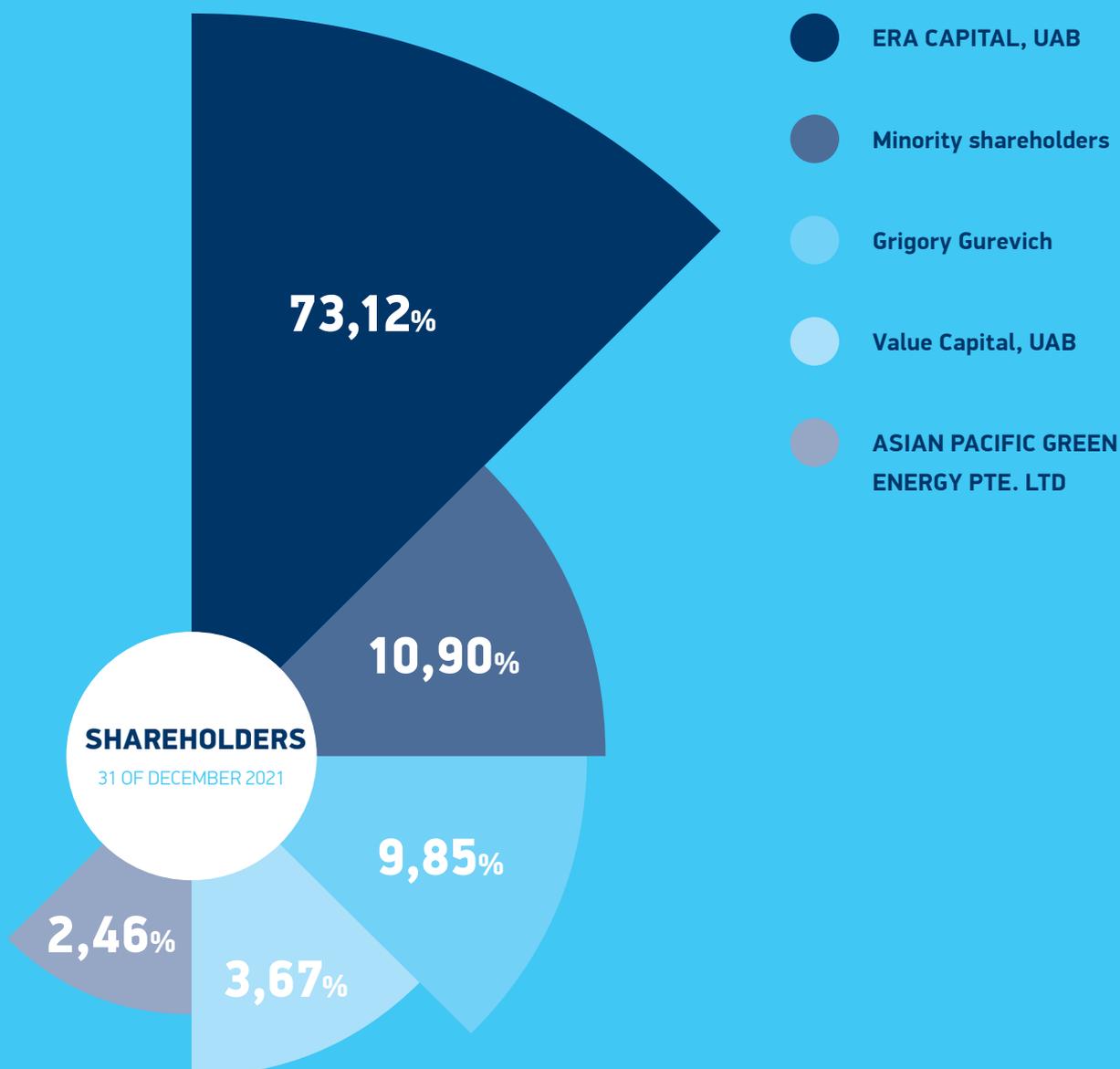
- SME loans up to 500 K EUR.
- Loans for more 12 months operating companies.
- Evaluation of applications within 24 hours.

The Company's share capital and shareholders

THE COMPANY HAS SHARE CAPITAL OF

EUR **1 784 436**

which consists of 4 055 536 ordinary shares with a nominal value of EUR 0.44 per share.





Management of the Company

In keeping with legal requirements and aspiring to modern and effective governance, a three-tier management system has been put in place consisting of the annual general meeting, the board, and the CEO.

BOARD MEMBERS



Evaldas Remeikis

Chairman of the board Evaldas Remeikis

Main occupation:

- ERA Capital, UAB (code 300638657, address Ulonų st. 5, Vilnius, Lithuania), CEO

Other positions:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), chairman of the board
- UCS Baltic, UAB (code 110825653, address Ulonų st. 5, Vilnius, Lithuania), chairman of the board
- Legal Balance, UAB (code 302528679, address Žalgirio st. 90, Vilnius, Lithuania), chairman of the board
- BnP Finance, UAB (code 302447985, address Žalgirio st. 90, Vilnius, Lithuania), member of the board
- UCS, SIA (code 40003753650, address Lokomotīves iela 34, Rīga, Latvia), chairman of the board
- LITBAN, Lithuanian Business Angel Network (code 304811409, address L. Stuokos-Gucevičiaus str. 9-10, Vilnius) member of the board
- Mark ID, UAB (code 305098955, address Žygio st. 97A, Vilnius, Lithuania) member of the board



Deividas Tumas

Board member

Main occupation:

- Value Capital, UAB (code 303170249, address Raugyklos st. 21-19, Vilnius, Lithuania), CEO

Other positions:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board
- Robolabs, UAB (code 304222026, address Raugyklos st. 21A-20, LT-01140 Vilnius, Lithuania) member of the board
- Vienas Fabrikas, UAB (code 305766664, address Raugyklos st. 21-19, LT-01140 Vilnius, Lithuania) CEO



Aiva Remeikienė

Board member

Main occupation:

- ERA Capital, UAB code 300638657, address Ulonų st. 5, Vilnius, Lithuania), business advisor

Other positions:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board
- UCS Baltic, UAB (code 110825653, address Ulonų st. 5, Vilnius, Lithuania), member of the board



Marius Navickas

Board member

Other positions:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board

MANAGEMENT TEAM



Paulius Tarbūnas
Head of Administration

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), head of administration

Other positions:

- Fintech HUB LT, association (code 304701279, Mėsinių st. 5, Vilnius, Lithuania), member of the board
- Devynios inovacijos, UAB (code 304509396, Olimpiečių st. 3F-2, Vilnius, Lithuania), director



Viktoras Ivanovas
Chief Information Officer

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), chief information officer



Indrė Krasovskė
Head of Sales

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), head of sales



Aivaras Bielskis
Head of Finance

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), head of finance



Edita Makarevičė
Head of Operations Management

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), head of operations management



Jūratė Kūgytė
Head of Legal & Compliance

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), head of legal & compliance



Darius Borisas
Head of Marketing and Communications

Main occupation:

- NEO Finance, AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of Paskolų Klubas & marketing

Other positions:

- Bakst, bakst, small partnership (code 303322931, address Kviečių st. 4-44, Vilnius, Lithuania), director
- Vieni vartai, public organization (code 301618725, address Santariškių st. 55A-19, Vilnius, Lithuania), director

Overview of the Company's financial and operating results



KEY EVENTS IN 2021

- In February, Aleksėjus Loskutovas took over as head of the administration of NEO Finance AB.
- In February, FinoMark began operating, when the Bank of Lithuania added the platform to the list of operators of crowdfunding platforms.
- In May, an instant payment service (SEPA Instant Credit Transfer) was launched for NEO Finance customers.
- In August, an institutional investor began investing on NEO Finance: the asset management company nordIX committed to invest at least EUR 3 M on the platform. The total portfolio acquired by nordIX from NEO Finance as of the end of 2021 amounted to EUR 2.55 M.
- In November, the last EUR 400 K bond issue of the EUR 1.1 M of bonds sold in 2018 was redeemed.
- In December, Paulius Tarbūnas took over as head of the administration of NEO Finance AB.
- In December, the company named KPMG Baltics SIA as its certified advisor for the Nasdaq Baltic First North market.
- In December, a NEO Finance website with information for shareholders and other investors was launched at www.neofinancegroup.com.
- In December, a report by Enlight Research for investors in NEO Finance AB was published. Enlight Research plans to publish two reports a year about NEO Finance AB.

Key financial figures



THE COMPANY'S REVENUE GREW TO

EUR 3.44 M in 2021, which is **39%** more than in 2020.

- Revenues increased from EUR 2.48 M to EUR 3.44 M.
- Cost of sales increased by 11%, from EUR 1.59 M to EUR 1.76 M.
- Operating costs increased by 64%, from EUR 761 K to EUR 1.25 M.
- EUR 27.4 M of loans were financed.
- Profit before taxes in 2021 was EUR 179 054, compared to a pre-tax loss of EUR 69 412 in 2020.

	2021	2020	Δ, %
Loans granted, EUR	27 416 768	19 084 970	44%
Revenue, EUR	3 443 082	2 482 981	39%
Cost of sales, EUR	(1 769 674)	(1 597 082)	11%
Gross profit, EUR	1 673 408	885 899	89%
General and administrative expenses (depreciation excluded), EUR	(1 250 886)	(761 080)	64%
EBITDA, EUR	422 522	124 819	239%
Pre-tax profit, EUR	179 054	(69 412)	
EBITDA Margin, %	12%	5%	
Return on Equity (ROE), %	9%	-5%	

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.

	2021	2020	Δ, %
Loans granted, EUR	27 416 768	19 084 970	44%
Intermediary fee income*, EUR	2 738 317	1 338 729	105%
Intermediary fee / Loans granted, %	9,99%	7,01%	
Other income, EUR	2 104 079	1 544 745	32%
Cost of sales, EUR	(1 769 674)	(1 597 082)	0%
General and administrative expenses (depreciation excluded), EUR	(1 250 886)	(761 080)	36%
EBITDA, EUR	1 821 836	525 312	233%

At the end of 2021, outstanding intermediary fees amounted to

EUR **6.78** M.

Capital



- During 2021, the company's share capital and share premium increased by EUR 444 K.
- Shareholders' equity at the end of 2021 amounted to **EUR 2,05 M.**

As an electronic money institution, NEO Finance AB has a requirement of minimum private capital of EUR 350 K. If the capital decreases below that level, shareholders must act to bring it back to EUR 350 K. Under these rules, the capital adequacy of an electronic money institution is calculated by subtracting the intangible assets and deferred tax asset from the equity. At the end of 2021, equity in company's balance sheet was equal to EUR 2.05 M. According to the requirements approved by the Bank of Lithuania, the supervisory capital was equal to EUR 449 K which is more than the minimum requirement.

Revenue and expenses

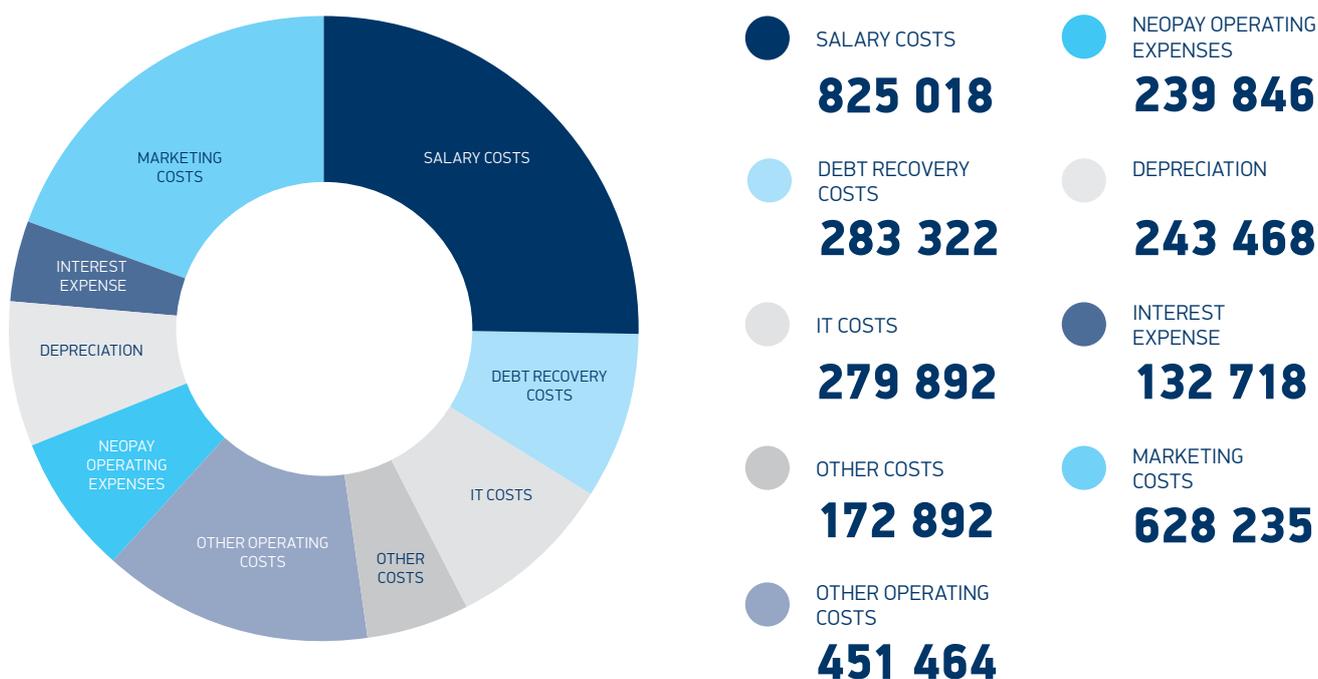
Based on its different activities, the company has three categories of income:

- Income from P2P lending
- Income from e-money issuance and management.
- Income from investment activity.

	2021	2020	Δ, %
Revenue, EUR	3 443 082	2 482 981	39%
Income from P2P lending, EUR	2 167 565	1 732 378	25%
Income from e-money issuance and management, EUR	940 064	476 241	97%
Income from investment activity, EUR	335 453	274 361	22%

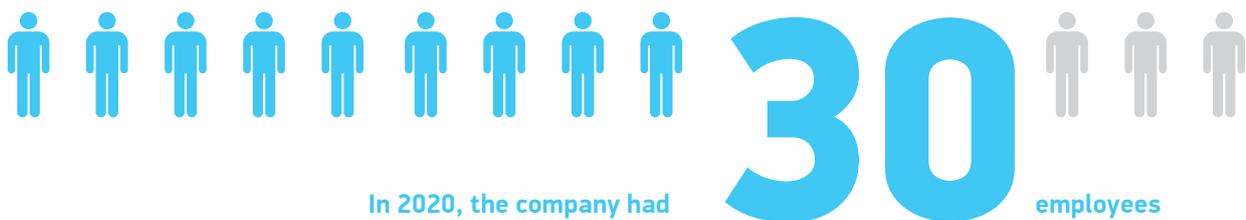
The company's total expenses in 2021, including sales and marketing, were EUR 3.26 M. It continues to develop its IT platform based on customer needs, ever changing regulations, and P2P lending trends. During 2021, EUR 280 K was allocated to research on new features, programming, deployment, and testing. Regularly, the company moves costs incurred in upgrading the platform to intangible assets, which are depreciated over 4 years. In 2021, this amount was EUR 243 K.

Expenses in 2021, K EUR



- Other costs include expenses for databases, messages to borrowers and investors, and provision costs.
- Other operating costs include all other expenses related to the company and its personnel. This includes: rent, utilities, transportation, mobile and fixed data, internal and external audit, stationery, parcel delivery, depreciation and contributions to the Provision Fund.
- Neopay operating expenses include costs related to Neopay sales and administrative expenses.

Employees



Risk management

The Company's internal policy and strategy for managing governance, risk and control define principles of internal governance and control, the magnitude of risk, limits for each type of risk, and procedures for identifying, assessing, monitoring, mitigating and controlling risk. The Company follows the principles of the Three Lines of Defence risk management model, which helps it determine what structures and processes best meet its objectives and strengthen its risk management.

FIRST LINE functions include business units and all staff responsible for identifying and understanding the risks inherent in the products, service processes and systems for which they are accountable.

SECOND LINE functions include independent control functions like the control and management of the Company's risks in a broad sense, the compliance function, the information security and personal data security functions, and the risk management and oversight function for the outsourcing of operations.

THIRD LINE functions are performed by internal audit, which provides independent and objective assurance and advice on the adequacy and effectiveness of the Company's governance and risk management.

The Company has designated persons responsible for control functions whose appointment process takes into account the requirements of the law and the nature, extent and complexity of the Company's risks:

- an official responsible for risk management;
- an official responsible for compliance with the law and the Company's internal documents, including anti-money laundering and anti-terrorist financing requirements;
- an official responsible for the management of information and communication technology risks and security risks;
- an official responsible for the management of personal data risks;
- an official responsible for managing and overseeing the risk of transferring operations to third parties;
- a chief financial officer;
- a person responsible for organising internal audit.

The Company's risk management process comprises the following phases: risk identification; risk assessment including assessment of the likelihood and impact of the risk on the financial position, business continuity, reputation and achievement of strategic objectives; risk mapping; determination of risk appetite; preparation of a risk management action plan; and ongoing risk monitoring, control and communication.



The Company classifies risks as financial and non-financial risks. Financial risks include: capital, liquidity, counterparty credit, market and concentration risks. Non-financial risks include compliance risks and operational risks, which are in turn broken down into more detailed risks.

The Company has in place and regularly updates a business continuity management plan to ensure its ability to continue operations and limit losses in the event of a major disruption.

Corporate social responsibility

In 2021, the Company approved a social responsibility strategy defining goals which will be implemented in 2022 and presented in reports published by the Company.

Actions in the area of social responsibility are based on the United Nations Global Compact and its 10 principles for human rights, labour, the environment, and the fight against corruption.

Areas of NEO Finance's social responsibility activities

- Fight against corruption (Strict anti-money laundering procedures; transparency in public reporting).
- Economic growth (Attracting foreign investors; creating new jobs).
- Social field (development of public financial literacy; support for educational initiatives; ensuring favourable working conditions for employees, taking care of the emotional and physical health of the team).
- Environmental protection (reduction of paper consumption by prioritizing digital solutions).

Through its social responsibility actions, the Company will also seek to contribute to four of the United Nations Sustainable Development Goals which are intended to be achieved by 2030.



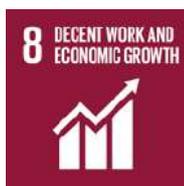
GOOD HEALTH AND WELL-BEING.

The company ensures a favourable work setting and environment, offers psychological and physical health improvement programs for employees, and promotes a healthy lifestyle inside and outside the company.



QUALITY EDUCATION.

The company contributes to the development of public financial literacy by organizing seminars on investment, savings and financial planning, and lectures for students, and by contributing to initiatives that promote education.



DECENT WORK AND ECONOMIC GROWTH.

By providing lending and payment initiation services, the company promotes the development and growth of other businesses, the attraction of foreign investors, the creation of innovations in the digital field, and the creation of new jobs.



PARTNERSHIPS FOR THE GOALS.

The company cooperates with educational institutions and public sector organizations in pursuit of mutual prosperity.





Paskolų Klubas

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.

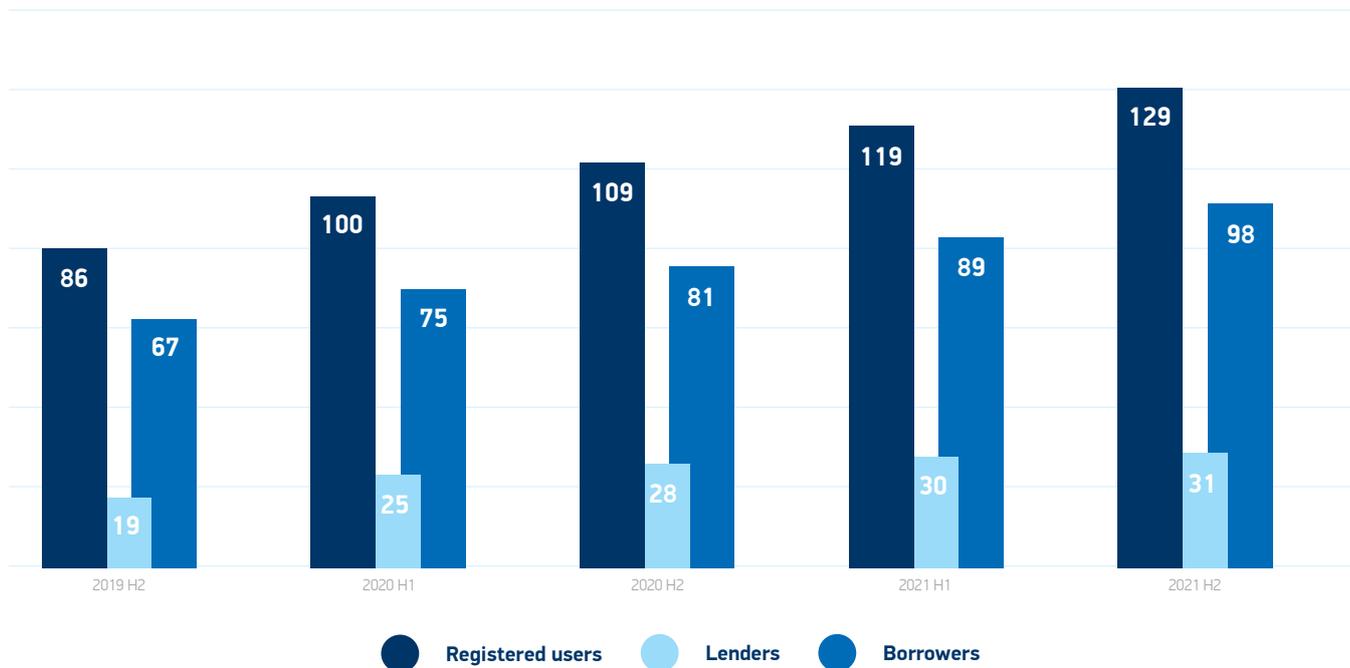


KEY EVENTS OF 2021 FOR PASKOLŲ KLUBAS

- In January, C-rated loans were introduced – a product with higher earning potential.
- In February, legal entities were given the ability to invest in loans to individuals.
- In April, a reduced-risk product was introduced: A+ rated loans with a 100% buyback guarantee in the event of insolvency.
- In July, the minimum amounts for investing on the platform were changed. For A+ rated loans, the minimum is EUR 50, for other loans it is EUR 20. Previously, the minimum investment amount for loans of any rating was EUR 10.
- 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.
- In August, EUR 2.68 M of loans were financed, the record for any single month.
- In October, new products were introduced: Buy-now-pay-later and the opportunity to take a first 6-month loan of EUR 500 free of charge. A feature was also added that allows customers to sign documents with two-factor authentication.
- In November and December, Paskolų Klubas was the 'Gold Sponsor' of the financial literacy conference Mano Investija organized by Delfi. More than 15 articles were published on the Delfi portal, 3 presentations were made, and the brands managed by NEO Finance were promoted.
- In December, brokerage fees of EUR 144,500 were collected – a monthly record.

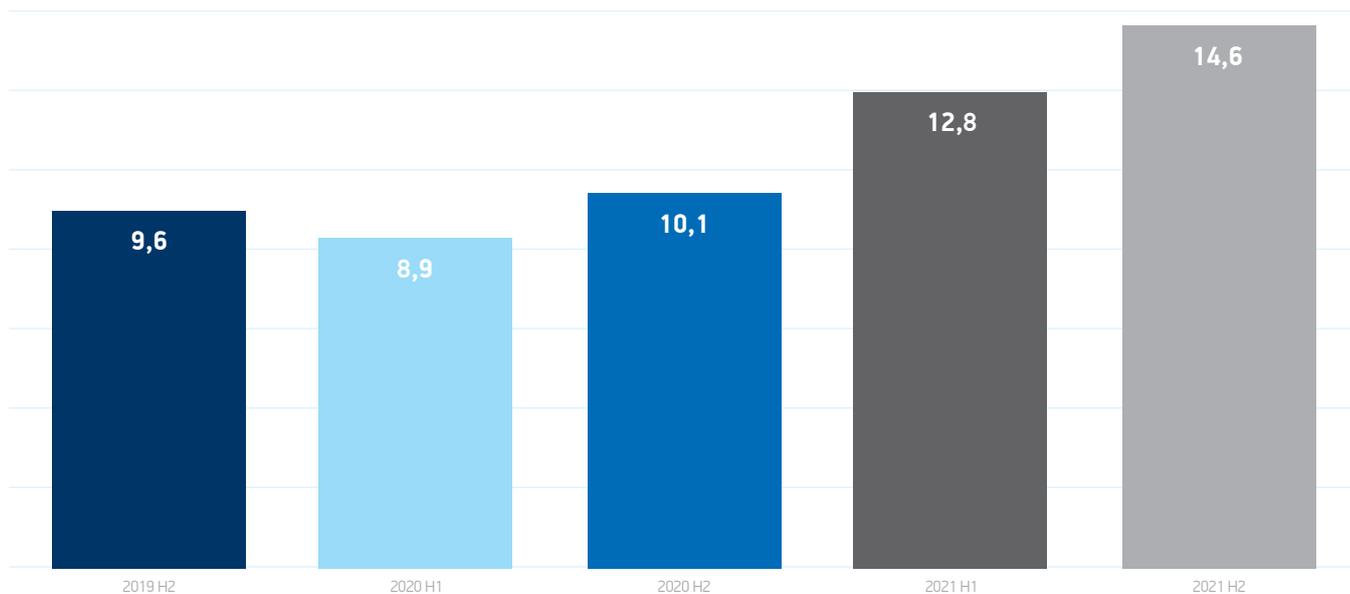
During 2021, the number of registered users increased by 18.74%. The number of borrowers grew 20.06%, while lenders were up 14.86%. The total number of new users in 2021 was 20 404. The number of active users grew by 12.64%, with active lenders up 11.44% and active borrowers up 14.23%.

Registered users, K



During 2021, the company intermediated in issuing EUR 27.4 M of consumer credits. In comparison, in 2020, investors financed EUR 19 M of loans.

Loans granted



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 2021, EUR 563 257 was paid out to the lenders from the provision fund.

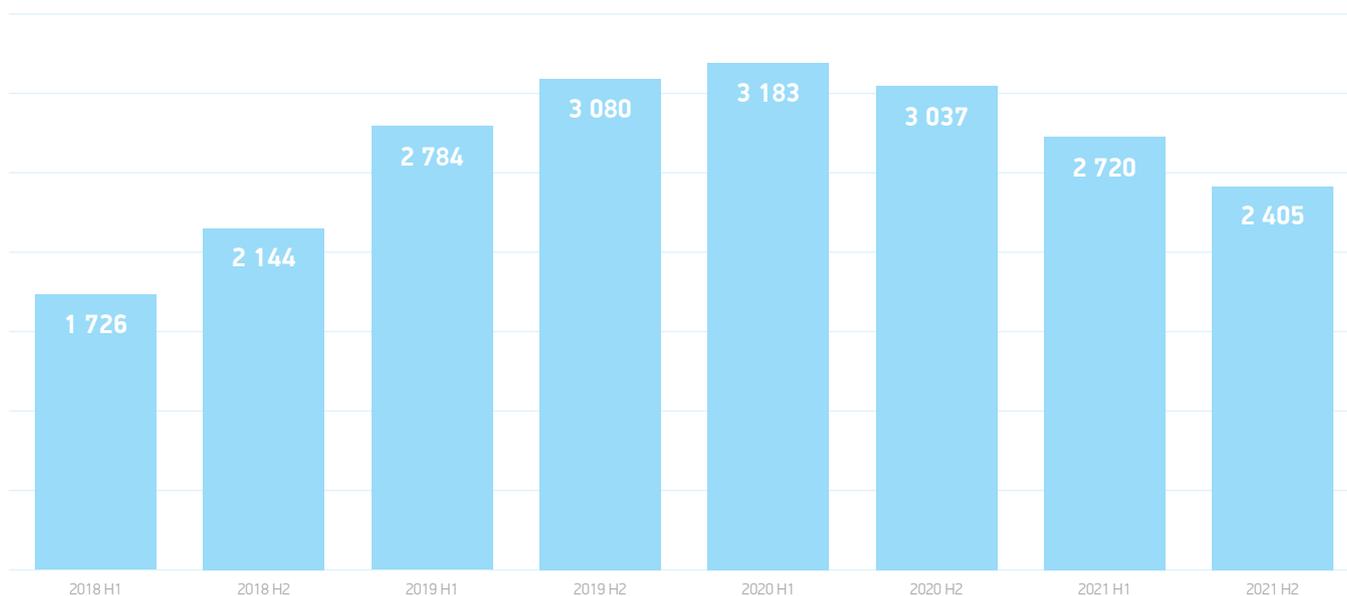
Provision fund, K EUR



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 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 volume, K EUR



Buybacks 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.

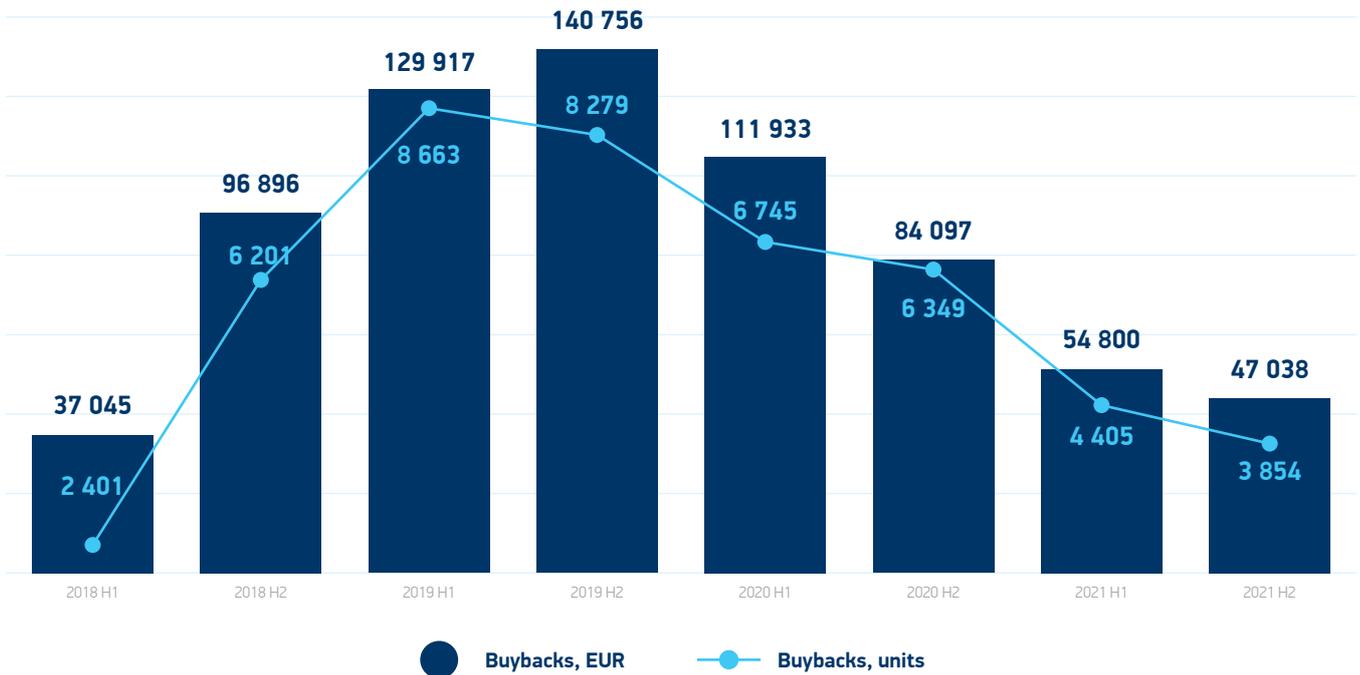


IN 2021, LENDERS SOLD

8 259

investments to NEO Finance AB for EUR 101 838.

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.

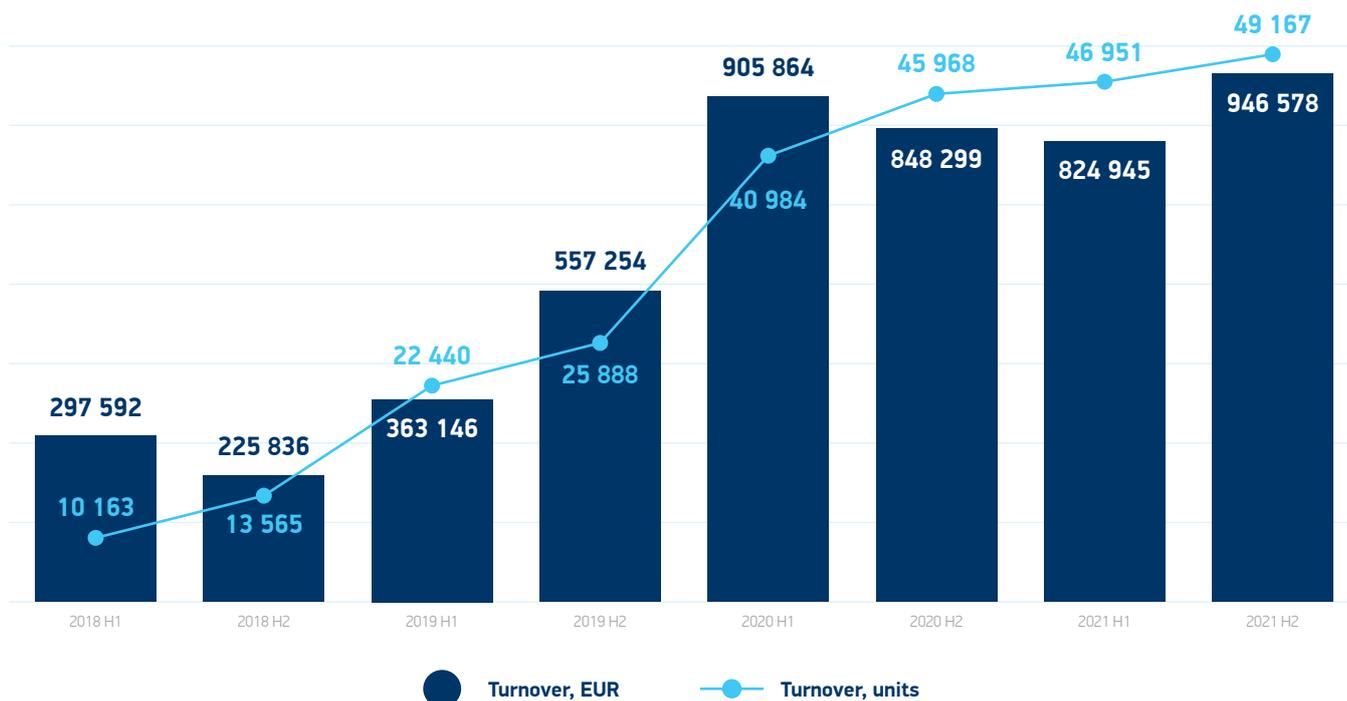
SECONDARY MARKET TURNOVER IN 2021 TOTALLED

EUR **1 771 523**

THE AVERAGE TRANSACTION SIZE WAS

EUR **18**

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 Paskolų 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 2021, NEO FINANCE AB INVESTED

EUR 827 K in loans.

	2018 H1	2018 H2	2019 H1	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2
NEO Finance AB invested amount, K EUR	312	897	1112	841	724	607	604	223

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.

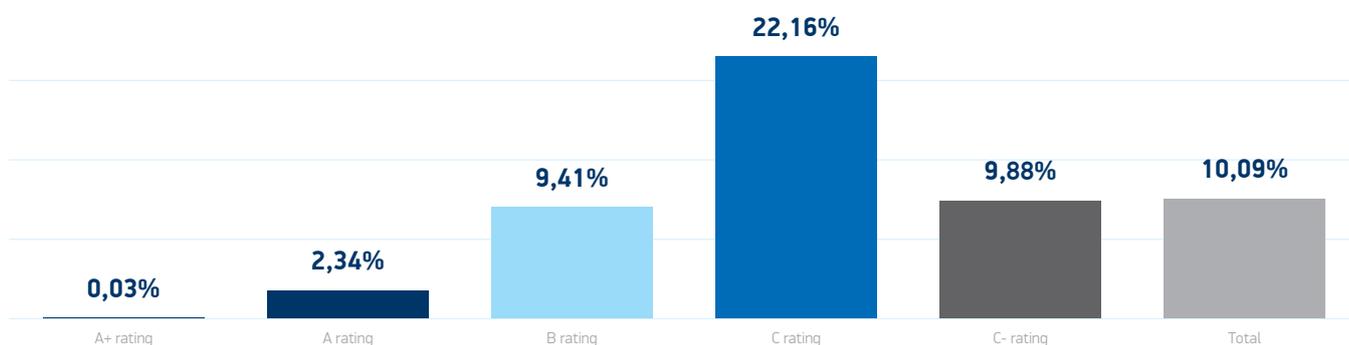
Hamburg, Germany-based nordIX specializes in fixed income investments, with a focus on bonds and derivatives. The company manages several mutual and special funds and develops intelligent investment opportunities. Besides its asset management work, nordIX also advises institutional customers regarding 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.

Overdue loans

At the end of 2021, 9.55% (2 810) loans out of 29 417 issued loans were overdue for more than 90 consecutive days. 10.09% (EUR 9.17 M) out of EUR 90.91 M financed credits were overdue more than 90 days (about 3 months).

The platform is concerned about loan repayments; therefore, a significant effort was put into the recovery of payments from terminated loans. During 2021, EUR 1 726 000 were recovered and distributed to lenders.

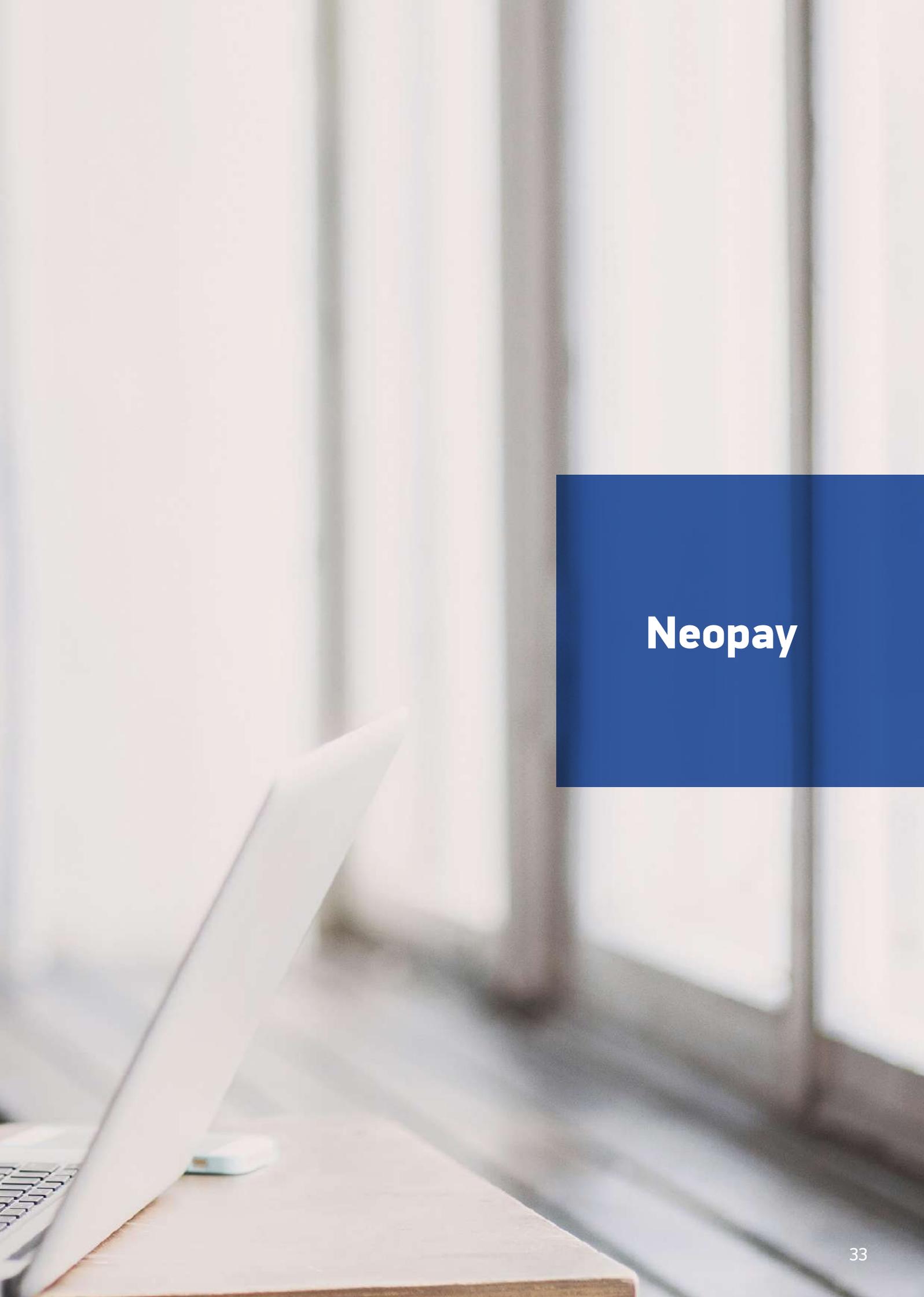
EUR, overdue >90 days, %



Amount recovered, K EUR

	2018 H1	2018 H2	2019 H1	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2
Amount recovered	88	144	201	354	506	744	796	930



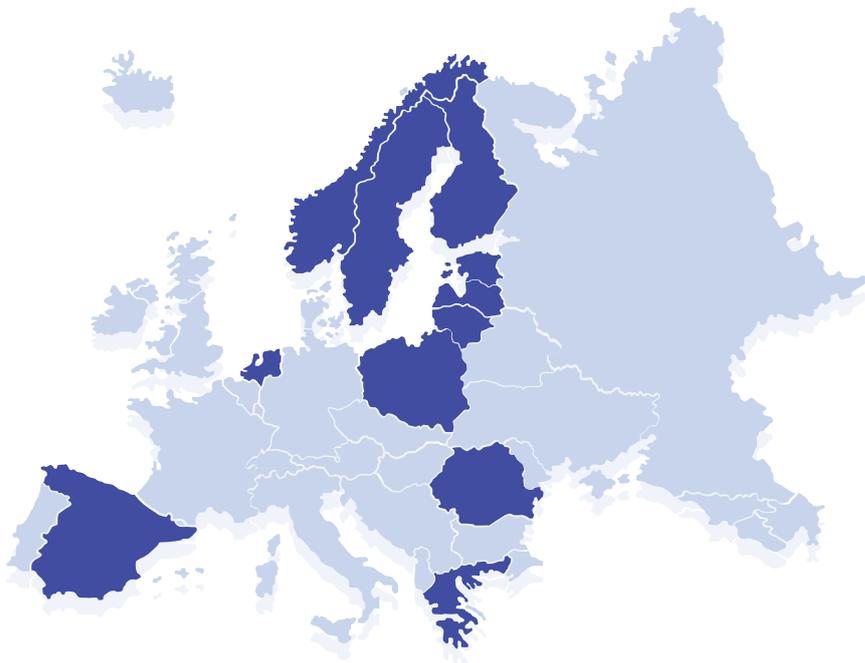
A blurred background image showing a desk with a laptop and a window with blinds. The laptop is on the left, and the window is on the right. The overall scene is out of focus, with a soft, natural light coming from the window.

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).

At the end of 2021, the Neopay service was available in Lithuania, Latvia, Estonia, Finland, Sweden, Norway and the Netherlands, as well as Poland, Greece, Romania and Spain, and was integrated with more than 200 financial institutions.



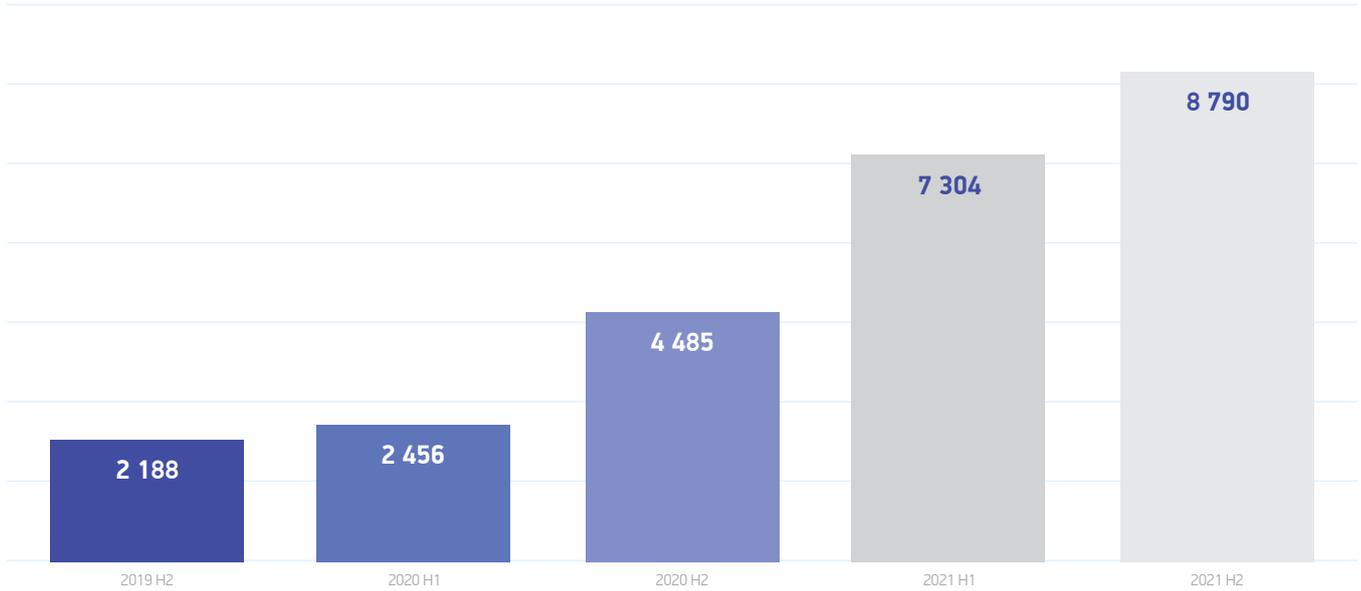
KEY EVENTS OF 2021 FOR NEOPAY

- In February, Neopay introduced a new “white label” functionality for financial institutions.
- In June, account management via API was introduced.
- In December, Neopay integrated the OpenCart platform and offered bulk payments to customers.
- In December, two records were set: 83,700 payments in a day, and 1.7 M payments in a month.
- In December, the easy tipping service DennyTips was launched with a payment solution provided by Neopay.

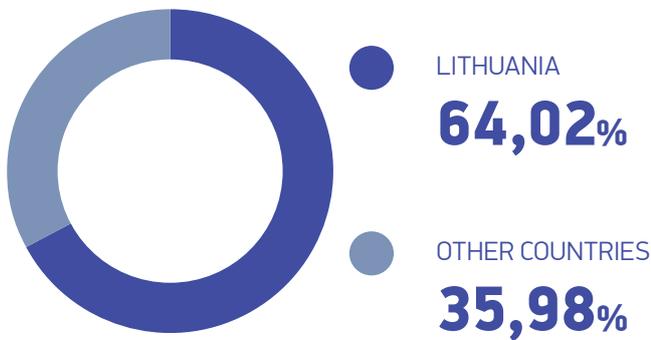
In 2021,

16 M transactions were initiated through Neopay, which is **2.2 times** more than in 2020.

PIS transactions, K



PIS 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 to invest in them. In June 2021, the crowdfunding platform was presented publicly and became accessible to all investors.

In 2022, it is planned to start expanding into foreign markets and offer more financial solutions to borrowers. New financial solutions on the platform will allow investors to choose different of terms, interest rates and types of collateral.



KEY EVENTS OF 2021 FOR FINOMARK

- The platform began operating in February, when the Bank of Lithuania added FinoMark to the list of operators of crowdfunding platforms.
- In June, the platform became available to anyone looking to invest in business loans.
- In September, the platform started working with the debt collection company Legal Balance UAB, which manages the Eskolos.lt platform.
- In October, funding for C-rated investment products began on the platform.
- In November, an English version of the website was released and a new Smart Investing feature was introduced.
- In December, the platform was introduced to Dutch investors and the capital of FinoMark UAB was increased.

FinoMark loans granted, EUR



2021

Loans granted, EUR	665 500
Revenue, EUR	166 362
Expenses, EUR	499 577
Pre-tax profit/loss, EUR	(333 215)

Post balance sheet events

With the onset of the war in Ukraine, the Company is monitoring the impact of the crisis on its business. After a slight halt, business volumes continue to grow, with no negative impact.

Due to the imposition of sanctions on Russian and Belarusian companies and individuals, the Company additionally analysed and assessed its customer lists. The analysis showed that among the Company's customers there are up to 30 natural or legal persons who have Russian or Belarusian citizenship, who have named Russia or Belarus as their place of residence or domicile, or whose shareholders, in the case of legal entities, are Russian or Belarusian citizens. All the Company's customers are regularly checked against the sanction lists.

In March 2022, the Company prepared an updated Contingency and Business Continuity Plan. The plan was approved by the Company's Board on 24 March 2022.

On 17 March 2022, the share capital of the company was increased. The share capital amounts to EUR 1 848 933.68 and is divided into 4 202 122 shares representing 4 202 122 votes. The nominal value of one share is EUR 0.44.

CONDENSED BALANCE SHEET, EUR

ASSETS		Note no.	Reporting period	Previous reporting
A.	FIXED ASSETS		2 493 757	2 787 952
1	Intangible assets	1	725 622	564 530
2	Tangible assets	2	34 915	42 328
3	Financial assets	3	1 403 015	1 805 444
4	Other fixed assets	4	330 206	375 650
B.	CURRENT ASSETS		11 631 965	8 050 728
1	Reserves	5	16 203	29 779
2	Accounts receivable within one year	6	596 770	783 692
3	Short-term investments		-	-
4	Cash and cash equivalents	7	11 018 992	7 237 257
C.	EXPENSES OF FUTURE PERIODS AND ACCRUED INCOME		137	939
ASSETS TOTAL:			14 125 859	10 839 619
EQUITY AND LIABILITIES		Note no.	Reporting period	Previous reporting period
D.	EQUITY		2 051 841	1 489 497
1	Capital	8	1 784 436	1 706 497
2	Share premium		1 653 415	1 286 748
3	Revaluation reserve		-	-
4	Reserves		-	-
5	Retained earnings/loss	9	(1 386 010)	(1 503 748)
E.	GRANTS AND SUBSIDIES			
F.	PROVISIONS	10	194 715	244 820
G.	ACCOUNTS PAYABLE AND OTHER LIABILITIES		11 864 123	9 086 688
1	Accounts payable after one year and other long-term liabilities	11	984 231	912 405
2	Accounts payable within one year and other short-term liabilities	11, 12	10 879 892	8 174 283
H.	EXPENSES ACCRUED AND EXPENSES OF FUTURE PERIODS		15 179	18 614
TOTAL EQUITY AND LIABILITIES:			14 125 859	10 839 619

PROFIT AND LOSS STATEMENT, EUR

No.	Items	Note no.	Reporting period	Previous reporting period
1	SALES REVENUE	13	3 443 082	2 482 981
2	COST OF SALES	14	(1 769 674)	(1 597 082)
3	BIOLOGICAL ASSETS FAIR VALUE CHANGE		-	-
4	GROSS PROFIT/LOSS		1 673 408	885 899
5	Sales expenses		-	-
6	General and administrative expenses	14	(1 487 181)	(922 928)
7	Other operative expenses		(6 983)	(8 083)
8	Income from investment in share of parent company, subsidiaries, and affiliated undertakings		-	-
9	Income from other long-term investments and loans		-	-
10	Other income from interest and other income	15	-	12 380
11	Impairment of financial assets and short-term investments	15	-	(32 000)
12	Interest and similar expenses	15	(190)	(4 680)
13	PROFIT/LOSS BEFORE TAX		179 054	(69 413)
14	Income tax	16	(61 315)	(52 484)
15	NET PROFIT/LOSS		117 739	(121 896)

Financial report dated 31 March 2022

NEO Finance, AB

**FINANCIAL
STATEMENTS for the
period that ended on
31 December 2021**

EXPLANATORY NOTE of 31 December 2021

I. GENERAL INFORMATION

NEO Finance, AB (hereinafter referred to as the “Company”) was registered at the State Enterprise Centre of Registers on 21 January 2014. Company address: Vivulskio str. 7, Vilnius, business identifier code: 303225546.

The authorized capital of the Company is 1 784 435.84 EUR, which is made up of 4 055 536 EUR of ordinary registered shares with a nominal value of 0.44 EUR. Shareholders of the Company as of 31 December 2021: 73.12% –

UAB ERA CAPITAL, 9.85% – GRIGORY GUREVICH, 3.67% - UAB Value Capital, 2.46% ASIAN PACIFIC

GREEN ENERGY PTE. LTD, 10.90% – minority shareholders.

The main activities of the Company: provision of financial services. (Company is licensed as an electronic money institution starting from January 5th ,2017. The license is provided by Bank of Lithuania).

The company owns 100 % shares of the company NEO Finance B.V (business identifier code: 859887984, company address: Vlamingstraat 4, 2712BZ Zoetermeer, The Netherlands).

The company owns 91.68 % shares of the company FinoMark, UAB (business identifier code: 305538582, company address: A. Vivulskio str. 7, Vilnius).

The Company has no branches and/or representative offices.

In 2021, there were 35 employees at the Company, and in 2020 – 30.

II. ACCOUNTING POLICY

(a) Basis of accounting

The financial statements of the Company have been prepared in accordance with the legal acts regulating financial accounting and preparation of financial statements in the Republic of Lithuania, as well as the provisions of the Business Accounting Standards.

In accounting and when preparing financial statements, the Company follows the general accounting principles: of the Company, business continuity, periodicity, stability, monetary measure, accrual, comparison, prudence, neutrality, and content importance.

The financial statements have been prepared based on the assumption that the Company has no intention or need to liquidate itself or to significantly reduce its operating scope.

(b) Intangible assets

Intangible non-current assets: identifiable non-material non-cash assets, which are expected to bring direct and/or indirect economic benefit to the Company during more than one year of use, and whose acquisition (production) cost is not less than EUR 100.

In accounting, intangible assets are recorded at the acquisition (production) cost. The acquisition cost of intangible assets is made up of the sum of money paid or to be paid for purchase of the assets, including customs duties and other non-recoverable taxes. The acquisition cost of assets also includes other direct costs of preparing the assets for the intended use. Costs of renewal and improvement of intangible assets incurred after the acquisition or creation of the assets are recognized as expenses during the reporting period in which they are incurred.

In the balance sheet, intangible assets are shown at their residual value, i.e. the acquisition/production cost minus the accrued depreciation and impairment.

Amortization of intangible assets is calculated on a direct proportion (linear) basis over the entire useful life of the assets:

Software	3 years
Other intangible assets	4 years

(c) Tangible fixed assets

Tangible fixed assets of the Company are assets that provide direct and/or indirect economic benefit when used for more than one year and whose acquisition/production cost is not less than EUR 100, while the risks related to tangible assets are transferred to the Company.

In accounting, tangible fixed assets are recorded at the acquisition/production cost, which includes the sum of money paid or to be paid for purchase of the assets, the cost of delivery, paid non-recoverable taxes, costs for design, installation and other costs associated with the acquisition and preparation of these assets. The acquisition cost of tangible fixed assets does not include the non-refundable value added tax. It is recognized as operating expenses for the period, during which the assets were acquired.

The costs of reconstruction and repair of tangible fixed assets is recognized as expenses during the reporting period, when they were incurred.

Tangible fixed assets provided in the financial statements are estimated at the actual acquisition/production cost of the assets, minus the accrued depreciation and impairment.

The Company uses a directly proportional (linear) method of calculating the depreciation of tangible fixed assets. For different groups of tangible fixed assets, different depreciation norms are approved:

Groups of assets	Average useful life (in years)
Machinery and equipment	4 - 6
Vehicles	6 - 10
Other equipment, tools and devices	3 - 6
Other tangible assets	4

Depreciation of tangible fixed assets is calculated from the first day of the month following the month in which the assets were first used. Asset depreciation is not calculated from the first day of the month following its write-down, disposal or another type of transfer. The depreciated value of the assets is calculated by deducting from the acquisition/production cost of the assets the liquidation value, which equals EUR 1 for all items of tangible fixed assets.

Financial lease is a lease when, under the terms of the lease, all risks and benefits related to the ownership of the assets are basically transferred to the Company. The accounting of leased assets does not differ from the accounting of own assets. Interest and other borrowing-related costs are recognized as financial expenses during the period, in which they were incurred.

Profit and loss arising from the disposal of the tangible fixed assets are calculated by comparing the income received with

the book value of the assets. The result of the transaction is recognized in item of revenue and expenditure of another activity in the profit and loss statement.

The depreciated assets not used at the Company are written off. In the balance sheet, the tangible fixed assets that are no longer used for the company's operations and that are held for sale, are included in the reserve item.

At the end of each reporting year, the Company performs an inventory of its tangible fixed assets. The residual value of each individual asset is revised in order to determine its depreciation. If depreciation is observed, the recoverable amount of that asset is calculated. The recoverable amount is calculated as the higher of the two values: the net realizable value or the value in use of the asset. Loss due to asset impairment is accounted for, when the book value of the asset unit exceeds the recoverable amount. Impairment losses are accounted for in the profit and loss statement.

(d) Financial assets

Financial assets include cash and cash equivalents, receivables, loans granted and investments available for sale.

Financial assets are accounted for, when the Company receives or has the right to receive cash or other financial assets under an existing contract. Receivables are measured at acquisition cost minus the impairment losses. Cash and cash equivalents are measured at acquisition cost. Loans granted are initially accounted for at acquisition cost, and subsequently measured at amortised cost.

Investments available for sale are investments that the Company has acquired with a purpose of selling or in order to receive profit from short-term fluctuations in investment prices. Investments available for sale are measured at acquisition cost at the time of acquisition, and subsequently at fair value when preparing the financial statements.

If it is probable that the Company will not be able to recover its receivables, an impairment loss is recognised, which is calculated as the difference between the asset value and the current value of future cash flows discounted at the effective interest rate.

(e) Receivables

Receivables are recognised as such at the acquisition cost. Subsequently, short-term receivables are accounted for having assessed their impairment. A debt, whose due date has expired more than four months before the recovery procedure takes place, is considered doubtful. Impairment losses of doubtful debts accrued during the reporting period are recognised as operating costs. When redeeming previously recognised doubtful debts, the costs incurred during the reporting period are reduced.

A transaction on transfer of receivables/debts (factoring without a right of recourse) is considered as a sale of debts, and debts are written off immediately. If the debt transfer transaction does not involve the transfer risk, and the buyer may cancel the transaction, the transaction is registered as a loan secured by a collateral.

(f) Cash and cash equivalents

Cash consists of money in bank accounts. Cash equivalents are liquid investments that are readily convertible to known amounts of cash. The term of such investments generally does not exceed three months, and the risk of changes in value is very insignificant.

(g) Expenses of future periods

Expenses of future periods arise, when, during the reporting period and prior reporting periods, the Company has paid for the services of a continuous nature to be provided during the future periods, for which the amounts paid will be recognized as expenses in the subsequent reporting periods, when incurred.

(h) Equity and reserves

The Company's equity consists of paid-up part of the share capital, share premium, legal reserve, revaluation reserve and retained earnings/loss.

Ordinary registered shares are accounted for at their nominal value. The sum received for shares sold, higher than the nominal value of these shares, is accounted for as share premium. The costs associated with issue of new shares reduce the share premium. Profit and loss statement shall not include profit or loss received from sale, issue or cancellation of own shares.

According to the Law on Companies of the Republic of Lithuania, the legal reserve must make up 1/10 of the value of the authorized capital. Until the established size of the legal reserve is reached, the Company's deductions shall be at least 1/20 of the net profit. The part of the legal reserve exceeding the established size may be redistributed by dividing the Company's profit. The legal reserve, used to cover the losses of the Company, must be redrafted.

The item of retained earnings/loss shall include the earnings earned during the reporting period and earlier periods, but not yet retained, or uncovered loss.

Profit distribution in the Company's accounting is recorded, when the owners take a decision to distribute the profit, i.e. on the day of the shareholders' meeting, regardless of when it was earned.

(i) Financial liabilities

Financial liabilities are recorded in the accounting, when the Company assumes the obligation to pay in cash or to settle financial liabilities using other financial assets. Accounts payable for goods and services are measured at acquisition cost, i.e. at the value of the assets or services received. At the beginning, the loans are accounted for at the acquisition cost, and, subsequently, at amortised cost. Accrued interest is accounted for in the item of other payables.

Financial liabilities include accounts payable for goods and services received, loans and financial lease liabilities, as well as bonds.

Short-term liabilities are liabilities that must be settled within one year from the day when the balance sheet was drafted.

(-) Provision Accounting Policy

Provisions in the Company are formed for liabilities under reimbursable suretyship agreements. Reimbursable suretyship agreements are such agreements, whereby the guarantor is required to pay a specific loss incurred by the guarantee, resulting from the debtor's delayed and unpaid liabilities set out in the default conditions of the description of debt instruments. Such financial guarantees are provided to creditors.

On the day of granting the suretyship, the amount of expected loss due to the debtor's delayed and unpaid liabilities set out in the default conditions of the description of debt instruments is included in the accounting. The estimation of expected losses is based on the accrued historical information on similar transactions, the amount of losses incurred, and also taking into account the management's estimates.

(-) Doubtful Debt Recognition Policy

Doubtful debts are a part of the investment, whose consumer credit agreements with consumers have been terminated. Consumer credit agreements are terminated under the grounds set out in Article 19 of the Law on Consumer Credit of the Republic of Lithuania. The value of such investments is determined at the lowest of these values: the price paid at the time of the loan purchase; or 60% of the value of the investment. The difference between the value of the investment and the price paid at the time of purchase, or 60% of the investment value, is recognized as an impairment loss.

(j) Sales revenue

Interest income and expenditure for all interest-bearing instruments are accounted for on the accrual basis.

Intermediary fee income and other types of income are accounted for at the time, when the transaction is performed, i.e. based on the cash basis.

Other operating income include profits from the disposal of used fixed assets, as well as other income that is not related to the typical activities of the Company, but that are received from third parties, with the exception of financial operating income and extraordinary profit.

Financial income is the positive result of change in the exchange rate, interest received, fines and penalties paid by buyers, dividends received, reversal of impairment of investment value.

(k) Expenses

In the accounting, expenses are recognized based on the accrual and comparison principles during the reporting period, when related income is earned, irrespective of the time the money is spent. Expenses that are not related to earnings during the reporting period, but are intended to generate earnings in future periods, are accounted for and recorded in the financial statements as assets.

Cost of sales refers to the expenses incurred by the Company during the reporting period for services rendered during the reporting period. This item only includes the part of the costs related to the services sold during the reporting period.

General and administrative expenses reflect the expenses incurred during the reporting period that are related to the typical activity of the Company and that enable generation of earnings during the reporting period, but independent of the volume of sales of production output, goods and services. These costs are recognized, recorded in the accounting and presented in the financial statements for the same reporting period when they are incurred.

Other operating expenses include loss of sales of used fixed assets, as well as other expenses that are not related to the typical activity of the Company, but are incurred when earning other income.

Financial operating expenses are the negative result of the change in the exchange rate, the fines and interest paid, interest and liability charges related to financial debts, as well as the impairment of investments.

(l) Income tax and deferred income tax

The calculation of the income tax is based on the requirements of the Law on Corporate Income Tax of the Republic of Lithuania. In 2017, the tax rate applied to the Company was 15%.

Deferred income tax is accounted for using the liability method and is derived from the temporary differences between the book value of the assets or liabilities in the balance sheet and the tax base of those assets or liabilities included in the Company's financial statements. Deferred income tax is calculated on the basis of tax rates (and laws) that were approved or actually valid on the day of balance sheet drafting, and are expected to be effective when the deferred tax assets are realised or when the deferred tax liability is covered.

(m) Foreign currencies

All currency items in the balance sheet are presented in euro applying the exchange rate valid on the day of the balance sheet drafting. The assets purchased in foreign currencies accounted for at the acquisition cost, in the balance sheet, are measured in euro applying the exchange rate valid on the day of acquisition. Transactions in foreign currencies are measured in euros, at the exchange rate valid on the transaction day. The differences that arise when the amounts recorded in the currency items are paid at a different exchange rate are recognized as profit or loss of the reporting period.

(n) Accounting Estimates in Preparing Financial Statements

When preparing financial statements, the management shall make certain assumptions and estimates that affect the reported sums of assets, liabilities, income and expenses, as well as disclosure of uncertainties.

Future events may change the assumptions used in evaluations. The result of such changes in evaluations shall be accounted for in the financial statements as soon as it arises.

(o) Error Correction and Reclassification

The Company deems that an essential error is such error that accounts for more than 5% of the net profit of the reporting period.

If the information presented during the accounting year is otherwise classified, then the comparative year is also reclassified in order to render the figures comparable.

(p) Contingent Liabilities and Assets

Contingent liabilities are future liabilities that may arise from past events and which can be confirmed or denied by uncontrolled uncertain future events of the Company or existing liabilities arising from past events. They are not reflected on the balance sheet because the amount of such liabilities cannot be reliably determined and/or it is unlikely that these liabilities shall be met. Information about them is provided in the explanatory note.

Contingent Assets refer to assets that, due to uncontrolled events of the Company, may in the future be part of the Company and bring economic benefits to the Company. Information about the expected assets is provided in the explanatory note.

(q) Post Balance Sheet Events

Post Balance Sheet Events are those events that occur between the balance sheet drafting date and the date, when the financial statements are prepared, signed by the Head of the Company and submitted for approval.

Post balance sheet events that provide additional information about the Company's position on the day when the balance sheet is drafted (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are described in the notes, if significant.

III. NOTES

1. Intangible fixed assets, EUR

Indexes	Software	In total
Acquisition cost		
31 December 2019	731 244	731 244
Acquired	415 510	415 510
Written-off		-
Reclassifications		-
31 December 2020	1 146 754	1 146 754
Acquired	416 235	416 235
Written-off		-
Reclassifications		-
31 December 2021	1 562 989	1 562 989
Amortisation accrued		
31 December 2019	412 067	412 067
Estimated over the period	170 157	170 157
Written-off		-
Reclassifications		-
31 December 2020	582 224	582 224
Estimated over the period	255 143	255 143
Written-off		-
Reclassifications		-
31 December 2021	837 367	837 367
Book value		
31 December 2019	319 177	319 177
31 December 2020	564 530	564 530
31 December 2021	725 622	725 622

No signs of impairment of intangible fixed assets have been determined.

2. Tangible fixed assets, EUR

Indexes	Other equipment, devices, and tools	In total
Acquisition cost		
31 December 2019	39 802	39 802
Acquired	41 809	41 809
Written-off	(1 439)	(1 439)
Reclassifications		-
31 December 2020	80 172	80 172
Acquired	10 416	10 416
Written-off	(2 242)	(2 242)
Reclassifications		-
31 December 2021	88 346	88 346
Revaluation/ depreciation		
31 December 2019		-
Revaluated (+), depreciated (-)		-
Depreciated over the period		-
31 December 2020	-	-
Revaluated (+), depreciated (-)		-
Depreciated over the period		-
31 December 2021	-	-
Depreciation accrued		
31 December 2019	27 126	27 126
Estimated over the period	10 753	10 753
Written-off	-35	-35
Reclassifications		-
31 December 2020	37 844	37 844
Estimated over the period	15 774	15 774
Written-off	-187	-187
Reclassifications		-
31 December 2021	53 431	53 431
Book value		
31 December 2019	12 676	12 676
31 December 2020	42 328	42 328
31 December 2021	34 915	34 915

No signs of impairment of tangible fixed assets have been determined. According to the last day of the reporting year, the Company used fully depreciated tangible fixed assets with an acquisition value of EUR 32 043.

3. Financial assets, EUR

Index	2021-12-31	2020-12-31
Shares in group companies	506 638	163 500
Shares of UAB Finomark (100%)	483 638	152 500
Neo Finance B.V. Shares (100%)	120 000	108 000
Impairment (-)	(97 000)	(97 000)
Other financial assets	896 377	1 641 944
Investment activities debtors	989 115	1 740 153
Impairment (-)	(92 738)	(98 209)
TOTAL:	1 403 015	1 805 444

During the financial year the Company has invested in subsidiaries (FinoMark, UAB, business identifier code: 305538582 and NEO Finance B.V, business identifier code: 859887984)

4. Other fixed assets, EUR

Index	2021	2020
Deferred income tax assets	330 206	375 650
TOTAL:	330 206	375 650

5. Reserves, EUR

Index	2021	2020
Advances paid	16 203	29 779
TOTAL:	16 203	29 779

6. Accounts receivable within one year, EUR

Index	2021-12-31	2020-12-31
Buyers' debts	127 391	58 837
Investment activities debtors	503 236	747 138
Other receivables	-	12 392
Impairment (-)	(33 857)	(34 675)
TOTAL:	596 770	783 692

7. Cash, EUR

Index	2021-12-31	2020-12-31
Client cash	10 475 839	6 738 659
Money in commercial bank accounts	56 172	78 446
Money at the Bank of Lithuania	10 273 396	6 594 083
Money in transition	146 271	66 130
Company cash	543 153	498 598
Money in commercial bank accounts	543 153	452 268
Money at the bank of Lithuania	-	46 330
TOTAL:	11 018 992	7 237 257

8. Structure of the authorized capital, EUR

Index	Number of shares	Amount
Structure of the share capital at the end of the financial year	-	-
1. According to the types of shares		
1.1. Ordinary shares	4 055 536	1 784 436
1.2. Preference shares		
1.3. Employees 'shares		
1.4. Special shares		
1.5. Other shares		
TOTAL:	4 055 536	1 784 436
2. State or municipal capital		
3. Own shares owned by the company		
4. Shares owned by subsidiaries		

As of 31 December 2021, all shares have been paid.

9. Profit distribution project, EUR

Index	Year	Sum
Retained result – profit/loss	2020-12-31	(1 503 748)
Net result for the financial year – profit/loss		117 739
Retained result – profit/loss	2021-12-31	(1 386 009)
Shareholders ' contributions to cover losses		
Transfers from reserves		
Distributed profit		(1 386 009)
Profit distribution:		
- to legal reserves		
- to other reserves		
- dividends		
- other		
Undistributed result – profit/loss		(1 386 009)

10. Provisions

The Company forms reimbursable suretyship provisions (“Provision Fund” service) intended to cover the liabilities under the reimbursable suretyship agreements. At the end of the financial year, provisions made up EUR 194 715. At the end of the last financial year, provisions made up EUR 244 820.

11. Financial debts, EUR

Index	2021-12-31	2020-12-31
Long-term debts (from 2 to 5 years)	984 231	912 405
Loans received from affiliated undertakings	691 341	806 954
Bonds	250 000	-
Social security liabilities after one year	42 890	105 451
Short-term debts	56 917	1 109 722
Loans received from affiliated undertakings	52 170	-
Interest on loans received from affiliated undertakings	4 747	9 722
Bonds	-	1 100 000
TOTAL:	1 041 148	2 022 127

12. Accounts payable within one year, EUR

Index	2021-12-31	2020-12-31
Advances received	933	606
Trade payables	148 033	162 871
Payroll liabilities	50 351	41 115
Vacation pays liabilities	50 956	33 221
Social security liabilities	36 900	23 871
Personal income tax liabilities	17 142	27 463
Income tax liabilities	7 825	16 090
Customer money held at NEO Finance accounts	10 458 504	6 714 806
Other tax liabilities	52 332	40 851
Other payables	-	3 666
TOTAL:	10 822 976	7 064 560

13. Income, EUR

Index	2021	2020
Sales revenue	3 443 082	2 482 981
Revenue related to the issuance and processing of electronic money	940 064	476 241
Investment income	335 453	270 301
Revenue related to peer-to-peer lending	2 167 565	1 736 439

Most of the revenue related to peer-to-peer lending are distributed throughout the loan period, and these revenues are received only when the borrower makes the monthly installment. As of 31 December 2021, receivable intermediary fee generated by loans, issued till 31 December 2021 amounted to 6 771 505 EUR. As of 31 December 2020, receivable intermediary fee generated by loans, issued till 31 December 2020 amounted to 5 945 158 EUR.

14. Expenses, EUR

Index	2021	2020
Cost of Sales	1 769 674	1 597 082
Cost of services rendered	1 769 674	1 597 082
General and administrative expenses	1 487 181	922 928
Salaries and social security	805 086	374 104
Guarantee Fund accrual costs	50 105	3 850
Audit expenses	18 270	12 900
Depreciation	243 468	169 931
Other expenses	370 252	362 143

15. Financial and investment activities, EUR

Index	2021	2020
Income	-	12 380
Positive effect on exchange rates	-	-
Other income from financial investment activities	-	12 380
Expenses	190	36 680
Interest	-	-
Impairment of shares and subsidiaries	-	32 000
Negative effect of exchange rates	190	180
Other expenses	-	4 500

16. Income tax expenses, EUR

Index	2021	2020
Profit before taxes	179 054	(69 413)
Income tax rate	15%	15%
Amount of increase in profit before tax	230 022	532 295
Amount of reduction in profit before tax	56 393	105 326
Deductions for promotion	-	-
Deducted operating loss amount (with inherited loss)	246 878	250 289
Amount of taxable profit reduction on investment	-	-
Declared income tax payable to the budget	15 871	16 090
Change in taxable temporary differences between tax and financial statements	(302 964)	(242 626)
Deferred income tax expenses/income	45 445	36 394
Adjusted amount of profit tax returns of the previous year	-	-
Income tax expenses/income	61 315	52 484
Effective income tax rate	34%	0%

17. Relations with executives and other related persons

In 2021, the head of the administration changed three times:

In February 2021, Aiva Remeikienė resigned and was replaced by Aleksėjus Loskutovas.

In October 2021, Aleksėjus Loskutovas resigned, and Aiva Remeikienė returned to his post temporarily.

In December 2021, Aiva Remeikienė resigned and was replaced by Paulius Tarbūnas.

In 2021, the Head of Administration was paid a salary of EUR 96 096 (in 2020: EUR 40 712). The Head of Administration has not received any other income, loan guarantees nor benefits.

18. Related parties, EUR

Related parties	Accounts payable		Accounts receivable	
	2021-12-31	2020-12-31	2021-12-31	2020-12-31
Shareholders with a significant number of votes	-	-	-	-
Parent company	1 303	1 091	-	-
Subsidiaries	-	-	8 855	-
Other affiliated persons	270 612	758 712	1 521	2 972
Total	271 915	759 803	10 376	2 972

Related parties	Income received		Purchases	
	2021	2020	2021	2020
Shareholders with a significant number of votes	-	-	-	-
Parent company	-	-	20 041	31 100
Subsidiaries	45 330	-	888	-
Other affiliated persons	6 656	4 470	225 450	172 400
Total	51 986	4 470	246 379	203 500

19. Change in accounting policy

No changes to accounting policy made during 2021.

20. Rights and liabilities of the Company that are not specified in the balance sheet

Liabilities of the Company under the reimbursable suretyship agreement, as of 31 December 2021, amounted to EUR 2 405 304. At 31 December 2020, this amount was EUR 3 080 478. The Company signs reimbursable suretyship agreements with the lenders who choose the “Provision Fund” service. Based on these agreements, the Company guarantees the lenders for proper performance of the obligations arising from consumer credit agreements.

21. Contingent Liabilities

At the end of the reporting year, the Company had no contingent liabilities.

22. Post Balance Sheet Events

With the onset of the war in Ukraine, the Company is monitoring the impact of the crisis on the Company’s business. After a slight halt, business volumes continue to grow, with no negative impact.

Due to the imposition of sanctions on Russian and Belarusian companies and individuals, the Company additionally analyzed and evaluated its customer lists. The analysis found that up to 30 natural or legal persons who have Russian or Belarusian citizenship or had indicated a place of residence or residence in Russia or Belarus or were shareholders of a Russian or Belarusian citizen. These citizens have invested in around 0.6% of the company’s outstanding loan portfolio. All the Company’s customers are regularly inspected in the sanction lists.

In March 2022, the Company prepared an updated Contingency and Business Continuity Plan, which will be approved by the Company’s Board on 24 March 2022.

On March 17, 2022, the share capital of the company was increased, the latter amounts to EUR 1 848 933.68 and is divided into 4 202 122 shares, which entitle to 4 202 122 votes. The nominal value of one share is EUR 0.44.

23. Off-balance sheet liabilities

By 31 December 2021, the Company, having acted as an operator of a Peer-to-Peer Lending Platform, and a consumer credit provided, has disbursed consumer credit funds for a total amount of EUR 90 906 242. As of 31 December 2021, the remaining outstanding part of credit amounted to EUR 44 090 169.

By 31 December 2020, the Company has disbursed consumer credit funds for a total amount of EUR 63 495 120. As of 31 December 2020, the remaining outstanding part of credit amounted to EUR 34 210 707.

Financial report dated 31 March 2022

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