



NEO Finance, AB

Sales report 2019Q4

Vilnius

2020-01-15

Management comments

2019 Q4 sales amounted to **4.47 million EUR** of loans issued. 2019 Q4 was a time of change. Not only did we change our creditworthiness rating to the one calculated by AI, but also **“NEO Finance”** had to adapt to migration to a new Bank of Lithuania database. Both factors had their adaptation period, which resulted in the decrease of loans issued. As the transition period is left behind – we are looking forward to stronger results in 2020 Q1.

An increasing number of lenders from all over Europe discover consumer loans on **“NEO Finance”** P2P lending platform. The number of foreign lenders is continuously growing faster than Lithuanian. In 2019 Q4 most of foreign lenders registered from Spain, Netherlands and Germany.

During 2019 Q4 more than 1.1 million transactions was made through the Neopay payment initiation service. Most payments were made through APIs with major banks. Neopay team successfully participated in Fintech Inn 2019 - the largest fintech conference in the Baltics. PIS was integrated with the largest Latvian and Estonian banks and with 4 banks from Netherlands.

To meet the needs of our borrowers and lenders **“NEO Finance”** introduced an upgraded [Invite Your Friend referral programme](#), which was a huge success in attracting new lenders.

On the lower note – [Bank of Lithuania imposed a fine of 4 500 EUR](#) for misrepresenting typical loan examples in advertising. The internal processes were improved to prevent errors in advertising in the future. The fine will not affect the Company's results of operations.

Events



Social events

- **October**
Seminar for beginner lenders in Vilnius;
- **November**
Seminar for advanced lenders in Kaunas and Vilnius;
Presentation about funding in Agency for Science, Innovation and Technology event “How to grow Lithuanian unicorn”;
Participation in SLUSH 2019 event in Helsinki;
Participation in Fintech Inn 2019 conference in Vilnius and presentation „Startup funding success case“;

- Starting from October creditworthiness rating is calculated by Artificial Intelligence;
- Updated Invite Your Friend programme, where lenders get 1% on investments made by invited friend for 12 months;
- Transition to new Bank of Lithuania nPRDB database, where data regarding borrower’s liabilities and debt history is stored;
- **NEO Finance B.V.** capital increased by **55 thousand EUR**;
- A record of **440 thousand** transactions in PIS reached in December;
- Bank of Lithuania imposed a fine of **4500 EUR** regarding typical loan examples;

Management accounts



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

	2019 Q4	2019 Q3	Δ, %	2018 Q4	Δ, %
Loans issued, K EUR	4,469	5,115	-13%	4,186	7%
Intermediary fee income, K EUR*	370	404	-8%	329	13%
<i>Intermediary fee / Loans issued ratio</i>	8.3%	7.9%	-	7.9%	-
PIS income, K EUR	51	36	40%	18	178%
Other income, K EUR	364	367	-1%	230	58%
Total income, K EUR	785	807	-3%	577	36%

At the end of 2019 Q4 receivable intermediary fee amounted to **4.58 million EUR**

* Intermediary fee income in the table is represented as a result of the loans issued at the same quarter, which will be received throughout the loan period. E.g. 370 thousand EUR is a result of 4,549 thousand EUR issued and will be received throughout entire loan period.

Payment Initiation Service (PIS)

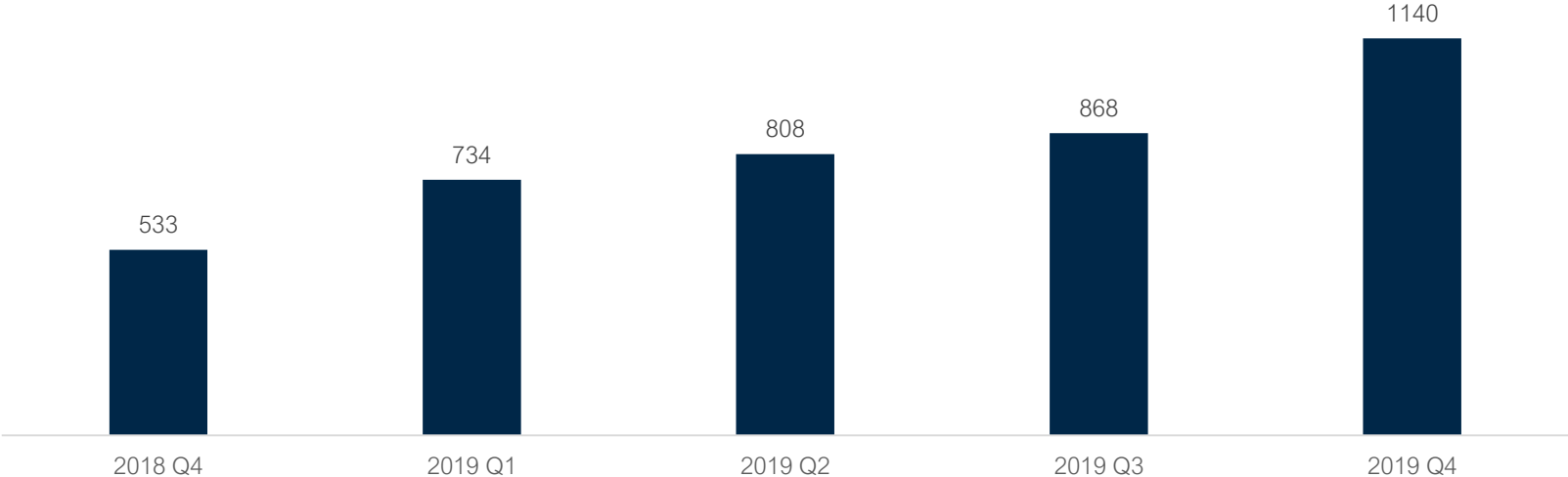


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service)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

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

During 2019 Q4 “**NEO Finance**” clients made **1 140 122** transactions. Most payments were made through APIs with major banks. Neopay team successfully participated in Fintech Inn 2019 - the largest fintech conference in the Baltics. PIS was integrated with the largest Latvian and Estonian banks and with 4 banks from the Netherlands.

PIS transactions, quantity, thousands



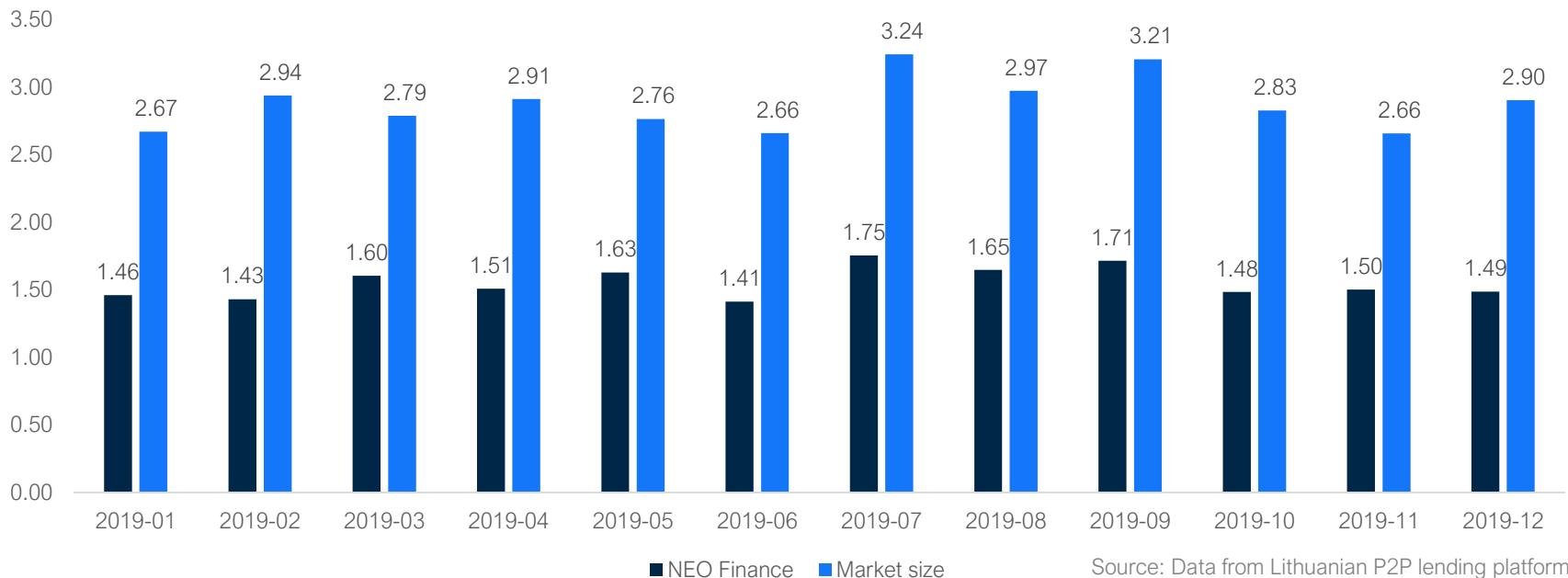
P2P consumer loan market in Lithuania



Due to transition period of PSD2 and migration to Bank of Lithuania database P2P consumer loan market in Q4 was slower than in Q3. In 2019 Q4 P2P consumer loan market size was **8.39 million EUR**. Compared to 2018 Q4 year on year the issued loans volume grew by **19%** from **7.04 million EUR**. **“NEO Finance”** growth was **7%** in the same period. **“NEO Finance”** market share during 2019 Q4 was **53%** with **4.47 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms during 2019 Q4 reached the peak of **2.90 million EUR** in December. **“NEO Finance”** clients borrowed **1.50 million EUR** in November. Compared to the same month in 2018, **“NEO Finance”** issued loans volume grew by **3%**.

P2P consumer market, loans issued, million EUR



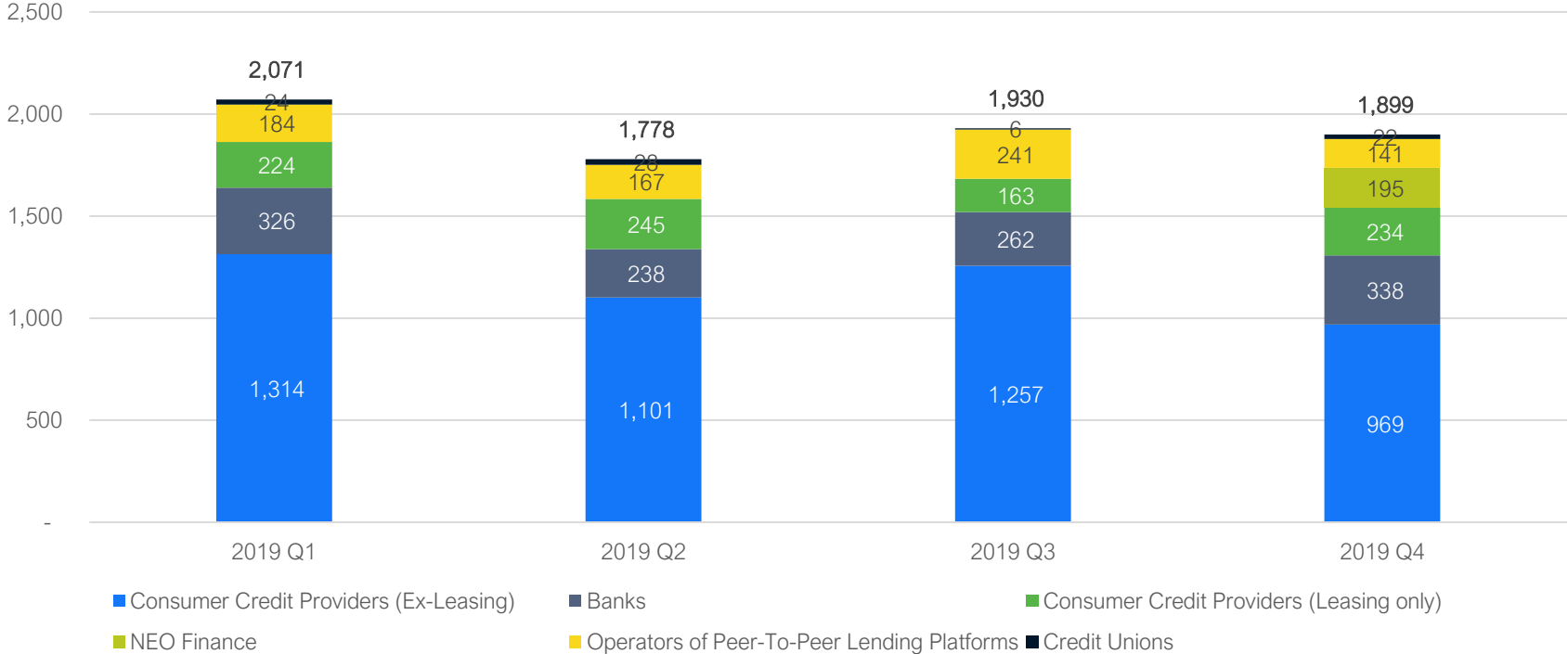
Refinancing



Starting with 2019 Q4 **“NEO Finance”** made it available to refinance it’s own loans for borrowers who are being refinanced by competition. Out of **4.47 million EUR** financed in 2019 Q4 – **1.90 million EUR** was refinancing loans, meaning that **“NEO Finance”** lenders helped these borrowers to reduce their instalment amount.

At **“NEO Finance”** borrowers can get a loan where a part of funds are for refinancing purpose and additional amount is for consuming purpose. Refinancing is shown without additional loan amount.

Refinancing distribution, K EUR



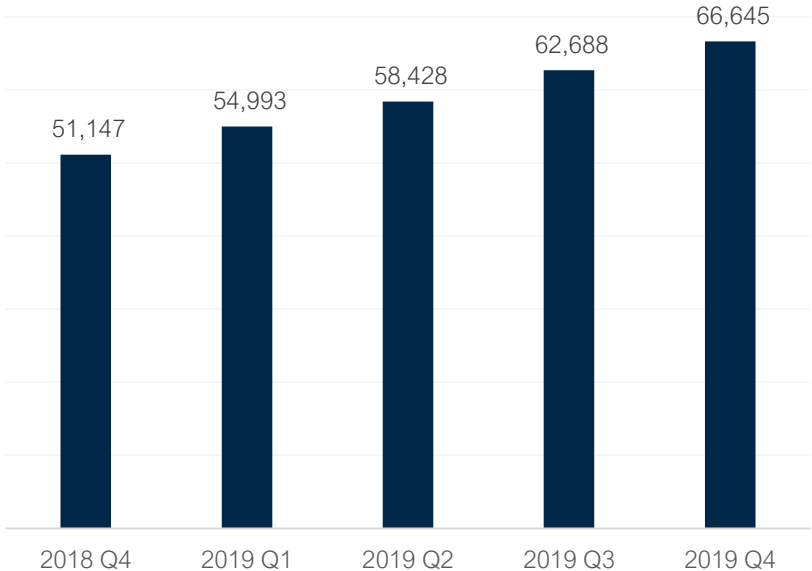
Borrowers



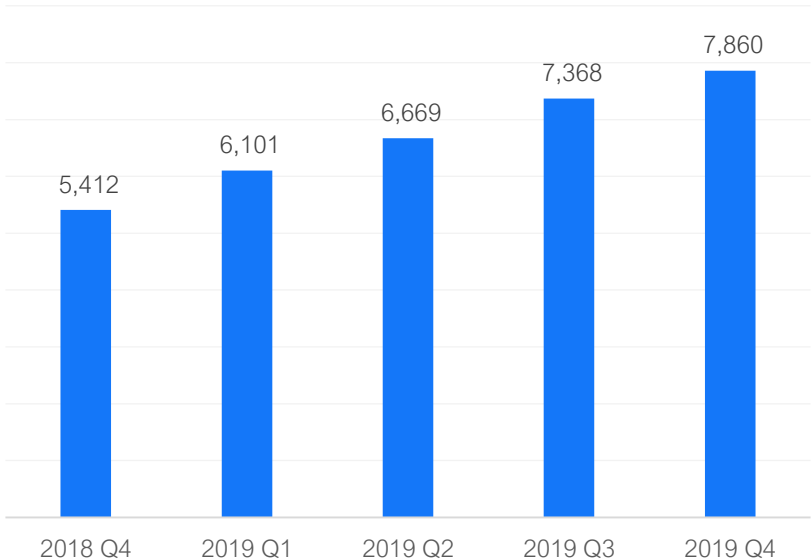
In 2019 Q4 established brand and proven acquisition strategy attracted **3 957 new registered borrowers**. At the end of 2019 Q4 the number of registered borrowers grew to a total of **66 645**. Compared to 2018 Q4, the number of registered borrowers grew by **30%**.

In 2019 Q4 the number of active borrowers grew by **492 users**. At the end of 2019 Q4 the number of active borrowers reached a total of **7 860**. Compared to 2018 Q4, the number of active borrowers grew by **45%**.

Registered borrowers



Active borrowers



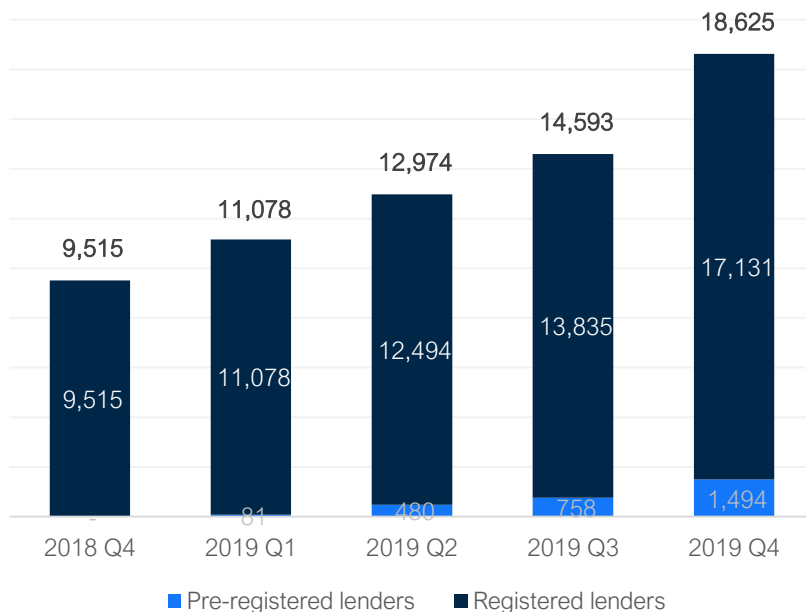
Lenders



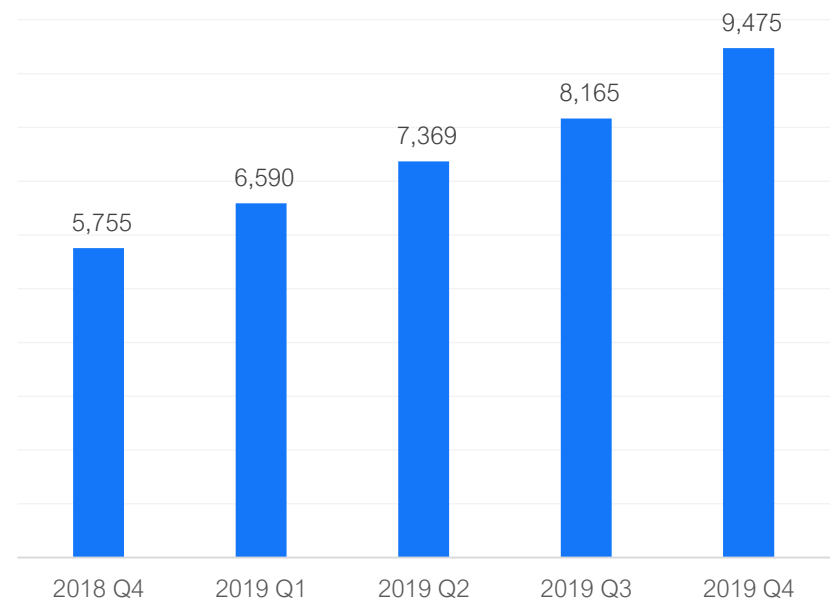
In 2019 Q4 increasing number of international partners and referral programme attracted a record of **4 032 new registrations** to a total of **18 625**. 1 494 of them did not finish the identification step. Compared to 2018 Q4, the number of registered lenders grew by **96%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2019 Q4 the number of active lenders grew by **1310**. At the end of 2019 Q4 the number of active lenders reached a total of **9 475**. Compared to 2018 Q4, the number of active lenders grew by **65%**. TOP 3 foreign countries regarding new active lenders in the descending order are The Netherlands, Spain and Germany.

Registered lenders



Active lenders



Lenders have already earned 6.21 million EUR in returns.

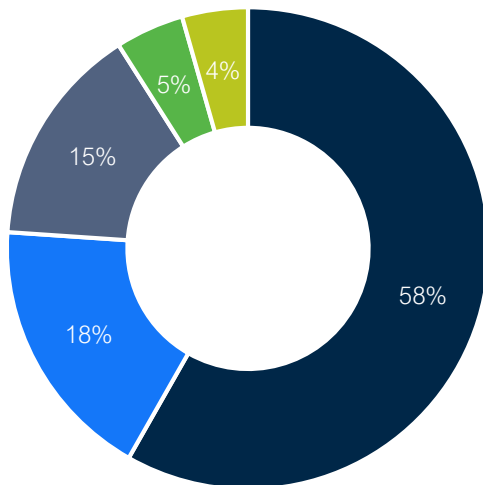
Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2019 Q4 amounted to **2973** and **grew by 362%** compared to the same quarter last year. Registered lenders during 2019 Q4 distribution by TOP 5 countries is provided below:

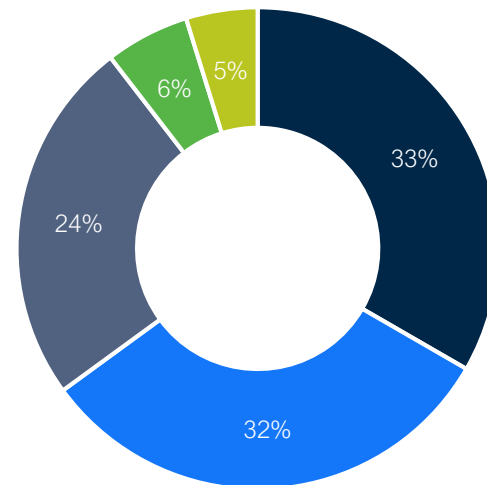
Active lenders, who registered during 2019 Q4 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Spain ■ Netherlands ■ Germany ■ Latvia ■ Portugal

Active lenders distribution by country



■ Netherlands ■ Spain ■ Germany ■ Belgium ■ Portugal

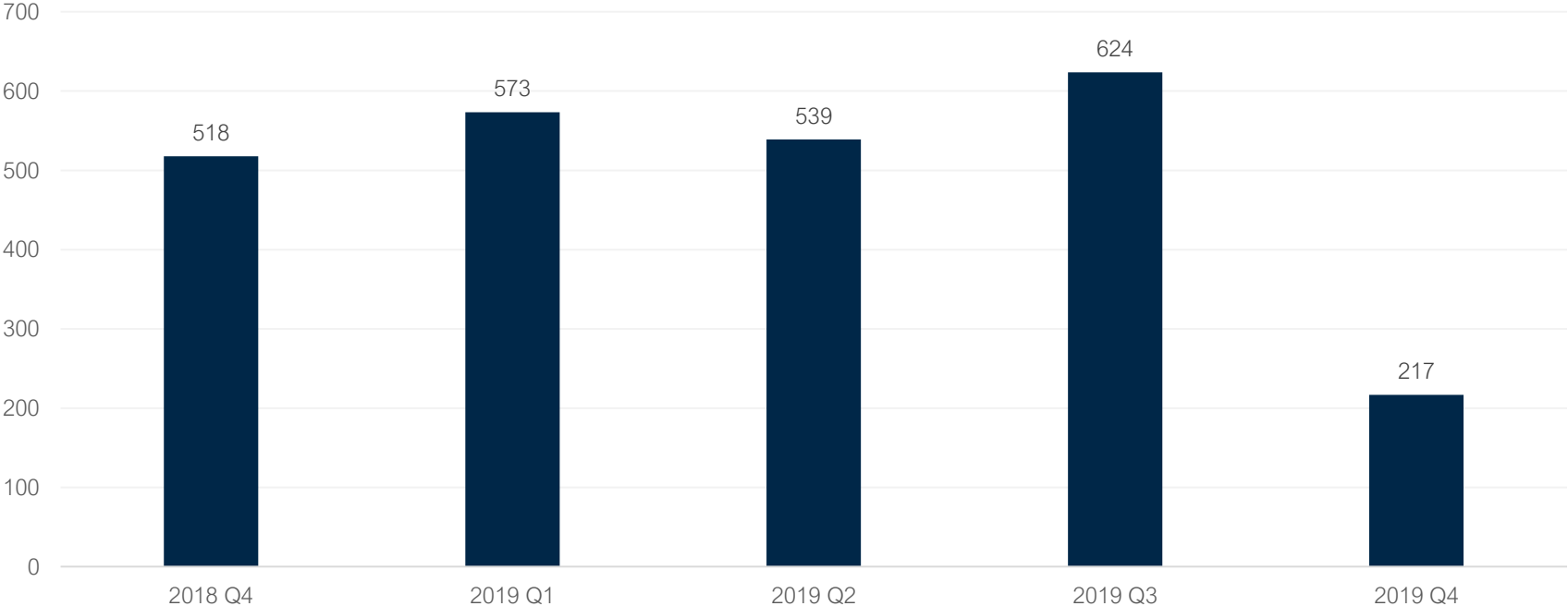
NEO Finance investments



“NEO Finance”, as a consumer credit provider, co-invests into loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In 2019 Q4 “NEO Finance” invested only **217 thousand EUR**. The reason behind such a drop is Invite Your Friend programme, which attracted a record number of new lenders, together with slightly slower market compared to last quarter.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **4.04 million EUR**.

NEO Finance investments, K EUR



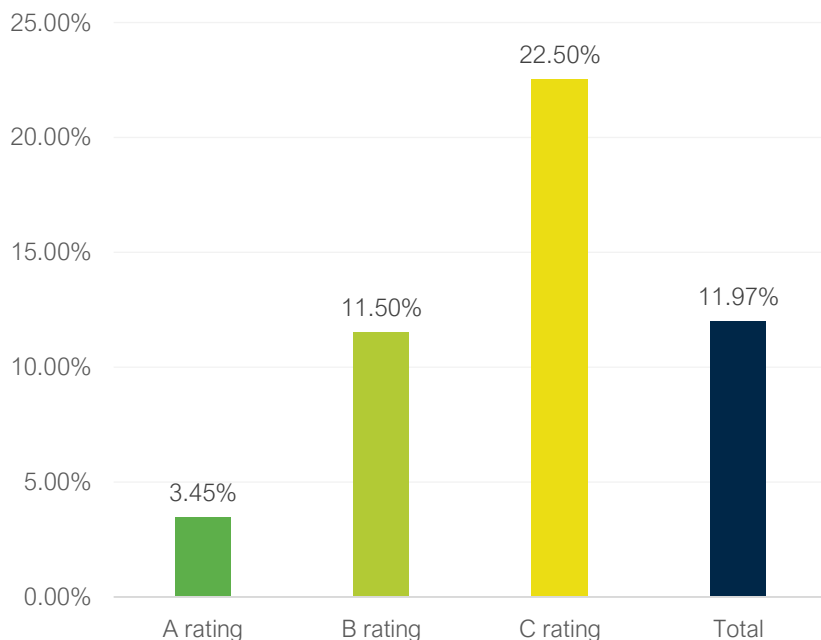
Overdue loans



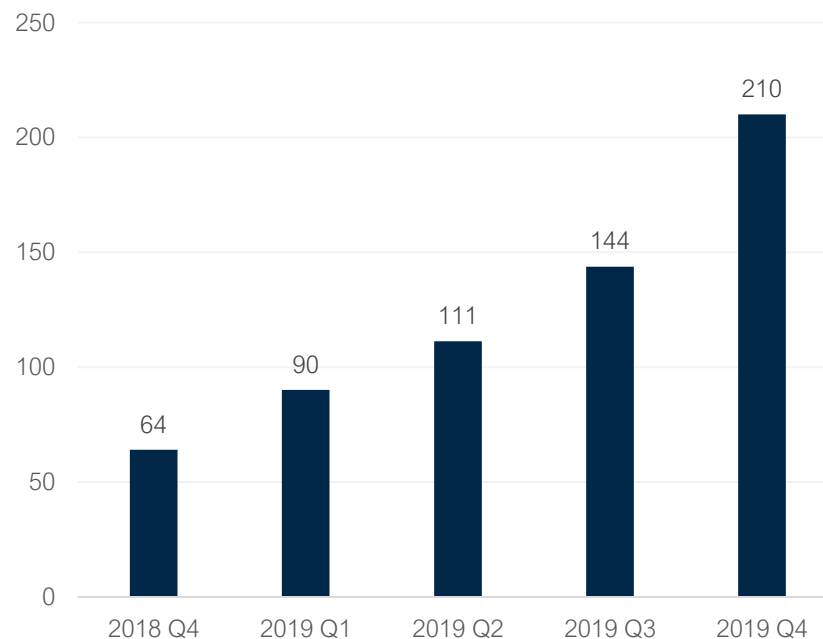
At the end of 2019 Q4 out of **16 303 issued loans** - **1 686 loans**, or **10.34%**, were overdue for more than 90 consecutive days. Respectively, out of **44.41 million EUR** financed – **5.32 million EUR** or **11.97%** were overdue more than 90 days.

“NEO Finance” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2019 Q4 a record amount of **210 thousand EUR** were recovered and distributed to lenders.

EUR, overdue >90 days, %.



Amount recovered, K EUR



Recovery

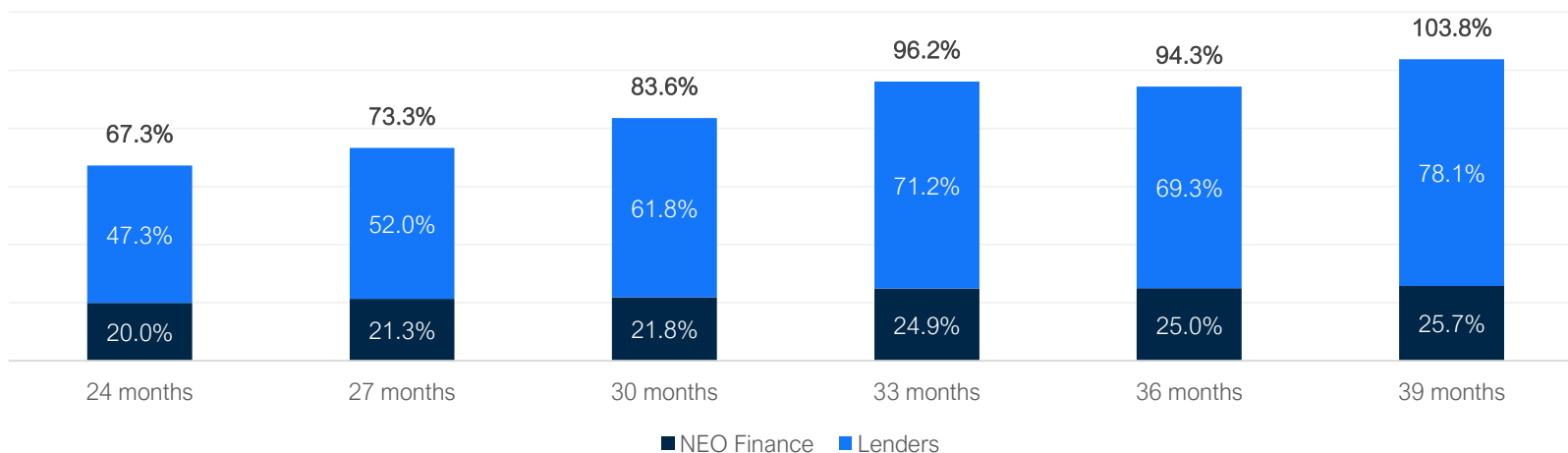


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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

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

Recovery as % of principal outstanding at termination



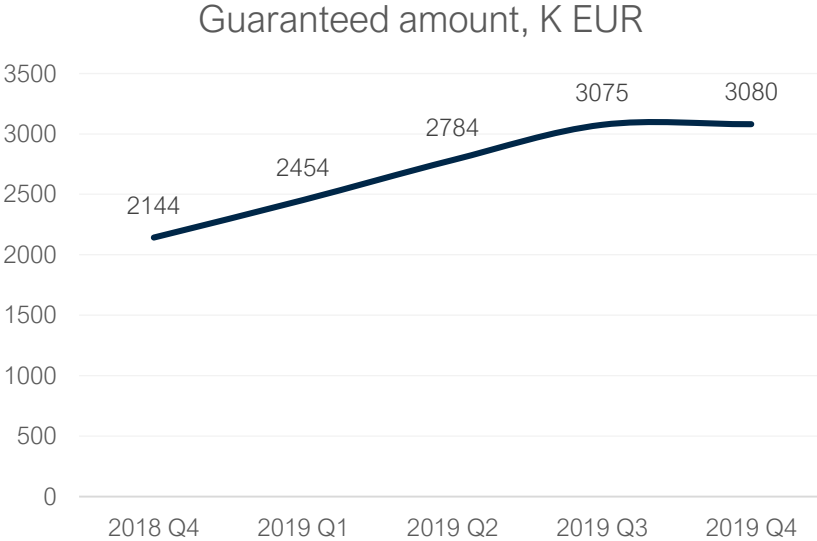
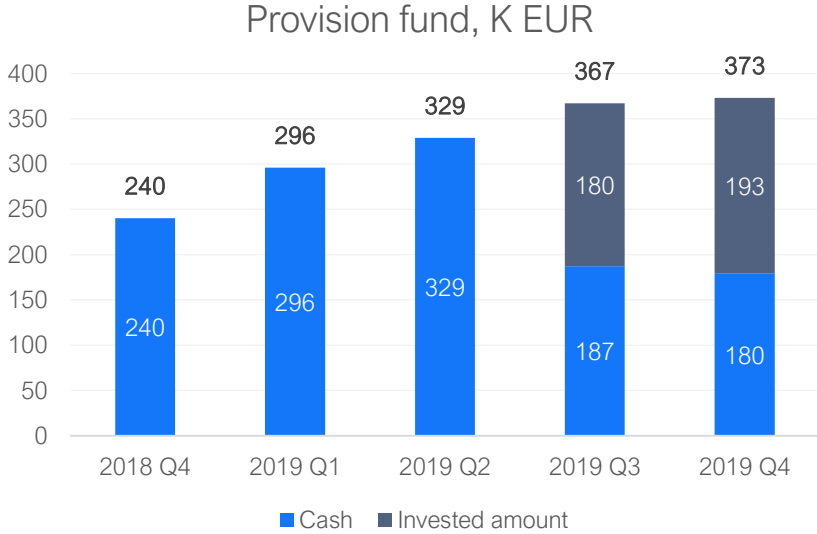
Months after termination	24 months	27 months	30 months	33 months	36 months	39 months
Principal at termination	€ 696,857	€ 436,744	€ 272,552	€ 151,459	€ 53,017	€ 21,670
Loans, units	275	195	134	80	34	14

Provision fund

“NEO Finance” offers a “Provision fund” service, which allows lenders to reduce their investment risk. If a loan defaults – “NEO Finance” guarantees to repay the lender with all of its assets. During 2019 Q4 the service covered **175 652 EUR**.

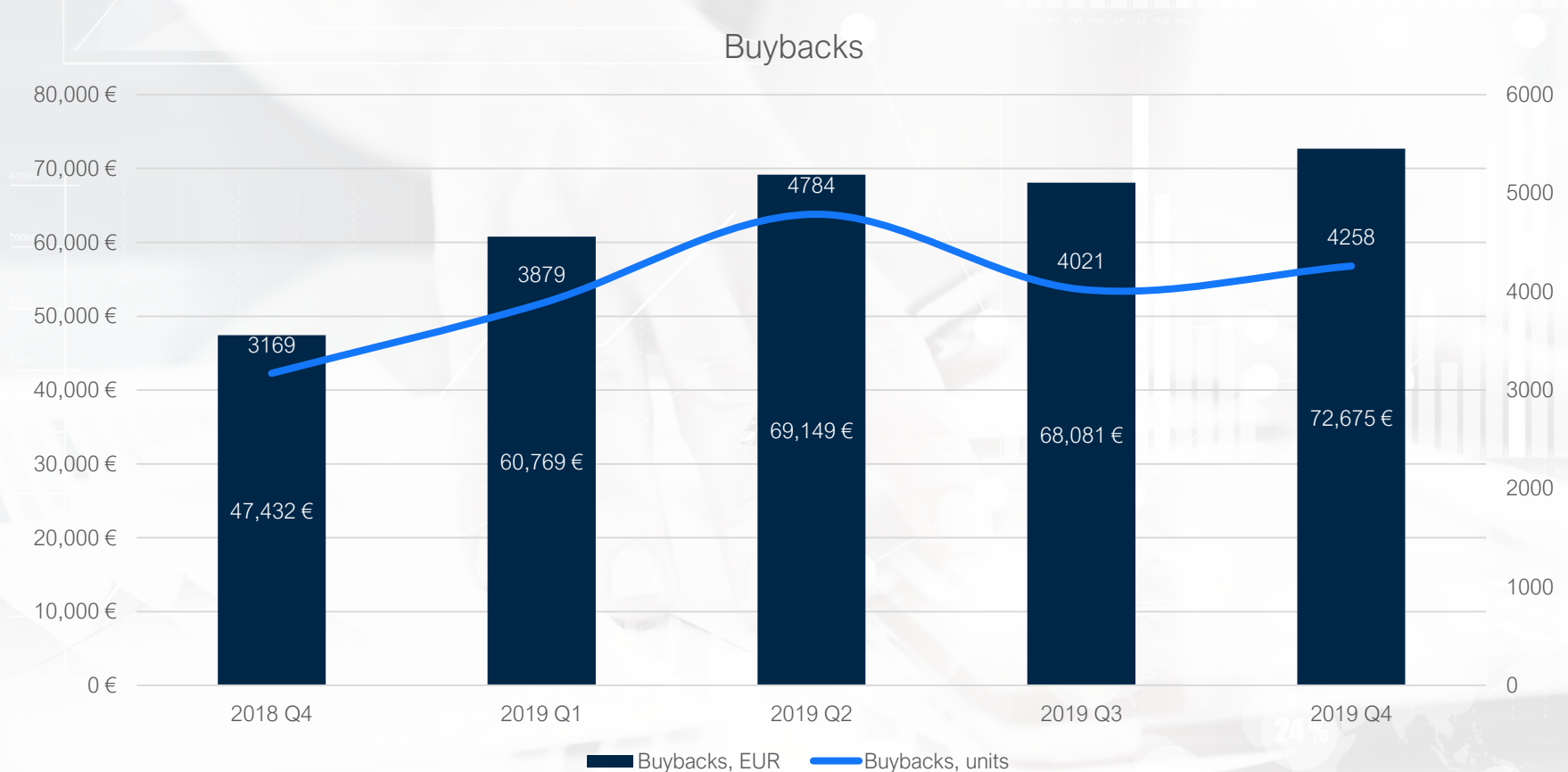
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund”. Starting with 2019 Q3 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's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

The fund's growth amounted to **5 905 EUR**. At the end of 2019 Q4 there were **373 005 EUR** of accumulated funds, and the total guaranteed amount was **3 080 478 EUR**, resulting in **12%** coverage ratio.



Buybacks

“NEO Finance” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of its face value to “NEO Finance”. In 2019 Q4 lenders sold **4 258 investments** for **72 675 EUR**.



Secondary market

Secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns, or sell a nonperforming investment. It also provides liquidity when an lender feels the need to cash out. The increase in secondary market turnover was led by increase in lenders as well as loan scarcity on the primary market.

During 2019 Q4 secondary market turnover was **376 876 EUR**. Average transaction was **22 EUR**.



Main statistics

Since launch till the end of 2019

Q4

9,475

Active lenders

2,884 €

Average portfolio

6,207,314 €

Interest received

44,412,150 €

Issued loans

1,750,313 €

Investments sold in
secondary market

27,410,671 €

Outstanding principal

