



NEO
Finance



NEO FINANCE, AB

Sales report 2021 Q3



CEO'S COMMENT

Aleksėjus Loskutovas
Head of Administration

The most significant event of the third quarter was the signing of an agreement with the first institutional investor. Hamburg-based asset management company nordIX has committed to invest at least EUR 3 M to NEO Finance's loan portfolio through securities issued by Chartered Opus. In the Lithuanian consumer credit market, we see fierce competition from financial institutions. In order to remain active market players and be able to compete with the high street banks, we had to make decisions and we are happy to have signed an agreement with the first institutional investor. Along with its arrival, a change in the interest avoidance policy was adopted, which will allow faster completion of transactions – NEO Finance now has the right to invest loans without a queue. It is important to note that the practice of NEO Finance not investing more than 50 percent in a specific loan will continue to be implemented.

The third quarter was the best in terms of all the company's activities. The P2P lending platform Paskolų klubas has issued loans for more than EUR 7.71 M. Two all-time highs were also achieved during the quarter, with the highest number of issues per month and the highest amount funded per day. The influx of the already mentioned institutional investor undoubtedly contributed to these results. Compared to the same quarter of 2020, the volume of loans issued by the company grew by as much as 64 percent.

In the third quarter of 2021, 3.99 M transactions were initiated through Neopay. The number of initiated payments in the third quarter of this year, compared to last year, increased by as much as 144 percent.

The crowdfunding platform FinoMark also reached a record issuance period, issuing a total of EUR 181 K in loans to businesses during the quarter.

Such growth rates only prove that people are increasingly turning to alternative financing options and choosing them more and more boldly.





Highlights

HIGHLIGHTS OF NEO FINANCE IN 2021 Q3:

- In order to optimise the process of allocating funds, from July it is possible to invest in NEO Finance starting from the minimum amount of EUR 20, and in A+ rated loans from EUR 50. Until then, the minimum amount invested in all ratings was EUR 10.
- In August, a new record of monthly loans was reached, with EUR 2.68 M in loans financed.
- In August, the first institutional investor to start investing in NEO Finance – the Hamburg-based asset management company nordIX – has committed to invest at least EUR 3 M to NEO Finance's loan portfolio through securities issued by Chartered Opus. In the first month, nordIX invested EUR 253 K, while in September another EUR 466 K was invested. In addition, NEO Finance sold its own loan portfolio to institutional investors for EUR 950 K.
- The influx of the institutional investor has significantly accelerated the loan financing process. In September, a record of daily issues was reached – on the 27th day, loans for EUR 208 K were financed in the market.
- In September, the evaluation of the NEO Finance loan application has become much quicker and more convenient, as the possibility has been introduced for customers to attach several proofs of income at the same time.

HIGHLIGHTS OF NEOPAY IN 2021 Q3:

- In September, the record of Neopay transactions was reached – more than 1.4 M transactions were executed.
- In September, a new option to add more than one collection account has been introduced in the Neopay self-service. The new functionality will reduce the fees paid by the payer when making interbank payments and speed up the crediting of money when it is paid from the same bank as the payee's account.
- In September, one of the largest e-commerce conferences in Lithuania, E-Komercija21, took place, one of the main sponsors of which was Neopay.

HIGHLIGHTS OF FINOMARK IN 2021 Q3:

- In September, FinoMark has started cooperating with the debt collection company Legal Balance, which manages the platform Eskolos.lt. The partnership will help facilitate debt collection processes and reduce the risk of borrowers' late payments.



Events



AUGUST

- Presentation of NEO Finance performance results: 2021 H1



SEPTEMBER

- VIP Terrace. What investment trends do you promise in 2022?
- E-Commerce '21st Conference. Aleksėjus Loskutovas, Head of administration of NEO Finance, delivered a presentation on "Increasing Conversion through Billing and Financing Solutions".





Management accounts

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

	2021 Q3	2021 Q2	Δ, %	2020 Q3	Δ, %
Loans issued, K EUR	7,719	7,102	9%	4,719	64%
Intermediary fee income, K EUR*	777	719	8%	458	70%
Intermediary fee / Loans issued ratio	10,1%	10,1%		9.9%	
PIS income, K EUR	209	197	6%	84	149%
Other income, K EUR	329	357	-8%	451	-27%
Total income, K EUR	1 315	1 273	3%	993	32%

At the end of 2021 Q3 receivable intermediary fee amounted to EUR 6.68 M.

* 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. EUR 777 K is a result of EUR 7 719 K issued and will be received throughout entire loan period.



„Neopay“

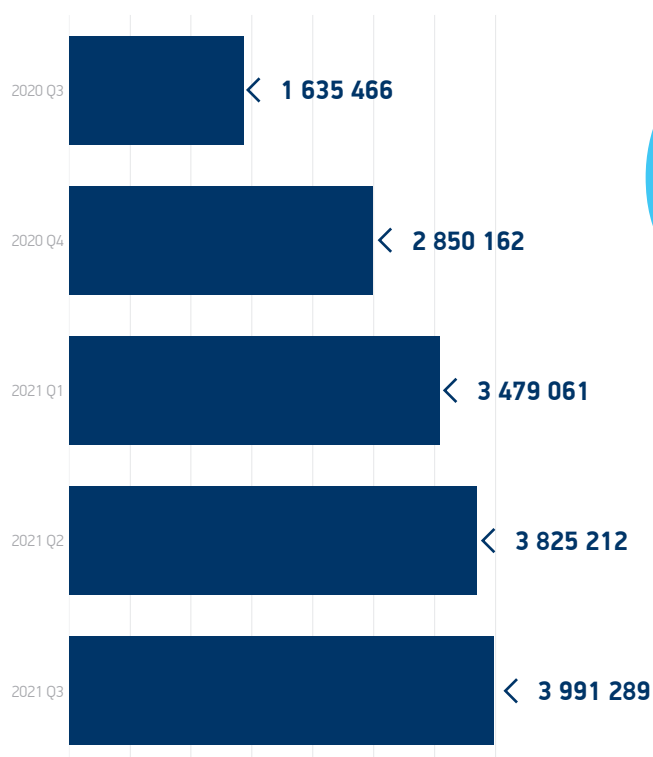
NEO Finance is a licensed payment initiation and account information service provider operating under the Neopay brand.

Neopay provides payment initiation and account information services through APIs with banks and other financial institutions, as required by the Law on Payments of the Republic of Lithuania and the Payment Services Directive (PSD2). The total number of connected financial institutions seeks 130. The full list by country is [here](#).

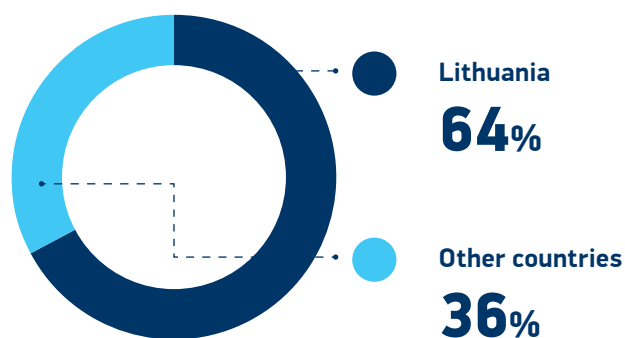


In the second quarter of 2021, **3,99 M transactions** were initiated through Neopay. The number of initiated payments increased by 4% in the second quarter of this year compared to the previous quarter.

PIS transactions, quantity



PIS transactions distribution by countries



In addition to payment initiation and account information services, Neopay provides periodic payment, deposit collection and distribution services, active payment links, personal identification number verification, and 1-click payment functionalities, can offer a custom payment window or a white-label solution tailored to the customer's brand design, offers an open banking interface testing service to financial institutions.

In May, we started offering our customers an instant payment service (SEPA Instant Credit Transfer). Instant payments allow transferring money from an electronic money account opened with NEO Finance to an account with another financial institution that accepts instant payments in just a few seconds, as well as accepting instant payments from other financial institutions.

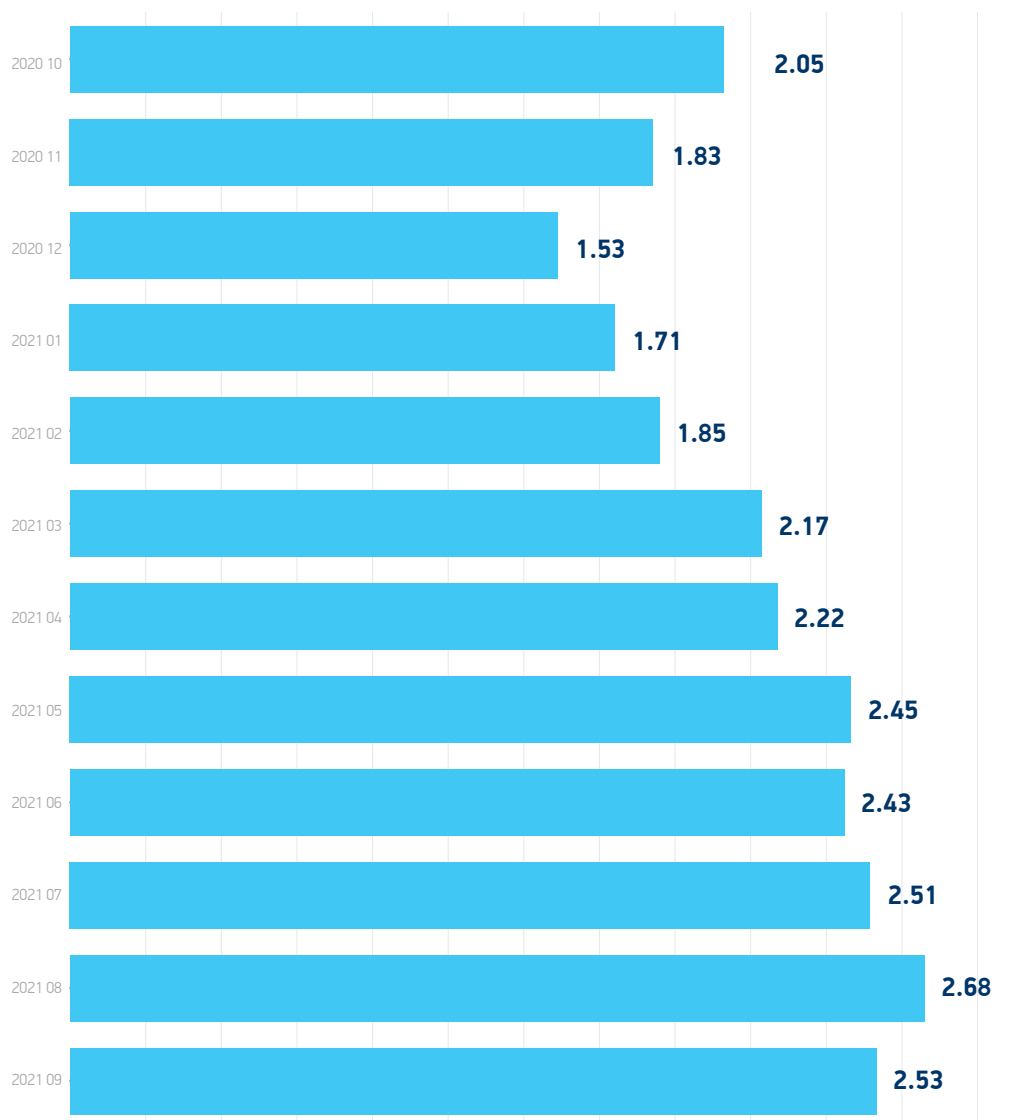


“NEO Finance” issued loans

In Q3 2021, NEO Finance issued loans for EUR 7.7 M. This is a record result of issued loans during the quarter in the company’s history.

NEO Finance clients borrowed a record amount of EUR 2.68 M in August. Compared to the same month in 2020, NEO Finance issued loans volume grew by 50%.

Neo finance, loans issued, million EUR





Refinancing

In Q3 2021, NEO Finance managed to increase the number of credits that were refinanced from banks because some non-credit providers transformed to specialized banks and the company offered favorable conditions to borrowers.

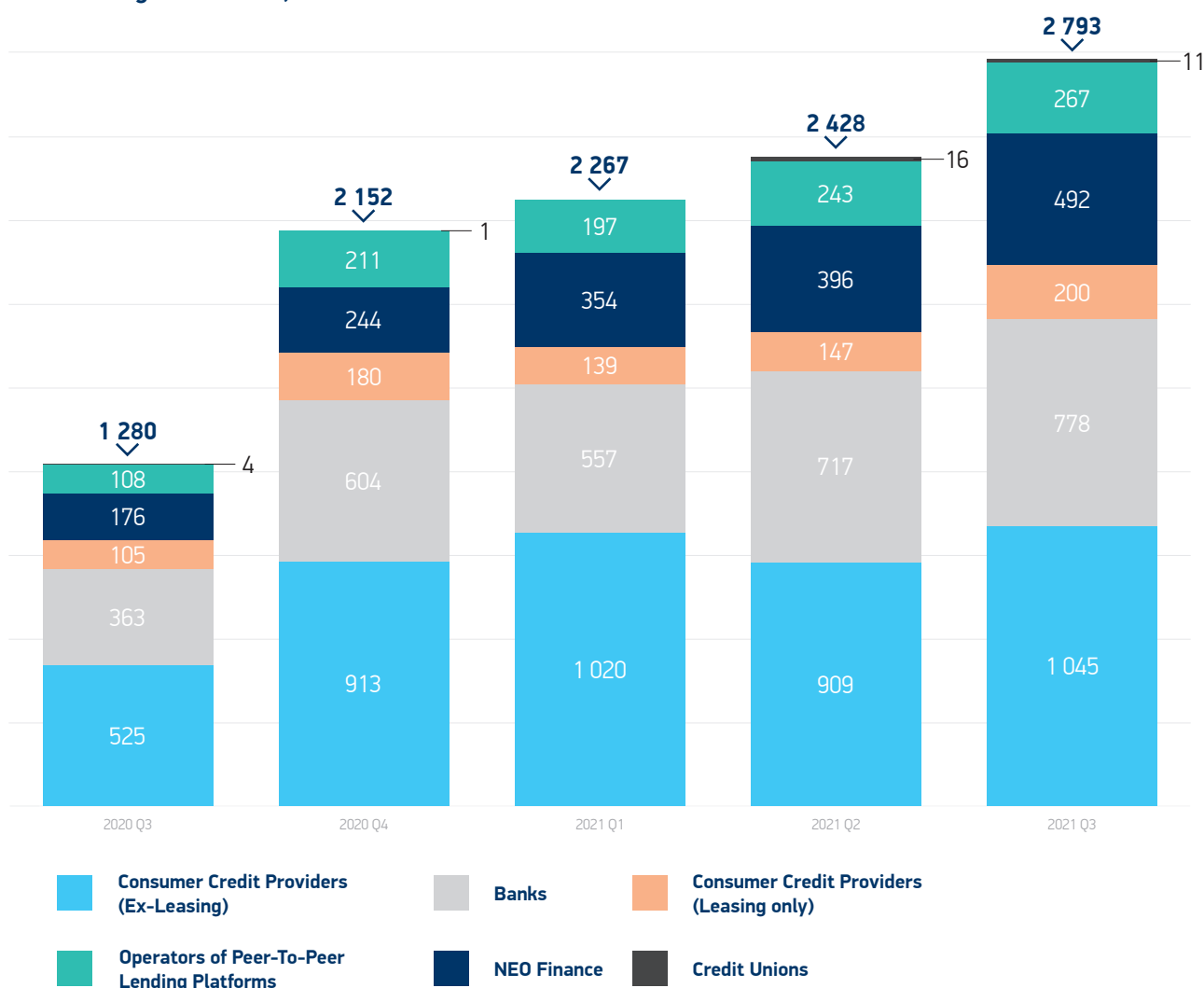
In Q3 EUR **2.79** M

was refinancing loans out of EUR 7.7 M all financed loans. It means that NEO Finance lenders helped these borrowers to reduce their installment amount.



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

Refinancing distribution, K EUR



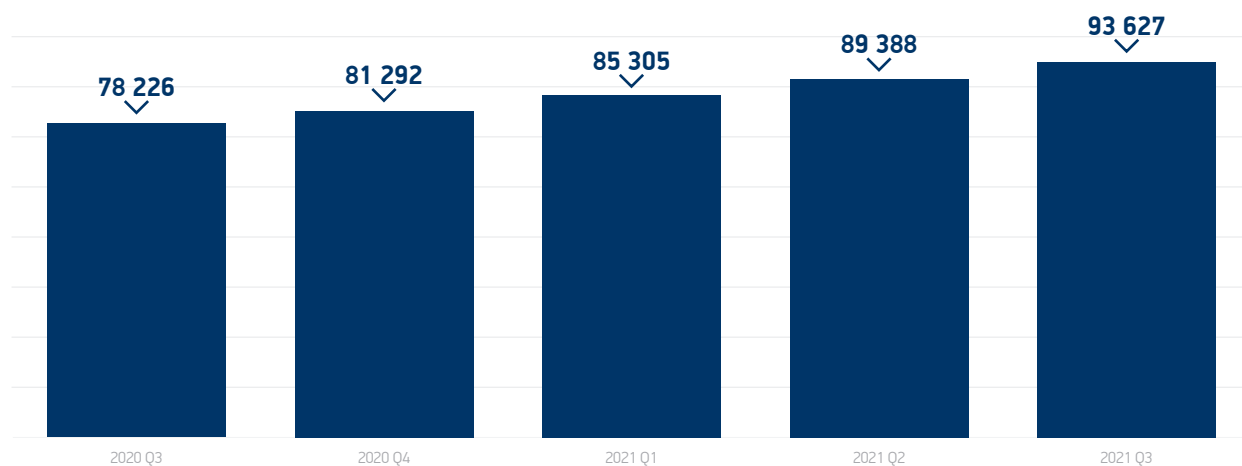


Borrowers

In Q3 2021, consistently increasing brand awareness and proven strategy attracted 4 239 new registered borrowers.

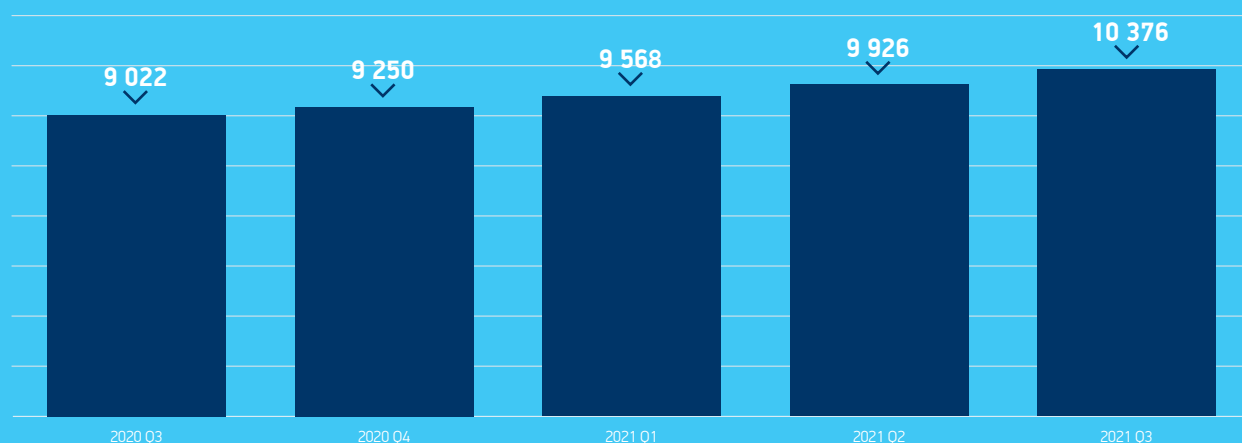
At the end of Q3 2021, the number of registered borrowers grew to a total of 93 627. Compared to Q3 2020, the number of registered borrowers grew by 20%.

Registered borrowers



In Q3 2021, the number of active borrowers grew by 450 users. At the end of Q3 2021, the number of active borrowers reached a total of 10 376. Compared to Q3 2020, the number of active borrowers grew by 15%.

Active borrowers





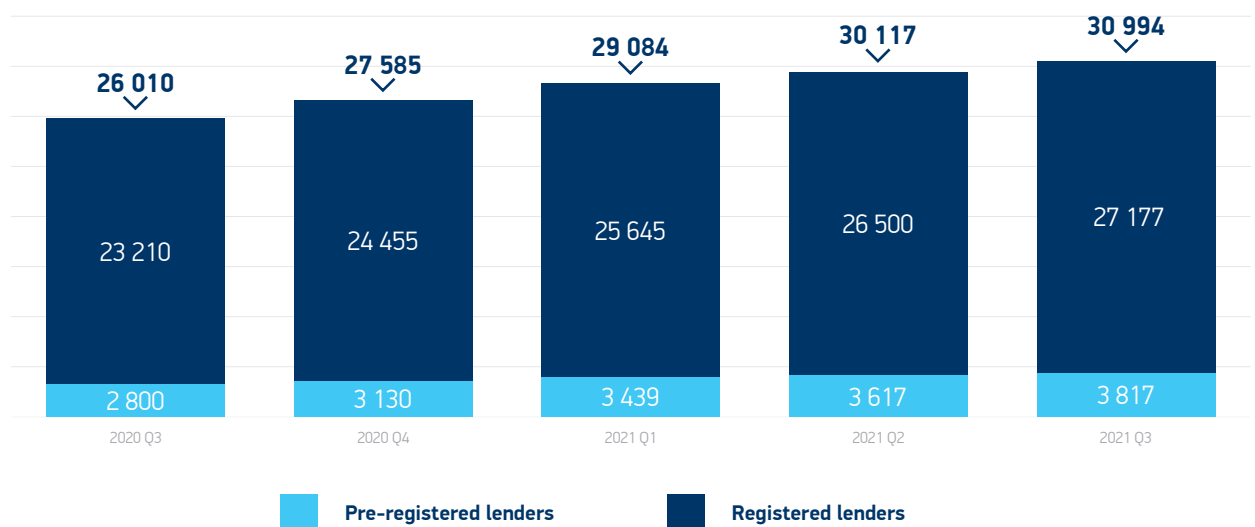
Lenders

In Q3 2021, an increasing number of international partners and referral programs attracted 877 new registrations to a

total of 30 994

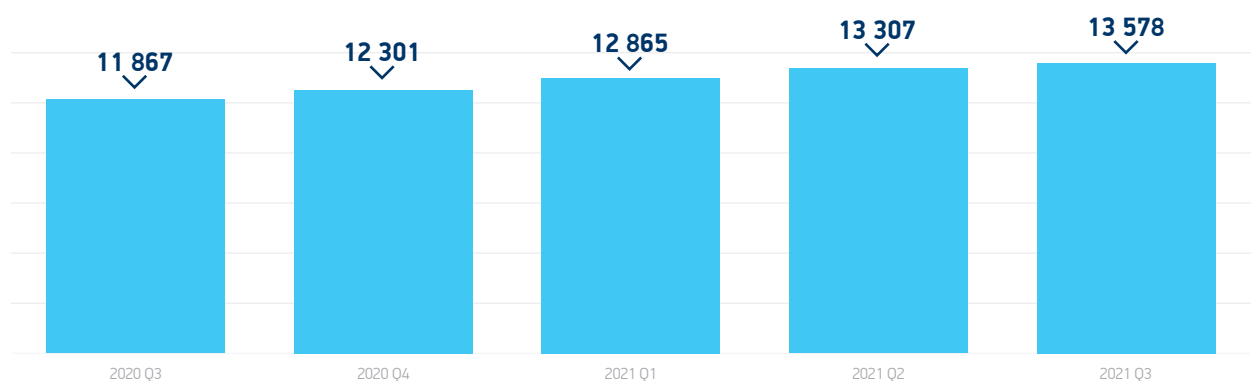
3 817 users didn't finish the identification step. Compared to Q3 2020, the number of registered lenders grew by 19%. To sum up, cooperation with publishers attracts an increasing number of foreign lenders.

Registered lenders



In Q3 2021, the number of active lenders grew by 271. At the end of 2021 Q3, the number of active lenders reached a total of 13 578. Compared to Q3 2020, the number of active lenders grew by 14%. The top countries regarding new active lenders that registered in Q3 in the descending order are residents from Lithuania, Netherlands and Germany.

Active lenders

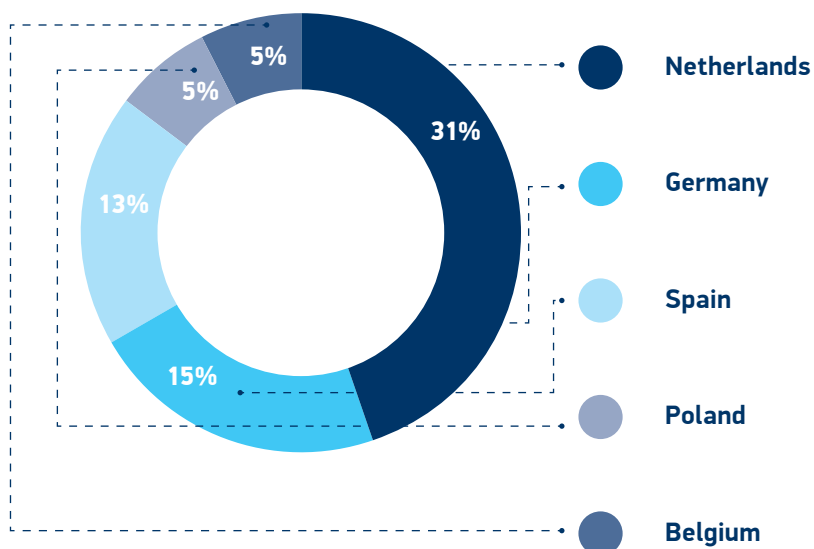




Foreign lenders

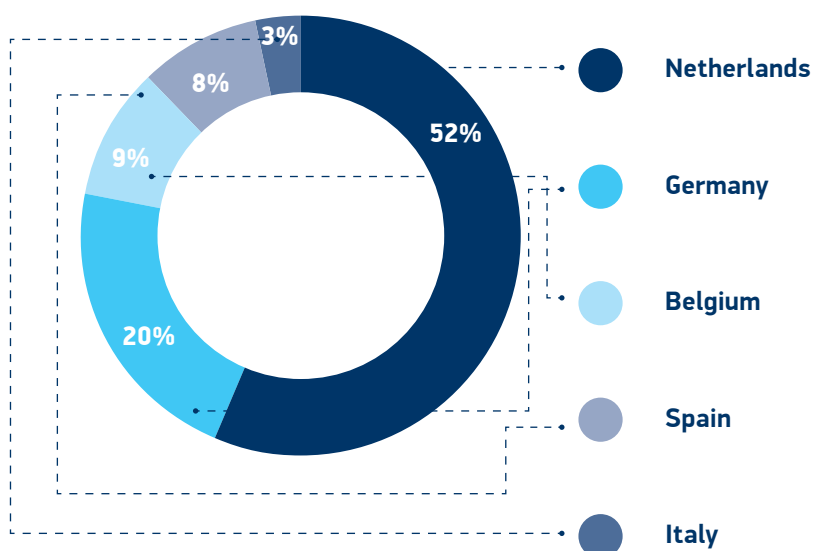
During Q3 2021, registered lenders from outside Lithuania amounted to 157. Registered lenders during Q3 2021 distribution by TOP 5 countries is provided below.

Registered lenders distribution by country



Active lenders who registered during Q3 2021 distribution by TOP 5 countries are provided below.

Active lenders distribution by country





Institutional investor

In August, The first institutional investor started investing throughout the NEO Finance platform - the German fixed income asset manager nordIX has committed to invest at least EUR 3 M to NEO Finance's loan portfolio through securities issued by Chartered Opus.

Investments will be made on a regular basis over the coming years through the acquisition of a loan portfolio developed by NEO Finance according to criteria agreed with the company.



NordIX monthly investments:

EUR 253 K in August **EUR 466 K** in September

Also, in September, NEO Finance additionally sold its own loan portfolio to an institutional investor for almost EUR 950 K.

nordIX has been a fixed income specialist focusing exclusively on bonds and derivatives ever since the company was established back in 2009. Domiciled in Hamburg, nordIX manages a number of mutual and segregated funds and develops intelligent investment solutions. In addition to asset management capacities, the company provides brokerage services for bonds and other fixed income products to institutional customers. nordIX supports institutional investors in Germany, Austria and Switzerland and manages in various funds several hundred million euros



NEO Finance investments

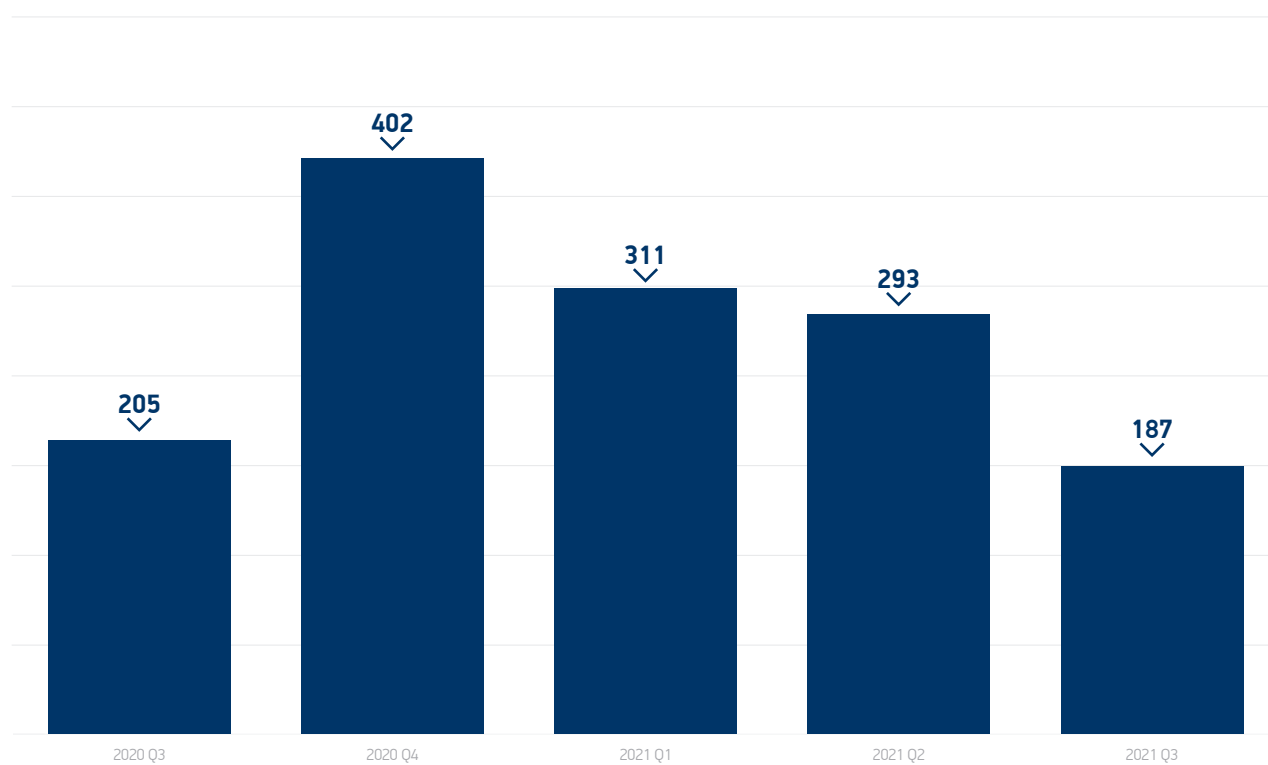
NEO Finance as a consumer credit provider invests in loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In Q3 2021, NEO Finance invested EUR 187 K.



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

about EUR 6.2 M.

NEO Finance investments, K EUR





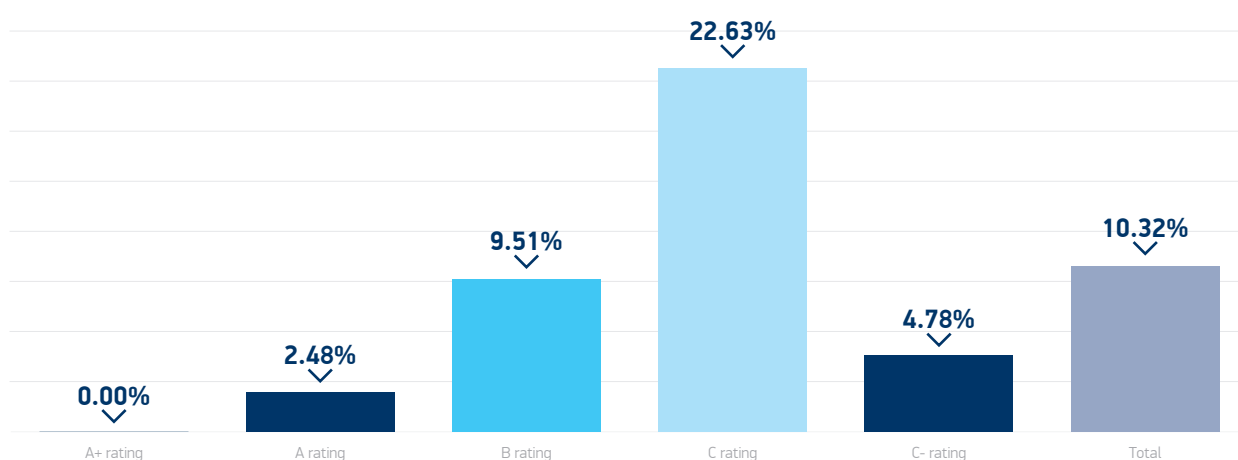
Overdue loans

At the end of Q3 2021, 9.66% (2 663) loans out of 27 565 issued loans were overdue for more than 90 consecutive days. 10.32% (EUR 8.67 M) out of EUR 84.02 M financed credits were overdue more than 90 days.

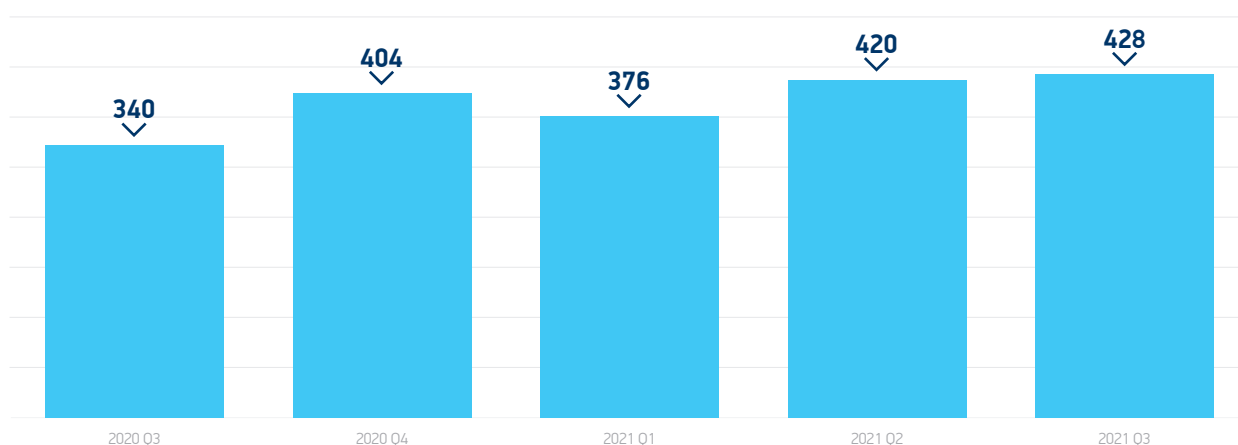
NEO Finance

is highly concerned about loan repayments, therefore great effort was put in the recovery of payments from terminated loans. During Q3 2021, EUR 428 K were recovered and distributed to lenders.

EUR, overdue >90 days, %



Amount recovered, K EUR

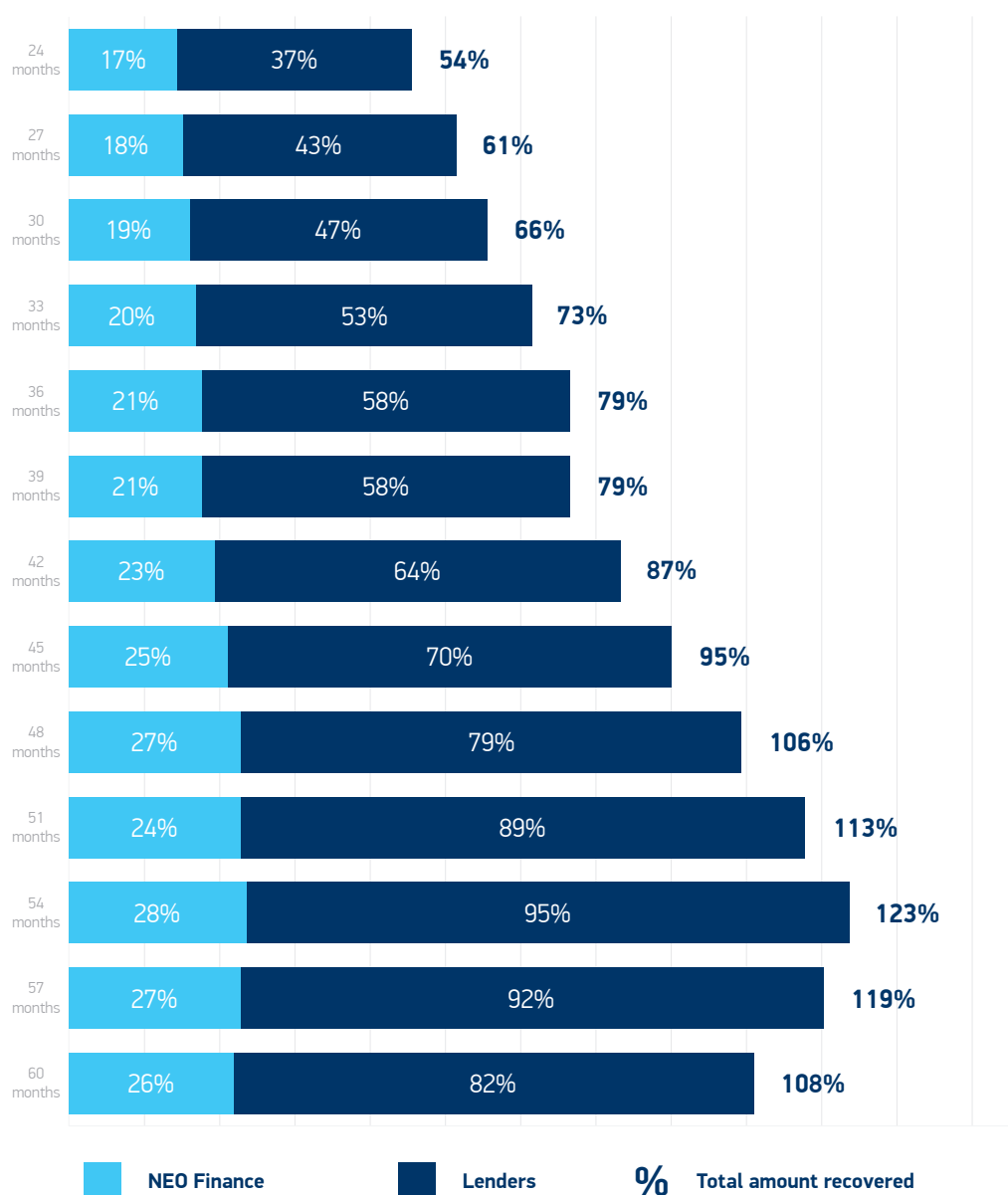




Recovery

Recovery starts 2 years after termination. The table below represents initial amounts at termination, while the chart shows the distribution between NEO Finance and lenders. It should be noted that all third-party legal costs incurred by NEO Finance related to the recovery process are covered first, while NEO Finance intermediary fees are covered with lenders. Recoveries are calculated as follows: the oldest batch of terminated loans consists of 14 loans with EUR 21 670 principal at termination. The next batch consists of 20 loans with EUR 31 347 principal at termination. The longest period of recovery will represent only 14 loans with 21 670 EUR. The next period will represent 34 loans (14 from the first batch and 20 from the second) and will reflect recoveries from a total of EUR 53 017 and etc.

Recovery as % of principal outstanding at termination





Recovery

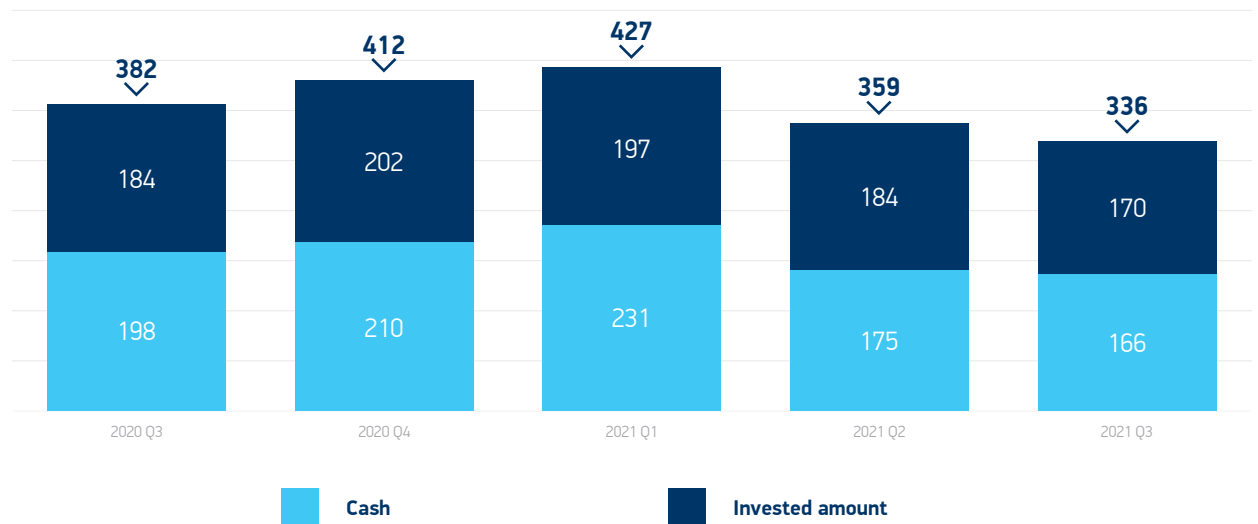
Months after termination	Principal at termination	Loans, units
24 months	4 475 977	1 398
27 months	3 672 957	1 156
30 months	2 883 283	917
33 months	2 233 416	735
36 months	1 726 112	579
39 months	1 185 740	418
42 months	879 039	332
45 months	696 857	275
48 months	436 744	195
51 months	272 552	134
54 months	151 459	80
57 months	53 017	34
60 months	21 670	14



Provision fund

NEO Finance offers a provision fund service, which allows lenders to reduce their investment risk. If a loan defaults NEO Finance guarantees to repay the lender with all of its assets. During Q3 2021 the service covered EUR 141 421.

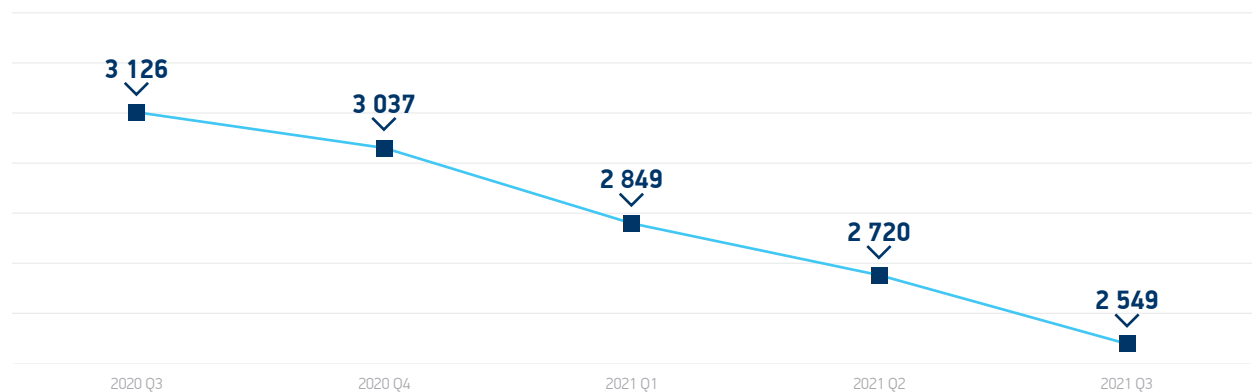
Provision fund, K EUR



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

At the end of Q3 2021, there were EUR 335 783 of accumulated funds, and the total guaranteed amount was EUR 2 548 884, resulting in a 13% coverage ratio.

Guaranteed amount, K EUR





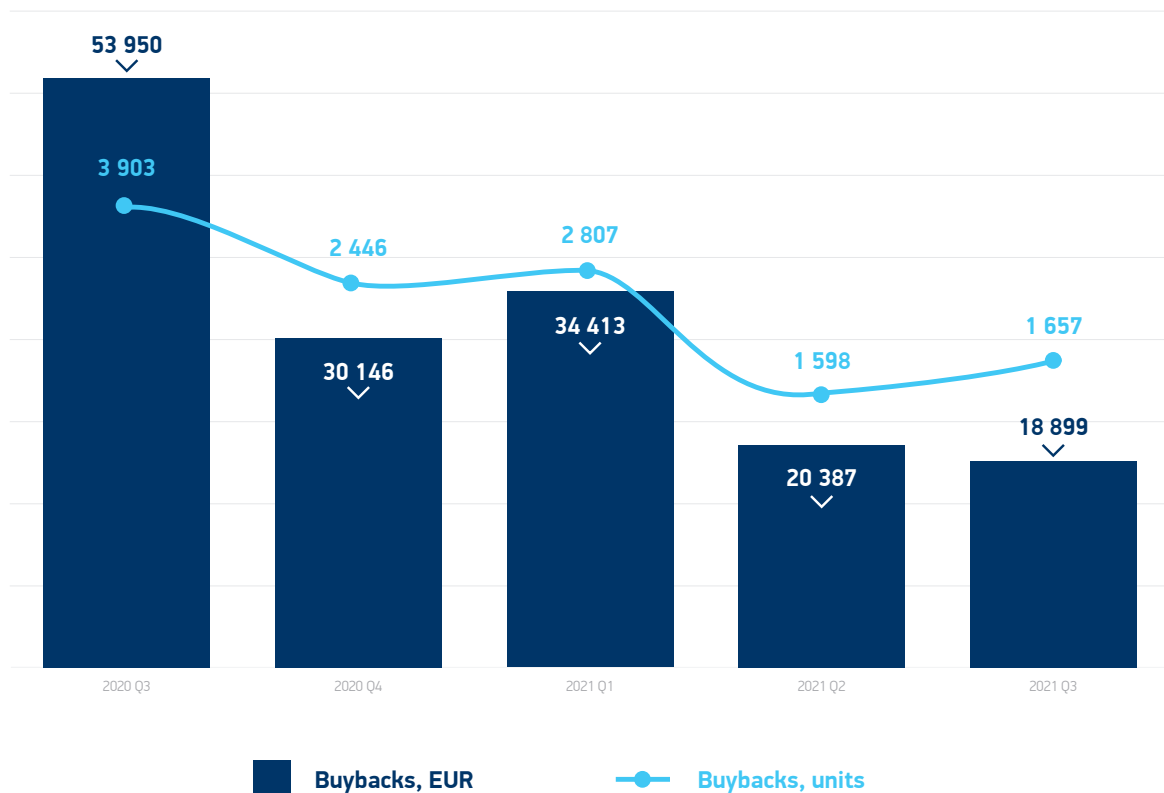
Buybacks service

NEO Finance offers a buyback service. When an agreement with a borrower is terminated, lenders have an option within 30 days to sell their investment for 50-100% of its primary value to NEO Finance.

In 2021 Q3, lenders sold

1 657 investments for EUR 18 899.

Buybacks





Secondary market

A secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns or sell a non-performing investment. It also provides liquidity when lender feels the need to cash out.

During 2021 Q3, secondary market turnover was

EUR 356 146

Average transaction was

EUR 18

Secondary market



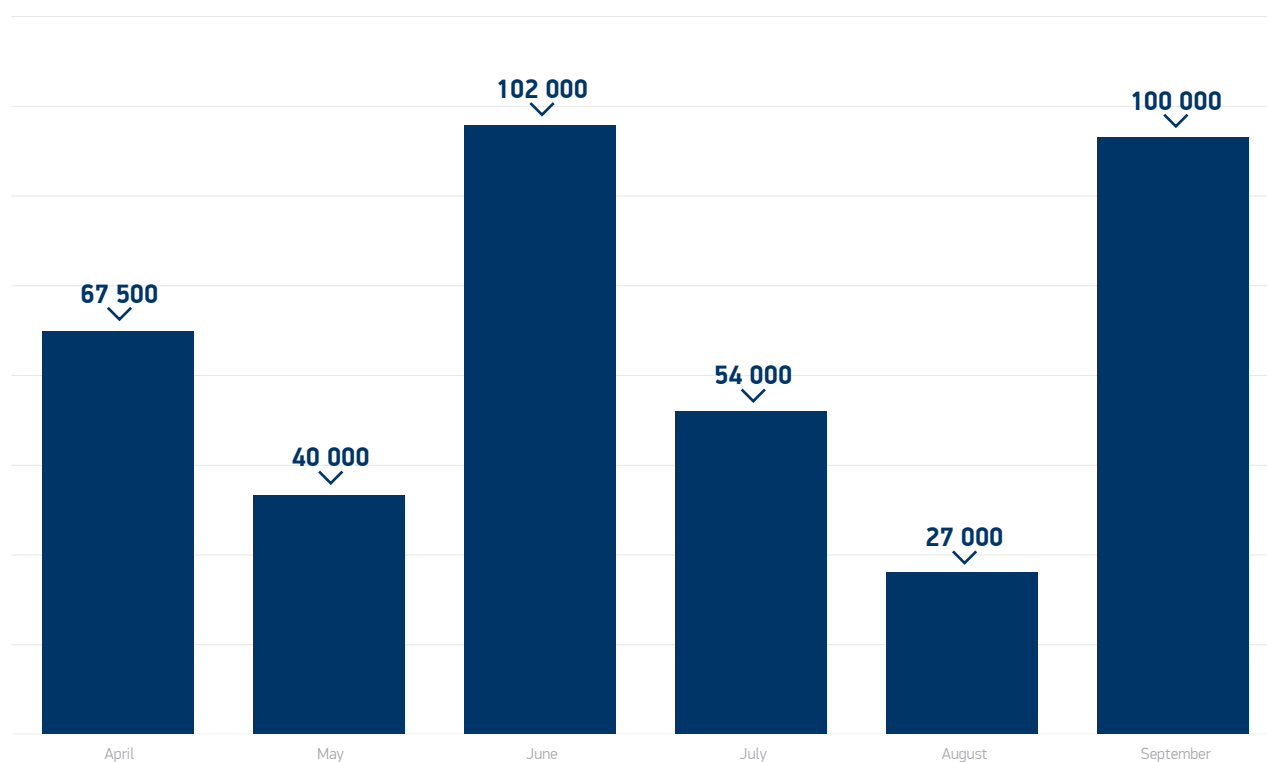


In February 2021, after evaluating the business model of UAB FinoMark, the Bank of Lithuania granted the platform permission to carry out crowdfunding activities.

Having started its operations FinoMark gave an exclusive opportunity to VIP investors of the NEO Finance, whose investment portfolio exceeds EUR 15 K, to get acquainted with the projects announced on the platform and to invest in them.

In June 2021, the crowdfunding platform was introduced to the public and made available to all investors.

Loans issued by FinoMark



Main statistics

Since launch till the end of 2021 Q3



13 578

Active lenders



3 119 €

Average portfolio



14 370 904 €

Interest received



84 020 087 €

Issued loans



4 685 567 €

Investments sold in secondary market



42 353 773 €

Outstanding principal

