



NEO Finance, AB

**AUDITOR'S REPORT**  
**on the financial statements of 2022**

## **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, 2022, 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, 2022, 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 Makušev*

*Auditor's certification No. 000162*

*March 31, 2023*

*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.*



# NEO FINANCE AB

Audited financial statements for the year 2022

Vilnius  
2023-03-31



NEO  
Finance

# **NEO Finance AB**

## **CONFIRMATION OF THE RESPONSIBLE PERSONS**

### **AT THE COMPANY**

31 March 2023  
Vilnius

We hereby confirm that, to the best of our knowledge, the financial statements for 2022, 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  
**Evaldas Remeikis**

Financial analyst, NEO Finance AB  
**Tomas Savickas**



**INTRODUCTION**

**page 4**

**BASIC INFORMATION  
ABOUT THE COMPANY**

**page 7**

**OVERVIEW OF THE  
COMPANY'S FINANCIAL  
AND OPERATING RESULTS**

**page 13**

**FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
31 DECEMBER 2022**

**page 45**



## **Evaldas Remeikis**

### **CHAIRMAN OF THE BOARD OF NEO FINANCE AB**

In 2022, all branches of our businesses grew. Compared to 2021, the amount of loans issued through the Paskolų Klubas platform grew by 36%, with EUR 37.182 million of loans financed. The number of Neopay payment transactions grew by 31% year-on-year, from 16 million to 21 million transactions, and the value of payments made through the payment initiation service exceeded EUR 1.4 billion during the year. The amount of loans granted through FinoMark to SMEs increased 3.8 times, with a total of EUR 2.7 million issued during the year, compared to EUR 0.655 million in 2021.

The Company's revenue for 2022 amounted to EUR 3.53 million and grew by only 3%. This low growth is mainly due to two reasons: the Company's income from its investment activities fell sharply by as much as 57%, and the Company does not aim to grow this income, but rather to attract as many external investors as possible so that loans do not have to be financed from the Company's balance sheet. Also, the planned brokerage income could not be collected due to more favourable pricing for consumers. This was a one-off factor leading to lower revenue collection. In terms of revenue collection, 2022 was not a very favorable year for the Company. It is to be welcomed that the EBITDA was able to increase, reaching EUR 462.6 thousand. Higher amortisation of intangible assets resulted in a net profit of only EUR 104 thousand in 2021.

After the end of the reporting period, on 9th of February 2023, NEO Finance AB was awarded the prize for the best performance in capital market development in Lithuania at Nasdaq Baltic Awards 2023. This is a significant recognition, which shows that the company played an important role in the local capital market in 2022 by consistently developing investment products and by striving to provide investors with the most complete and transparent information possible.

The loan portfolio of Paskolų Klubas stood at EUR 54.4 million at the end of 2022. The portfolio grew by EUR 10.3 million during the year and by the end of 2021, the Paskolų Klubas portfolio stood at EUR 44.1 million.

It should be noted that the brokerage fee received by the Paskolų Klubas is distributed over the life of the loan and is collected by the borrower through a monthly instalment. The total future brokerage fee receivable amounted to EUR 8.32 million at the end of 2022, EUR 6.78 million at the end of 2021 and increased to EUR 1.54 million during the year. This is an asset of the Company which is not reflected in the financial statements.

The external impact on the Company's operations, albeit small, is due to the war launched by Russia against Ukraine at the end of February 2022. Although the Company has no operations in Russia, Ukraine and Belarus, it should be noted that since the outbreak of the war there has been a stagnation in the lending market, especially in consumer credit. Investors have been more cautious about investing in loans for several months, with a slight negative impact on loan volumes.

The Company's operations have been more affected by the sharp rise in inflation. While it is very difficult to assess the exact impact on the growth of loan volumes, we believe that the increase in the cost of goods, materials and services has led to an increase in loan volumes, with the average loan amount rising from EUR 3 769 in 2021 to EUR 4 672 in 2022. Although inflation is decreasing, consumers have to pay for high heating and electricity bills and, for those with mortgages, higher interest rates on home loans.

A streamlined marketing campaign and attractive pricing for borrowers by the platform's retail and institutional investors have continued to support the growth in loan volumes. Also, thanks to the favorable pricing on Paskolų Klubas, a very high share of borrowers refinanced their existing consumer loans, i.e. consumers transferred loans to Paskolų Klubas from other lenders, with a share of 52% (EUR 19.362 million out of EUR 37.182 million). The growth in consumer credit volumes and the increasing demand for refinancing led to an increase in the loan portfolio to EUR 54 million at the end of the year.

It is very important that loan growth is sustainable, with the number of non-performing loans declining for three consecutive years. Of all the loans issued in the history of the Paskolų Klubas, 12.04% were more than 90 days overdue at the end of 2020, 10.09% at the end of 2021 and only 8.59% at the end of 2022. This is a very good result, because more and more economists have spoken about the growth of non-performing consumer loans, while our statistics do not show this. In order to provide a transparent and detailed picture of all the steps involved in debt recovery, we have updated our data presentation for investors and now provide even more information on the steps involved in loan recovery. The strategy of Paskolų Klubas is to enable lending to riskier customers (C- and C-rating), which is why the platform uses

advanced risk assessment algorithms based on artificial intelligence to predict the credit risk of customers with different credit ratings as accurately as possible. We offer investors higher-risk consumer finance with correspondingly higher interest rates, with the aim of earning the same or even higher returns. Higher-risk customers are more likely to default, which is why the loss on a higher proportion of outstanding loans is offset by higher interest rates.

Neopay set another record at the end of the year, with over EUR 1.423 billion in payments collected in 2022. Both the growth in the number of transactions and the growth in the amounts paid reflect the growing consumer confidence in Neopay's services. We are closely monitoring the market and listening to consumer needs. In response, we have developed and launched automated refunds and account information products in 2022. In response to customer demand, we actively began developing two new products: buying on instalment and buying without mark-up ("Buy now, pay later"). More details about these products and their launch will be provided in the first quarter of this year. We are actively working on sales of our newly launched product "Automated Refunding". Based on market trends and customer interest, we see that this product is relevant to more and more consumers and they are keen to install it. The main benefits to them are time savings and improved business processes. Our solution makes operating an e-business significantly easier and more efficient.

At the end of 2022, Neopay was available in Lithuania, Latvia, Estonia, Poland, Slovakia, Finland, Sweden, Norway, Denmark, the Netherlands, Greece, Romania, Bulgaria, Spain and Croatia. More than 200 financial institutions are integrated.

FinoMark's revenue grew to EUR 206 thousand in 2022 compared to EUR 167 thousand in 2021. All FinoMark's projects that are listed on the crowdfunding marketplace are analysed in detail and evaluated very carefully, as the current economic situation makes it necessary to be more careful and conservative in the assessment of project owners and the collateral they provide. In the near future, FinoMark will enter a new phase where we will be able to provide investors and borrowers not only with good practices and an environment to invest or borrow, but also with new borrowing opportunities for borrowers and even more sustainable and safer projects for investors.

#### **NEO Finance AB has set strategic goals for 2019:**

##### **1. To reach the threshold of EUR 5 million of consumer loans per month on the Paskolų Klubas platform.**

So far, this strategic goal has not been achieved. The highest number of loans granted through the Paskolų Klubas platform in one month was EUR 3.928 million in May 2022.

**2. The payment initiation service has generated annual revenues of up to EUR 3 million. The aim is also to operate in at least 6 EU countries.**

In 2022, revenues from payment initiation and related payment activities amounted to EUR 1.033 million. The revenue target is unlikely to be met in 2023. Revenue collection is not achieved mainly due to the very strong competition in the Baltic countries, the decrease in service prices and the still low volumes and revenues outside the Baltic countries.

It is encouraging that the payment initiation service is already available in at least 6 EU countries and this target has been reached.

**3. To reach 25 000 lenders on the Paskolų Klubas platform.**

With the change in regulation, and the allowance for companies to invest in consumer loans through peer-to-peer lending platforms, the Company has managed to attract an institutional investor, and we are now aiming to attract more of them. Therefore, this strategic objective is not actively monitored and tracked.

In 2023, the Company plans to review and refresh its long-term strategic objectives to be achieved between 2024 and 2027.

**Future plans**

In late 2022 and in 2023, due to the ECB's decisions to increase base rates significantly, we see a slight increase in interest rates on the Paskolų Klubas platform as well, which may have a slightly negative impact on loan volumes in 2023. However, both in the Paskolų Klubas and on the crowdfunding platform FinoMark the interest rates remain the most attractive for borrowers compared to other peer-to-peer lending and crowdfunding platforms in Lithuania, so we believe that the increase in interest rates will have a minimal impact on the volume of loans, if any.

We expect Neopay to deliver double-digit growth, both in terms of revenue and number of transactions. We believe that the growth may also be more influenced by higher business volumes outside the Baltic States, which is the Company's main market for payment services.

The Company continues to invest significant resources and time in compliance management, anti-money laundering and countering the financing of terrorism in order to comply with all legal and regulatory requirements. Internal processes are updated on a monthly basis, internal audits are carried out, recommendations are implemented and information systems are kept up to date.

In 2023, the prevention of money laundering and terrorist financing will be a major focus, in particular through the introduction of new technical tools for the screening of sanctioned and politically exposed persons, the updating of the transaction monitoring system, and the updating of procedures. As the cyber threat grows, we will also

focus on information security and cybersecurity to protect our corporate systems from potential hacking and other threats. Again, as the regulator's requirements grow, a lot of attention and resources will be devoted to internal controls and risk management.

On the business side, the plan is to improve business efficiency, to achieve higher profitability in all business lines and to end 2023 in profit with double-digit revenue growth.

# BASIC INFORMATION ABOUT THE COMPANY

COMPANY NAME

**NEO Finance AB**

COMPANY CODE

**303225546**

LEGAL FORM

**Joint stock company**

REGISTRATION DATE

**21 January 2014**

**2014**

**2015**

**2016**

**2017**



Paskolų klubas UAB  
has been established



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



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



An unlimited licence  
for electronic money  
institution has been  
obtained

PHONE NUMBER

**+370 700 80075**

ADRESS

**A. Vivulskio st. 7,  
Vilnius, Lithuania**

EMAIL

**info@neofinance.com**

WEBSITE

**www.neofinancegroup.com**

**2018**

**2019**

**2020**



Company name has  
been changed to  
NEO Finance AB



The company has  
successfully completed  
the IPO



The FinoMark  
crowdfunding platform  
has been acquired

# STRUCTURE OF THE COMPANY

NEO Finance AB is currently conducting its activities under two different brands: Paskolų Klubas and Neopay. NEO Finance, AB also owns a controlling stake of UAB Finomark and 100% of the shares of Dutch company NEO Finance B.V. In 2016, NEO Finance, AB was the first to be included on the Bank of Lithuania's list of P2P lending platforms.

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.

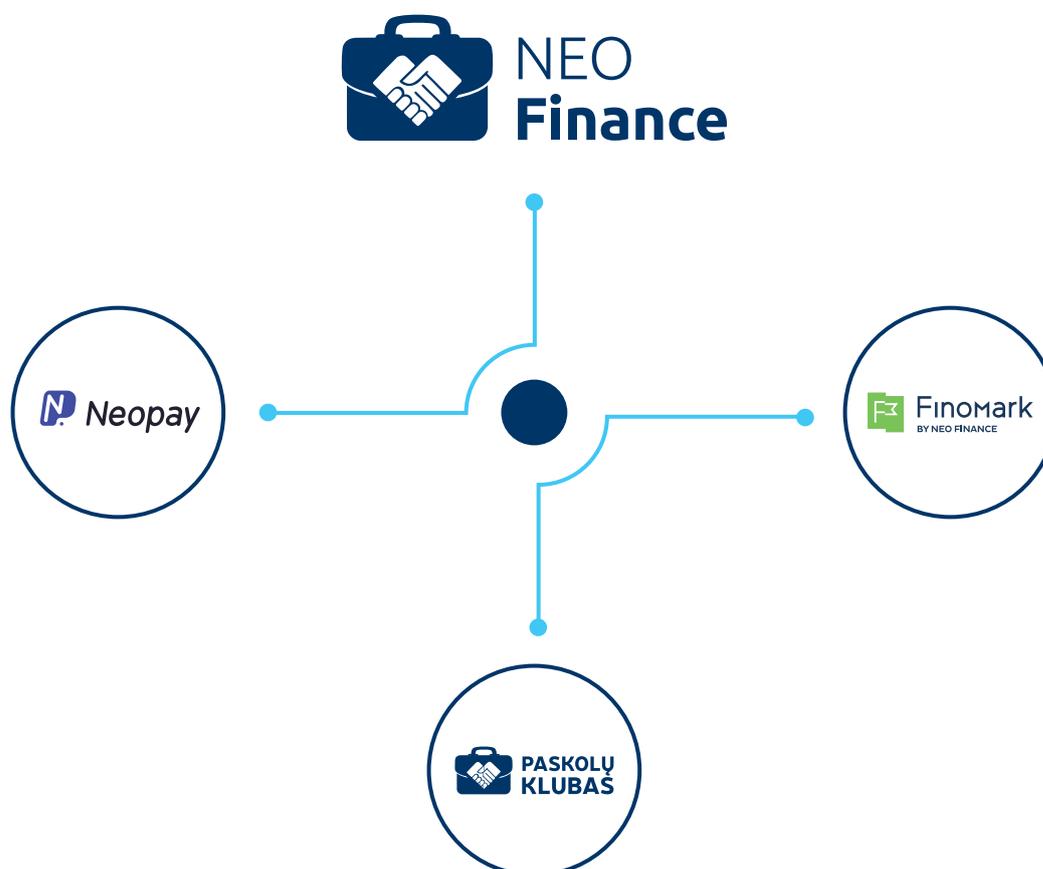
In 2020, NEO Finance AB acquired the FinoMark crowdfunding platform, which began operations in February 2021 when the Bank of Lithuania included it on its list of crowdfunding platform operators.

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 94.63% of the shares of FinoMark UAB.

The company has no branches and/or representative offices.

## FIELDS OF ACTIVITY



# P2P LENDING PLATFORM

## Services:

Investing for natural people and legal entities:

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

## Consumer loans for natural people:

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



# OPEN BANKING

## Services:

Payment initiation, account information and other payment services:

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



# CROWDFUNDING PLATFORM

## Services:

Investing for natural people and legal entities:

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

## Loans for legal entities:

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



# THE COMPANY'S SHARE CAPITAL AND SHAREHOLDERS



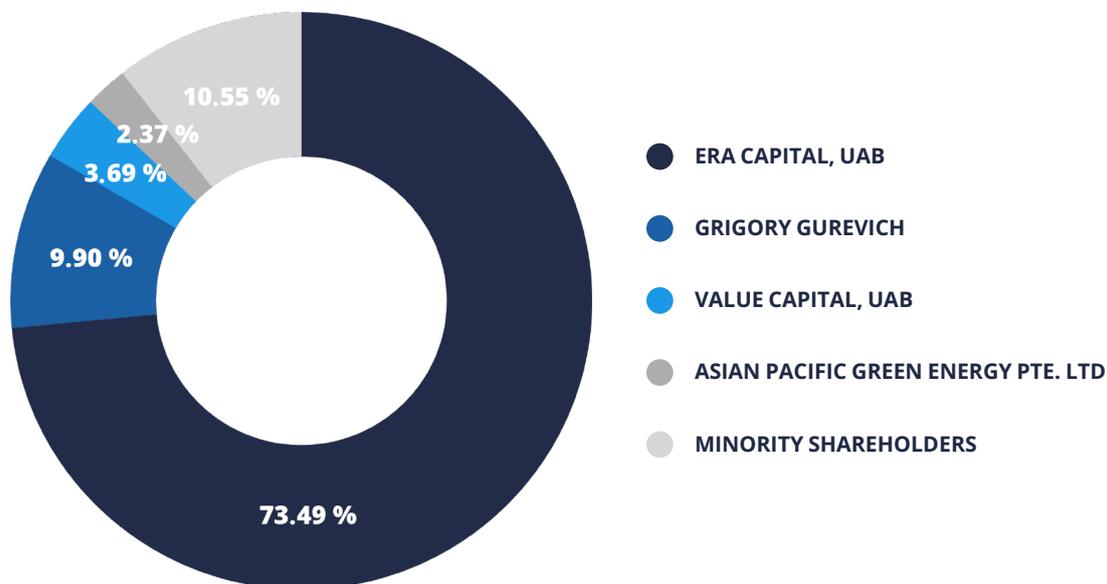
The company has share capital

EUR **1 848 934**

of which consists of

**4 202 122** ordinary shares  
with a nominal value of EUR 0.44 per share.

Shareholders 31 of December 2022:



In 2022, three extraordinary general meetings of shareholders were convened. You can read more about the decisions made during the meetings [here](#).

## INFORMATION ABOUT NEO FINANCE AB SHARES

NEO Finance AB is listed in the Baltic First North list. First North is an alternative market administered by stock exchanges within the Nasdaq business group. First North operates on the basis of a multilateral trading system, and companies whose financial instruments are traded on the First North market must comply with First North rules but are not subject to the legal requirements of a regulated market.

	2019	2020	2021	2022
Share price on the last day of the trading session, EUR	3.16	2.66	2.9	2.34
The highest share price in the reporting period, EUR	3.4	3.18	3.06	2.96
The lowest share price in the reporting period, EUR	2.94	2	2.5	2.18
Average share price in the reporting period, EUR	3.15	2.87	2.73	2.48
Turnover, million EUR	0.02	0.03	0.36	0.08
Market Capitalization, million EUR	11.6	10.32	11.76	9.83
Profit per share, EUR	(0.24)	(0.02)	0.04	0.02
Price-to-earnings-per-share ratio (P/E)	N/A	N/A	65.68	94.64

During the year 2022, the company did not make any decisions regarding the payment of dividends and did not pay dividends to shareholders.

## SHARE PRICE DYNAMICS SINCE THE BEGINNING OF PUBLIC TRADING IN SHARES



# MANAGEMENT OF THE COMPANY

In keeping with legal requirements and aspiring to modern and effective governance, a two-tier management system has been put in place consisting of the annual general meeting, the board, and the CEO. The company does not have a Supervisory Board or other committees.

## Management structure



# NEO FINANCE AB BOARD MEMBERS



## EVALDAS REMEIKIS

Member of the boards of various companies in Lithuania and Latvia with many years of business experience. His most interesting and important career achievements include participation in the creation of successful companies operating in the field of information technology and finance, and investments in start-up companies. Evaldas takes care not only of his own businesses, but also contributes to value creation in the financial technology sector and the startup ecosystem by sharing his best practices, is a member of the board of LitBAN, actively participates in the Fintech Association, various commissions of the Lithuanian authorities related to financial technology, and financial literacy initiatives.

He is responsible for IT strategic decisions in the Board of NEO Finance AB.

**Main Occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of Administration.

### Other positions:

- ERA Capital UAB (code 300638657, address Ulonų st. 5, Vilnius, Lithuania), CEO
- 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 st. 9-10, Vilnius, Lithuania) member of the board
- Mark ID UAB (code 305098955, address Žygio st. 97A, Vilnius, Lithuania) member of the board
- Be kredito UAB, (code 303107786, address Upės st. 5, Vilnius, Lithuania) member of the board



## AIVA REMEIKIENĖ

After seven years of managing the largest and still consistently growing peer-to-peer lending platform in Lithuania, she has joined the development of my family's holding company ERA Capital. Additionally, currently Aiva is a member of the Lithuanian Business Angel Network. She has also founded ERA Success club for executives, which she is very proud to lead efficiently today. Moreover, Aiva has taken a significant role in developing various businesses, and has been a mentor to many young specialists who are today competitive professionals in their field. Currently her main focus is on value-generating leadership and growing talent across the ERA Capital portfolio companies.

She is responsible for HR strategic issues in the Board of NEO Finance AB.

**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
- LITBAN, Lithuanian Business Angel Network (code 304811409, address L. Stuokos-Gucevičiaus st. 9-10, Vilnius, Lithuania) member of the Board



## DEIVIDAS TUMAS

An experienced business consultant, Deividas holds an M.B.A. from INSEAD business school (France/Singapore), and has worked in the international management consulting company McKinsey & Company. He is the founder of Strategy Labs management consultancy. Currently, Deividas is investing in and developing a number of businesses and serves as Board member in several companies.

In the Board of NEO Finance AB, he is responsible for product and service innovation and relations with the financial industry.

**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 Betono st. 16, Vilnius, LT-03153, Lithuania) member of the board
- Vienas Fabrikas UAB (code 305766664, address Raugyklos st. 21-19, Vilnius, Lithuania) CEO



## DARIUS SAMUOLIS

Having over 20 years of international experience in leading and developing various size organizations, business management processes, sales, finance and human resources, D. Samuolis is an experienced business consultant, innovator, board member, and team coacher. His most notable achievements include coaching more than 100 c-level executives, implementing more than 50 successful business strategies, and achieving a peak of EUR 1 billion of business turnover. Today, he is the founder of "Ledo mintys", a management training and change-building company, and helps organizations to optimize their performance by implementing strategic change, team building and by setting new goals successfully.

In the Board of NEO Finance AB he is responsible for the development and implementation of strategic planning.

**Main occupation:** Ledo mintys UAB (code 304802538, address Kalvarijų st. 23-10A, Vilnius, Lithuania), consultant

**Other positions:**

- NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), member of the board
- Ryterna Modul UAB (code 302929565, address Agronomijos st. 45, Kaunas, Lithuania) member of the board



## MARIUS NAVICKAS

Marius, who has a masters in Economics, previously worked at a bank, where he held managerial positions of different departments in the field of risk management. He also gained professional experience while working in an external audit company. After passing the qualification exams of the "CFA Institute", Marius is a member of the international association of financial analysts. One of Marius's aims at NEO Finance is to contribute to the development and improvement of services for users of the mutual lending platform. He is driven forward by the faith that it will be possible to stay at the forefront by keeping the team motivated, constantly improving and creating new possibilities in this fast-developing market.

In the Board of NEO Finance AB, he is responsible for the coordination of risk, compliance, PPTF compliance management, strategic financial matters and budget.

**Other positions:**

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

# NEO FINANCE AB MANAGEMENT TEAM



**EVALDAS REMEIKIS**  
HEAD OF ADMINISTRATION

Evaldas took up the post of Head of Administration in July 2022.



**VIKTORAS IVANOVAS**  
CHIEF INFORMATION OFFICER

IT professional with more than 20 years of experience in developing various web projects, credit union management systems and IT solutions for start-up companies in Lithuania and abroad. Among his notable professional achievements is winning first place for creating the most inventive mobile application for a start-up in the "BZN start" competition. Viktoras associates his professional aspirations with NEO Finance AB, whose success he has no doubts.

**Main occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Chief information officer.



**INDRĖ KRASOVSKĖ**  
HEAD OF P2P LENDING PLATFORM DEPARTMENT

Indre, who holds a Master's degree in Law, took a slightly different path and has been working successfully in finance for 7 years. Indre started her career at NEO Finance AB in 2016 and has steadily worked her way up through the ranks and is currently the Head of P2P lending platform department. With a strong focus on high performance, Indre is now a highly qualified professional with extensive experience in customer service, attracting new customers and partners, and sales promotion.

**Main occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), P2P lending platform department.



**EDITA MAKAREVIČĖ**  
HEAD OF OPERATIONS MANAGEMENT

Edita, who has been working in the lending sector for more than 8 years, has held various positions in the company before becoming the Head of Operations Management of the platform, and has been actively involved in most of the projects implemented by NEO Finance AB since the beginning of the platform. After graduating from LSMU, Edita started her career in the credit sector as a customer service manager, then became a senior customer service specialist, after gaining extensive professional experience she was promoted to product specialist, customer service manager, and today, having accumulated a mature knowledge, Edita successfully manages the operations management department.

**Main occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of operations management.



## JŪRATĖ KŪGYTĖ

### HEAD OF LEGAL & COMPLIANCE

Lawyer with more than 20 years of experience in finance and real estate. Juratė's professional experience includes leading international teams in full-service corporate law advisory services in the banking and finance, energy, real estate sectors, as well as in projects for private businesses and public institutions and bodies in the areas of corporate law, corporate governance and corporate governance model development, restructuring, implementation of best practices in corporate governance, M&A, shareholder disputes, capital markets. Jūratė has unique experience in drafting legal studies for the European Commission in the fields of financial law and corporate law, representing the Lithuanian State in shareholder disputes in state-owned companies and in the issuance of public debt securities, bonds and foreign borrowings, and is a recommended arbitrator of the Vilnius Commercial Arbitration Court.

**Main occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of Legal & Compliance.



## VYTAUTAS OLEŠKEVIČIUS

### HEAD OF OPEN BANKING

With more than 17 years of experience in marketing and sales, V. Oleškevičius previously held the position of Sales Manager at the largest cosmetics manufacturer in Lithuania, as well as managing marketing teams. Having accumulated mature experience in developing and implementing successful international marketing campaigns and sales strategies, V. Oleškevičius also shares his knowledge by lecturing to the students of Vilnius University Business School, and having previously served as the President of the Rotary Club Vienybė, he is now the Chairman of the Board of the Club.

**Main occupation:** NEO Finance AB (code 303225546, address A. Vivulskio st. 7, Vilnius, Lithuania), Head of open banking

**Other positions:** Vilniaus Rotary club Vienybė (code 304584192, address Švitrigailos st. 11K-109, Vilnius, Lithuania), chairman of the board.

# EMPLOYEES

The average number of employees in the company in 2022 was 34.

In 2022, the average salary for women was EUR 2 511 and for men EUR 2 961.

## **Employee remuneration policy**

In a company, remuneration consists of salary, variable remuneration, options, bonuses, allowances and fringe benefits (monetary and non-monetary).

Regular training is planned for employees (first according to the needs of the company, then according to the needs of the employees). A staff appraisal system is in place and managers are evaluated annually. Employees are given options, fringe benefits (health insurance, extra days off, birthday gift for investment, other monetary gifts for weddings, births, funerals, graduations), and motherhood and fatherhood days in accordance with the Labour Code. There are also various team-building events on a quarterly basis on a company-wide basis. Each employee is allocated an amount for team building at any time during the year.

# OVERVIEW OF THE COMPANY'S FINANCIAL AND OPERATING RESULTS OF 2022

## 2022 KEY EVENTS AT NEO FINANCE AB:

- In March, the company's share capital was increased to EUR 1 848 933.68, divided in to 4 202 122 shares carrying 4 202 122 votes. The nominal value of each share is EUR 0.44.
- In March, the company updated its contingency and business continuity plan.
- In March, to support Ukraine's war effort, the company along with other businesses owned by ERA Capital UAB donated EUR 25 000 to the Blue/Yellow and to Lithuanian Caritas.
- In March, the company published its 2021 audited annual report.
- In April, the sales report for the first quarter of 2022 was published.
- In May, the company's conflict of interest policy was updated.
- In May, Darius Samuolis joined the board of NEO Finance AB.
- In May, the investment review company "Enlight Research" presented the second report of NEO Finance AB, which provided insights into the company's activities, results, and future prospects.
- In May, Indrė Krasovskė, who previously held the position of head of the sales department, was appointed as the Head of the Paskolų Klubas platform.
- In May, NEO Finance AB's investment limit for loans was changed. It was decided to increase the investment limit of NEO Finance AB to 80% of the initial consumer loan amount.
- In June, Vytautas Oleškevičius joined NEO Finance AB as head of the Open Banking Department, developing the Neopay brand.
- Evaldas Remeikis has been appointed to the position of Head of Administration as of 27 July 2022.
- In July, the company's financial report for the first half of 2022 was published.
- In July, the Company's stock option agreements were signed with senior executives.
- In July, new international sanctions screening procedure approved.
- In July, Q2 risk management report presented to the Board.
- In August, an integration and training plan for new employees was developed and career development and periodic review plans for customer centre employees were approved.
- In September, representatives of the Bank of Lithuania visited the company.
- In September, a business-wide money laundering and terrorist financing risk assessment was carried out and an updated AML/CFT policy was approved.
- In December, the NordIX investment criteria were updated by increasing the portfolio limit to EUR 10 million and by allocating an additional EUR 500,000 for investment.
- In December, Customer Service Guidelines updated.
- In December, some orders were consolidated in the Company:
  - Approval of the new version of the Operational and Security Risk Incident Management Procedure;
  - Approval of the Fraud Prevention and Reporting Procedure;
  - Updating the policy and rules on the delegation of operational functions.

# NEO FINANCE AB 2022 KEY FINANCIAL FIGURES



IN 2022, THE COMPANY'S REVENUE  
AMOUNTED TO

EUR **3 530** thousand

COMPARED TO 2021, REVENUE  
INCREASED BY

**3 %**

- Granted loans for EUR 37 182 thousand. Compared to 2021, the volume of loans issued grew by 36%.
- Cost of sales decreased by 7%, from EUR 1 770 thousand to EUR 1 651 thousand.
- Operating costs increased by 15%, from EUR 1 494 thousand to EUR 1 721 thousand.
- EBITDA increased by 9.5% from EUR 422 522 to EUR 462 603.
- 2022 profit before taxes amounted to EUR 158 608, in 2021 profit before taxes was EUR 179 054.
- Net profit decreased by 12% from EUR 117 739 to EUR 103 895.

	2022	2021	2022/2021 Δ, %	2020	2022/2020 Δ, %
<b>Loans granted, EUR</b>	<b>37 182 230</b>	<b>27 416 768</b>	<b>36%</b>	<b>19 084 970</b>	<b>95%</b>
<b>Revenue, EUR</b>	<b>3 530 460</b>	<b>3 443 082</b>	<b>3%</b>	<b>2 482 981</b>	<b>42%</b>
<i>Income from P2P lending, EUR</i>	2 352 114	2 200 437	7%	1 732 378	36%
<i>Income from e-money issuance and management, EUR</i>	1 032 988	903 782	14%	476 241	117%
<i>Income from investment activity, EUR</i>	145 358	338 863	-57%	274 362	-47%
<b>Cost of sales, EUR</b>	<b>(1 650 676)</b>	<b>(1 769 674)</b>	<b>-7%</b>	<b>(1 597 082)</b>	<b>3%</b>
<b>Gross profit, EUR</b>	<b>1 879 784</b>	<b>1 673 408</b>	<b>12%</b>	<b>885 899</b>	<b>112%</b>
<b>General and administrative, other operating and interest expenses (depreciation excluded), EUR</b>	<b>(1 721 176)</b>	<b>(1 494 354)</b>	<b>15%</b>	<b>(955 312)</b>	<b>80%</b>
<b>EBITDA, EUR</b>	<b>462 603</b>	<b>422 522</b>	<b>9%</b>	<b>124 819</b>	<b>271%</b>
<b>EBIT, EUR</b>	<b>159 300</b>	<b>179 244</b>	<b>-11%</b>	<b>(64 732)</b>	<b>-</b>
<b>Pre-tax profit, EUR</b>	<b>158 608</b>	<b>179 054</b>	<b>-11%</b>	<b>(69 412)</b>	<b>-</b>
<b>NET PROFIT/LOSS</b>	<b>103 895</b>	<b>117 739</b>	<b>-12%</b>	<b>(121 896)</b>	
<b>EBITDA Margin, %</b>	<b>13%</b>	<b>12%</b>		<b>5%</b>	
<b>EBIT Margin, %</b>	<b>4%</b>	<b>5%</b>		<b>(3%)</b>	
<b>Return on Equity (ROE), %</b>	<b>6%</b>	<b>9%</b>		<b>(5%)</b>	
<b>Return on assets (ROA), %</b>	<b>0.6%</b>	<b>0.8%</b>		<b>(1.2%)</b>	
<b>Quick ratio</b>	<b>1.036</b>	<b>1.068</b>		<b>0.974</b>	
<b>Current ratio</b>	<b>1.038</b>	<b>1.069</b>		<b>0.978</b>	

# MANAGEMENT ACCOUNTS

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

	2022	2021	2022/2021 Δ, %	2020	2022/2020 Δ, %
Loans granted, EUR	37 182 230	27 416 768	36%	19 084 970	95%
Intermediary fee income*, EUR	5 487 695	2 738 317	100%	1 338 729	310%
Intermediary fee / Loans granted, %	14,76%	9,99%		7,01%	
Other income, EUR	2 104 079	2 032 838	4%	1 544 745	36%
Cost of sales, EUR	(1 650 676)	(1 769 674)	-57%	274 362	-47%
General and administrative expenses (depreciation excluded), EUR	(1 721 176)	(1 250 886)	38%	(761 080)	126%
EBITDA, EUR	4 219 922	1 750 595	141%	525 312	703%



**AT THE END OF THE OF 2022, THE BROKERAGE FEE RECEIVABLE IN FUTURE PERIODS AMOUNTED TO**

**EUR 8.32 million**

\*The table shows the brokerage fee generated in the reporting year, which will be received during the full loan cycle.

# NEO FINANCE AB CAPITAL



AT THE END OF 2022, THE COMPANY'S  
SHARE CAPITAL AND SHARE PREMIUM  
AMOUNTED TO

EUR **3 805 782**

DURING 2021, THE COMPANY'S SHARE  
CAPITAL AND SHARE PREMIUM  
INCREASED BY

EUR **367 931**

SHAREHOLDERS' EQUITY AT THE END OF  
2021 AMOUNTED TO

EUR **2 523 667**

As an electronic money institution, NEO Finance AB has a requirement of minimum private capital of EUR 350 thousand. If the capital decreases below that level, shareholders must act to bring it back to EUR 350 thousand. 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 2022, equity in company's balance sheet was equal to EUR 2.5 million. According to the requirements approved by the Bank of Lithuania, the supervisory capital was equal to EUR 524 thousand which is more than the minimum requirement.

# THE COMPANY'S PRINCIPAL RISKS



The Company classifies risks into 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 its operations and to limit losses in the event of a serious disruption.

## Strategic and business risks

Strategic risks are risks related to the Company's mission and strategic objectives, risks arising from unfavorable or erroneous business decisions, from inadequate implementation of decisions, or from inadequate responsiveness to political and regulatory changes.

The Company manages strategic risks by adopting an effective governance structure with clear roles and responsibilities, ensuring that decisions of the Supervisory Body and the Company's Management Board are made in a sound and reasonable manner. There are two types of strategic and business risks: business plan risk and legal risk.

## Financial risks

<b>Capital risks</b>	The risk that the required level of the Company's equity capital to cover the risks assumed by the Company in connection with the issuance of electronic money, the provision of payment services and closely related ancillary services will not be ensured.
<b>Liquidity risks</b>	The risk that the Company will not have sufficient funds to meet its financial obligations in the current period.
<b>Counterparty credit risks</b>	The likelihood of loss due to a counterparty's future inability to perform its obligations under the contract.
<b>Market risks</b>	Risk of losses due to a decrease in the value of investments as a result of unfavourable changes in interest rates, share prices and exchange rates.
<b>Concentration risks</b>	The likelihood of losses arising from a highly unbalanced position within a given group of counterparties (client concentration, sector concentration, geographical concentration, etc.).

## Non-financial risks

Compliance risk is the risk that the Company's activities will not comply with the laws, regulations, guidelines and positions of the European Banking Authority and the Bank of Lithuania regulating its activities.

Operational risk is the risk of loss due to inadequate or unimplemented internal control processes, employee errors and/or illegal actions and malfunctions of information systems, or due to the impact of external events. Operational risks include: Information and Communication Technology (ICT) risks, employee actions, illegal actions of the Company's employees, external factors, money laundering and terrorist financing risks, violation of sanctions regime, errors by the Company's employees, process risks, business continuity risks, security risks of the electronic money system and the servers, risk of exposure to external events, risk of errors in the electronic money system, risk of unauthorised use of an electronic money account, risk of theft of account data, risk of disruption of external services, risk of breach of security of assets, risk of recovery of funds, risk of misattribution of accounts.

## 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.

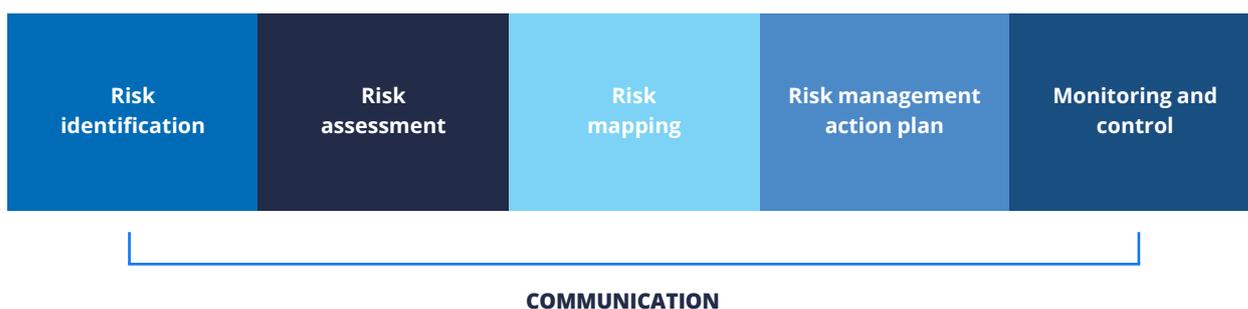
**SECOND LINE** functions include independent control functions like the control and management of the Company's risks in a broad sense, the compliance function, the information security and personal data security functions, and the risk management and oversight function for the outsourcing of operations.

**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.





### **Values and code of conduct**

The implemented standards aim to mitigate the risks to the Company, in particular operational and reputational risks, which can have a significant negative impact on the Company's profitability and sustainability due to fines, litigation costs and restrictions imposed by competent authorities, other financial and criminal penalties and loss of goodwill and consumer confidence.

### **Conflicts of interest policy**

The Company aims to take sufficient measures to prevent conflicts of interest from adversely affecting the interests of its clients.

The policy seeks to identify conflicts of interest of employees, including those of their immediate family members. The Company takes into account that conflicts of interest may arise not only from current, but also from previous personal or professional relationships. In the event of a conflict of interest, the Company shall assess its significance and decide on and implement appropriate mitigation measures.

Full legal information, business continuity plan and contracts can be found [here](#).

# COMPANY STRATEGY, MISSION AND VALUES

NEO Finance, AB is supervised by the Central Bank of Lithuania, therefore the fundamental aspects of the Group's corporate strategy are derived from the legal obligations regulating its activities, with the main objective of providing safe and quality financial services to our clients.

In order to provide services that meet the needs of all customers, both investors and borrowers, and to create a competitive advantage in the market, the company's team is guided by 3 core values: structured teamwork that improves efficiency, drive that motivates growth, and the continuous improvement of the competence of our specialists.

**Our Company's vision:** to make innovative financial services that work on the basis of the sharing economy the dominant ones in the world.

**Our Company's mission:** to provide innovative and secure financial services to our customers.

## CORPORATE SOCIAL RESPONSIBILITY

Social responsibility actions are implemented on the basis of the United Nations Global Compact and the 10 principles it sets out, covering human rights, labour, environmental protection and anti-corruption.

### NEO Finance AB social responsibility activities:

- Anti-corruption (Strict application of anti-money laundering; transparency in public reporting)
- Economic growth (Encouraging the attraction of foreign investors; creating new jobs)
- Social (Promoting financial literacy; supporting educational initiatives; ensuring favourable working conditions for employees, taking care of the emotional and physical health of the workforce)
- Environment (Promoting the reduction of paper consumption, giving priority to digitised solutions).

The Company's corporate social responsibility actions will also contribute to the four Sustainable Development Goals set by the UN to be achieved by 2030.

 <p><b>FOCUS ON HEALTH.</b></p> <p>NEO Finance AB ensures favorable working conditions and environment, carries out programs to improve the psychological and physical health of its employees, and promotes healthy lifestyles inside and outside the company.</p>	 <p><b>FOCUS ON EDUCATION.</b></p> <p>NEO Finance AB contributes to the development of financial literacy in society by organising seminars on investment, savings and financial planning, lectures for schoolchildren, and by contributing to initiatives promoting education.</p>
 <p><b>CONTRIBUTING TO THE COUNTRY'S ECONOMIC GROWTH.</b></p> <p>NEO Finance AB, by providing lending and payment initiation services, financing services to companies, promotes the development and growth of other businesses, attracting foreign investors, innovation in the digital field and the creation of new jobs.</p>	 <p><b>FOSTERING PARTNERSHIPS.</b></p> <p>NEO Finance AB partners with educational institutions, public sector organisations for mutual benefit.</p>

# SOCIAL RESPONSIBILITY ACTIONS IMPLEMENTED BY NEO FINANCE AB IN 2022:

## **FOCUS ON HEALTH.**

NEO Finance AB in 2022 focused more on strengthening team relationships, emotional well-being and healthy lifestyles.

- The monthly walking challenge #Walk15 was implemented and the majority of employees took part in it. The challenge encouraged more movement, encouraging employees to develop healthier habits, and reducing CO2 emissions by replacing travelling by vehicle with walking. The most active participant in the challenge was rewarded.
- Meditation days were organised in the office, using the breaks between work for creative activities and creating a comfortable and peaceful environment for working in silence.
- Joint team breakfasts and lunches on monthly billing days, friendly bowling and laser shooting competitions, and summer and winter festivals to strengthen the team's communication outside work.
- An anonymous survey was given to the staff on their well-being in the organisation, both in terms of work and emotion. Following the results, a managers' working session was organised to discuss the most pressing problems hindering the creation of a climate in the organisation that is favourable to all employees and to find solutions to address them. An action plan has been developed to further improve the employee experience in the future.

## **FOSTERING PARTNERSHIPS.**

NEO Finance AB in 2022 worked with educational and charitable institutions to show their support and give back to those in need.

- NEO Finance AB, in order to contribute to the humanitarian aid for Ukrainians fleeing the war in Ukraine, teamed up with companies managed by ERA Capital, UAB and donated EUR 25 000 to the Blue and Yellow Organisation and Lithuanian Caritas.
- FinoMark invited investors on its platform to contribute to the Aukok.It initiative "Our Hearts and Hands – for Ukraine!", which provides humanitarian aid to Ukrainians fleeing the war. The platform raised and donated EUR 1 500 to the initiative.
- NEO Finance AB initiated the sale of unwanted computers for a symbolic amount to company employees. The request to those purchasing the computers was to transfer the money directly to the account of the Blue and Yellow Organisation. 8 computers were sold, for which the employees donated a total of EUR 300 to the humanitarian aid needed by the people of Ukraine.
- To promote the recycling of items, NEO Finance AB donated unused items such as computer accessories, carpeting, a heater to people through online advertisements, as well as calculators for a school and a wardrobe for a kindergarten.
- The sum of the partners' Christmas gifts in 2022 was donated to charity. EUR 2 600 – this was used to buy one night vision camera and its mount for the Lithuanian Legion soldiers fighting in Ukraine, with the funds going to the Atvira Širdis Foundation, which represents the Legion soldiers.

## **CONTRIBUTING TO THE COUNTRY'S ECONOMIC GROWTH.**

NEO Finance AB cares about and focuses on the continuous improvement of working conditions, qualification development, training, and creating favorable conditions for the professional growth of employees.

- During the first half of 2022, 14 employees were promoted within the company, 9 new employees and 2 trainees were hired.
- The working environment is conducive to employees' choice of working from home or in the office.
- The remuneration policy has been updated, clearly indicating the opportunities and conditions for reward progression.



**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 AT PASKOLŲ KLUBAS OF 2022:

- In January, terms for loan issuance were increased to EUR 30 000 for ratings of A+ and A and EUR 25 000 for a rating of B.
- In January, the platform launched a periodic investment page which lets investors check preliminary returns and learn about the benefits of periodic investment.
- In February, collaboration began with the long-term leasing platform Bekredito.lt.
- In February, a more convenient borrowing option was added in investor accounts, allowing investors to apply for a loan without having to additionally register or create a new profile.
- In March, new rules for administering personal accounts took effect. Under the new scheme, a monthly administration fee will be charged for inactive accounts.
- As of March, the Provision fund service is no longer available for new investments.
- In April, the amount of loans granted during the entire life of the platform exceeded EUR 100 million.
- In April, changes to the calculation of the rating model were implemented. The rating model was supplemented with new parameters that increased the possibilities of distinguishing high and low risk credits. Thanks to this, the average quality of all submitted applications improves.
- In May, a record number of loans were issued through the platform – EUR 3.92 million.
- In June, a record amount of EUR 153 994 brokerage fee was collected through the platform.
- In July, an additional premium insurance service was launched for customers in cooperation with the insurance company.
- In July, a new advertising campaign “It’s not all uphill” was launched and broadcast during the Eurobasket basketball championship.
- In August, a new campaign was launched with a new “Eurobasket” campaign.
- In August, the active loan portfolio on the Paskolų Klubas platform exceeded EUR 50 million.
- In September, NEO Finance AB investors from the Netherlands visited Lithuania and visited the company’s office, Nasdaq headquarters in Vilnius, the Money Museum and FinoMark clients.
- In September, the renewal of investment limits for refinancing cases was implemented. Investors who have invested in a previous loan can invest up to a maximum of EUR 500, excluding the investment of the loan being refinanced, when the existing loan is guaranteed to be repaid.
- In October, a partnership with the financial literacy app Poklet was launched.
- In November, the process of opening additional accounts for investors was relaunched.
- In November, a social media campaign “Check your rating”, inviting investors to find out their credit rating for free, was launched.
- In December, a birthday campaign was launched with a 50% discount on brokerage fees for borrowers.
- In December, the Buyback contract terms were updated: from now on, the platform must notify investors within 14 calendar days if it wants to adjust the sales ratios of investments.
- In December, the loan limits for customers were increased: the maximum amount of available commitments, excluding interest and all other fees:
  - For A+ and A-rated customers, it cannot exceed EUR 35 000;
  - For B-rated customers, the maximum amount cannot exceed EUR 30 000;
  - For C-rated customers, not more than EUR 20 000;
  - For C-rated clients, it may not exceed EUR 12 000.

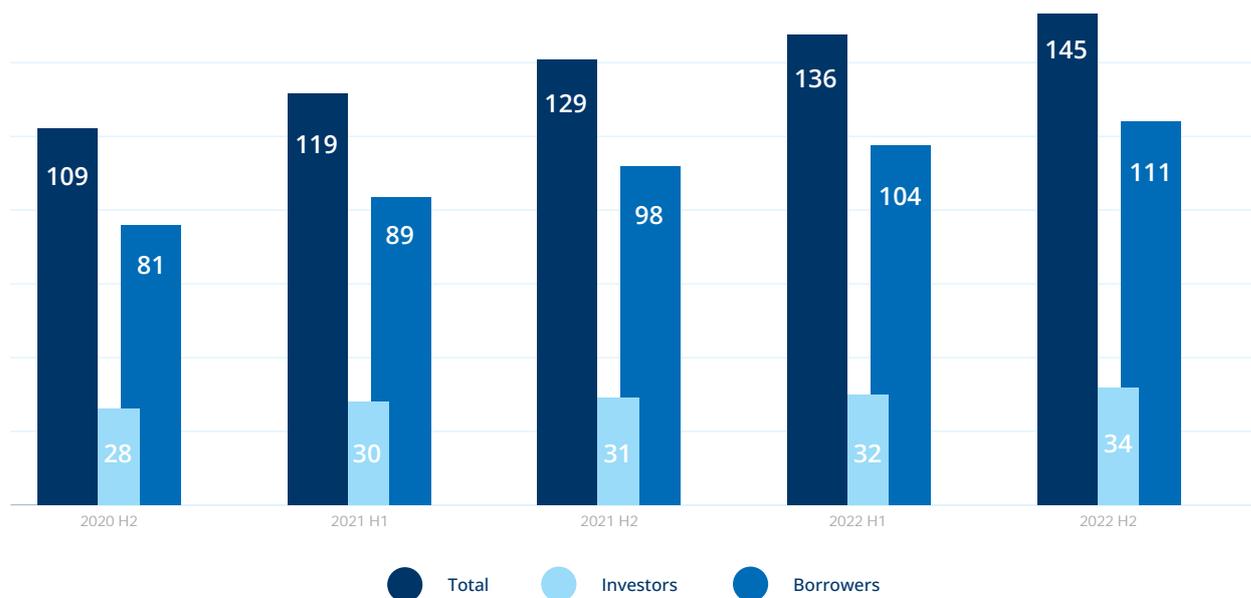
In 2022, the company intermediated EUR 37.18 million of consumer credit. In 2021, EUR 27.4 million of loans were financed on the platform.

## P2P lending platform, loans issued, M EUR

	2020 H2	2021 H1	2021 H2	2022 H1	2022 H2
<b>Loans issued</b>	<b>10.1</b>	<b>12.8</b>	<b>14.6</b>	<b>17.6</b>	<b>19.5</b>
Consumer loans	6.3	8.1	8.3	8.8	9.0
Refinancing	3.4	4.7	5.5	8.8	10.5

During 2022, the growing network of international partners and established brand awareness led to 12.4% annual increase in the number of registered users. The number of borrowers grew 6.73%, while lenders were up 6.25%. The total number of new users in 2022 was 16 472.

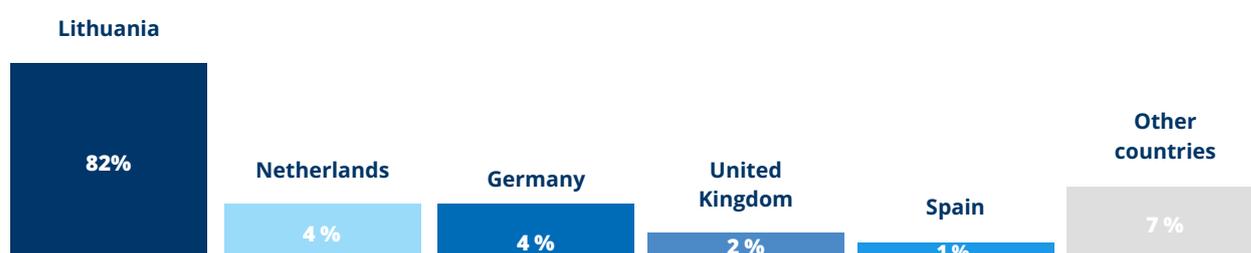
## Registered users, thousand



## DISTRIBUTION OF USERS

Only citizens of Lithuania working in Lithuania can register and receive a loan on the platform, but the platform is open for investment to citizens of all European Union and EEA (European Economic Area) countries.

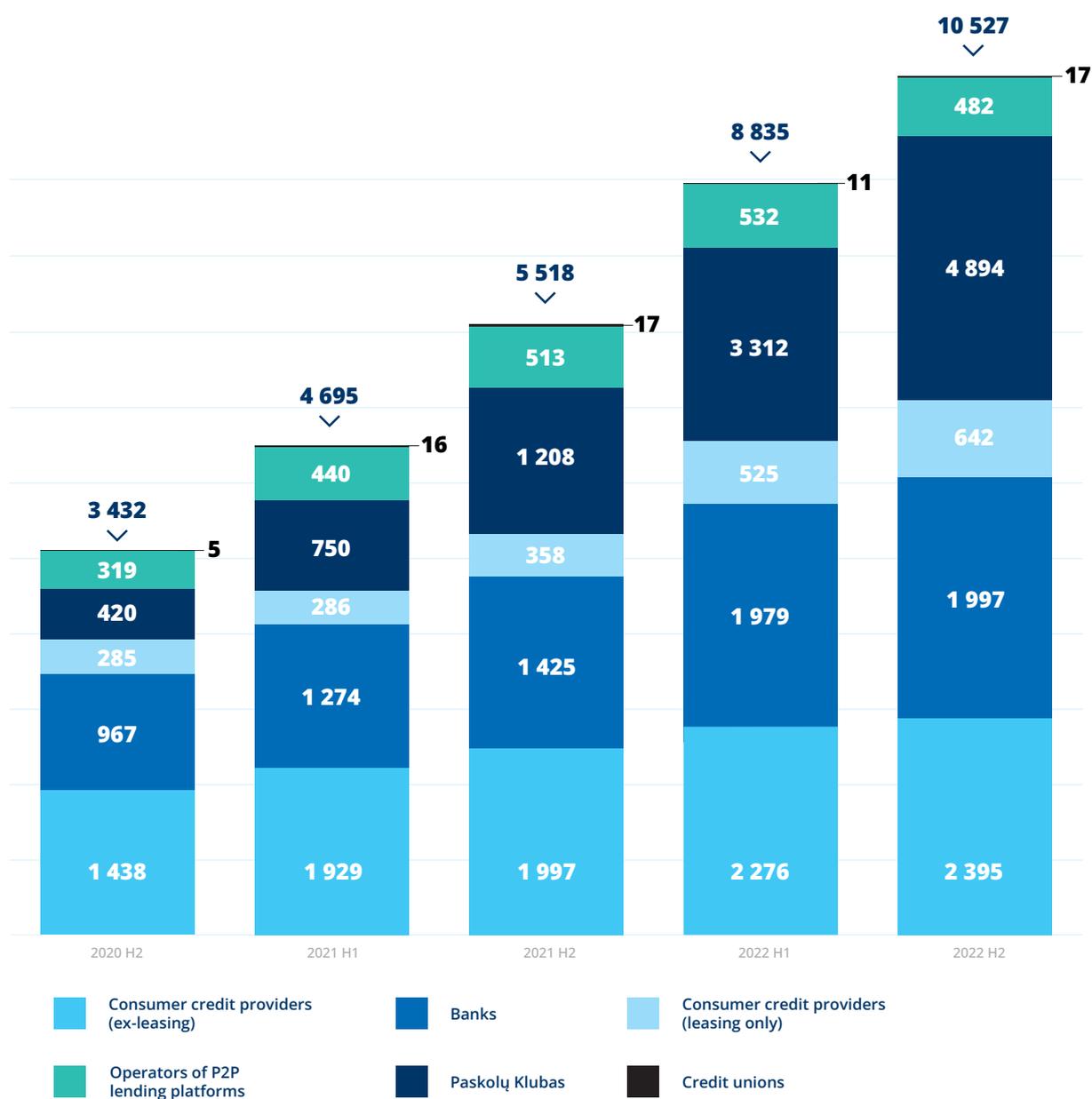
Most of the platform's investors reside in:



# REFINANCING

Of the EUR 37.18 million of loans financed in 2022, EUR 19.36 million were refinancing loans. The P2P lending platform helped the recipients of those loans reduce their previous monthly payment amount and/or interest rate.

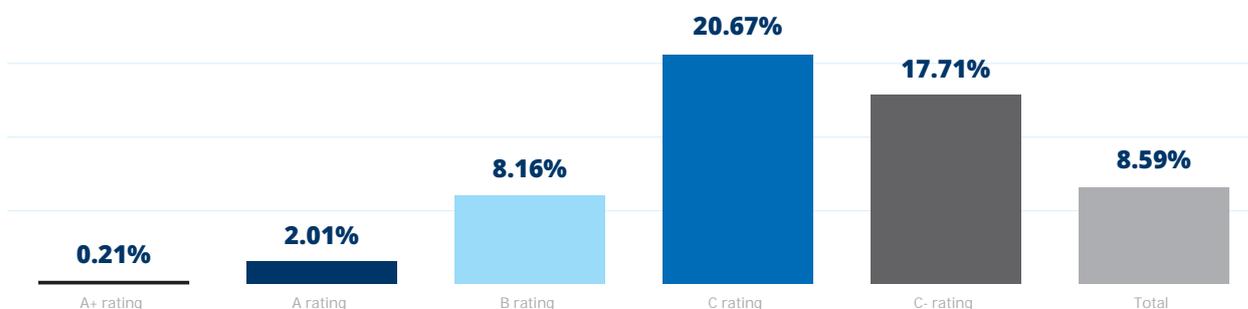
## Refinancing distribution, thousand EUR



## OVERDUE LOANS

At the end of 2022, of 37 376 outstanding loans, 3 168 (8.48%) were overdue more than 90 consecutive days. Of the EUR 128.1 million of loans issued, loans for EUR 11 million (8.59%) were more than 90 days overdue.

### EUR, overdue >90 days, %



## RECOVERY OF OVERDUE LOANS

A consumer credit recipient who is late in paying at least one installment is notified by e-mail, letters and SMS messages. After 32 days of delay, the borrower's debt is registered with Creditinfo Lietuva UAB, and after 41 days of delay, the loan collection is transferred to a debt collection company.



DURING 2022 WERE RECOVERED AND DISTRIBUTED TO LENDERS

**EUR 2 295 thousand**

### Recovered amount, thousand EUR

	2021 H1	2021 H2	2022 H1	2022 H2
Recovered amount, thousand EUR	796	930	1 015	1 280
Overdue (>90days) loan amount, thousand EUR	8 360	9 172	9 793	11 000

# 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 2022, EUR 505 398 was paid out to lenders from the provision fund.

## Provision fund, thousand EUR

	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2	2022 H1	2022 H2
<b>Provision fund</b>	<b>373</b>	<b>393</b>	<b>412</b>	<b>359</b>	<b>324</b>	<b>196</b>	<b>488</b>
<b>Cash</b>	<b>180</b>	<b>179</b>	<b>210</b>	<b>175</b>	<b>157</b>	<b>107</b>	<b>60</b>
<b>Invested amount</b>	<b>193</b>	<b>214</b>	<b>202</b>	<b>184</b>	<b>167</b>	<b>89</b>	<b>428*</b>

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

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

At the end of 2022, the amount accumulated in the provision fund account was EUR 488 thousand and the total guaranteed amount was EUR 1.15 million. The coverage rate of the Provision Fund was 42%.

## Guaranteed amount, thousand EUR

	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2	2022 H1	2022 H2
<b>Guaranteed amount, thousand EUR</b>	<b>3 080</b>	<b>3 183</b>	<b>3 037</b>	<b>2 720</b>	<b>2 405</b>	<b>1 726</b>	<b>1 156</b>

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

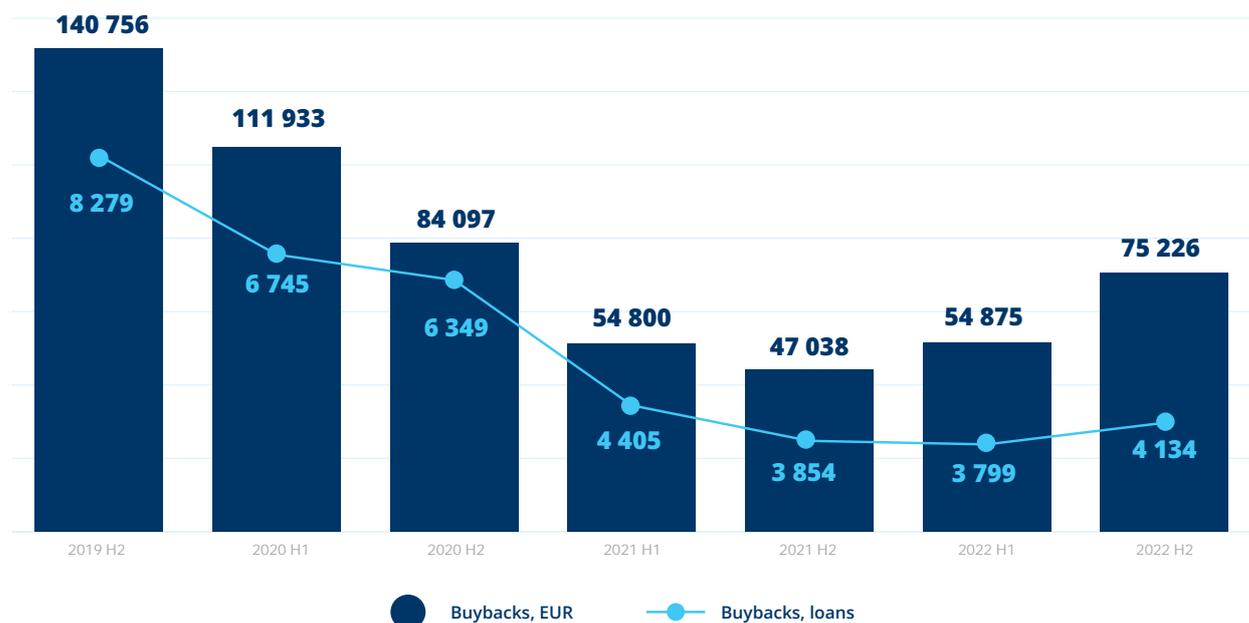
# BUYBACK SERVICE

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



IN 2022, LENDERS SOLD

**7 933** investments to NEO Finance AB for EUR 130 101



# 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.



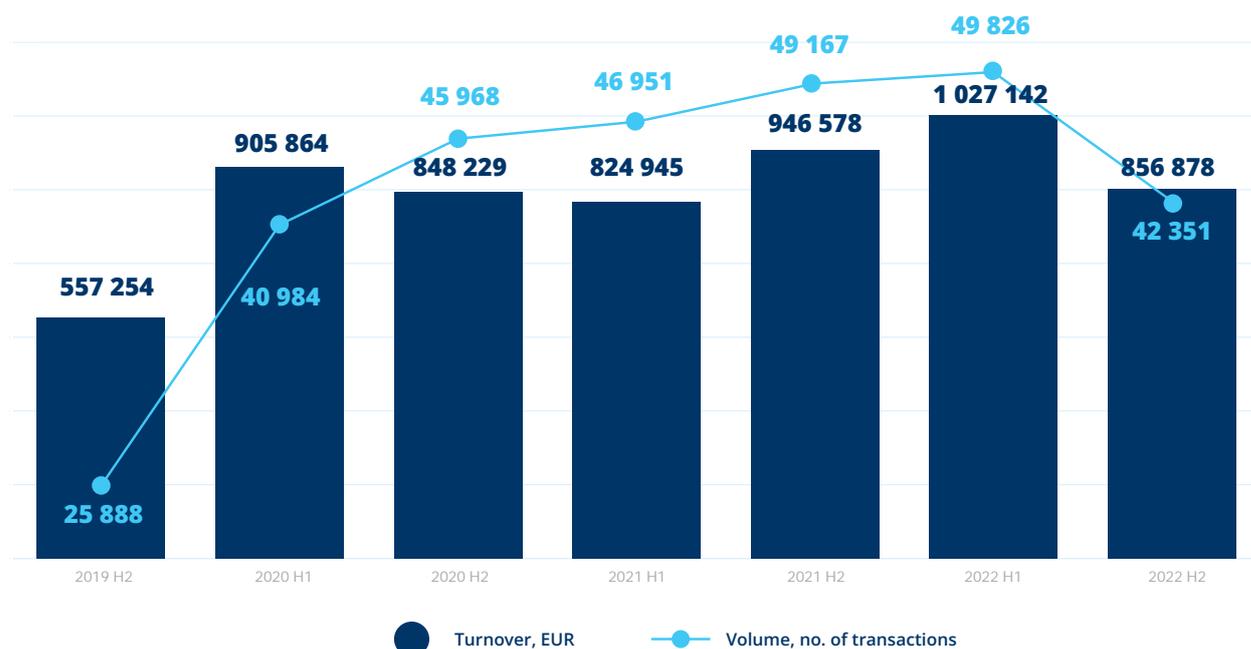
SECONDARY MARKET TURNOVER IN 2022  
TOTALLED

EUR **1 884 020**

THE AVERAGE TRANSACTION AMOUNT  
WAS

EUR **20.43**

## Secondary market



## NEO FINANCE AB'S INVESTMENTS

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

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

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

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

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



IN 2022 NEO FINANCE AB INVESTED IN  
LOANS

EUR **589 000**

NEO Finance AB's invest- ments, thousand EUR	2019 H2	2020 H1	2020 H2	2021 H1	2021 H2	2022 H1	2022 H2
	841	724	607	604	223	163	426

# INSTITUTIONAL INVESTOR

In August 2021, the company began collaborating with the institutional investor nordIX, a German fixed income asset manager. Under the agreement, nordIX invests by acquiring a portfolio of loans that NEO Finance AB forms on the P2P lending platform according to criteria pre-agreed with the institutional investor.



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

EUR **9.4** million

nordIX  
fixed income & derivatives

## nordIX investments

Amount invested, EUR	2021 H2	2022 H1	2022 H2
	3 039	5 701	5 449

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



**NEOPAY**

# NEOPAY

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

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

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

## KEY EVENTS AT NEOPAY OF 2022:

- In January, the municipal utilities Vilnius Šilumos Tinklai and Šiaulių Vandenys began using Neopay's services.
- In April, Neopay's customer list exceeded 300.
- In June, two 2022 records were achieved – as many as 1 674 677 transactions per month and 112 096 transactions per day.
- In July, a new service – automated refunds was launched. The new solution will make it much easier and more efficient for e-businesses to operate and manage their operations by eliminating manual returns.
- In December, we handled a remarkable 2.21 million transactions – a new monthly record. The largest numbers of transactions were initiated from Swedbank and SEB Bank.
- At year-end, we reached another record as total payments via Neopay during the year exceeded EUR 1.423 billion.
- In response to customer demand, we actively began developing two new products: buying on instalment and buying without mark-up ("Buy now, pay later"). More details about these products and their launch will be provided in the first quarter of this year.
- We are actively working on sales of our newly launched "Automated Refunding" product. Based on market trends and customer interest, we see that this product is relevant for our customers and they are keen to install it. The main benefits to them are time savings and improved business processes. Our solution makes operating ane-business significantly easier and more efficient.



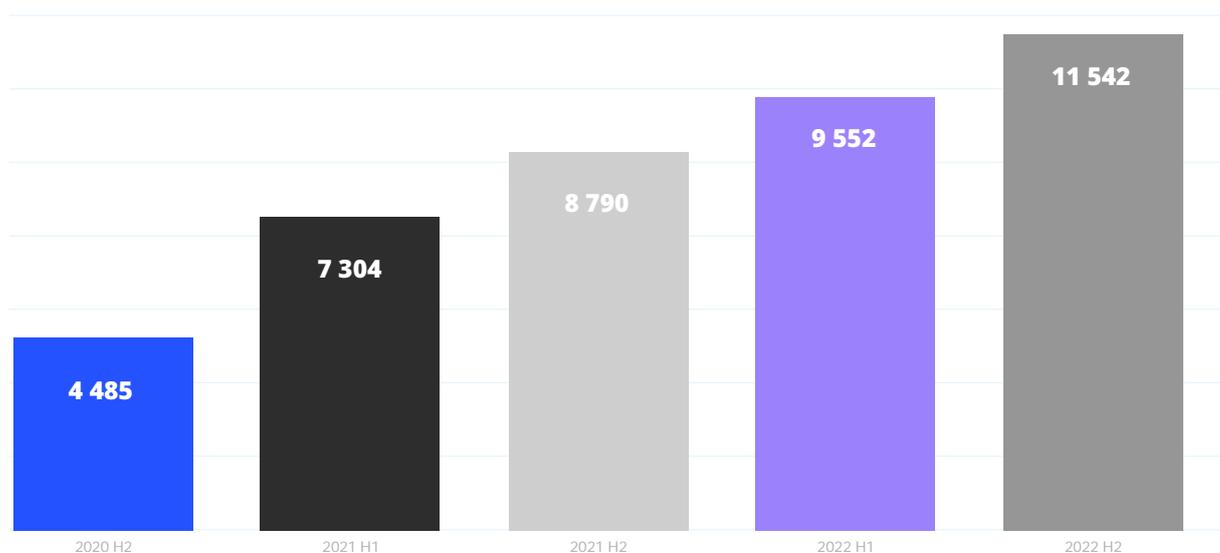
IN 2022 TRANSACTIONS WERE INITIATED THROUGH NEOPAY

**21.6 million**

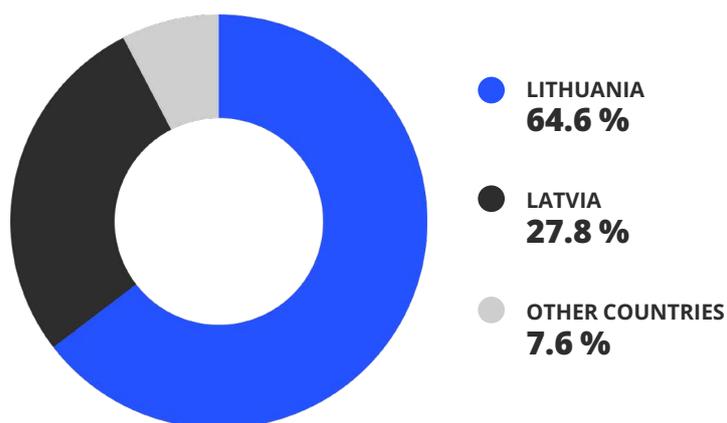
THE NUMBER OF PAYMENTS INITIATED IN 2022 INCREASED BY COMPARED TO LAST YEAR

**31 %**

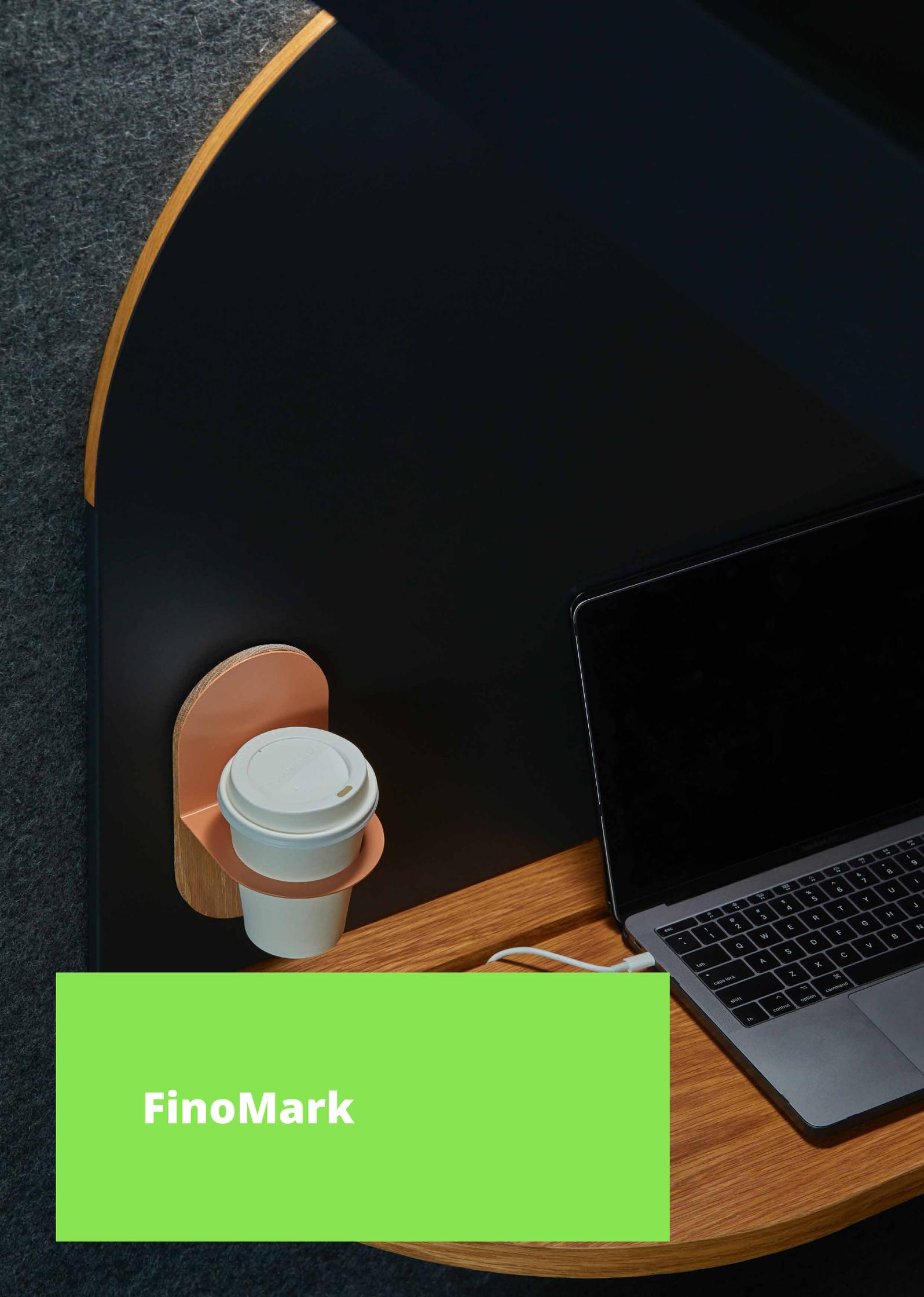
## Payment initiation transactions, thousands



## PAYMENT INITIATION TRANSACTIONS BY COUNTRY



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

A photograph of a wooden desk with a laptop, a coffee cup in a holder, and a green overlay with the text 'FinoMark'. The desk is dark wood with a curved edge. A silver laptop is open on the right side. A white coffee cup with a lid is in a light-colored wooden holder on the left. A white cable is plugged into the laptop. The background is a dark, textured surface.

**FinoMark**

# FinoMark

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

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

## KEY EVENTS AT FinoMark OF 2022:

- In January, the platform began collaborating with the national business support organization Invega on the partial compensation of interest for businesses that take loans.
- In January, the company's mission, vision and values were approved.
- In March, less than a year after the first loan, more than one million euros of loans were financed on the FinoMark platform.
- In March, the decision was made to discontinue the opening of accounts for FinoMark borrowers as of 28 April.
- In March, the charity project Aukok.It was announced on the platform, encouraging FinoMark investors to contribute to humanitarian aid for the people of Ukraine.
- In June, a new function of the platform for investors was introduced – automatic investment.
- In June, an agreement was signed with INVEGA regarding collective loans, "Avietė"
- In July, the statistics page of the FinoMark website was updated to show the performance of the platform.
- In July, the platform integrated a payment initiation service, allowing more efficient and faster cash flow management between borrowers and investors.
- July, the state-owned company Invega started investing in the FinoMark platform under the Avietė instrument to finance loans even faster.
- In August, changes were made to investor accounts, extending the possibility to analyse an investor's portfolio in more detail.
- In August, the investor's investment profile was expanded to include more detailed analysis of the investor's investment portfolio. A feature (referral) was created to allow investors to actively invite other investors to join the platform.
- In August, the calculation of personal tax for foreign investors was updated and fully automated.
- In September, the Smart Investing functionality was suspended.
- Since October, all borrowers have been provided with personal managers.
- In November, cooperation with notaries was launched to enable customers to pledge assets remotely.
- In November, monitoring of the loan documents supporting the purpose of the loan was launched to verify that investors' funds have been used for their intended purpose.
- In December, a free credit assessment of borrowers was carried out to attract more borrowers.



IN 2022, THE COMPANY ISSUED BUSINESS  
LOANS FOR

EUR **2 678 000**

IN 2021, LOANS WERE FINANCED ON THE  
PLATFORM

EUR **665 500** loans

## Loans issued at FinoMark, thousand EUR

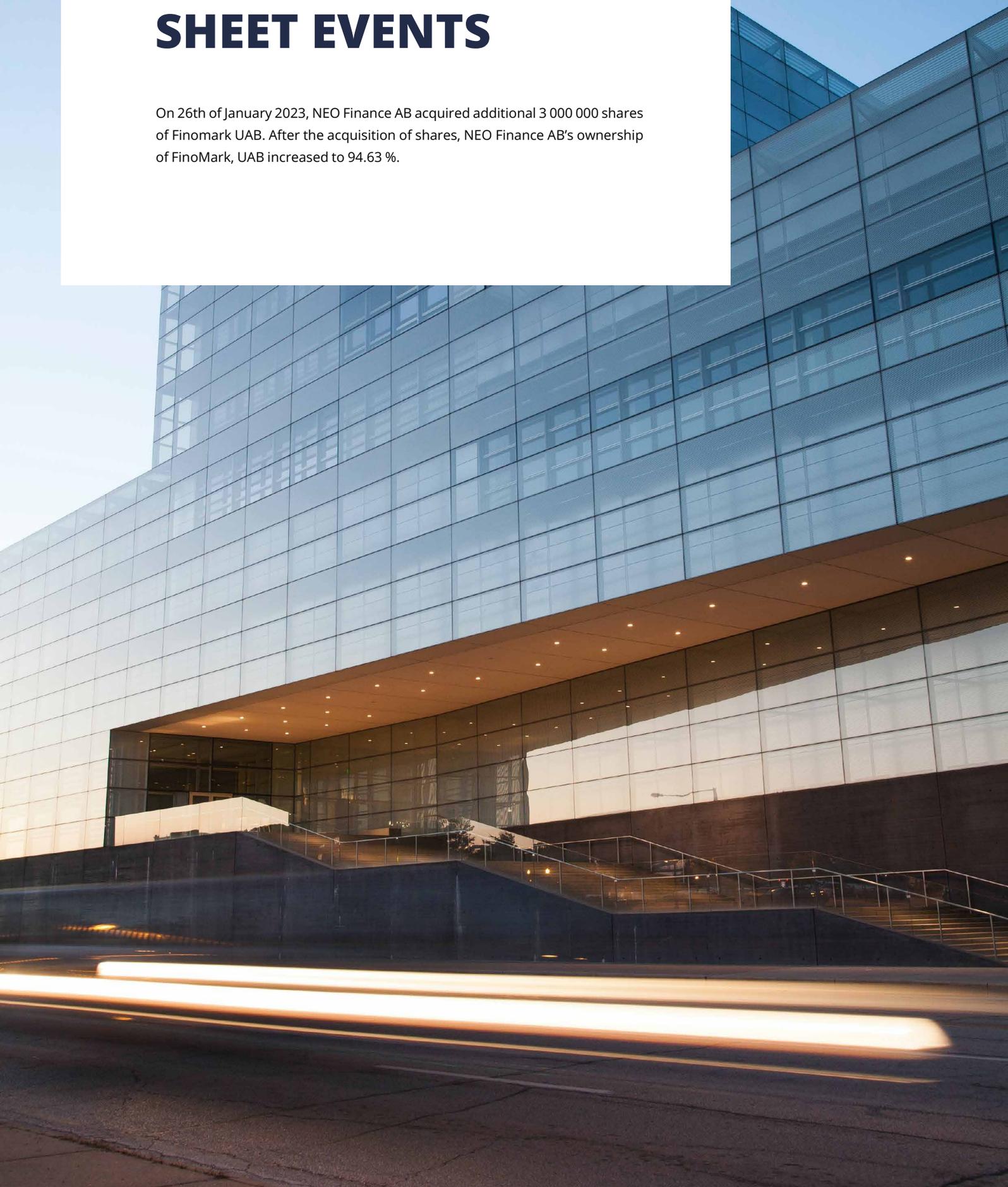


## Total investor portfolio size, thousand EUR

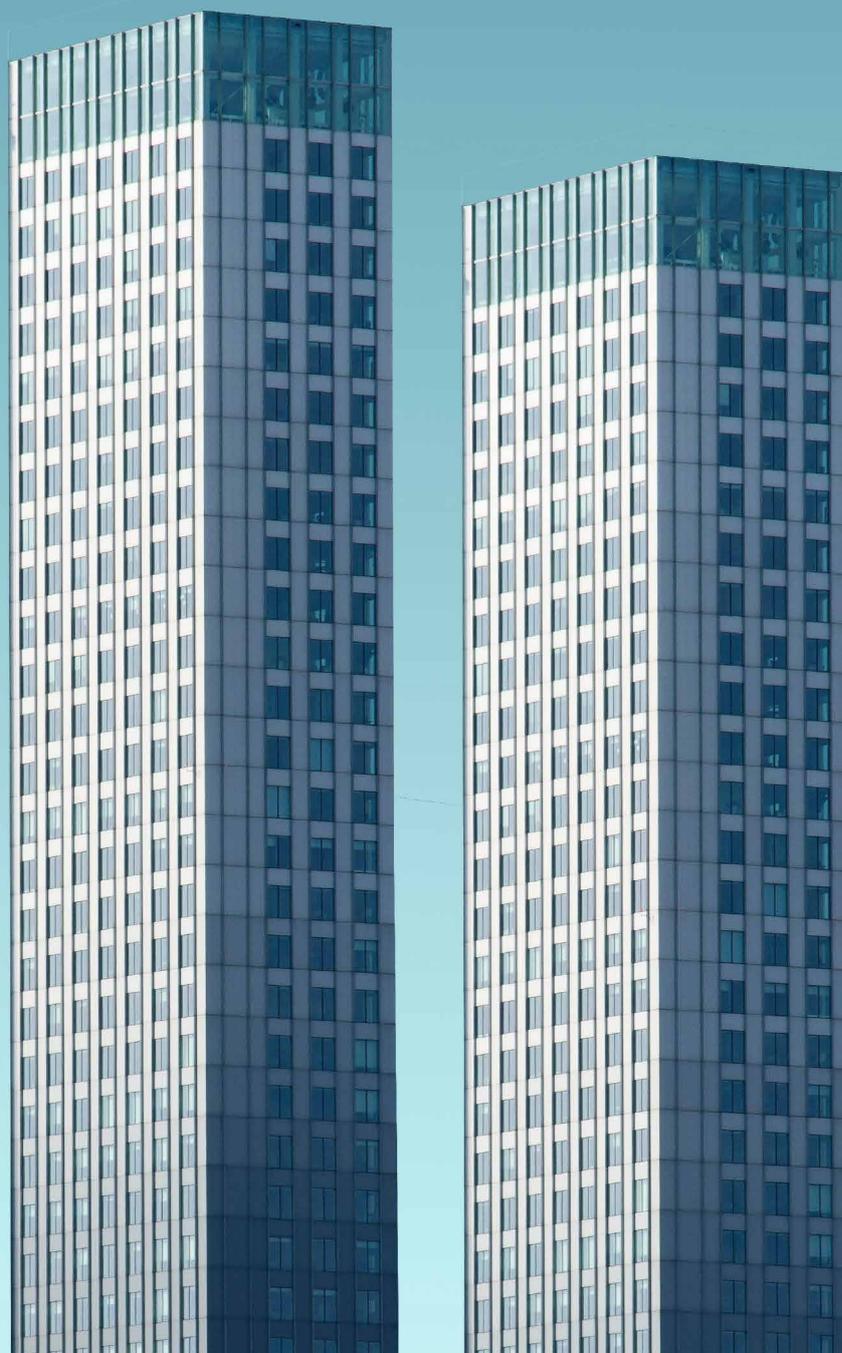


# POST BALANCE SHEET EVENTS

On 26th of January 2023, NEO Finance AB acquired additional 3 000 000 shares of Finomark UAB. After the acquisition of shares, NEO Finance AB's ownership of FinoMark, UAB increased to 94.63 %.



**FINANCIAL STATEMENTS  
FOR THE PERIOD THAT  
ENDED ON  
31 DECEMBER 2022**



## CONDENSED BALANCE SHEET, EUR

	ASSETS	Note no.	Reporting period	Previous reporting
A.	FIXED ASSETS		2 996 146	2 493 757
1.	Intangible assets	1	956 254	725 622
2.	Tangible assets	2	30 373	34 915
3.	Financial assets	3	1 724 602	1 403 015
4.	Other fixed assets	4	284 917	330 206
B.	CURRENT ASSETS		14 143 650	11 631 965
1.	Reserves	5	28 666	16 203
2.	Accounts receivable within one year	6	666 083	596 770
3.	Short-term investments		-	-
4.	Cash and cash equivalents	7	13 448 901	11 018 992
C.	EXPENSES OF FUTURE PERIODS AND ACCRUED INCOME		2 296	137
	ASSETS TOTAL:		17 142 092	14 125 859

	EQUITY AND LIABILITIES	Note no.	Reporting period	Previous reporting period
D.	EQUITY		2 523 667	2 051 841
1.	Capital	8	1 848 934	1 784 436
2.	Share premium		1 956 848	1 653 415
3.	Revaluation reserve		-	-
4.	Reserves		-	-
5.	Retained earnings/loss	9	(1 282 115)	(1 386 010)
E.	GRANTS AND SUBSIDIES			
F.	PROVISIONS	10	86 012	194 715
G.	ACCOUNTS PAYABLE AND OTHER LIABILITIES		14 517 561	11 864 123
1.	Accounts payable after one year and other long-term liabilities	11	891 294	984 231
2.	Accounts payable within one year and other short-term liabilities	11, 12	13 626 267	10 879 892
H.	EXPENSES ACCRUED AND EXPENSES OF FUTURE PERIODS		14 852	15 179
	TOTAL EQUITY AND LIABILITIES:		17 142 092	14 125 859

Date of Financial Statements 31 March 2023.

## PROFIT AND LOSS STATEMENT, EUR

No.	Items	Note no.	Reporting period	Previous reporting period
1.	SALES REVENUE	13	3 530 460	3 443 082
2.	COST OF SALES	14	(1 650 676)	(1 769 674)
3.	BIOLOGICAL ASSETS FAIR VALUE CHANGE		-	-
4.	GROSS PROFIT/LOSS		1 879 784	1 673 408
5.	Sales expenses		-	-
6.	General and administrative expenses	14	(1 740 971)	(1 487 181)
7.	Other operative expenses		428	(6 983)
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	20 059	-
11.	Impairment of financial assets and short-term investments	15	-	-
12.	Interest and similar expenses	15	(692)	(190)
13.	PROFIT/LOSS BEFORE TAX		158 608	179 054
14.	Income tax	16	(54 713)	(61 315)
15.	NET PROFIT/LOSS		103 895	117 739

Date of Financial Statements 31 March 2023.

# EXPLANATORY NOTE OF 31 DECEMBER 2022

## 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 st. 7, Vilnius, business identifier code: 303225546.

The authorized capital of the Company is EUR 1 848 933.68, which is made up of EUR 4 202 122 of ordinary registered shares with a nominal value of EUR 0.44. Shareholders of the Company as of 31 December 2022: 73.49 % – UAB "ERA CAPITAL", 9.90 % – GRIGORY GUREVICH, 3.69 % - UAB "Value Capital", 2.37% ASIAN PACIFIC GREEN ENERGY PTE. LTD, 10.55 % – 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: Vlamingsstraat 4, 2712BZ Zoetermeer, The Netherlands).

The company owns 94.43 % shares of the company Finomark, UAB (business identifier code: 305538582, company address: A. Vivulskio g. 7, Vilnius).

The Company has no branches and/or representative offices.

In 2022, there were 34 employees at the Company, and in 2021 – 35.

## 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:

<b>Groups of assets</b>	<b>Average useful life (in years)</b>
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 amortized cost.

Investments available for sale are investments that the Company has acquired with a purpose of selling or 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 recognized, 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 recognized 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 recognized as operating costs. When redeeming previously recognized 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 amortized 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 number 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, except for 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 based on tax rates (and laws) that were approved or valid on the day of balance sheet drafting and are expected to be effective when the deferred tax assets are realized 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 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	Other intangible assets	In total
<b>Acquisition cost</b>		
<b>31 December 2020</b>	<b>1 146 754</b>	<b>1 146 754</b>
Acquired	416 235	416 235
Written-off	-	-
Reclassifications	-	-
<b>31 December 2021</b>	<b>1 562 989</b>	<b>1 562 989</b>
Acquired	551 952	551 952
Written-off	-	-
Reclassifications	-	-
<b>31 December 2022</b>	<b>2 114 941</b>	<b>2 114 941</b>
<b>Amortization accrued</b>		
<b>31 December 2020</b>	<b>582 224</b>	<b>582 224</b>
Estimated over the period	255 143	255 143
Written-off	-	-
Reclassifications	-	-
<b>31 December 2021</b>	<b>837 367</b>	<b>837 367</b>
Estimated over the period	321 320	321 320
Written-off	-	-
Reclassifications	-	-
<b>31 December 2022</b>	<b>1 158 687</b>	<b>1 158 687</b>
<b>Book value</b>		
<b>31 December 2020</b>	<b>564 530</b>	<b>564 530</b>
<b>31 December 2021</b>	<b>725 622</b>	<b>725 622</b>
<b>31 December 2022</b>	<b>956 254</b>	<b>956 254</b>

No signs of impairment of intangible fixed assets have been determined. According to the last day of the reporting year, the Company used fully amortized intangible assets with the acquisition value of EUR 566 867 (in 2021 – EUR 448 859).

## 2. Tangible fixed assets, EUR

Indexes	Other equipment, devices, and tools	In total
<b>Acquisition cost</b>		
<b>31 December 2020</b>	<b>80 172</b>	<b>80 172</b>
Acquired	10 416	10 416
Written-off	(2 242)	(2 242)
Reclassifications		-
<b>31 December 2021</b>	<b>88 346</b>	<b>88 346</b>
Acquired	11 181	11 181
Written-off	(2 619)	(2 619)
Reclassifications		-
<b>31 December 2022</b>	<b>96 908</b>	<b>96 908</b>
<b>Revaluation/ depreciation</b>		
<b>31 December 2020</b>	-	-
Revaluated (+), depreciated (-)	-	-
Depreciated over the period	-	-
<b>31 December 2021</b>	-	-
Estimated over the period	-	-
Written-off	-	-
<b>31 December 2022</b>	-	-
<b>Depreciation accrued</b>		
<b>31 December 2020</b>	<b>37 844</b>	<b>37 844</b>
Acquired	15 774	15 774
Written-off	(187)	(187)
Reclassifications		-
<b>31 December 2021</b>	<b>53 431</b>	<b>53 431</b>
Estimated over the period	15 612	15 612
Written-off	(2 508)	(2 508)
Reclassifications	-	-
<b>31 December 2022</b>	<b>66 535</b>	<b>66 535</b>
<b>Book value</b>		
<b>31 December 2020</b>	<b>42 328</b>	<b>42 328</b>
<b>31 December 2021</b>	<b>34 915</b>	<b>34 915</b>
<b>31 December 2022</b>	<b>30 373</b>	<b>30 373</b>

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 34 173 (in 2021 – EUR 32 043).

### 3. Financial assets, EUR

Index	2022-12-31	2021-12-31
<b>Shares in group companies</b>	<b>779 138</b>	<b>506 638</b>
Shares of UAB Finomark (94,43%)	743 638	483 638
Neo Finance B.V. Shares (100%)	132 500	120 000
Impairment (-)	(97 000)	(97 000)
<b>Other financial assets</b>	<b>945 464</b>	<b>896 377</b>
Investment activities debtors	997 528	989 115
Impairment (-)	(52 064)	(92 738)
<b>TOTAL:</b>	<b>1 724 602</b>	<b>1 403 015</b>

The company has pledged the investment portfolio in the amount of EUR 773 500 (see note 11).

### 4. Other fixed assets, EUR

Index	2022-12-31	2021-12-31
Deferred income tax assets	284 917	330 206
<b>TOTAL:</b>	<b>284 917</b>	<b>330 206</b>

### 5. Reserves, EUR

Index	2022-12-31	2021-12-31
Advances paid	28 666	16 203
<b>TOTAL:</b>	<b>28 666</b>	<b>16 203</b>

### 6. Accounts receivable within one year, EUR

Index	2022-12-31	2021-12-31
Buyers' debts	156 895	127 391
Investment activities debtors	536 967	503 236
Other receivables	-	-
Impairment (-)	(27 779)	(33 857)
<b>TOTAL:</b>	<b>666 083</b>	<b>596 770</b>

## 7. Cash, EUR

Index	2022-12-31	2021-12-31
<b>Client cash</b>	<b>13 097 269</b>	<b>10 475 839</b>
Money in commercial bank accounts	6 347	56 172
Money at the Bank of Lithuania	12 997 841	10 273 396
Money in transition	93 081	146 271
<b>Company cash</b>	<b>351 632</b>	<b>543 153</b>
Money in commercial bank accounts	351 632	543 153
Money at the bank of Lithuania	-	-
<b>TOTAL:</b>	<b>13 448 901</b>	<b>11 018 992</b>

## 8. Structure of the authorized capital

Index	Number of shares	Amount
<b>Structure of the share capital at the end of the financial year</b>		
1. According to the types of shares		
1.1. Ordinary shares	4 202 122	1 848 934
1.2. Preference shares		
1.3. Employees 'shares		
1.4. Special shares		
1.5. Other shares		
<b>TOTAL:</b>	<b>4 202 122</b>	<b>1 848 934</b>
2. State or municipal capital		
3. Own shares owned by the company		
4. Shares owned by subsidiaries		

As of 31 December 2022, all shares have been paid.

## 9. Profit distribution project, EUR

Index	Year	Sum
<b>Retained result – profit/loss</b>	<b>2021.12.31</b>	<b>(1 386 010)</b>
Net result for the financial year – profit/loss		103 895
<b>Retained result – profit/loss</b>	<b>2022.12.31</b>	<b>(1 282 115)</b>
Shareholders' contributions to cover losses		
Transfers from reserves		
<b>Distributed profit</b>		<b>(1 282 115)</b>
Profit distribution:		
- to legal reserves		
- to other reserves		
- dividends		
- other		
<b>Undistributed result – profit/loss</b>		<b>(1 282 115)</b>

## 10. Provisions

The Company forms reimbursable suretyship provisions ("Guarantee Fund" service) intended to cover the liabilities under the reimbursable suretyship agreements. At the end of the financial year, provisions made up EUR 86 012. At the end of the last financial year, provisions made up EUR 194 715.

## 11. Financial debts, EUR

Index	2022-12-31	2021-12-31
<b>Long-term debts (from 2 to 5 years)</b>	<b>891 294</b>	<b>984 231</b>
Loans received from affiliated undertakings	615 000	691 341
Bonds	250 000	250 000
Social security liabilities after one year	26 294	42 890
<b>Short-term debts</b>	<b>250 365</b>	<b>56 917</b>
Loans received from affiliated undertakings	249 957	52 170
Interest on loans received from affiliated undertakings	408	4 747
<b>TOTAL:</b>	<b>1 141 659</b>	<b>1 041 148</b>

## The assets of the company are pledged for the received loans, EUR

Type of collateral	Collateral value	Liabilities secured by collateral
Investment portfolio	773 500	595 000
Receivable intermediary fee	175 000	140 000

## 12. Accounts payable within one year, EUR

Index	2022-12-31	2021-12-31
Advances received	5 760	933
Trade payables	179 786	148 033
Payroll liabilities	56 947	50 351
Vacation pays liabilities	57 777	50 956
Social security liabilities	36 383	36 900
Personal income tax liabilities	17 933	17 142
Income tax liabilities	-	7825
Customer money held at NEO Finance accounts	13 009 354	10 458 504
Other tax liabilities	10 583	52 332
Other payables	1 379	-
<b>TOTAL:</b>	<b>13 375 902</b>	<b>10 822 976</b>

## 13. Income, EUR

Index	2022-12-31	2021-12-31
<b>Sales revenue</b>	<b>3 530 460</b>	<b>3 443 082</b>
Revenue related to the issuance and processing of electronic money	1 032 614	940 064
Investment income	142 467	335 453
Revenue related to peer-to-peer lending	2 355 379	2 167 565

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 2022, receivable intermediary fee generated by loans, issued till 31 December 2022 amounted to 8 317 930 EUR. As of 31 December 2021, receivable intermediary fee generated by loans, issued till 31 December 2021 amounted to EUR 6 771 505.

## 14. Expenses, EUR

Index	2022-12-31	2021-12-31
<b>Cost of Sales</b>	<b>1 650 676</b>	<b>1 769 674</b>
Marketing expenses	775 533	849 161
Debt collection costs	346 598	283 322
Salaries and social security	196 775	32 770
IT costs	122 788	279 892
Other expenses	208 982	324 529
<b>General and administrative expenses</b>	<b>1 740 971</b>	<b>1 487 181</b>
Salaries and social security	851 293	805 086
Guarantee Fund accrual costs	(108 703)	50 105
Audit expenses	7 018	18 270
Depreciation	303 995	243 468
Other expenses	687 368	370 252

## 15. Financial and investment activities, EUR

Index	2022-12-31	2021-12-31
<b>Income</b>	<b>20 059</b>	-
Positive effect on exchange rates	-	-
Other income from financial investment activities	20 059	-
<b>Expenses</b>	<b>692</b>	<b>190</b>
Negative effect of exchange rates	291	190
Other expenses	401	-

## 16. Income tax expenses, EUR

Index	2022-12-31	2021-12-31
Profit before taxes	158 608	179 054
Income tax rate	15%	15%
Amount of increase in profit before tax	277 417	230 022
Amount of reduction in profit before tax	178 607	56 393
Deductions for promotion	48 000	-
Deducted operating loss amount (with inherited loss)	146 592	246 878
Amount of taxable profit reduction on investment	-	-
Declared income tax payable to the budget	9 424	15 871
Change in taxable temporary differences between tax and financial statements	(301 927)	(302 964)
Deferred income tax expenses/income	45 289	45 445
Adjusted amount of profit tax returns of the previous year	-	-
Income tax expenses/income	54 713	61 315
Effective income tax rate	34%	34%

## 17. Relations with executives and other related persons

In 2022, the head of the administration changed once. In July 2022 Paulius Tarbūnas resigned and was replaced by Evaldas Remeikis.

In 2022, the Head of Administration was paid a salary of EUR 98 991 (in 2021: EUR 96 096). The Head of Administration has not received any other income, loan guarantees nor benefits.

## 18. Related parties, EUR

Related parties	Accounts payable		Accounts receivable	
	2022	2021	2022	2021
Shareholders with a significant number of votes	-	-	-	-
Parent company	65 144	1 303	632	-
Subsidiaries	125 000	125 833	30 269	8 855
Other affiliated persons	572 895	566 431	1 218	3 775
<b>Total</b>	<b>763 039</b>	<b>693 567</b>	<b>32 119</b>	<b>12 630</b>

Related parties	Income received		Purchases	
	2022	2021	2022	2021
Shareholders with a significant number of votes	-	-	-	-
Parent company	4 538	-	27 482	20 041
Subsidiaries	28 639	45 330	17 100	888
Other affiliated persons	27 837	6 656	92 150	225 450
<b>Total</b>	<b>61 014</b>	<b>51 986</b>	<b>136 732</b>	<b>246 379</b>

## 19. Change in accounting policy

No changes to accounting policy made during 2022.

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

The Company's liabilities under remunerated surety agreements as of 31 December 2022 amounted to EUR 1 156 348. On 31 December 2021, this amount amounted to EUR 2 405 304. The Company signs reimbursable suretyship agreements with the lenders who choose the "Guarantee Fund" service. Based on these agreements, the Company guarantees the lenders for proper performance of the obligations arising from consumer credit agreements.

The Company does not participate in legal proceedings, whose outcome could have a significant effect on the Company's financial position and/or financial results.

## 21. Contingent Liabilities

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

## 22. Post Balance Sheet Events

On 26th of January 2023, NEO Finance, AB acquired additional 3 000 000 shares of Finomark, UAB. After the acquisition of shares, NEO Finance, AB's ownership of FinoMark, UAB increased to 94.63%.

## 23. Off-balance sheet liabilities

By 31 December 2022, 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 128 075 946. As of 31 December 2022, the remaining outstanding part of credit amounted to EUR 54 436 252.

As of 31 December 2021, the total amount of consumer credit disbursed was EUR 90 906 242. The remaining outstanding credit on 31 December 2021 amounted to EUR 44 090 169.

