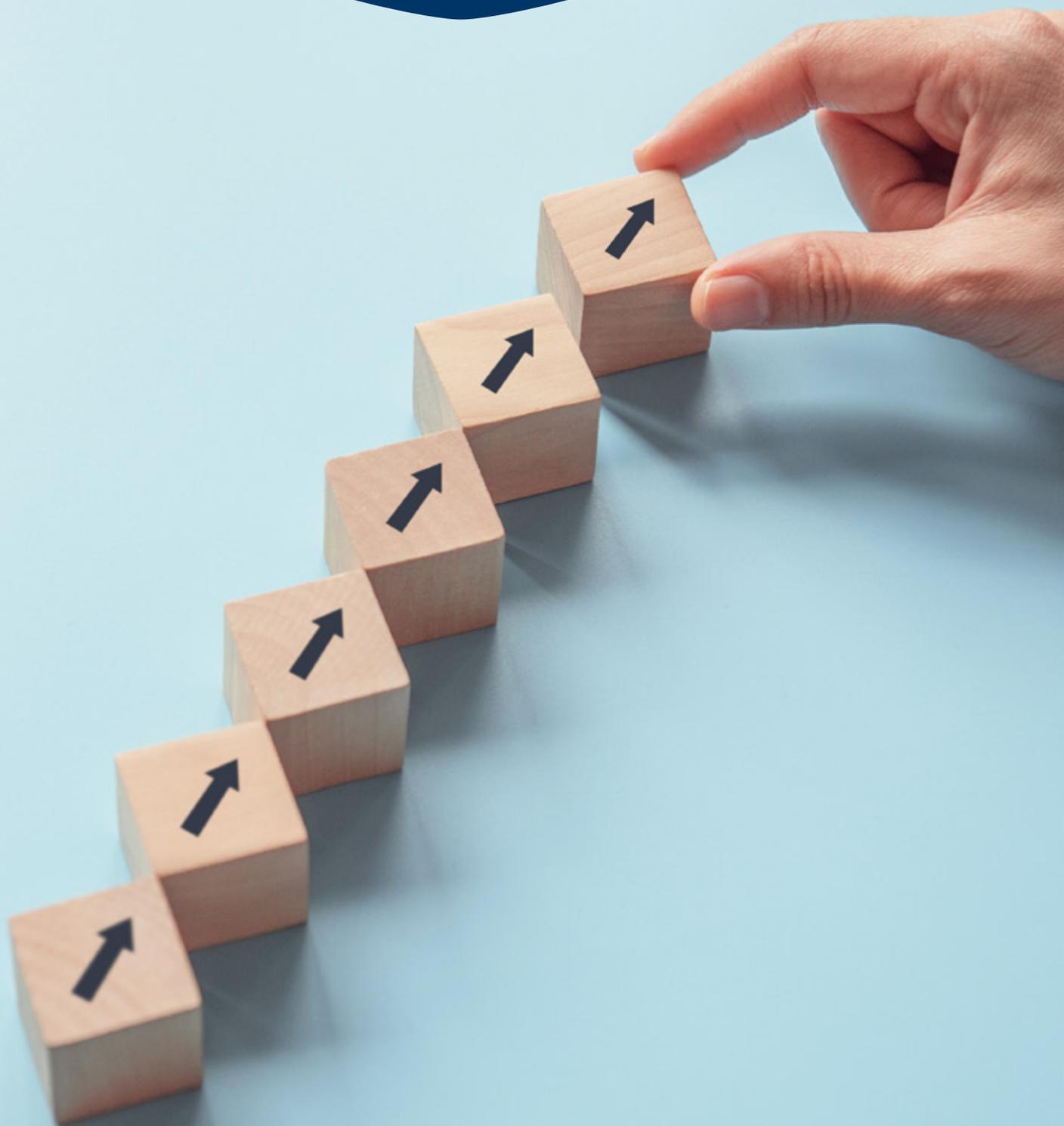




NEO
Finance



NEO FINANCE, AB

Sales report 2021 Q2



CEO'S COMMENT

Aleksėjus Loskutovas Head of Administration

After a successful start of the year 2021, NEO Finance is improving its sales performance across all businesses in Q2 as well. We are pleased that in May, Paulius Tarbūnas, who has many years of experience in the field of banking and finance, joined the team of fintech company NEO Finance to develop the Neopay brand. Paulius's arrival has greatly bolstered NEO Finance's team in open banking, one of the most promising areas of business.

EUR 7.1 million worth of loans was issued through the Paskolų Klubas platform in Q2 2021, up by 24% compared to Q1 2021, and by 76% compared to Q2 last year. In April, new Paskolų Klubas users were offered a possibility of taking a first loan in the amount of EUR 500 for a duration of 6 months at a zero interest rate (the interest of such loans is covered by the platform itself), which has resulted in a substantial amount of new borrower leads. Furthermore, we have cut interest on long-term loans rated A+ and A, which has gave us an edge in competing for lower-risk clients and put us in a position to offer bigger loans.

Notably, the speed of funding loans has improved by a staggering 3.5 times

compared to Q1 this year, and by nearly 6 times compared to Q2 last year, which clearly shows that investors trust the platform for investments increasingly more, and are increasingly more active in using the possibility of automated investment. The level of investor activity and the speed of funding have been influenced by the A+ rating with 100% buyback guarantee, a lower-risk product that was introduced on Paskolų Klubas in May and has attracted a significant amount of interest from foreign investors. The platform intends to push on with improving the speed of funding its loans, and, in a bid to help investors manage their portfolios with a higher degree of efficiency, on 1 July 2021 raised the threshold of investment from EUR 50 for investments to loans rated A+ and from EUR 20 for investments in loans rated otherwise.

In Q2 2021, Neopay was used in initiating 3.83 million transactions, 10% more compared to Q1 this year. Consistent growth has been affected by the lifting of the quarantine restrictions and the seasonal nature of some of our major clients' business. Nonetheless, a comparison of the results of the first 6 months in 2021 and 2020 shows a 176% increase in the number of transactions and a tripling of income, which as exciting as it is indicative



of the company's ability to grow its sales by maintaining and even increasing its profitability.

In the first half-year of 2021, a total of 14 new financial institutions were integrated from new countries on Neopay: Poland, Sweden, Finland, Sweden, and Norway. The total number of financial institutions integrated has surpassed 130, which puts us in a position of offering our clients convenient collection of payments with single integration from the ever-growing list of EU countries. Also, to keep our leading position on the home markets, we have implemented functionalities to further accelerate and facilitate payments through Neopay for the clients of Šiaulių Bankas and Medicinos Bankas. Considering the feedback from Neopay's clients and in

an effort to improve their experience, we have launched new self-service options that make monitoring the payment processes and their dynamics easier.

Launched this February, FinoMark, NEO Finance's crowd-funding platform passed testing within the group of Paskolų Klubas's VIP investors with flying colours, and became available to all Paskolų Klubas investors who want to invest in corporate loans in June. We have staged a socially-distanced presentation of the FinoMark business model which offered a comparison between the pros and cons of investing into people's and corporate loans and attracted a lot of attention. FinoMark's sales results for the first half-year: 13 loans worth EUR 235 thousand funded.

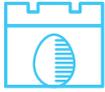


Highlights

- In April, we introduced rating A+ with 100% buyback guarantee in the event of the beneficiary's insolvency.
- In May NEO Finance launched instant payment service (SEPA Instant Credit Transfer) for its clients.
- Introduced new, stronger password requirements in an effort to take care of the security of the platform.
- In May Paulius Tarbūnas became NEO Finance's Head of Open Banking. The department is in charge of the Neopay brand.
- In June, investors were notified of changes in the investment threshold: as of 1 July 2021, platform investments start at EUR 20, investments in loans rated A+, at EUR 50.
- In June FinoMark became available to everyone who wishes to invest in corporate loans.
- Neopay's clients were presented with a new option to see conversions by partner banks in the self-service system, a functionality that allows clients to make faster payments at Šiaulių Bankas and Medicinos Bankas, and a possibility to manage their accounts via an API.
- In Q2 2021, NEO Finance presented its Q1 sales report on Nasdaq Baltic's alternative market First North, Aleksėjus Loskutovas attended 'CEO Meets Investors 2021', an event held by Nasdaq Baltic.



Events



APRIL

- Investment training for advanced investors (in Lithuanian).



MAY

- Investment training for beginner investors (in Lithuanian);
- Seminar 'Investing for Legal Entities part II and FinoMark's Presentation' (in Lithuanian).



JUNE

- The CEO's attendance of Nasdaq Baltic's 'CEO Meets Investors 2021' event;
- Presentation of the FinoMark platform;
- Training for advanced investors (in English);
- Training for advanced investors (in Lithuanian).





Management accounts

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

	2021 Q2	2021 Q1	Δ, %	2020 Q2	Δ, %
Loans issued, K EUR	7,1	5,73	24%	4,04	76%
Intermediary fee income, K EUR*	719	619	16%	401	79%
Intermediary fee / Loans issued ratio	10,1%	10,8%	-	9.9%	-
PIS income, K EUR	197	185	6%	68	190%
Other income, K EUR	357	386	-8%	405	-12%
Total income, K EUR	1273	1190	7%	874	46%

At the end of 2021 Q2 receivable intermediary fee amounted to 6.36 million EUR

* Intermediary fee income in the table is represented as a result of the loans issued at the same quarter, which will be received throughout the loan period. E.g. 719 thousand EUR is a result of 7,1 thousand EUR issued and will be received throughout entire loan period.



Neopay

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

Neopay provides payment initiation and account information services through APIs with banks and other financial institutions, as required by the Law on Payments of the Republic of Lithuania and the Payment Services Directive (PSD2). The total number of connected financial institutions is 100, [provided here](#) is the full list thereof by country.

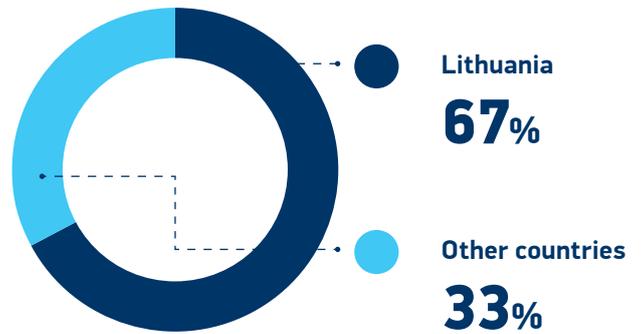


In the second quarter of 2021, **3.83 million transactions** were initiated through Neopay. The number of initiated payments increased by 10% in the second quarter of this year compared to the previous quarter.

PIS transactions, quantity, thousands



PIS transactions distribution by countries



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

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

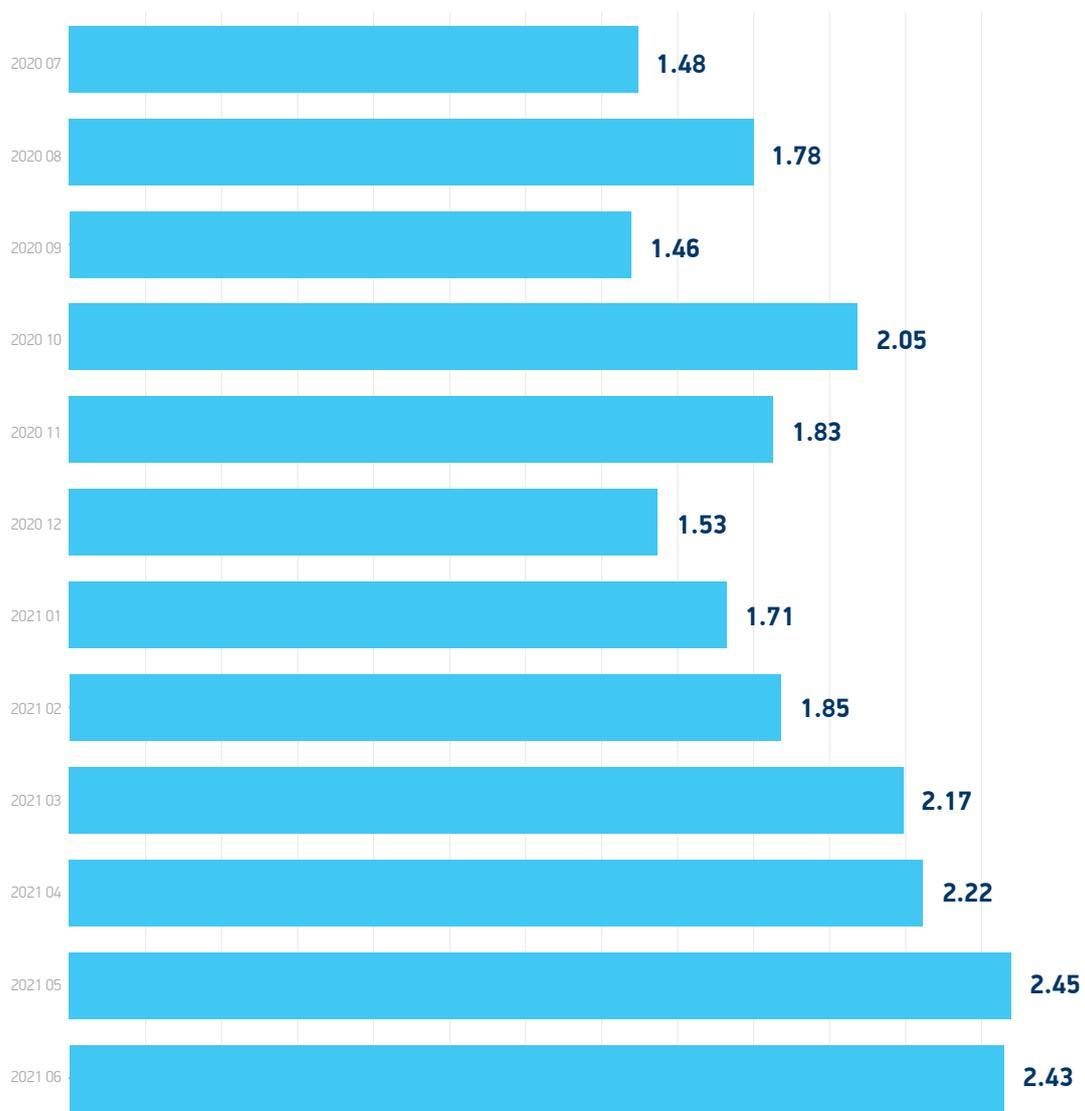


“NEO Finance” issued loans

In Q2 2021, “NEO Finance” issued loans for 7.1 million EUR. This is a record result of issued loans during the quarter in the company’s history.

“NEO Finance” clients borrowed a record amount of 2.45 million EUR in May. Compared to the same month in 2020, “NEO Finance” issued loans volume grew by 74%.

Neo finance, loans issued, million EUR





Refinancing

In Q2 2021, “NEO Finance” managed to increase the number of credits that were refinanced from banks because some non-credit providers transformed to specialized banks and the company offered favorable conditions to borrowers.

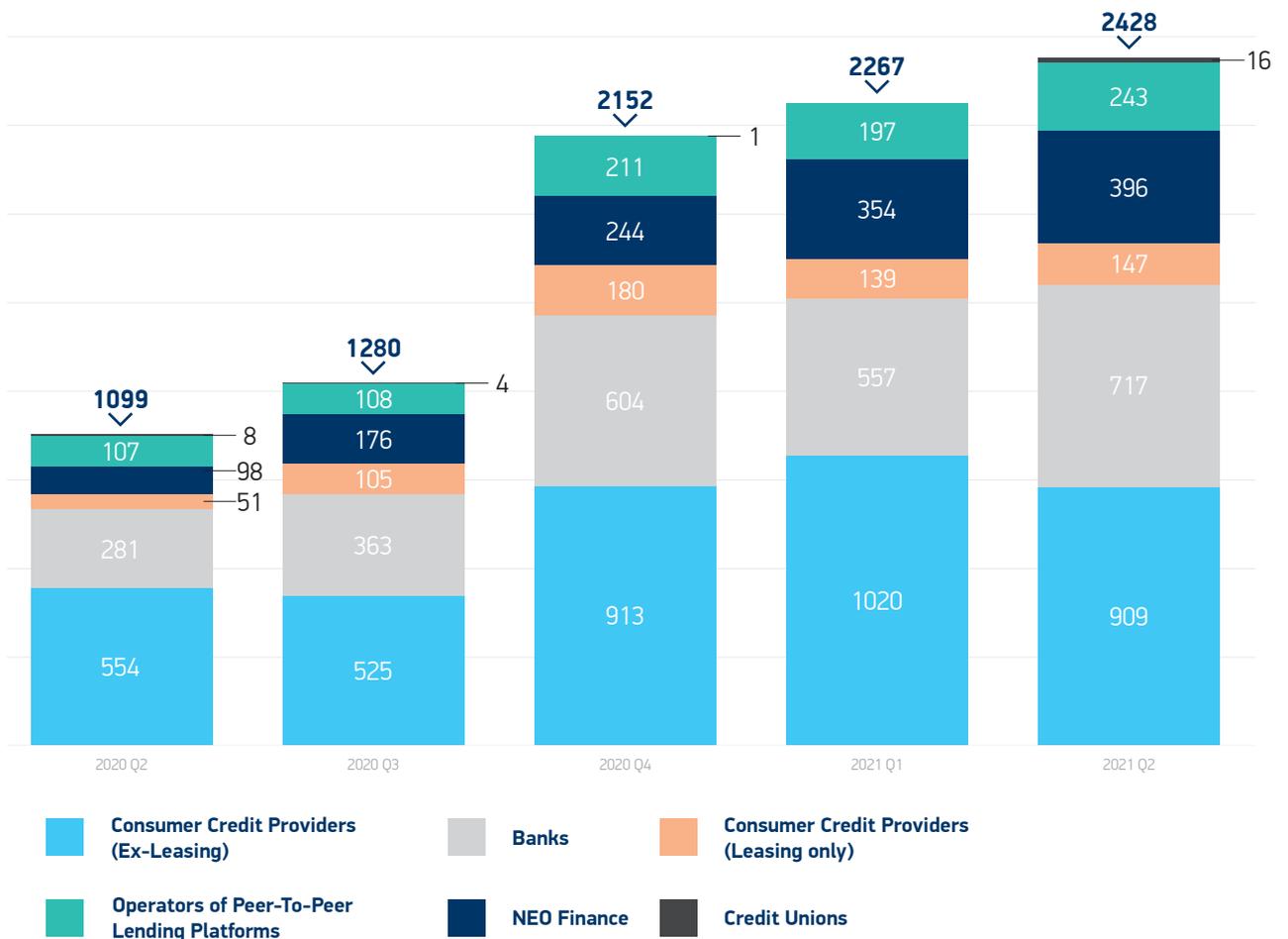
In Q2 2.43 million EUR

was refinancing loans out of 7.1 million EUR all financed loans. It means that “NEO Finance” lenders helped these borrowers to reduce their installment amount.



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

Refinancing distribution, K EUR

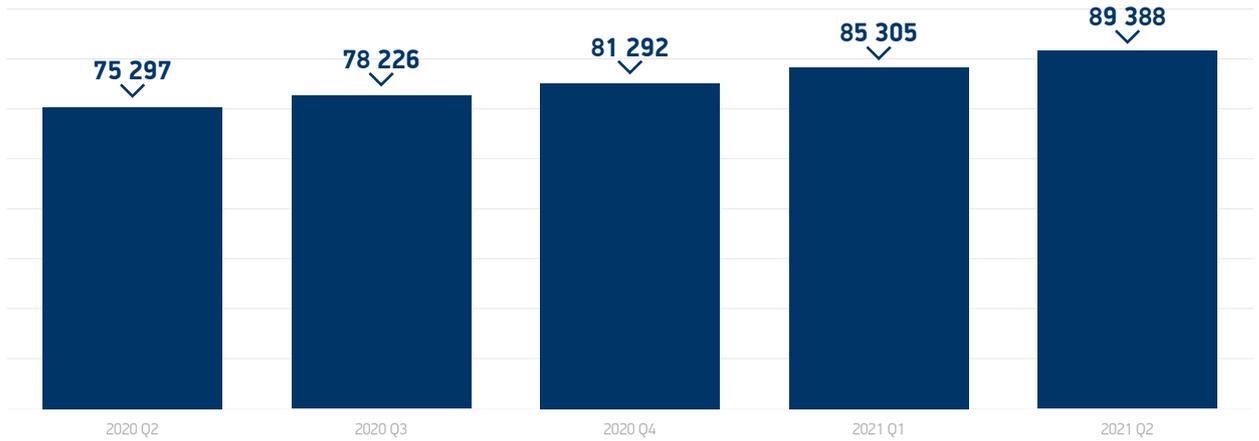




Borrowers

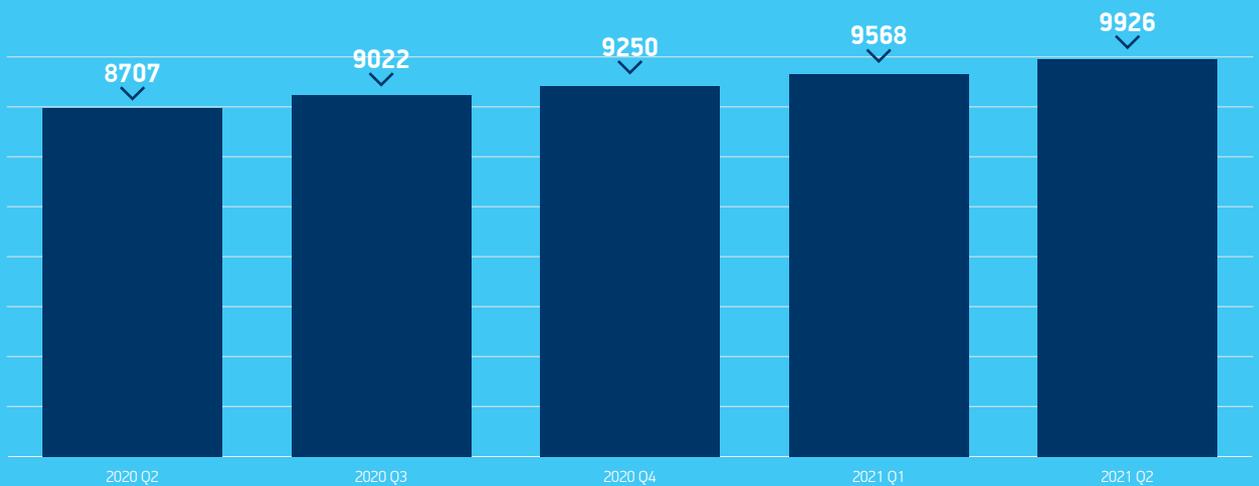
In Q2 2021, consistently increasing brand awareness and proven strategy attracted 4 083 new registered borrowers. At the end of Q2 2021, the number of registered borrowers grew to a total of 89 388. Compared to Q2 2020, the number of registered borrowers grew by 19%.

Registered borrowers



In Q2 2021, the number of active borrowers grew by 358 users. At the end of Q2 2021, the number of active borrowers reached a total of 9 926. Compared to Q2 2020, the number of active borrowers grew by 14%.

Active borrowers





Lenders

In Q2 2021, an increasing number of international partners and referral programs attracted 1 033 new registrations to a

total of 30 117

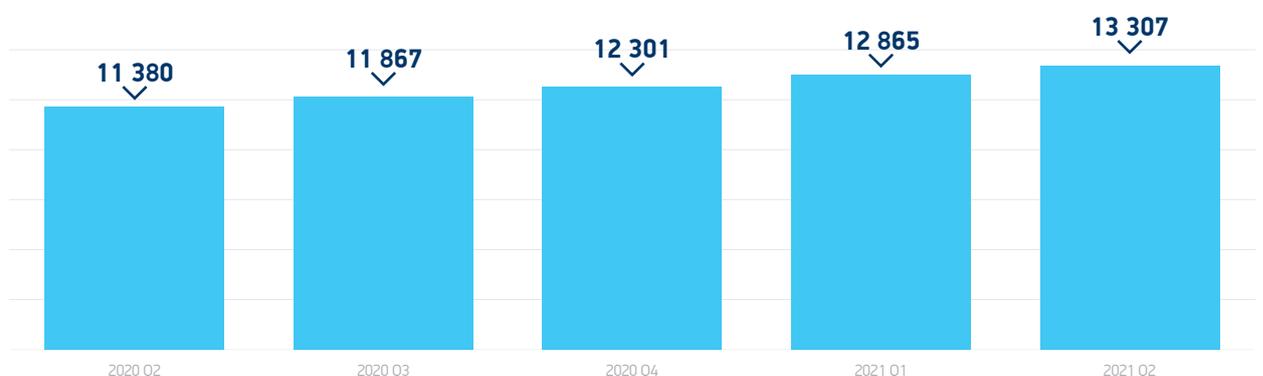
3 617 users didn't finish the identification step. Compared to Q2 2020, the number of registered lenders grew by 22%. To sum up, cooperation with publishers attracts an increasing number of foreign lenders.

Registered lenders



In Q2 2021, the number of active lenders grew by 442. At the end of 2021 Q2, the number of active lenders reached a total of 13 307. Compared to Q2 2020, the number of active lenders grew by 17%. The top countries regarding new active lenders that registered in Q2 in the descending order are residents from Lithuania, Netherlands and Germany.

Active lenders

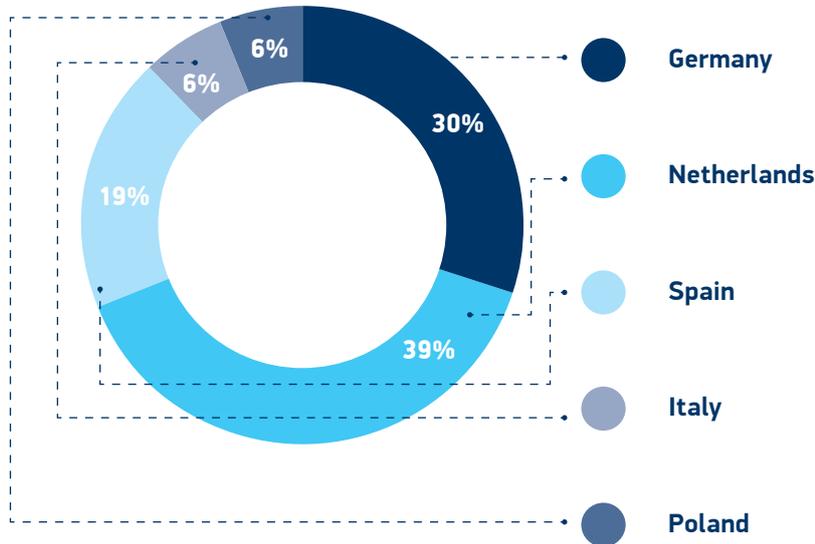




Foreign lenders

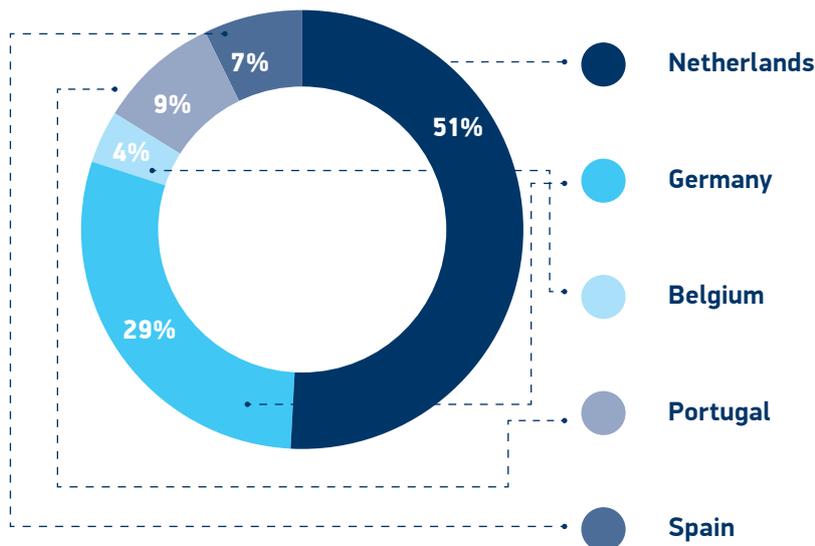
During Q2 2021, registered lenders from outside Lithuania amounted to 209. Registered lenders during Q2 2021 distribution by TOP 5 countries is provided below.

Registered lenders distribution by country



Active lenders who registered during Q1 2021 distribution by TOP 5 countries are provided below.

Active lenders distribution by country





NEO Finance investments

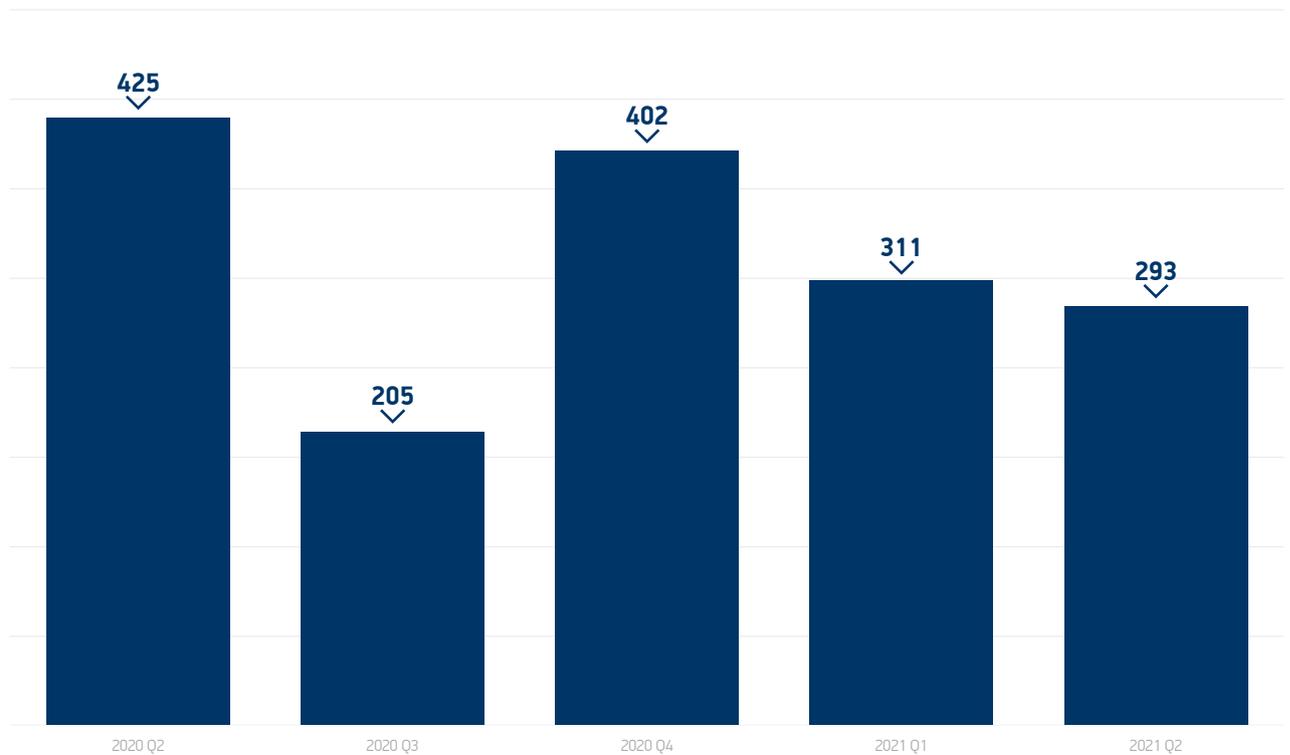
“NEO Finance” as a consumer credit provider invests in loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In Q2 2021, “NEO Finance” invested 293 thousand EUR.



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

about **6 mln. EUR.**

NEO Finance investments, K EUR





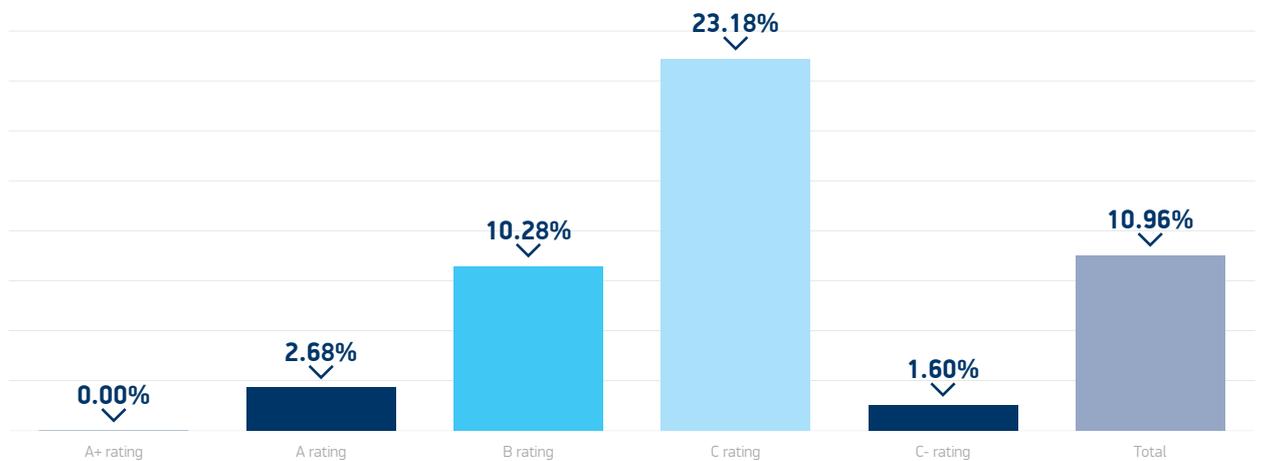
Overdue loans

At the end of Q2 2021, 10% (2 549) loans out of 25 491 issued loans were overdue for more than 90 consecutive days. 10.96% (8.36 million EUR) out of 76.31 million EUR financed credits were overdue more than 90 days.

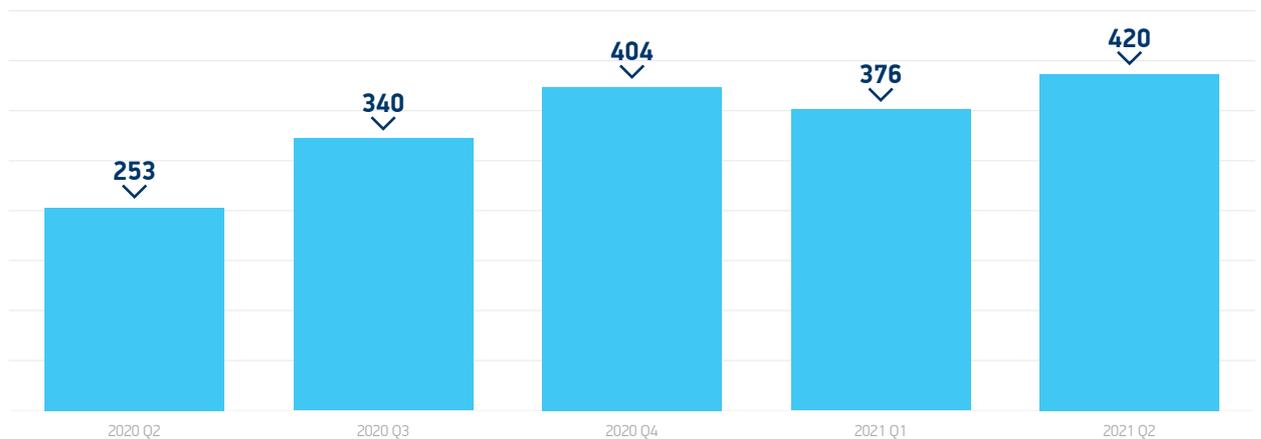
„NEO Finance“

is highly concerned about loan repayments, therefore great effort was put in the recovery of payments from terminated loans. During Q2 2021, 420 thousand EUR were recovered and distributed to lenders.

EUR, overdue >90 days, %



Amount recovered, K EUR



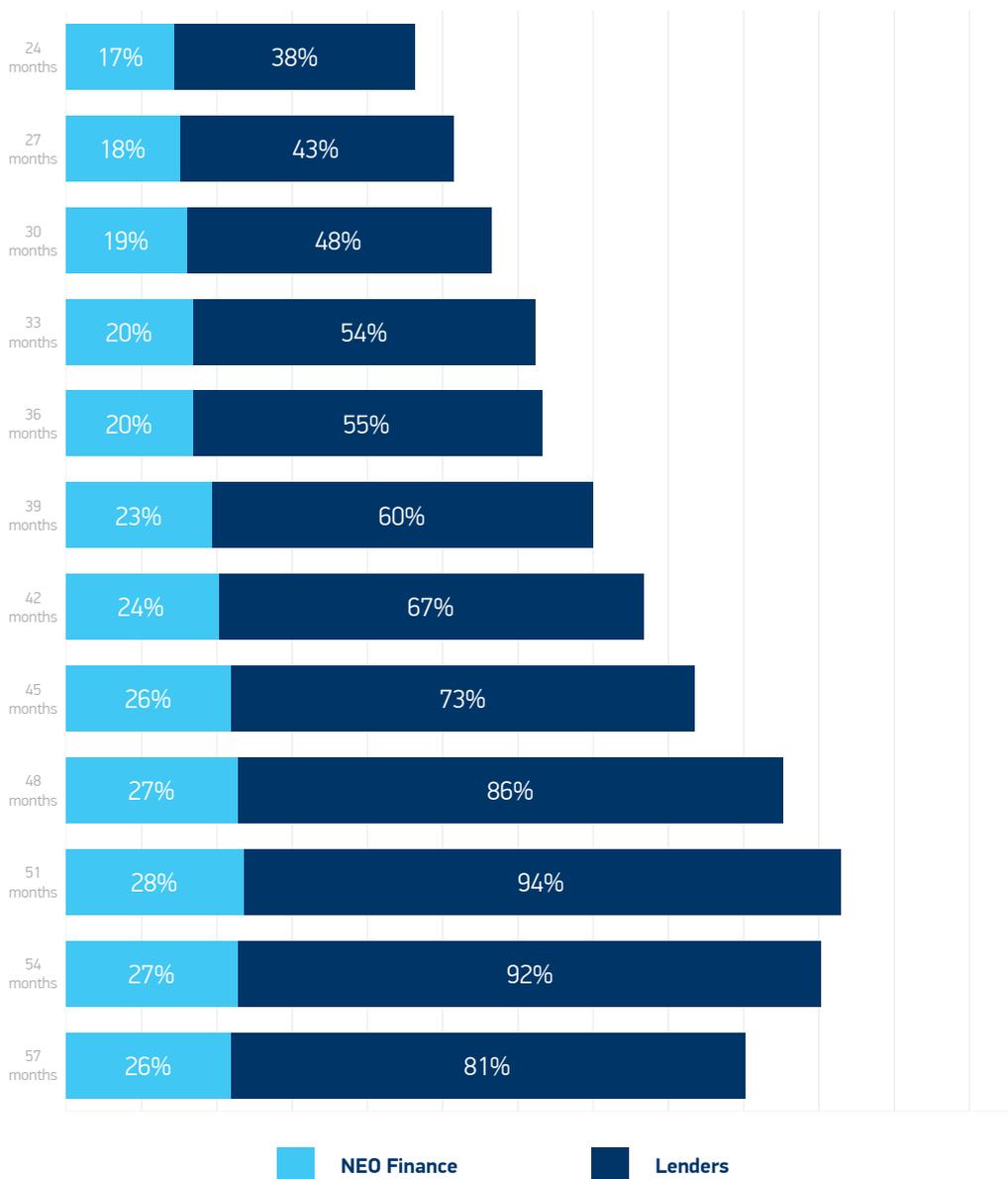


Recovery

Recovery starts 2 years after termination. The table below represents initial amounts at termination, while the chart shows the distribution between “NEO Finance” and lenders. It should be noted that all third-party legal costs incurred by “NEO Finance” related to the recovery process are covered first, while “NEO Finance” intermediary fees are covered with lenders.

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

Recovery as % of principal outstanding at termination





Recovery

Months after termination	Principal at termination	Loans, units
24 months	3672957	1156
27 months	2883283	917
30 months	2233416	735
33 months	1726112	579
36 months	1185740	418
39 months	879039	332
42 months	696857	275
45 months	436744	195
48 months	272552	134
51 months	151459	80
54 months	53017	34
57 months	21670	14



Provision fund

“NEO Finance” offers a “provision fund“ service, which allows lenders to reduce their investment risk. If a loan defaults “NEO Finance” guarantees to repay the lender with all of its assets. During Q2 2021 the service covered 141 626 EUR.

Provision fund, K EUR



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

At the end of Q2 2021, there were 359 207 EUR of accumulated funds, and the total guaranteed amount was 2 719 924 EUR, resulting in a 13% coverage ratio.

Guaranteed amount, K EUR





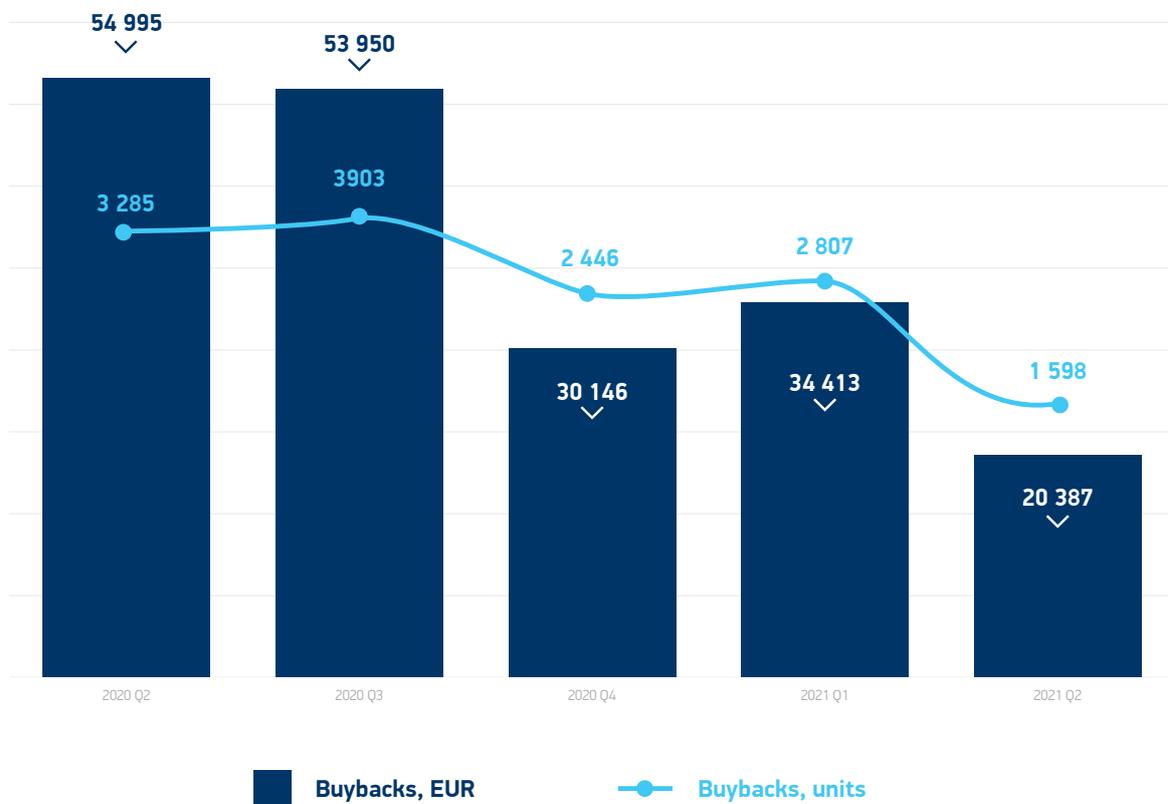
Buybacks service

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

In 2021 Q2, lenders sold

1 598 investments for **20 387 EUR**.

„Buybacks“





Secondary market

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

During 2021 Q2, secondary market turnover was

358 544 EUR

Average transaction was

17 EUR

Secondary market



Main statistics

Since launch till the end of 2021 Q2



13 307

Active lenders



2 842 €

Average portfolio



13 032 799 €

Interest received



76 309 082 €

Issued loans



4 329 421 €

Investments sold in secondary market



38 943 271 €

Outstanding principal
