

NEO Finance, AB

Sales report 2020 Q2

Vilnius

2020-07-15

Management comments

- 2020 Q2 sales amounted to **4.04 million EUR** of loans issued. COVID-19 and pandemic led to drop of loans issued both quarter-over-quarter and year-over-year basis. Despite that at the end of quarter we captured increase in lending amounts due to loosen economic restrictions in May/June in Lithuania.
- An increasing number of lenders from all over Europe discover consumer loans on **NEO Finance** P2P lending platform. In 2020 Q2 most of foreign lenders registered from Poland, The Netherlands and Germany.
- During 2020 Q2 more than 1.4 million transactions were made through the Neopay payment initiation service. Most payments were made through APIs with major banks.
- On May **NEO Finance** EMI license was supplemented by Account information service.
- On June **NEO Finance** acquired 100% of company's Finomark shares, which is currently developing crowdfunding platform.
- **NEO Finance** was awarded during Fintech week 2020 as Company of the Year in Lending, Investment and P2P category.

Events



Social events

- **April**
Q&A session with chairman Evaldas Remeikis;
Seminar – How to invest during recession?
Seminar for beginner lenders.
 - **May**
Q&A session with chairman Evaldas Remeikis;
Seminar on topic – Debt recovery.
 - **June**
Seminar for beginner lenders.
- The General Meeting of Shareholders was convened regarding the approval of consolidated set of annual financial statements of the Company for the year 2019;
 - Introduction of A+ creditworthiness rating;
 - **NEO Finance** EMI license was supplemented by Account information service;
 - **NEO Finance** acquired 100% shares of company Finomark, which developing new crowdfunding platform;
 - **NEO Finance** signed a deal with EMI **MoQ** to organize return of their customers money after their decision to stop company's operations;
 - **NEO Finance** was awarded during Fintech week 2020 as Company of the Year in Lending, Investment and P2P category.

Management accounts



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

	2020 Q2	2020 Q1	Δ, %	2020 Q2	Δ, %
Loans issued, K EUR	4,038	4,908	-18%	4,549	-11%
Intermediary fee income, K EUR*	401	484	-17%	358	12%
<i>Intermediary fee / Loans issued ratio</i>	9.9%	9.9%	-	7.9%	-
PIS income, K EUR	68	59	16%	30	129%
Other income, K EUR	405	390	4%	318	27%
Total income, K EUR	874	932	-6%	706	24%

At the end of 2020 Q2 receivable intermediary fee amounted to **5.54 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. 401 thousand EUR is a result of 4,038 thousand EUR issued and will be received throughout entire loan period.

Payment Initiation Service (PIS)

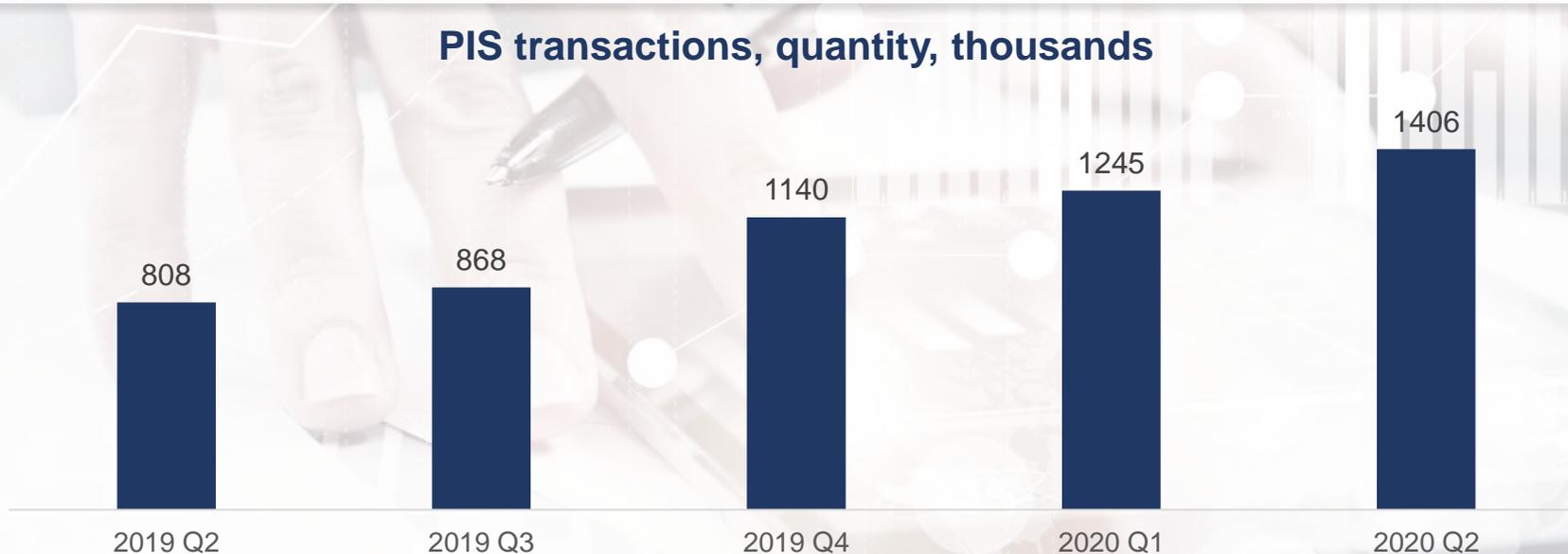


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service)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

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

During 2020 Q2 “**NEO Finance**” clients made **1 405 864** transactions. Most payments were made through APIs with major banks.

PIS transactions, quantity, thousands



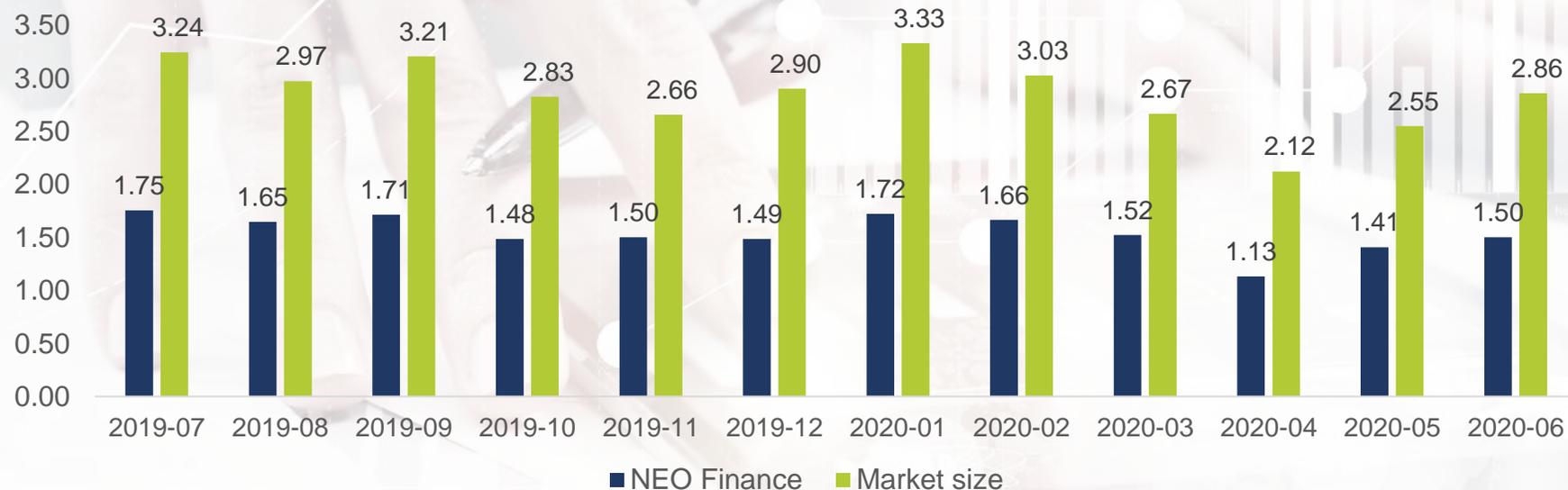
P2P consumer loan market in Lithuania



Due to COVID-19 and business restrictions, April was the weakest month during the whole year, but after restrictions were loosened market amounts got back to previous levels. In 2020 Q2 P2P consumer loan market size was **7.53 million EUR**. Compared to 2019 Q2 the issued loans volume fell by **10%** from **8.33 million EUR**. **“NEO Finance”** drop was **11%** in the same period. **“NEO Finance”** market share during 2020 Q2 was **54%** with **4.04 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms during 2020 Q2 reached the peak of **2.86 million EUR** in June. **“NEO Finance”** clients borrowed **1.5 million EUR** in June, compared to the same month in 2019, **“NEO Finance”** issued loans volume grew by **6%**.

P2P consumer market, loans issued, million EUR

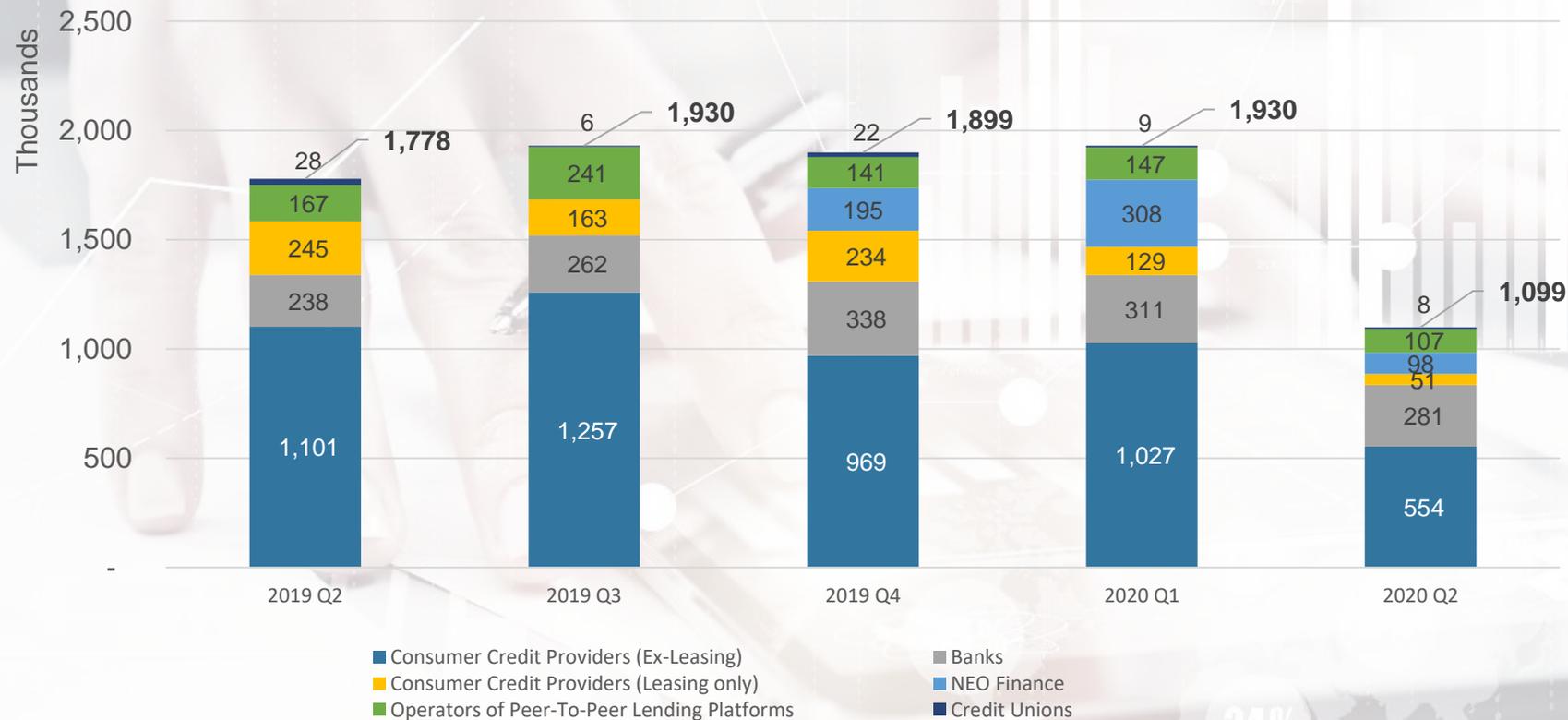


Refinancing



Starting with 2019 Q4 “**NEO Finance**” made it available to refinance its own loans for borrowers who are being refinanced by competition. Out of **4.04 million EUR** financed in 2020 Q2 – **1.1 million EUR** was refinancing loans, meaning that “**NEO Finance**” lenders helped these borrowers to reduce their instalment amount. At “**NEO Finance**” borrowers can get a loan where a part of funds are for refinancing purpose and additional amount is for consuming purpose. Refinancing is shown without additional loan amount.

Refinancing distribution, K EUR



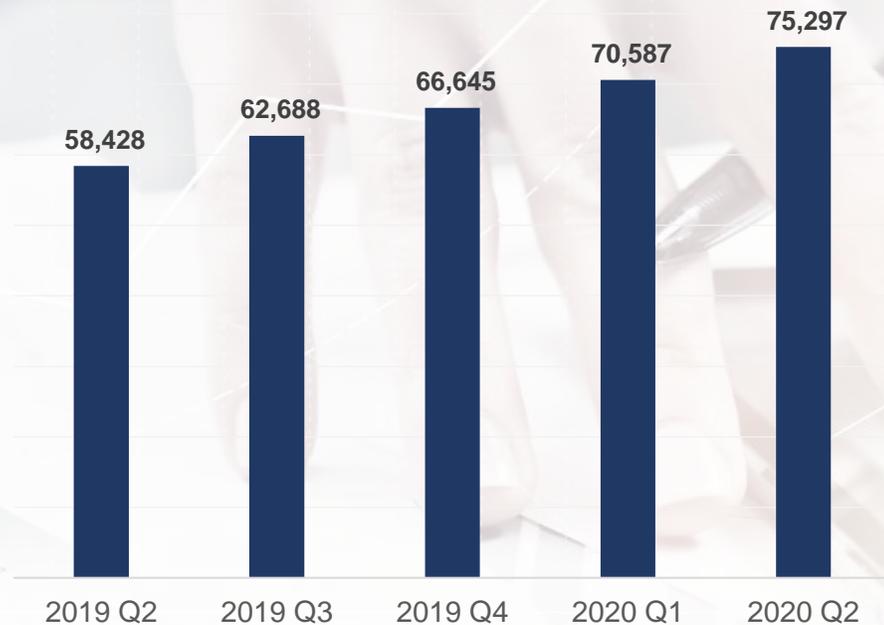
Borrowers



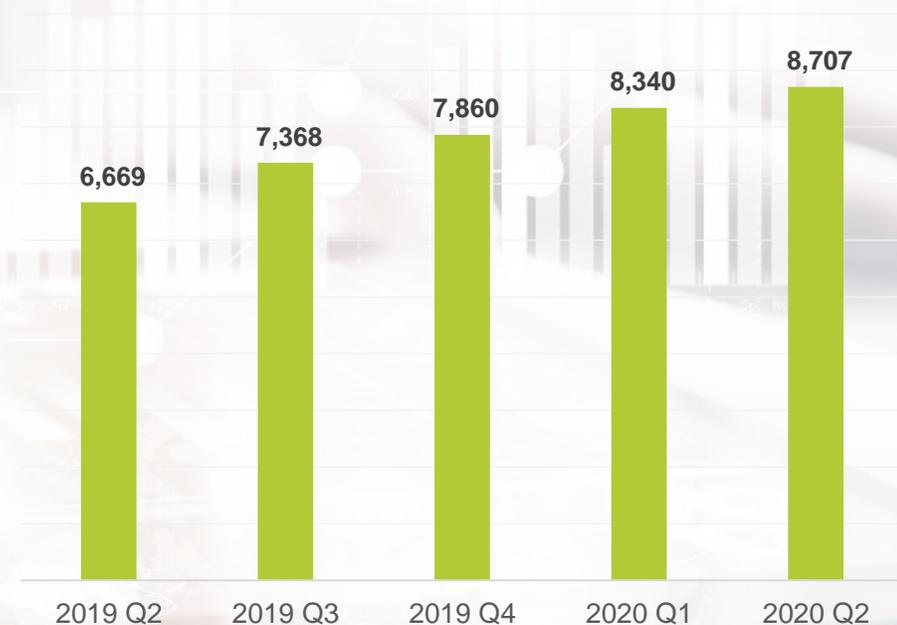
In 2020 Q2 established brand and proven acquisition strategy attracted **4 710 new registered borrowers**. At the end of 2020 Q2 the number of registered borrowers grew to a total of **75 297**. Compared to 2019 Q2, the number of registered borrowers grew by **29%**.

In 2020 Q2 the number of active borrowers grew by **367 users**. At the end of 2020 Q2 the number of active borrowers reached a total of **8 707**. Compared to 2019 Q2, the number of active borrowers grew by **31%**.

Registered borrowers



Active borrowers



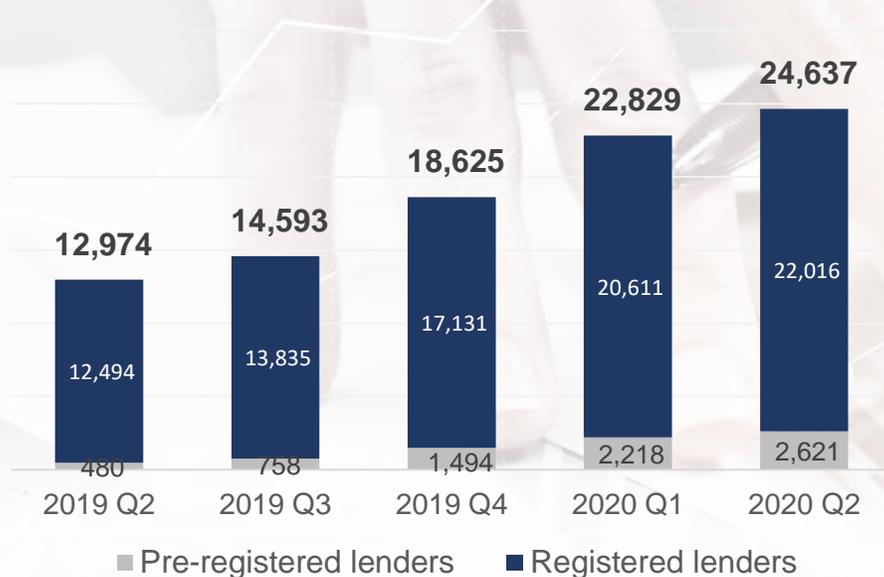
Lenders



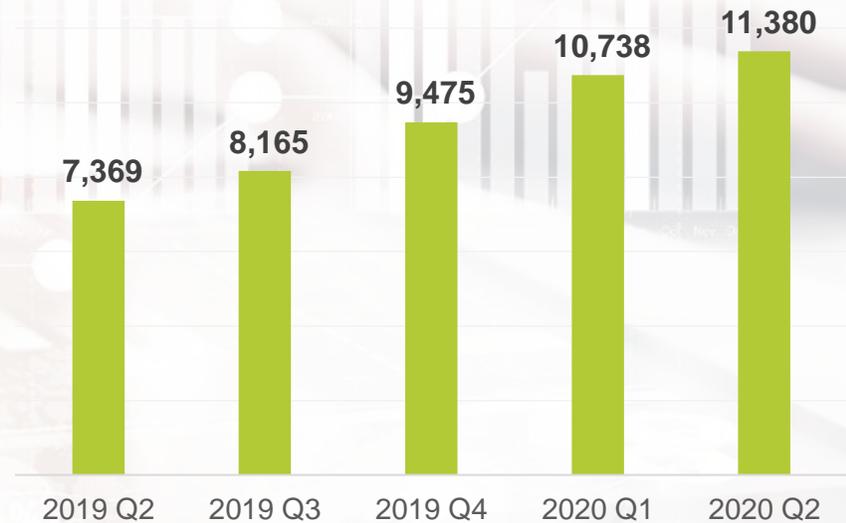
In 2020 Q2 increasing number of international partners and referral programme attracted **1 808 new registrations** to a total of **24 637**. **2 621** of them did not finish the identification step. Compared to 2019 Q2, the number of registered lenders grew by **90%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2020 Q2 the number of active lenders grew by **642**. At the end of 2020 Q2 the number of active lenders reached a total of **11 380**. Compared to 2019 Q2, the number of active lenders grew by **54%**. TOP 3 foreign countries regarding new active lenders in the descending order are The Netherlands, Germany and Spain

Registered lenders



Active lenders



Lenders have already earned 8.27 million EUR in returns.

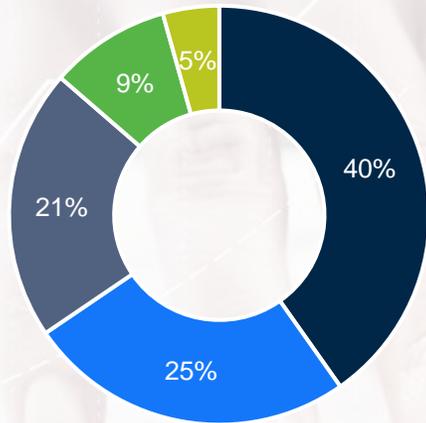
Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2020 Q2 amounted to **667**. Registered lenders during 2020 Q2 distribution by TOP 5 countries is provided below:

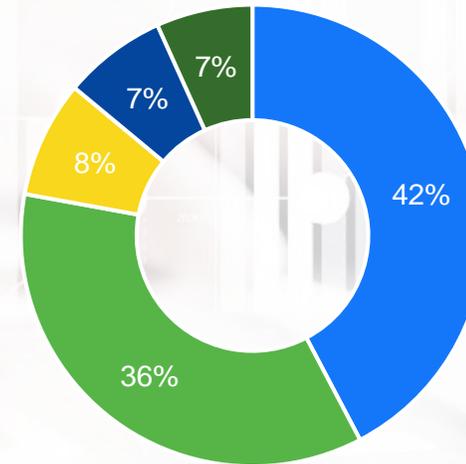
Active lenders, who registered during 2020 Q2 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Poland ■ Netherlands ■ Germany ■ Spain ■ Italy

Active lenders distribution by country



■ Netherlands ■ Germany ■ Spain ■ United Kingdom ■ Belgium

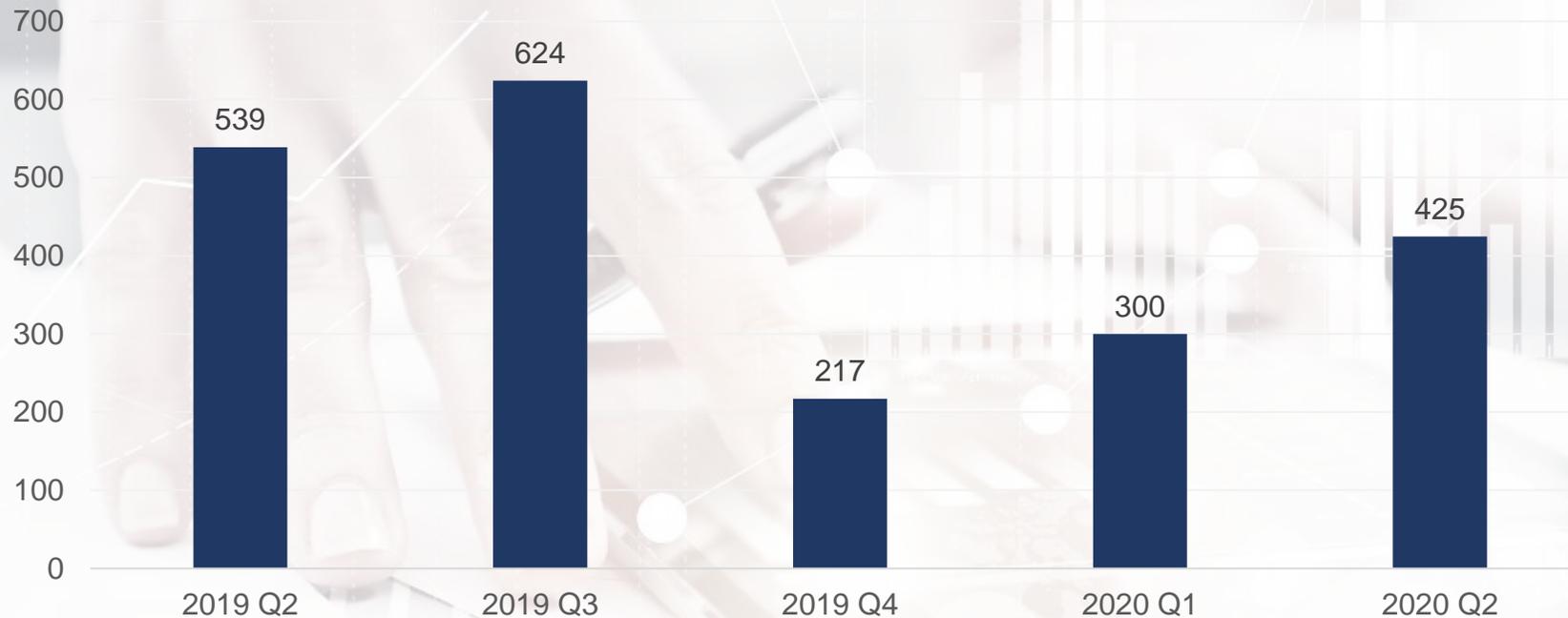
NEO Finance investments



“NEO Finance”, as a consumer credit provider, co-invests into loans together with lenders. A policy of avoiding conflicts of interest is provided to every lender. In 2020 Q2 “NEO Finance” invested **425 thousand EUR**.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **4.77 million EUR**.

NEO Finance investments, K EUR

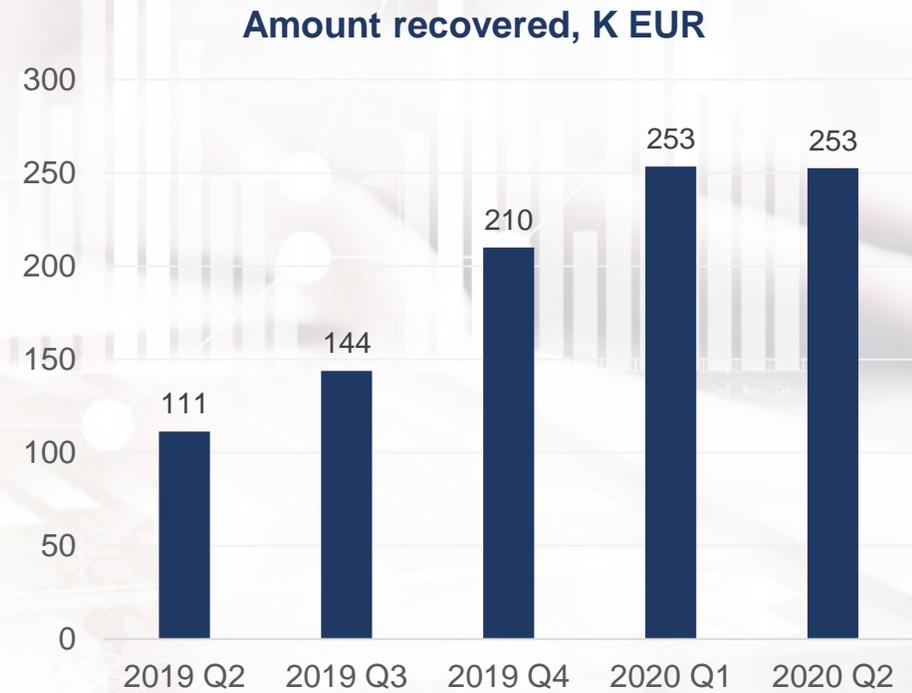
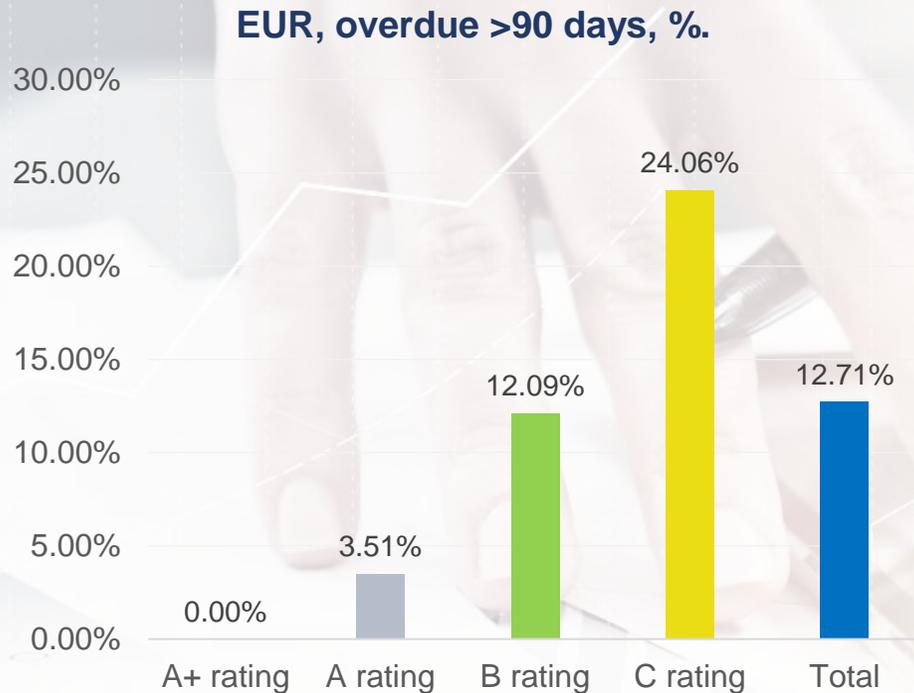


Overdue loans



At the end of 2020 Q2 out of **19 155 issued loans** - **2 118 loans**, or **11.06%**, were overdue for more than 90 consecutive days. Respectively, out of **53.37 million EUR** financed – **6.78 million EUR** or **12.71%** were overdue more than 90 days.

“**NEO Finance**” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2020 Q2 **253 thousand EUR** were recovered and distributed to lenders.



Recovery

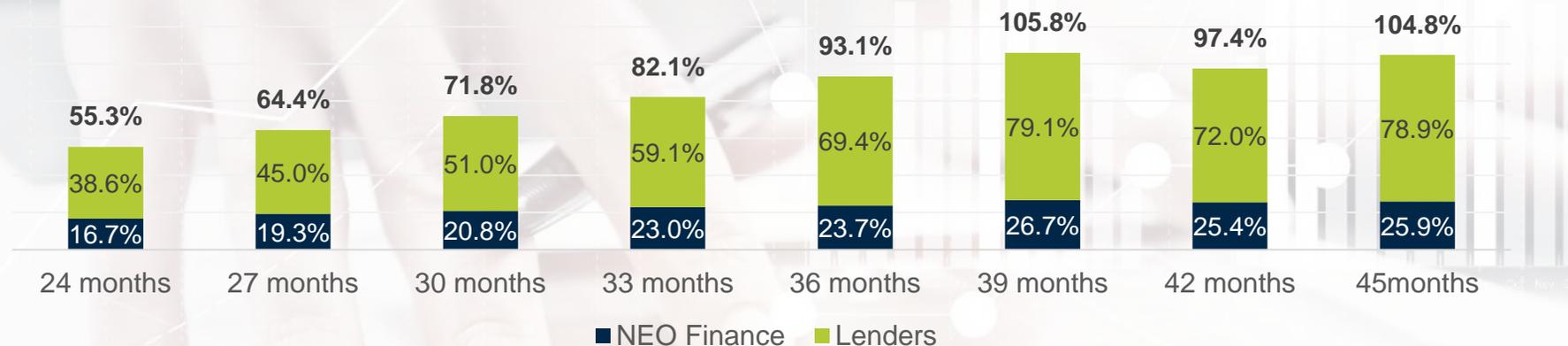


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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

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

Recovery as % of principal outstanding at termination



Months after termination	24 months	27 months	30 months	33 months	36 months	39 months	42 months	45 months
Principal at termination	€1 185 740	€ 879 039	€ 696,857	€ 436,744	€ 272,552	€151,459	€ 53,017	€ 21,670
Loans, units	418	332	275	195	134	80	34	14

Provision fund

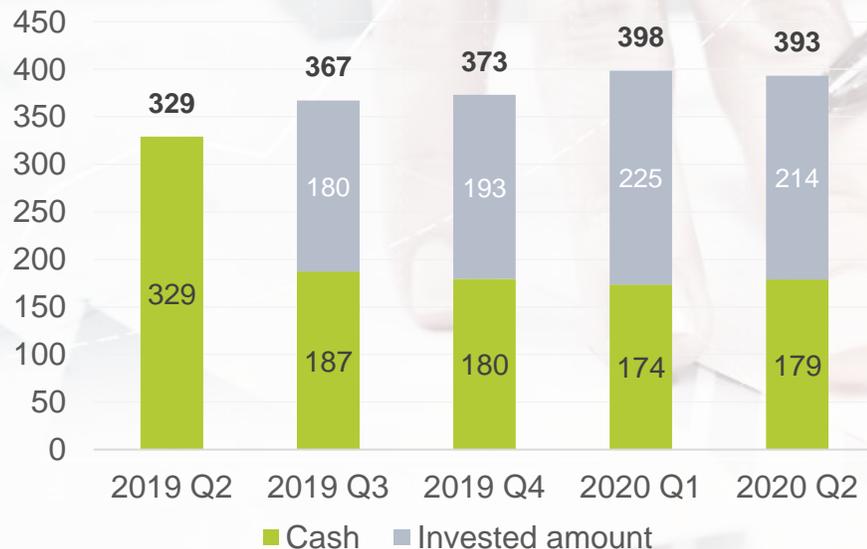


“NEO Finance” offers a “**Provision fund**” service, which allows lenders to reduce their investment risk. If a loan defaults – “NEO Finance” guarantees to repay the lender with all of its assets. During 2020 Q2 the service covered **178 982 EUR**.

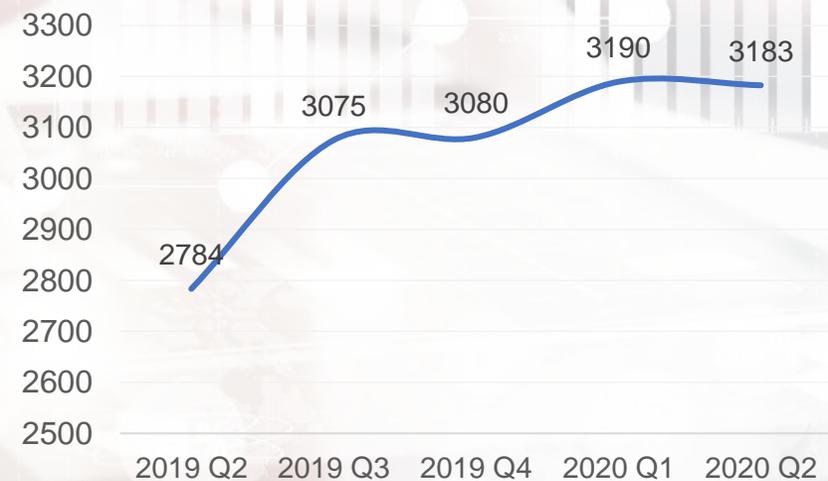
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “**Provision fund**”. Starting with 2019 Q3 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's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

At the end of 2020 Q1 there were **393 087 EUR** of accumulated funds, and the total guaranteed amount was **3 182 676 EUR**, resulting in **12%** coverage ratio.

Provision fund, K EUR



Guaranteed amount, K EUR

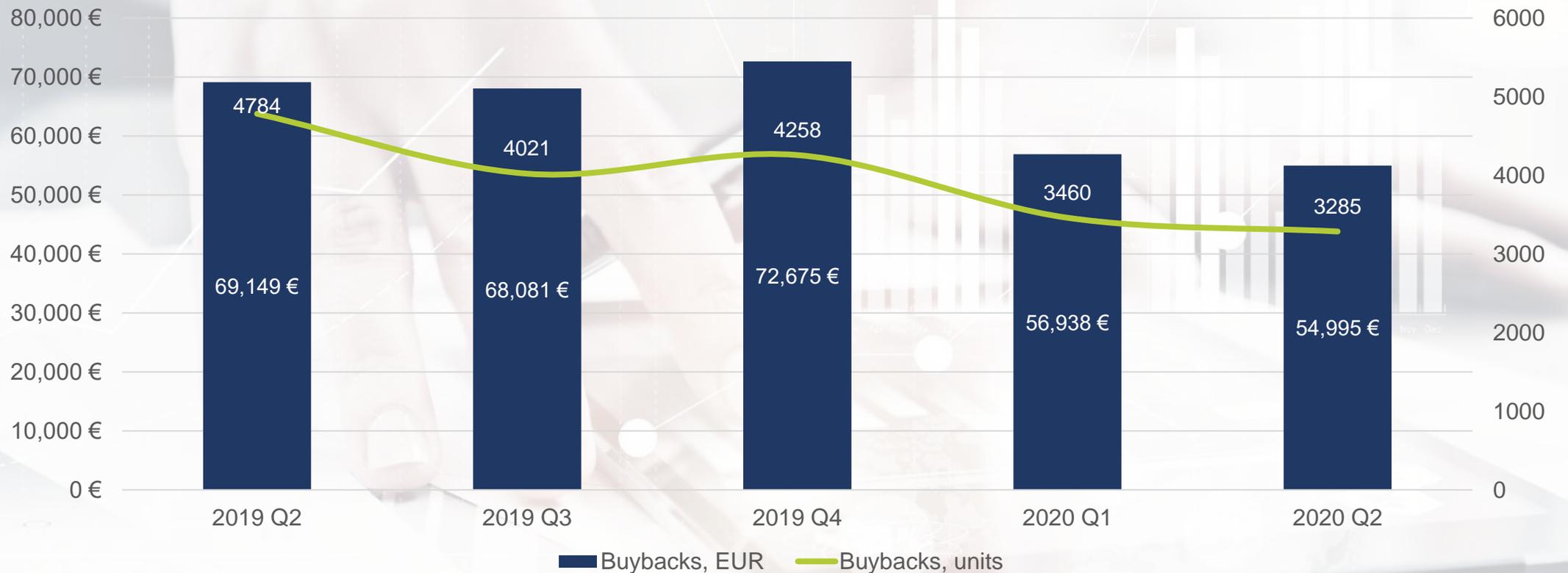


Buybacks



“**NEO Finance**” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “**NEO Finance**” . In 2020 Q2 lenders sold **3 285 investments** for **54 995 EUR**.

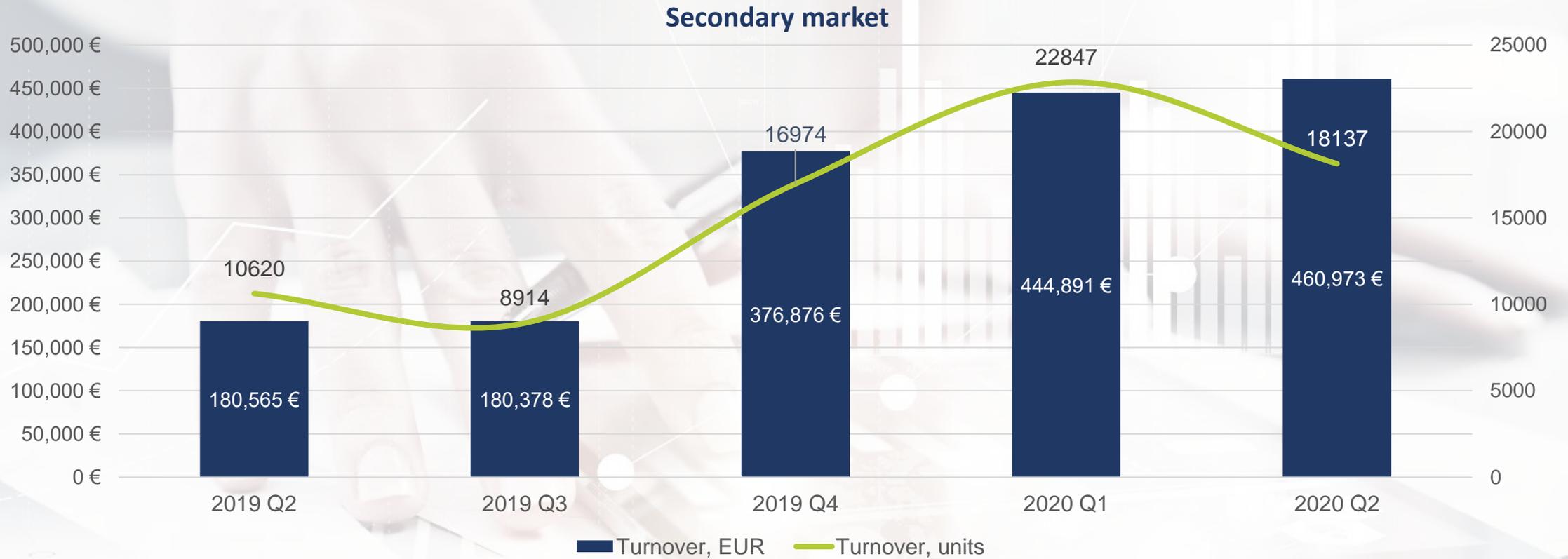
Buybacks



Secondary market



Secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns or sell a nonperforming investment. It also provides liquidity when lender feels the need to cash out. During 2020 Q2 secondary market turnover was **460 973 EUR**. Average transaction was **25.4 EUR**.



Main statistics

Since launch till the end of 2020 Q2

11,380

Active lenders

2,698 €

Average portfolio

8,268,451 €

Interest received

53,368,931 €

Issued loans

2,656,176 €

Investments sold in
secondary market

30,701,106 €

Outstanding
principal