



NEO Finance, AB

Sales report 2020 Q1

Vilnius

2020-04-15

Management comments

2020 Q1 sales amounted to **4.91 million EUR** of loans issued. We took lots of different effective actions to attract both borrowers and lenders to our platform, and that led us to this result. To mention – cooperation agreement with affiliate partner Altero was signed.

An increasing number of lenders from all over Europe discover consumer loans on **NEO Finance** P2P lending platform. The number of foreign lenders is continuously growing faster than Lithuanian. In 2020 Q1 most of foreign lenders registered from Poland, The Netherlands and Spain.

During 2020 Q1 more than 1.2 million transactions was made through the Neopay payment initiation service. Most payments were made through APIs with major banks. Neopay representative successfully participated in PaymentConf 2020 conference in Riga. Neopay signed first pan-Baltic contract with Open24 – PIS is used by their e-shops in all 3 Baltic countries.

On March **NEO Finance** operations continuity plan was renewed and provided to the Bank of Lithuania.

On March 16 quarantine for COVID-19 has been announced in Lithuania and many businesses were forced to stop their operations due to restrictions imposed. Seeing this as increased risk of borrowers some changes were made: lower bound of interest rates were increased for all ratings, maximum amount per loan and per borrower were decreased.

Events



Social events

- **January**
Seminars for beginner and advanced lenders in Vilnius;
- **February**
Seminars for beginner and advanced lenders in Vilnius;
Presentation "Life under PSD2: Expectations vs Reality,, at PaymentConf 2020 in Riga;
Presentation at Rokit Vilnius "Integration with Bank: Unlocking the Opportunities"

- The General Meeting of Shareholders was convened due the abolition of the supervisory board;
- Updated [Invite Your Friend](#) programme, lenders need to top-up their account by 20 EUR to receive 20 EUR bonus;
- Started cooperation with affiliate partner Altero;
- **NEO Finance B.V.** capital increased by **20 thousand EUR**;
- **NEO Finance** continuity plan was renewed at the end of March;
- Due to COVID-19 quarantine in Lithuania all workplaces were smoothly transferred from the office to employees' homes.

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 Q1	2019 Q4	Δ, %	2019 Q1	Δ, %
Loans issued, K EUR	4,908	4,469	10%	4,492	9%
Intermediary fee income, K EUR*	484	370	31%	358	35%
<i>Intermediary fee / Loans issued ratio</i>	9.9%	8.3%	-	8.0%	-
PIS income, K EUR	59	51	15%	24	141%
Other income, K EUR	390	364	7%	272	43%
Total income, K EUR	932	785	19%	654	42%

At the end of 2020 Q1 receivable intermediary fee amounted to **5.12 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. 484 thousand EUR is a result of 4,908 thousand EUR issued and will be received throughout entire loan period.

Payment Initiation Service (PIS)

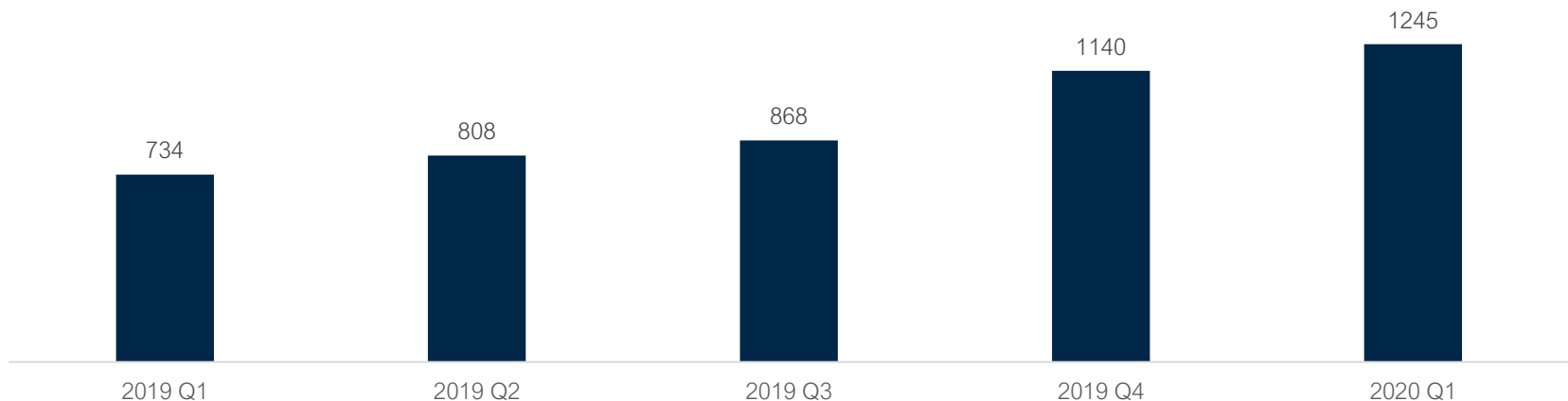


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service) 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 Q1 **“NEO Finance”** clients made **1 244 827** transactions. Most payments were made through APIs with major banks. Neopay representative successfully participated in PaymentConf 2020 conference in Riga. Neopay signed first pan-Baltic contract with Open24 – PIS is used by their shops in all 3 Baltic countries.

PIS transactions, quantity, thousands



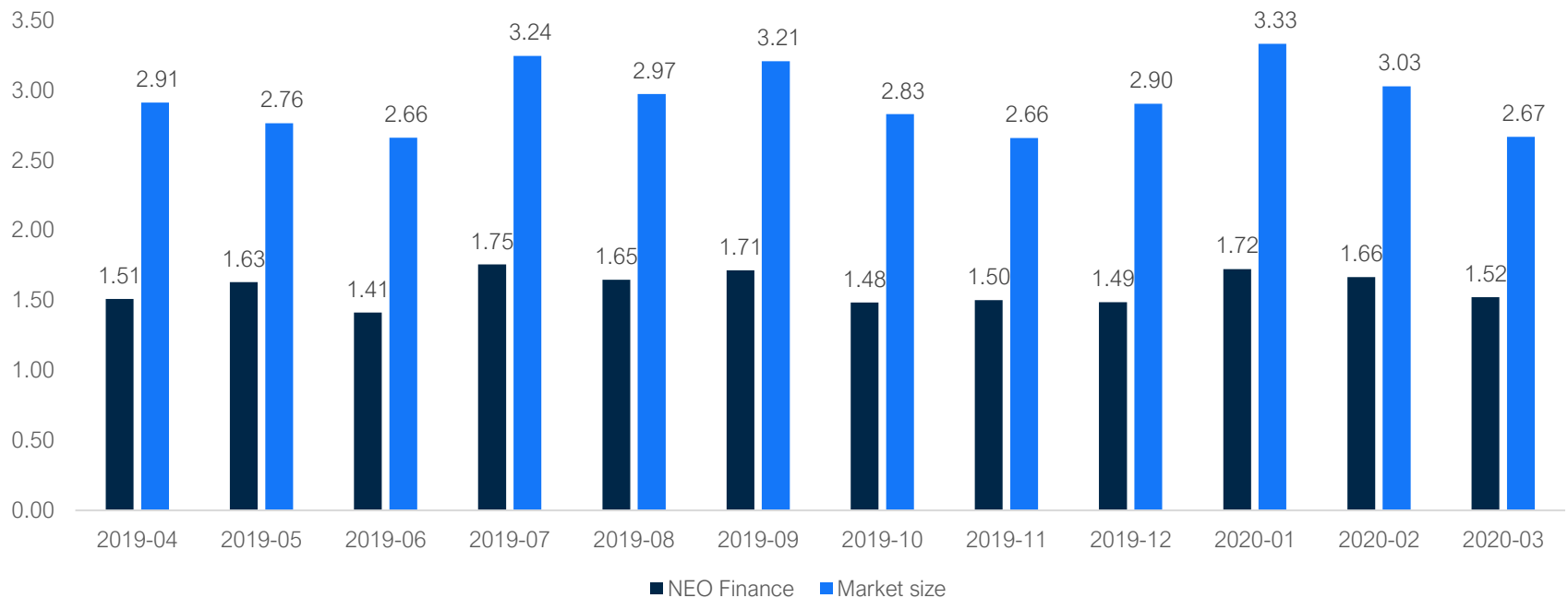
P2P consumer loan market in Lithuania



After migration to new Bank of Lithuania database P2P consumer loan market in 2020 Q1 was more active than in 2019 Q4. In 2020 Q1 P2P consumer loan market size was **9.03 million EUR**. Compared to 2019 Q1 the issued loans volume grew by **7%** from **8.39 million EUR**. **“NEO Finance”** growth was **9%** in the same period. **“NEO Finance”** market share during 2020 Q1 was **54%** with **4.91 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms during 2020 Q1 reached the peak of **3.33 million EUR** in January. **“NEO Finance”** clients borrowed **1.72 million EUR** in January, compared to the same month in 2019, **“NEO Finance”** issued loans volume grew by **18%**.

P2P consumer market, loans issued, million EUR



Source: Data from Lithuanian P2P lending platforms

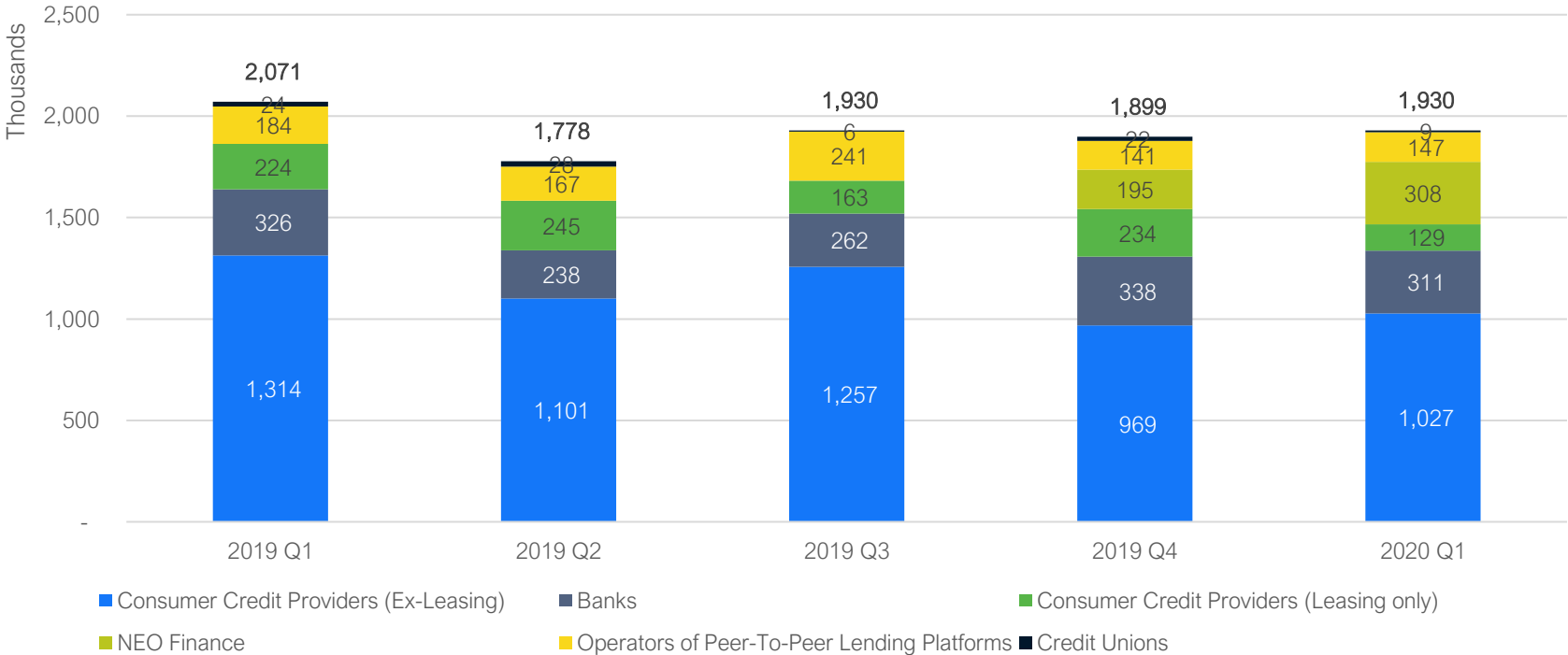
Refinancing



Starting with 2019 Q4 “NEO Finance” made it available to refinance its own loans for borrowers who are being refinanced by competition. Out of **4.91 million EUR** financed in 2020 Q1 – **1.93 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



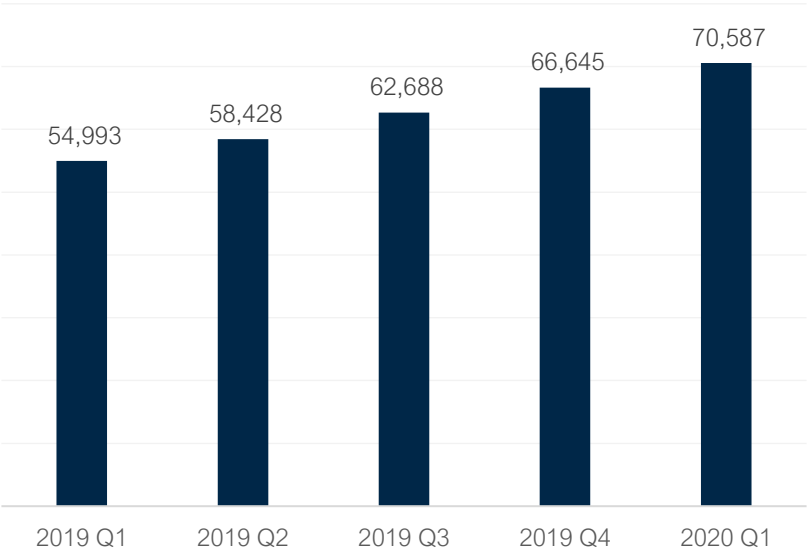
Borrowers



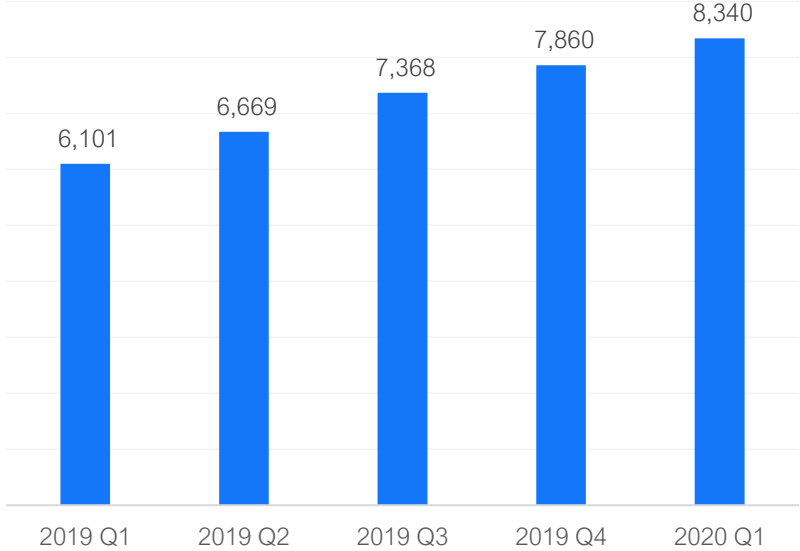
In 2020 Q1 established brand and proven acquisition strategy attracted **3 942 new registered borrowers**. At the end of 2020 Q1 the number of registered borrowers grew to a total of **70 587**. Compared to 2019 Q1, the number of registered borrowers grew by **28%**.

In 2020 Q1 the number of active borrowers grew by **480 users**. At the end of 2020 Q1 the number of active borrowers reached a total of **8 340**. Compared to 2019 Q1, the number of active borrowers grew by **37%**.

Registered borrowers



Active borrowers



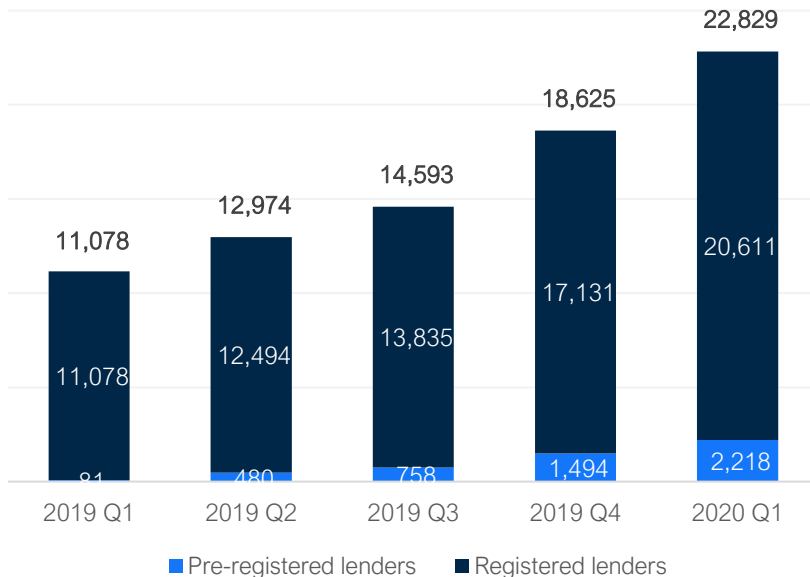
Lenders



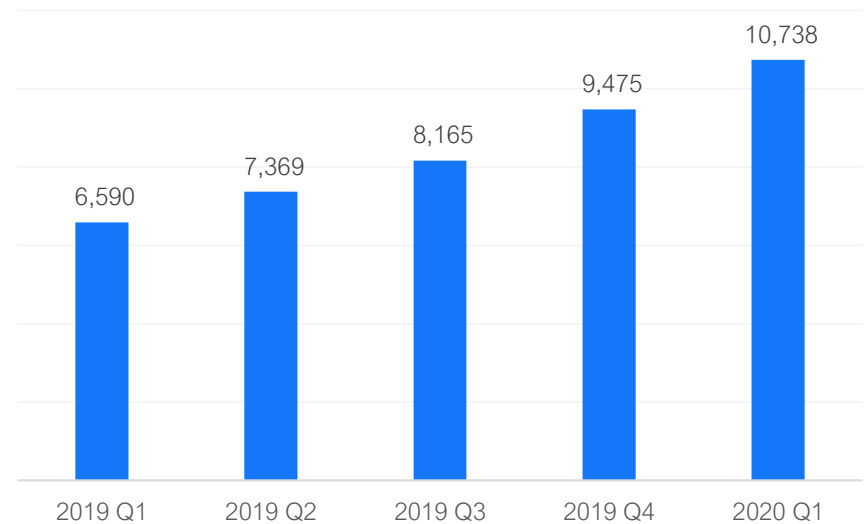
In 2020 Q1 increasing number of international partners and referral programme attracted a record of **4 204 new registrations** to a total of **22 829**. 2 218 of them did not finish the identification step. Compared to 2019 Q1, the number of registered lenders grew by **106%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2020 Q1 the number of active lenders grew by **1 263**. At the end of 2020 Q1 the number of active lenders reached a total of **10 738**. Compared to 2019 Q1, the number of active lenders grew by **63%**. TOP 3 foreign countries regarding new active lenders in the descending order are Poland, The Netherlands and Spain.

Registered lenders



Active lenders



Lenders have already earned 7.21 million EUR in returns.

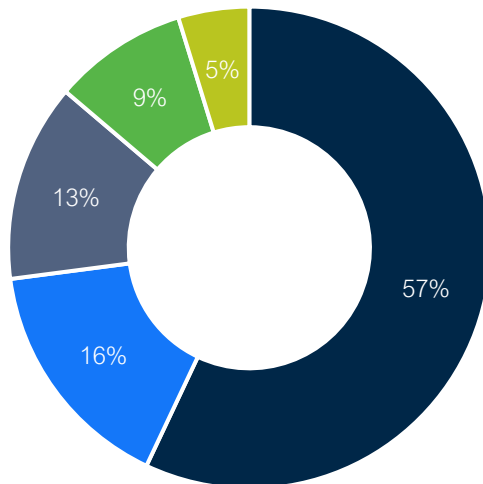
Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2020 Q1 amounted to **2 463**. Registered lenders during 2019 Q4 distribution by TOP 5 countries is provided below:

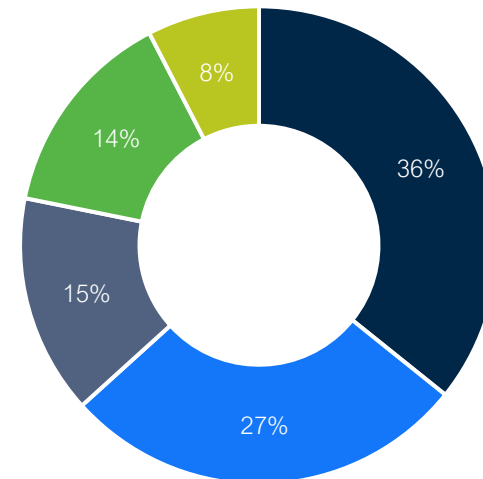
Active lenders, who registered during 2020 Q1 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Poland ■ Netherlands ■ Spain ■ Germany ■ Belgium

Active lenders distribution by country



■ Poland ■ Netherlands ■ Spain ■ Germany ■ Belgium

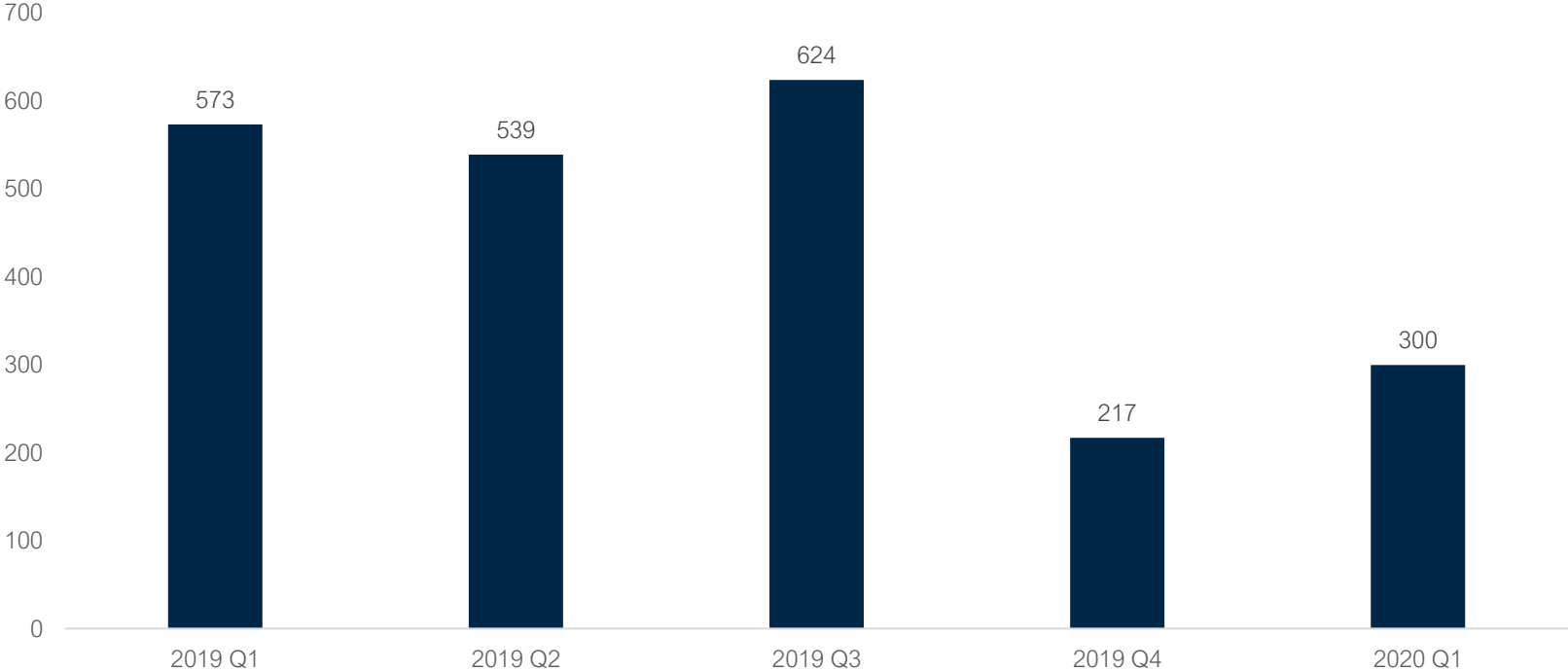
NEO Finance investments



“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 Q1 “NEO Finance” invested **300 thousand EUR**.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **4.34 million EUR**.

NEO Finance investments, K EUR



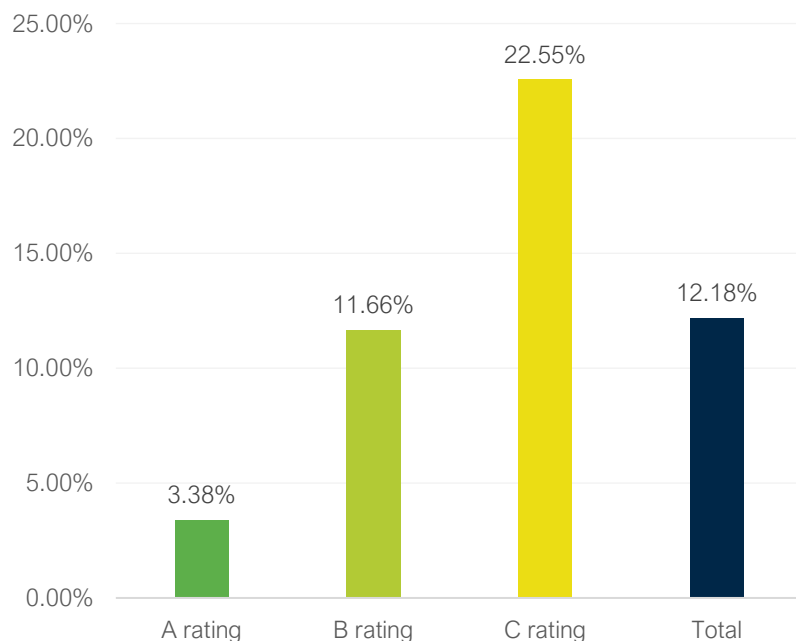
Overdue loans



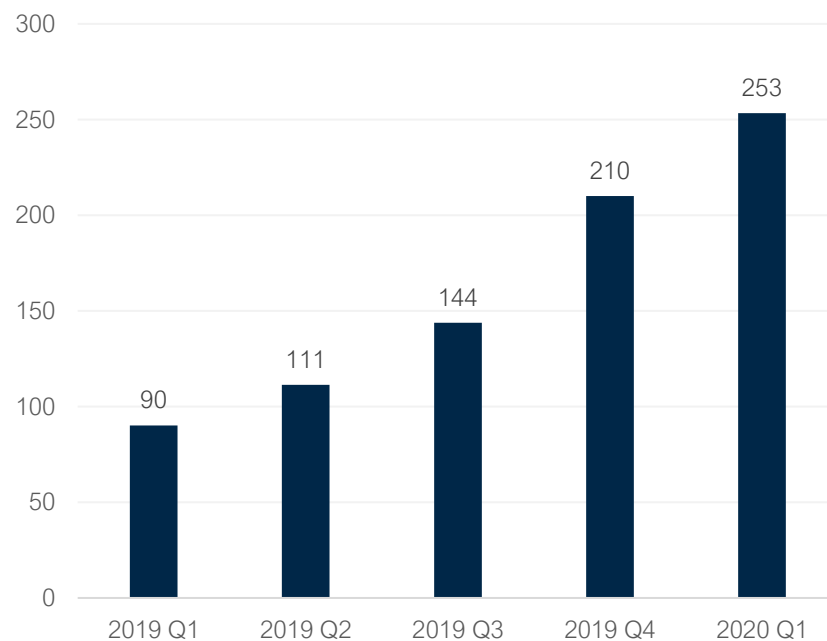
At the end of 2020 Q1 out of **17 870 issued loans** - **1 877 loans**, or **10.50%**, were overdue for more than 90 consecutive days. Respectively, out of **49.32 million EUR** financed – **6.01 million EUR** or **12.18%** were overdue more than 90 days.

“**NEO Finance**” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2020 Q1 a record amount of **253 thousand EUR** were recovered and distributed to lenders.

EUR, overdue >90 days, %



Amount recovered, K EUR



Recovery

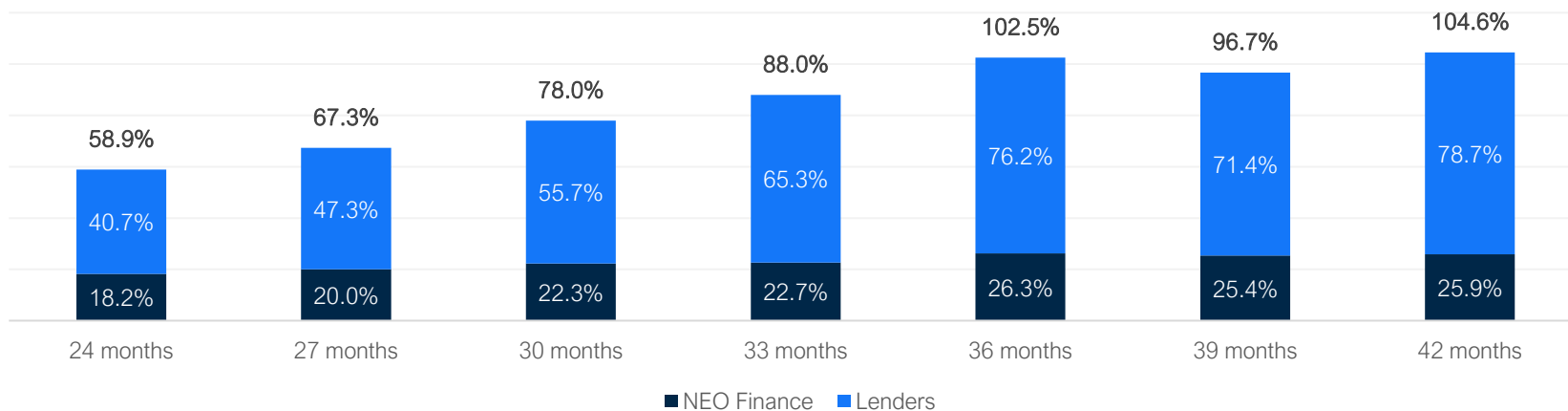


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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

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

Recovery as % of principal outstanding at termination



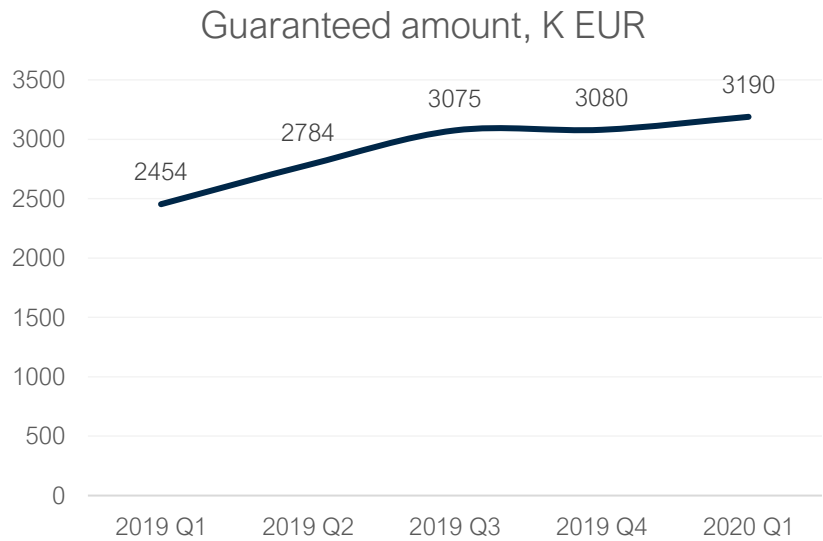
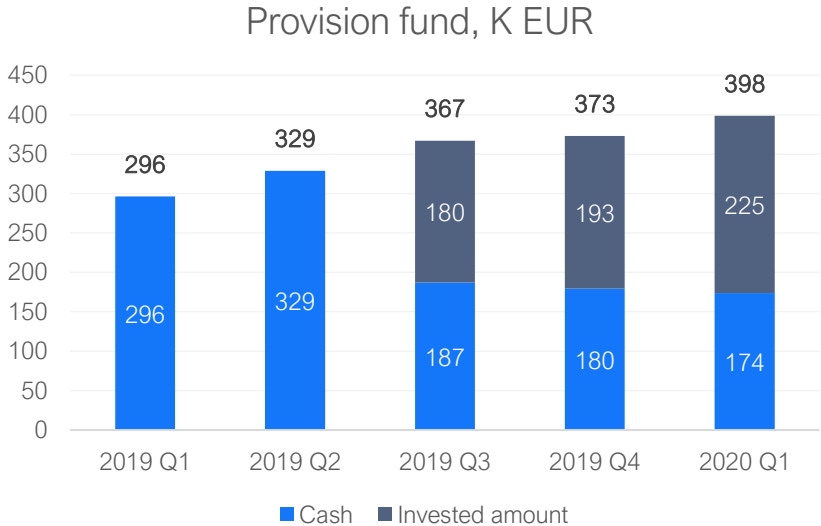
Months after termination	24 months	27 months	30 months	33 months	36 months	39 months	42 months
Principal at termination	€ 879 039	€ 696,857	€ 436,744	€ 272,552	€ 151,459	€ 53,017	€ 21,670
Loans, units	332	275	195	134	80	34	14

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 Q1 the service covered **170 798 EUR**.

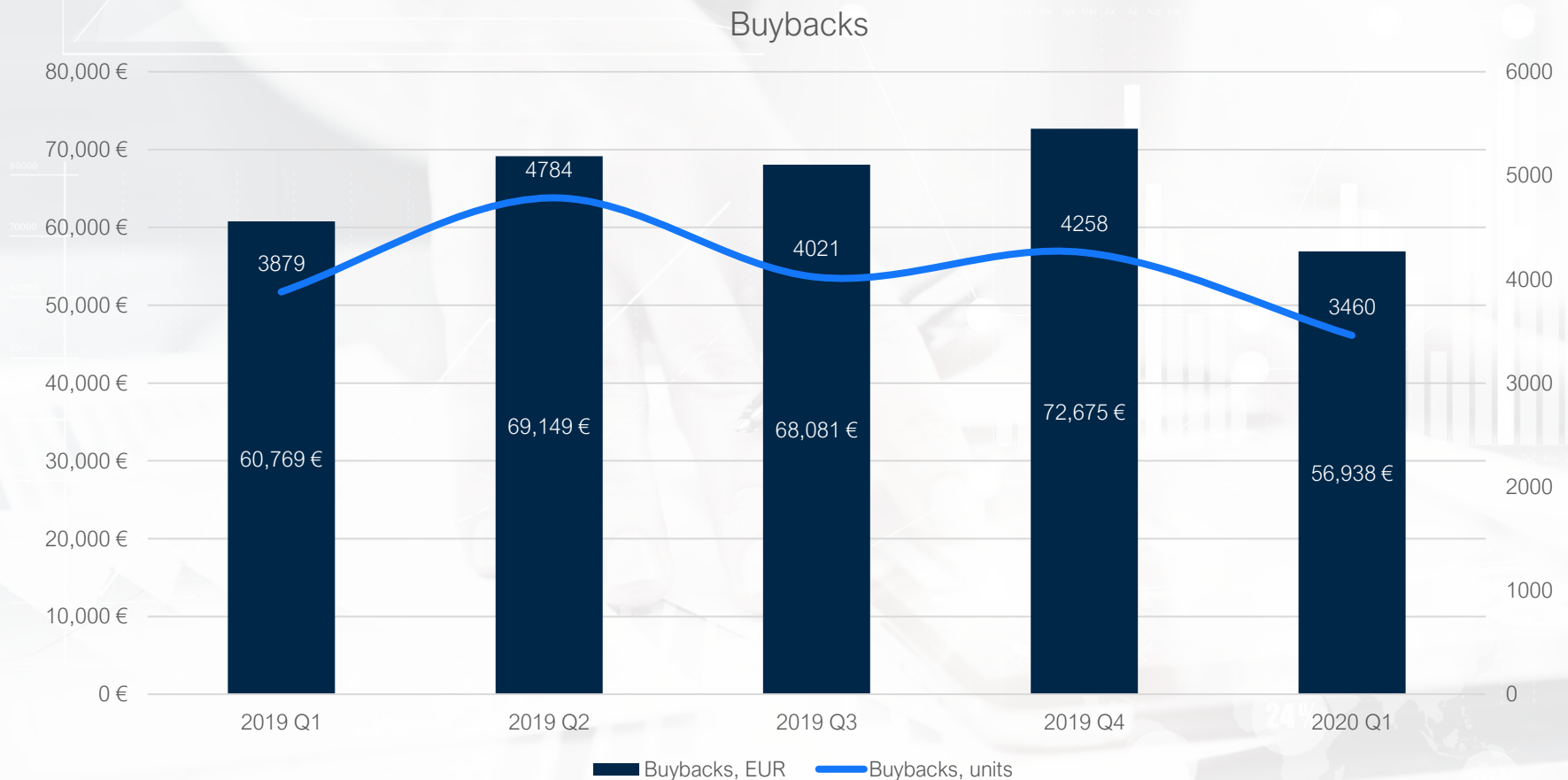
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund”. Starting with 2019 Q3 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's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

The fund's growth amounted to **25 487 EUR**. At the end of 2020 Q1 there were **398 492 EUR** of accumulated funds, and the total guaranteed amount was **3 189 597 EUR**, resulting in **12%** coverage ratio.



Buybacks

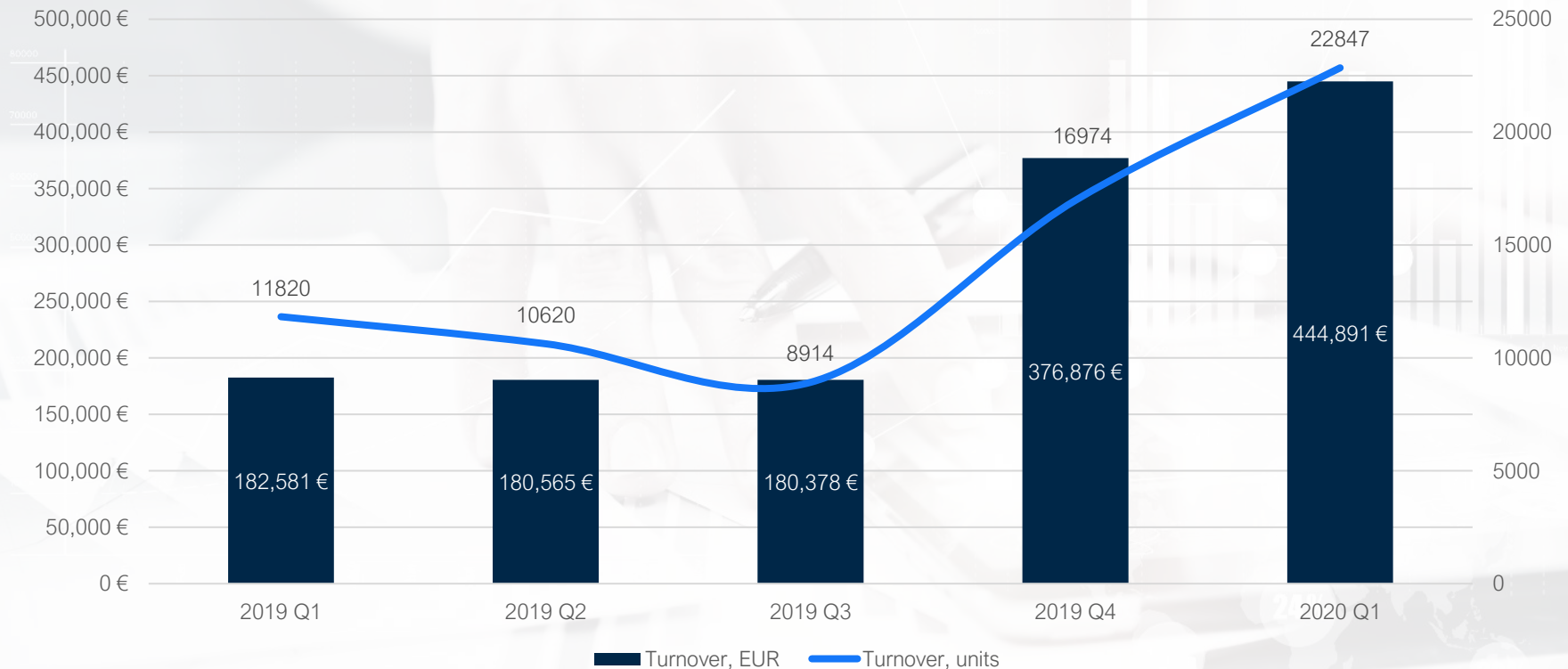
“**NEO Finance**” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “**NEO Finance**”. In 2020 Q1 lenders sold **3 460 investments** for **56 938 EUR**.



Secondary market

Secondary market is a feature where lenders can sell or buy investments. It allows lenders to adjust their risk exposure in pursuit of aggressive returns or sell a nonperforming investment. It also provides liquidity when lender feels the need to cash out. The increase in secondary market turnover was mostly led by investors' willingness to cash out and seek for even more profitable investment opportunities during current recession. During 2020 Q1 secondary market turnover was **444 891 EUR**. Average transaction was **19.5 EUR**.

Secondary market



Main statistics

Since launch till the end of 2020

Q1

10,738

Active lenders

2,719 €

Average portfolio

7,209,220 €

Interest received

49,319,737 €

Issued loans

2,195,204 €

Investments sold in
secondary market

29,368,477 €

Outstanding principal

