



NEO Finance, AB

Sales report 2019Q1

Vilnius

2019-04-17

Management comments

2019 Q1 sales results were in line with expectations with **4.5 million EUR** of loans issued. Strategically planned TV and online campaign together with new affiliate campaign assisted in reaching quarterly loans issued goal.

“**NEO Finance**” successfully registered capital increase of **210 thousand EUR** which were raised on an investment-based crowdfunding campaign on Seedrs under UK FSA regulation.

Moreover, the increasing number of lenders from all over Europe discovers consumer loans on “**NEO Finance**” P2P lending platform. Number of foreign lenders are growing faster than Lithuanian. In 2019 Q1 the largest numbers of foreign lenders registered from Germany, Spain and Portugal. Management believes that the number of lenders from EU will gain momentum and their contribution in Lithuanian consumer loans will firmly increase.

2019 Q1 was extremely successful providing Payment Initiation Service for Lithuanian e-shops and service providers. Number of transactions exceeded **1.5 million** in total.

To meet the needs of our borrowers and lenders “**NEO Finance**” introduced small short term loans starting from 100 EUR.

“**NEO Finance**” has finalized the audit for 2018. Audited financial reports can be found [here](#). Moreover, business continuity plan was updated and provided to Bank of Lithuania, featuring a new stress-test and client funds movement scheme. Plan can be found [here](#).

Events



Social events

- **January**
Seminar for beginners in Vilnius;
- **February**
Seminar for lenders regarding debt recovery in Vilnius;
Seminar for women in Vilnius;
Seminar for advanced lenders in Vilnius;
Seminar for MRU master students;
- **March**
New videos regarding frequently asked lender questions.

- Launch of new affiliate campaign;
- Finalized **audit** for 2018;
Notification to all EU regulatory authorities regarding provision of “**NEO Finance**” EMI services, Payment Initiation Service included;
- New range of overdue investments and loans of more than **720 days** introduced;
- Change implemented, so that client’s money are held only in one commercial bank’s special purpose account and in Bank of Lithuania;
- Launch of **NEOPay** representative website for PIS;
- Borrowers introduced with small short term loans starting from **100 EUR**;
- Capital increased by **210K EUR**;
- Subsidiary **Neo Finance B.V.** established in the Netherlands.

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.

	2019 Q1	2018 Q4	Δ, %	2018 Q1	Δ, %
Loans issued, K EUR	4,492	4,196	7%	2,990	50%
Intermediary fee income, K EUR*	374	336	11%	222	69%
<i>Intermediary fee / Loans issued ratio</i>	8.3%	8.0%	-	7.4%	-
PIS income, K EUR	24	18	33%	0	-
Other income, K EUR	252	227	11%	130	94%
Total income, K EUR	650	581	12%	351	85%

At the end of 2019 Q1 receivable intermediary fee amounted to **3.21 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. 374 thousand EUR is a result of 4,492 thousand EUR issued, and will be received throughout entire loan period.

Payment Initiation Service (PIS)

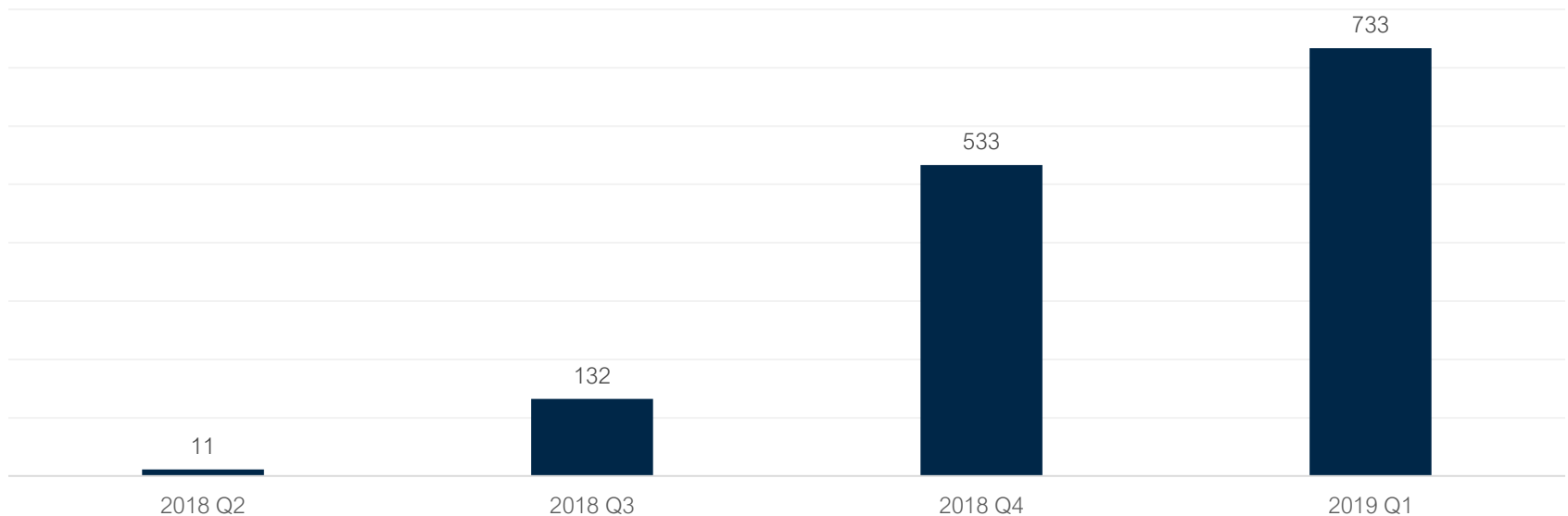


Payment initiation service means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service) 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. The provision of payment initiation service in Lithuania is regulated by the Payment Law, which implements the provisions of Directive 2015/2366 of the European Parliament and of the Council on payment services

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

During 2019 Q1 **“NEO Finance”** clients made **733 154** transactions.

PIS transactions, quantity, thousands



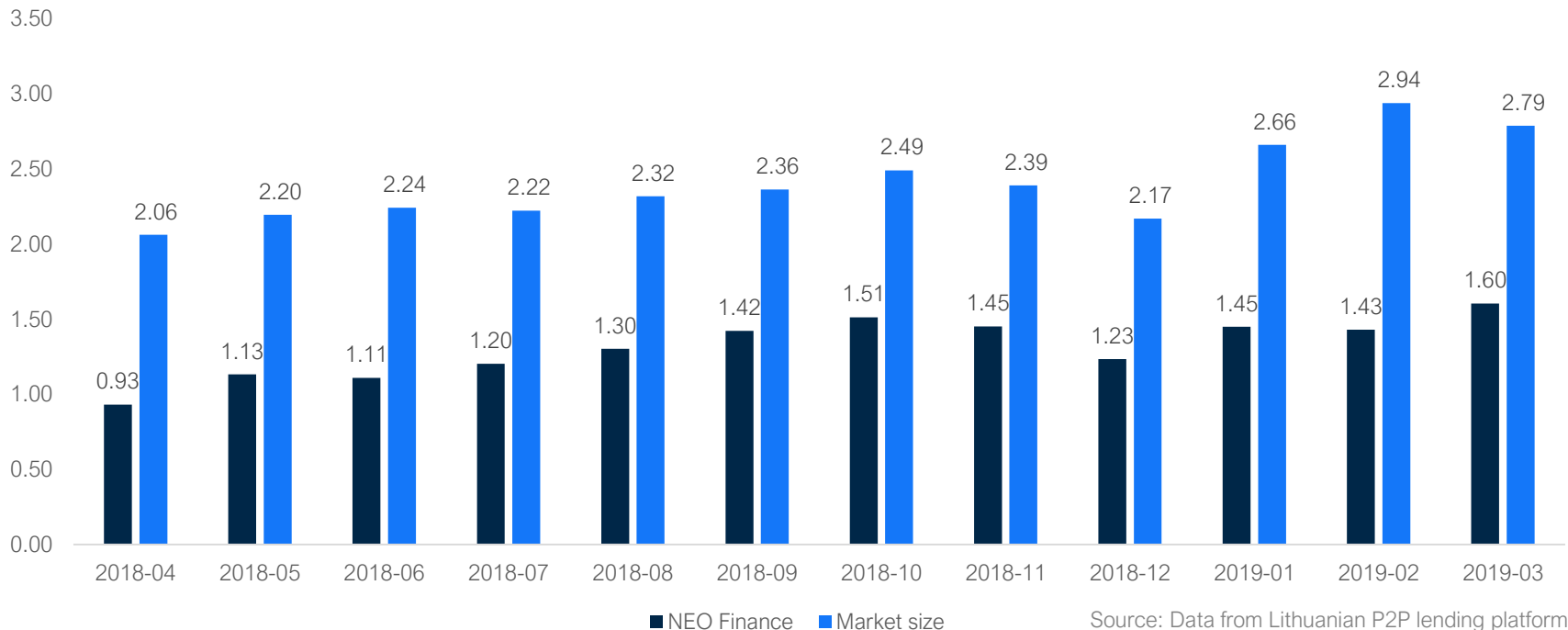
P2P consumer loan market in Lithuania



In 2019 Q1 P2P consumer loan market size reached **8.39 million EUR**. Compared to 2018 Q1 year on year the issued loans volume grew by **33%** from **6.30 million EUR**. **“NEO Finance”** outran the market with **50% growth** in the same period. **“NEO Finance”** market share during 2019 Q1 was **53%** with **4.48 million EUR** of loans issued.

Monthly amount of issued consumer loans through all Lithuanian platforms reached the peak of **2.94 million EUR** in February. **“NEO Finance”** reached a record of **1.6 million EUR** financed in March. Compared to the same month in 2018, **“NEO Finance”** issued loans volume grew by **48%**.

P2P consumer market, loans issued, million EUR



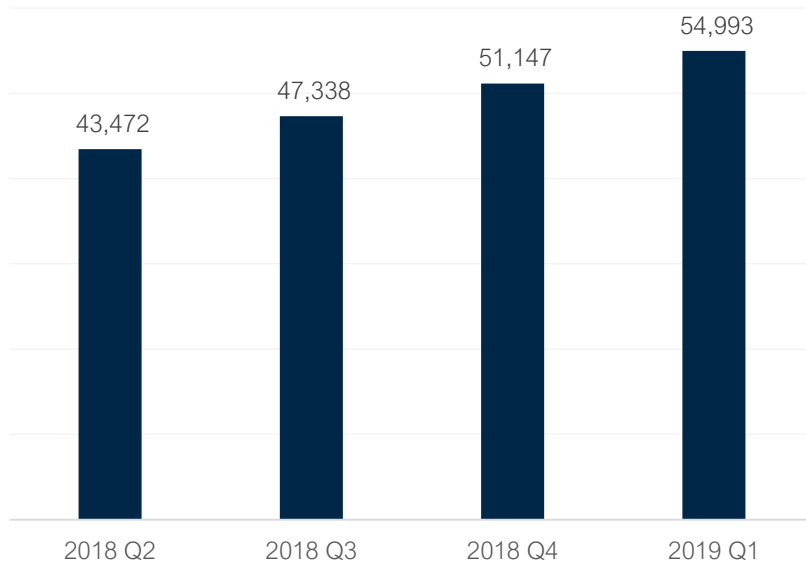
Borrowers



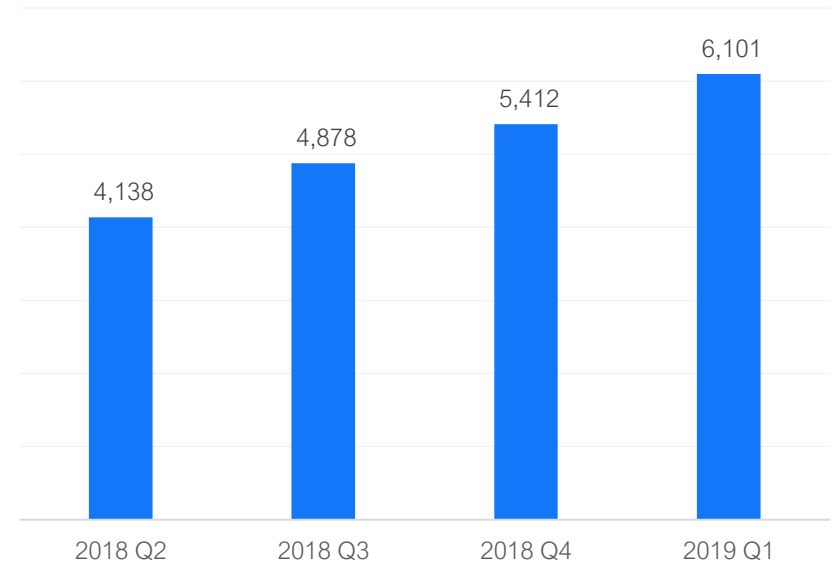
In 2019 Q1 low intermediary fees, increasing brand awareness and active TV campaign attracted **3 846 new registered borrowers**. At the end of 2019 Q1 the number of registered borrowers grew to a total of **54 993**. Compared to 2018 Q1, the number of registered borrowers grew by **38%**.

In 2019 Q1 the number of active borrowers grew by **689 users**. At the end of 2019 Q1 the number of active borrowers reached a total of **6 101**. Compared to 2018 Q1, the number of active borrowers grew by **72%**.

Registered borrowers



Active borrowers



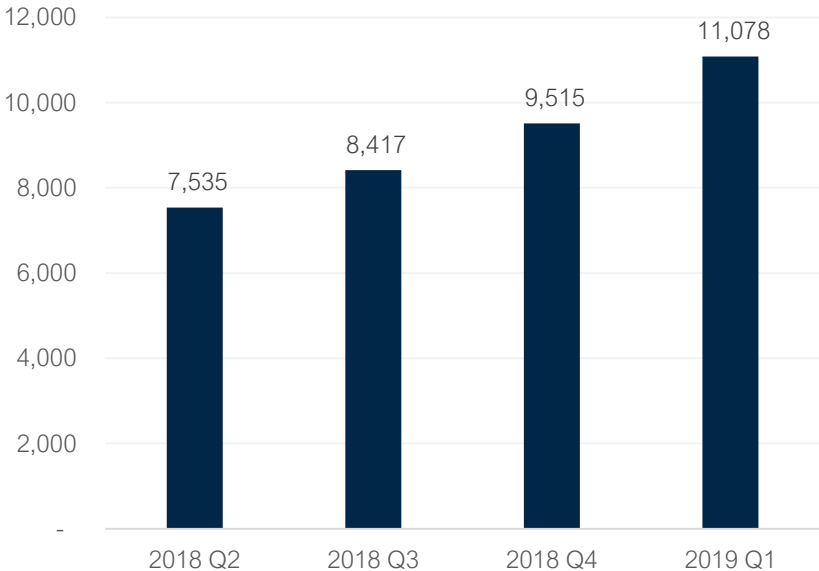
Lenders



In 2019 Q1 lenders' trust, stable returns, transparent communication, timely management reports and audited financial reports attracted a record of **1 563 new registered lenders** to a total of **11 078**. Compared to 2018 Q1, the number of registered lenders grew by **63%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2019 Q1 the number of active lenders grew by a record amount of **835**. At the end of 2019 Q1 the number of active lenders reached a total of **6 590**. Compared to 2018 Q1, the number of active lenders grew by **56%**. TOP 3 foreign countries regarding new active lenders in the descending order are Germany, Spain and Portugal.

Registered lenders



Active lenders



lenders have already earned 3.59 million EUR in returns.

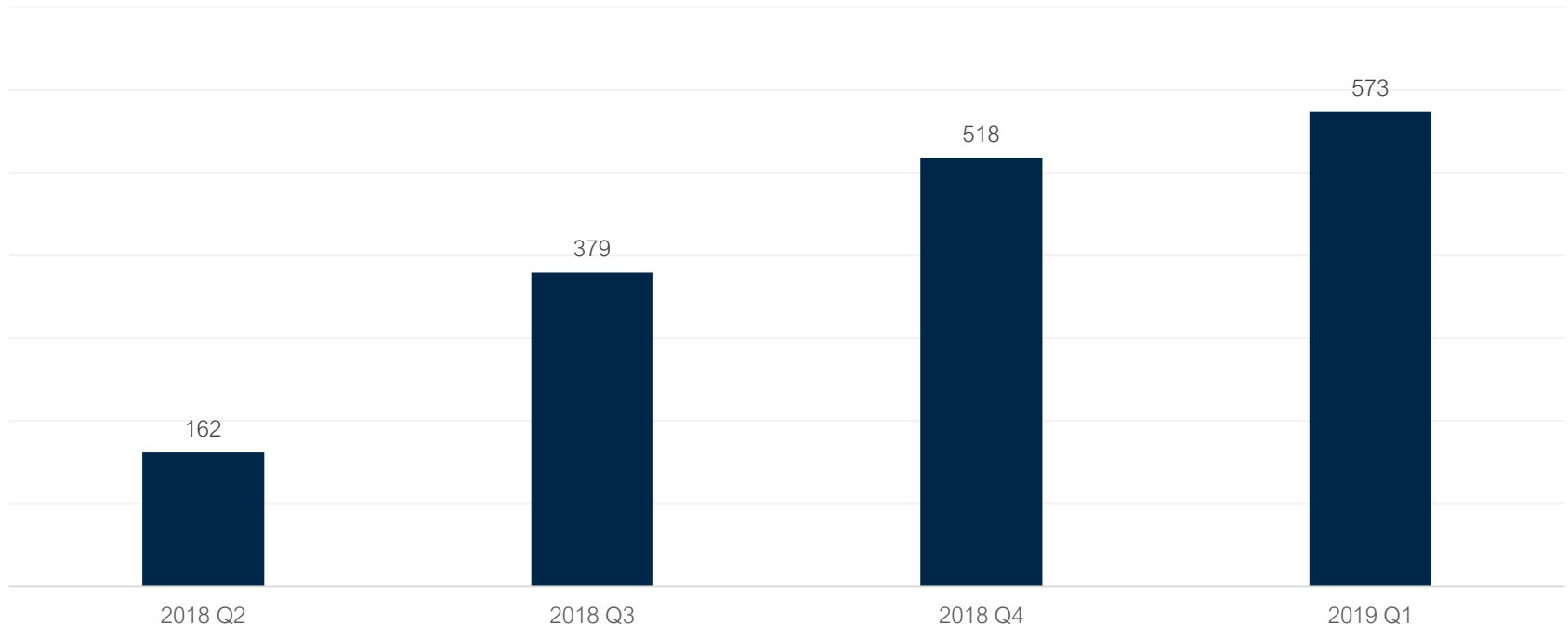
NEO Finance investments



“**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 2019 Q1 “**NEO Finance**” invested a record amount of **573 thousand EUR**. Invested amount grew due to increased demand from the borrowers.

Since the launch in December, 2015 “**NEO Finance**” investments into loans reached **2.69 million EUR**.

NEO Finance investments, K EUR



Overdue loans

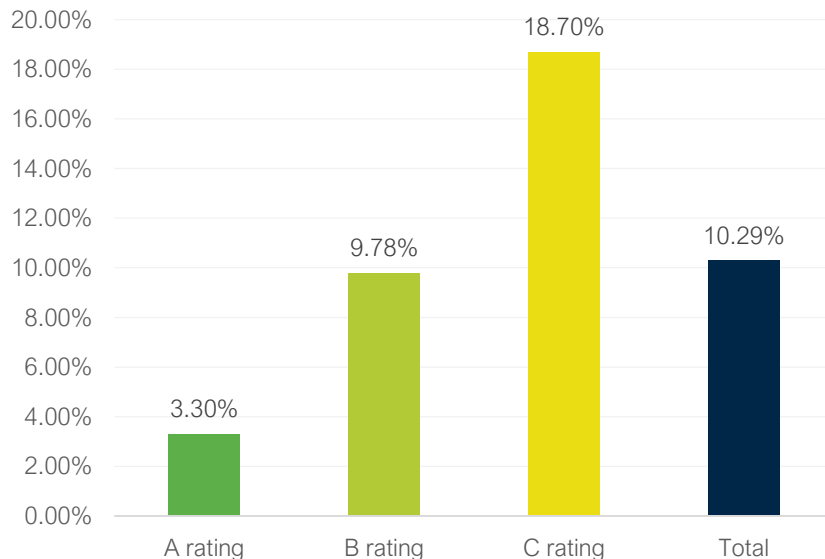


At the end of 2019 Q1 out of **11 516 issued loans** - **948 loans**, or **8.23%**, were overdue for more than 90 consecutive days. Respectively, out of **30.3 million EUR** financed – **3.12 million EUR** or **10.29%** were overdue more than 90 days.

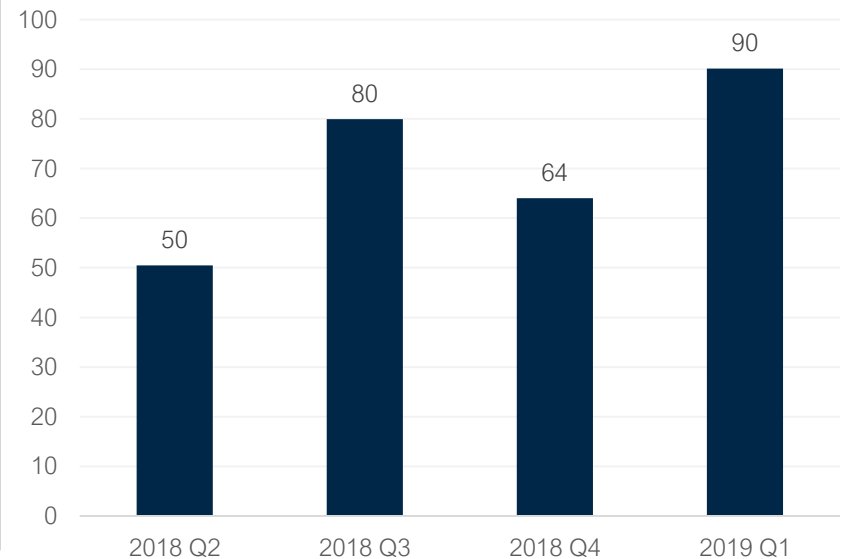
“NEO Finance” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2019 Q1 a record amount of **90 thousand EUR** were recovered and distributed to lenders.

In 2018Q4 our debt recovery partners **“Legal Balance”** signed a contract with **“EOS Holding GmbH”**, therefore enabling cross-border debt recovery. 25 cross-border recoveries were initiated in 2019 Q1. 2 of the borrowers are already making instalments into their overdue loans, and 23 are in locating or negotiations phase.

EUR, overdue >90 days, %.



Amount recovered, K EUR



Recovery

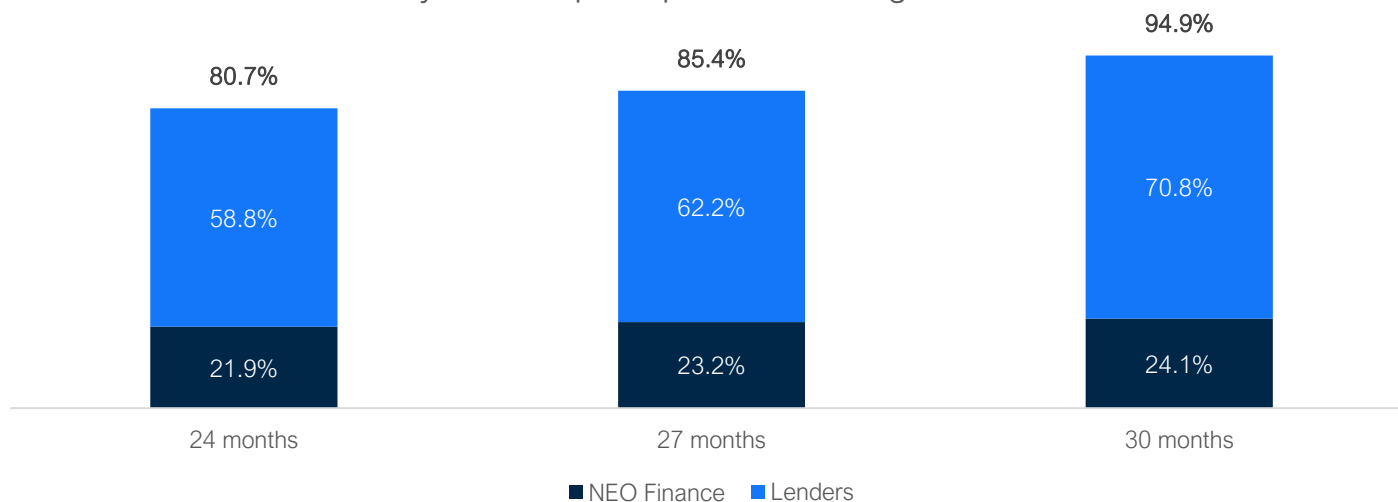


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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
Principal at termination	€ 151,459	€ 53,017	€ 21,670
Loans, units	80	34	14

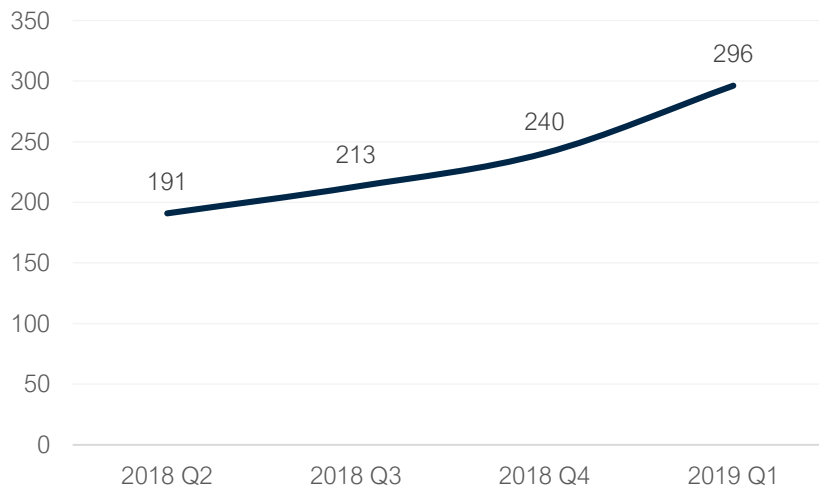
Provision fund

“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 2019 Q1 the service covered **117 245 EUR**.

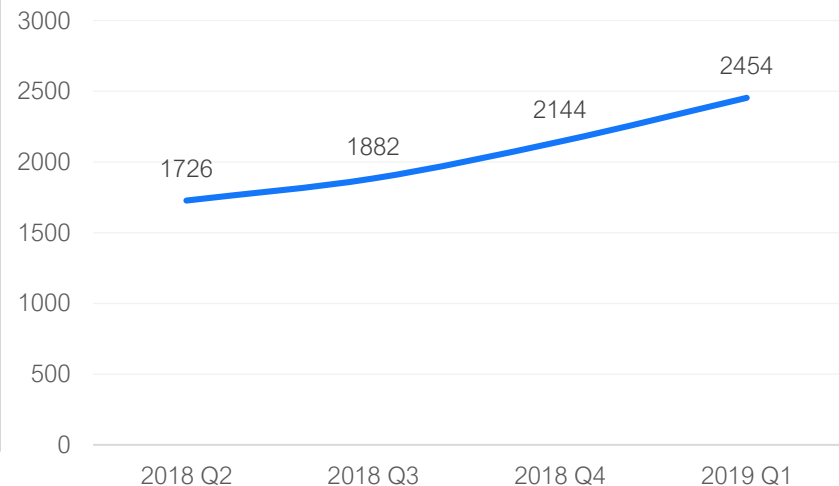
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund” and holds these funds in a separate bank account. The purpose of this account is to ensure the company's internal cash flow management. In order to fulfill its obligations to lenders, the company may, if necessary, use other assets of the company.

The fund's growth amounted to **55 275 EUR**. At the end of 2019 Q1 there were **296 115 EUR** of accumulated funds, and the total guaranteed amount was **2 453 986 EUR**, resulting in **12%** coverage ratio.

Provision fund, K EUR



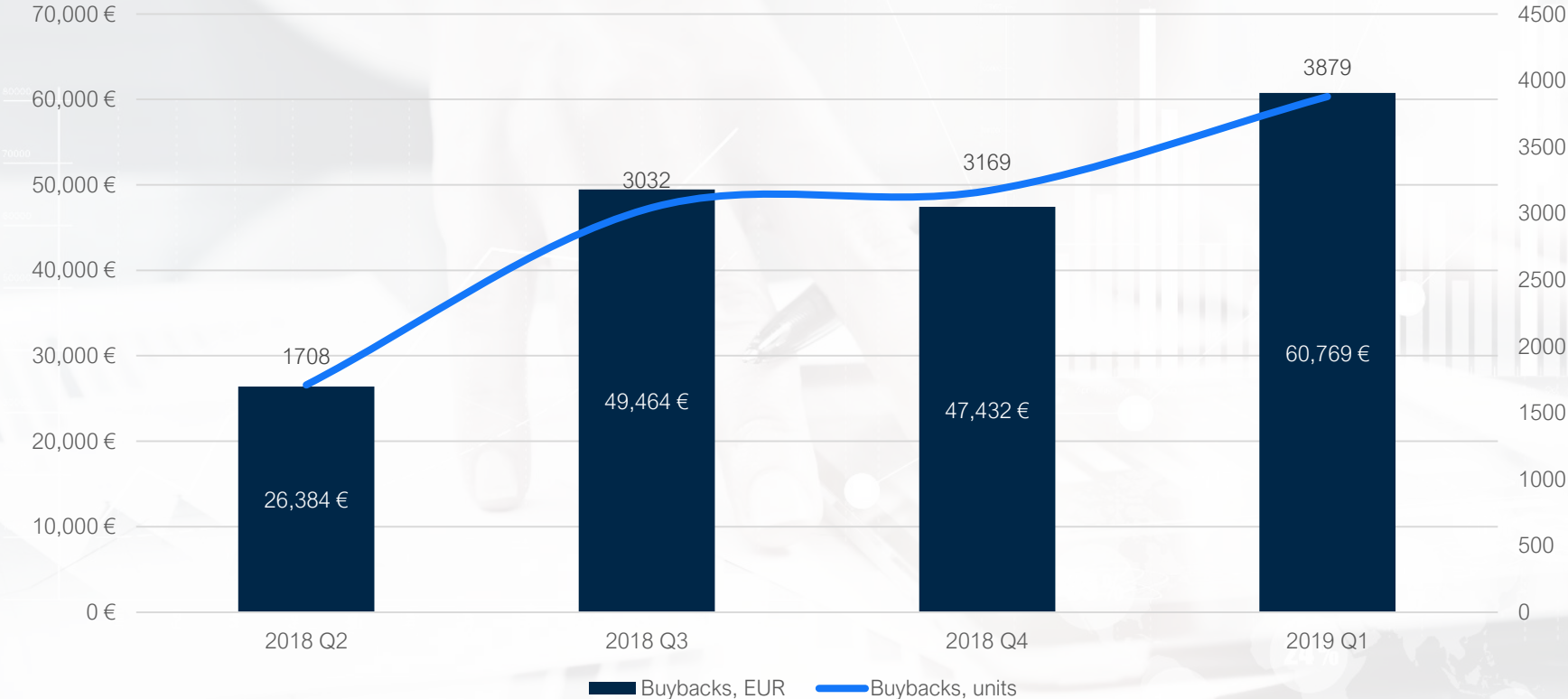
Guaranteed amount, K EUR



Buybacks

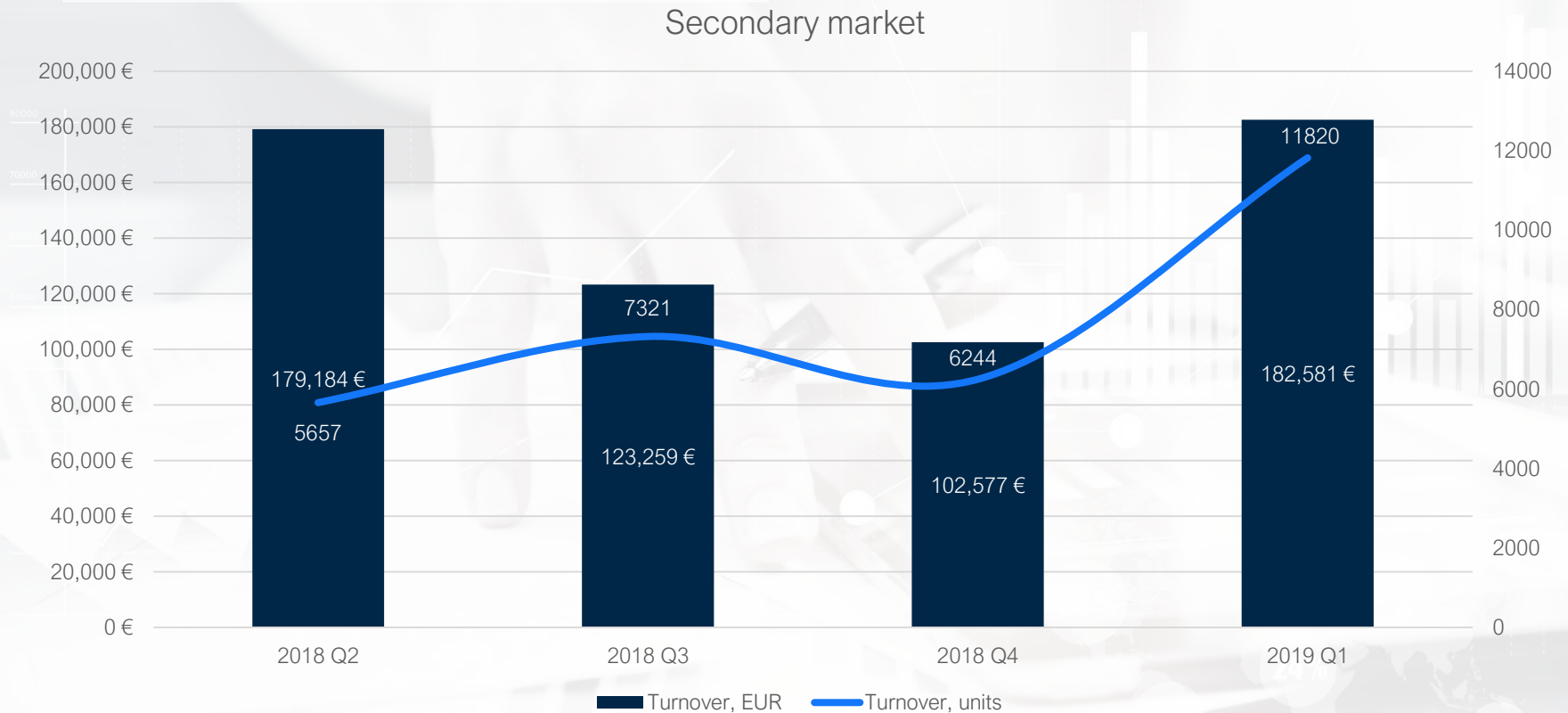
“NEO Finance” offers a buyback service. When an agreement with a borrower is terminated, lenders have an option to sell their investment for **50-80%** of it's face value to “NEO Finance”. In 2019 Q1 lenders sold **3 879 investments** for **60 769 EUR**.

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 an lender feels the need to cash out. During 2019 Q1 secondary market turnover was **182 581 EUR**. Average transaction was **15.45 EUR**. Secondary market liquidity reached record heights due to launched automatic investment in secondary market function.



Main statistics

Since launch till the end of 2019

Q1

6,590

Active lenders

3,062 €

Average portfolio

3,585,756 €

Interest received

30,280,208 €

Issued loans

1,012,494 €

Investments sold in
secondary market

20,262,230 €

Outstanding principal

