

NEO Finance, AB

Sales report 2020 Q4

Vilnius
2021-01-15

Management comments

- Loans issued in the fourth quarter of 2020 amounted to **5.42 million EUR**. The biggest impact on the success of the issuances was in October. During that month were issued loans for **2.05 million EUR** and all-time record was achieved.
- In 2020 Q4 **NEO Finance** has announced, on the Nasdaq stock exchange, a decision to increase its authorized capital by additional contributions, taken at the extraordinary general meeting of the company's shareholders. Authorized capital of **NEO Finance** was increased by **263 thousand EUR**.
- Introduced larger loans for different rating borrowers. Loan amount for B rating increased to **20K EUR**, C rating – to **14K EUR**. A+ and A rating borrowers can now borrow up to **25K EUR** for up to 120 months.
- As part of the development strategy presented during the IPO, **NEO Finance** is expanding the geographic scope of **Neopay's** payment initiation service (PIS) and in 2020 Q4 two largest banks from Poland, two banks from Sweden, Revolut across EU and Knab Bank from The Netherlands were connected to **Neopay**. The complete list of connected financial institutions can be found [here](#).
- In the fourth quarter of 2020 **Neopay** improved the results and performed more than **2.85 million transactions**. After successful new customer integrations in October and November, the number of payment initiation service transactions increased by **74%** compared to the results in 2020 Q3. Moreover, periodic payments service was successfully implemented with major banks in the Baltic States and introduced to the customers. Pilot project with account information service (AIS) initiated. December was a record month in terms of number of transactions and revenue. Number of PIS transactions in December exceeded 1,05 mln.

Events



Social events

- **October**
Webinar for new investors;
Financial literacy lecture for children;
Webinar for VIP investors;
The Head of Neopay gave a speech „One click payment“ in the conference [E-Commerce 2020](#) in Lithuania
- **November**
Webinar for advanced investors: Part I;
- **December**
Webinar for advanced investors: Part II;
Webinar for new investors.

- From now via **Neopay** there is a possibility to make transactions with Revolut across EU, **Neopay** also connected two largest banks in Poland, two banks from Sweden and one bank from Netherlands
- First Automatic loan without human intervention was issued in October.
- Authorised capital increase of **263K EUR** registered in December.
- PIS transactions in December exceeded **1M**. Total transactions since launch exceeded **10M**.
- Loan amount for B rating increased to **20K EUR**, C rating – to **14K EUR**. A+ and A rating borrowers can now borrow up to **25K EUR** for up to 120 months.

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 Q4	2020 Q3	Δ, %	2019 Q4	Δ, %
Loans issued, K EUR	5,420	4,719	15%	4,446	21%
Intermediary fee income, K EUR*	558	442	26%	347	61%
<i>Intermediary fee / Loans issued ratio</i>	10.3%	9.4%	-	7.8%	-
PIS income, K EUR	147	84	75%	51	192%
Other income, K EUR	386	451	-14%	364	6%
Total income, K EUR	1.091	977	12%	761	43%

At the end of 2020 Q4 receivable intermediary fee amounted to **5.95 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. 558 thousand EUR is a result of 5,420 thousand EUR issued and will be received throughout entire loan period.

Payment Initiation Service (PIS)

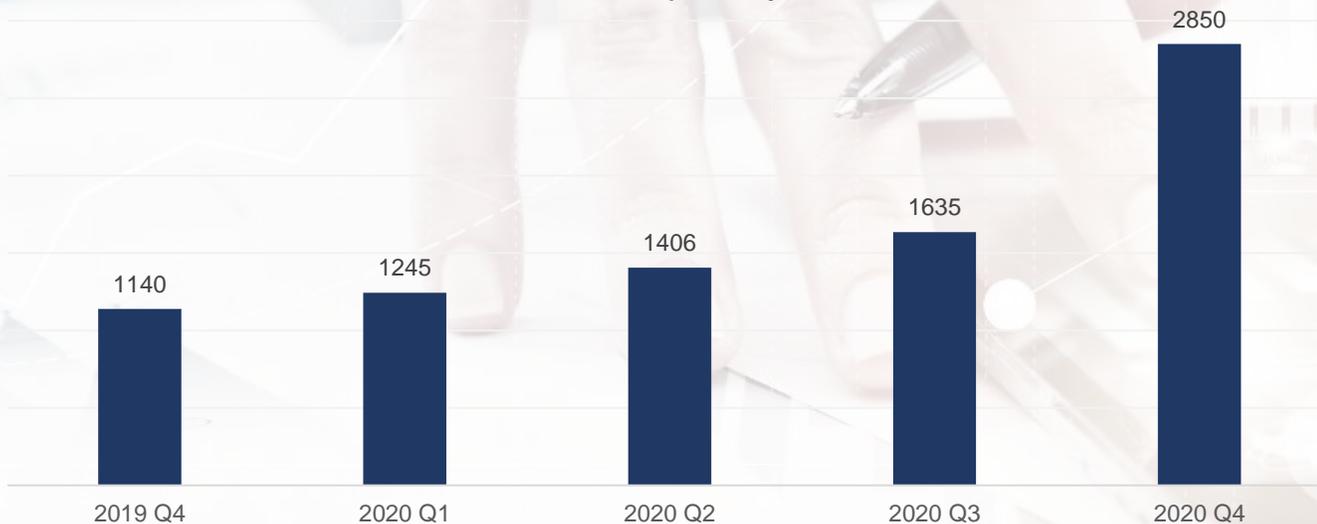


Payment initiation service (PIS) means a payment service, where at the request of the payment service user, a payment order is initiated from a payment account opened at the institution of another payment service provider. Payment initiation service is an alternative to a bank transfer ("banklink" service)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

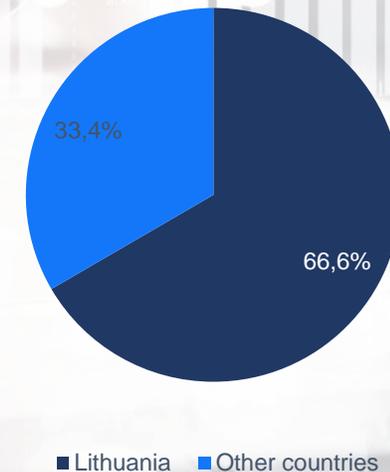
“**NEO Finance**” is a [licensed payment initiation service provider](#) which provides this service using the **Neopay** brand trademark.

During 2020 Q4 “**NEO Finance**” clients made **2 850 162** transactions.

PIS transactions, quantity, thousands



PIS transactions distribution by countries



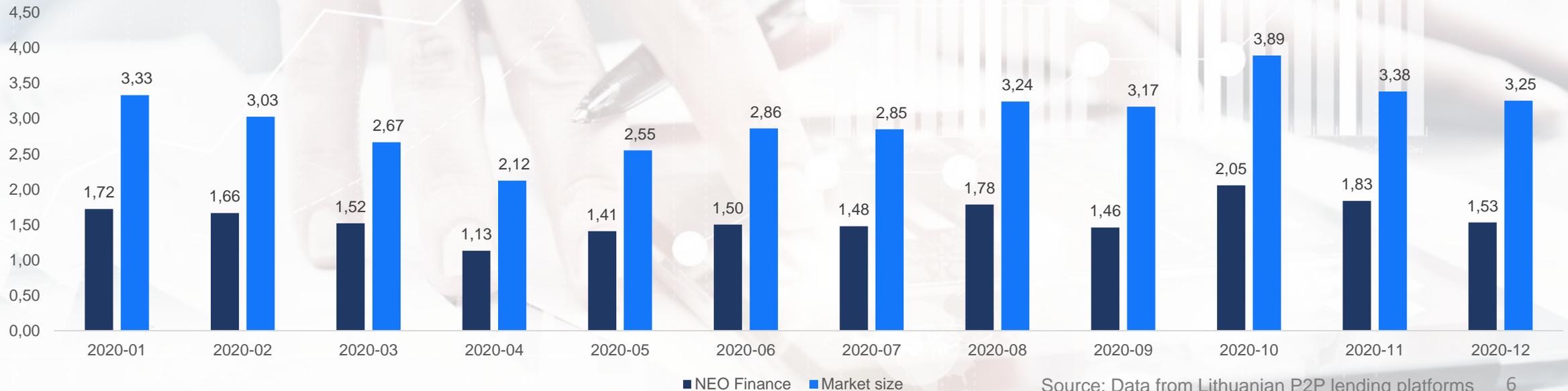
P2P consumer loan market in Lithuania



After the pandemic restrictions were imposed in November the uncertainty in the market led to a slight decrease in the monthly amounts issued. In 2020 Q4 P2P consumer loan market size was **10.52 million EUR**. Comparing to 2019 Q4 the issued loans volume increased by 25% from **8.39 million EUR**. **“NEO Finance”** market share was **52%** with **5.42 million EUR** of loans issued. This is the record quarter of loans issued in company’s history.

Monthly amount of issued consumer loans through all Lithuanian platforms during 2020 Q4 reached the peak of **3.89 million EUR** in October. **“NEO Finance”** clients borrowed a record amount of **2.05 million EUR** in October. Compared to the same month in 2019, **“NEO Finance”** issued loans volume grew by **39%**.

P2P consumer market, loans issued, million EUR

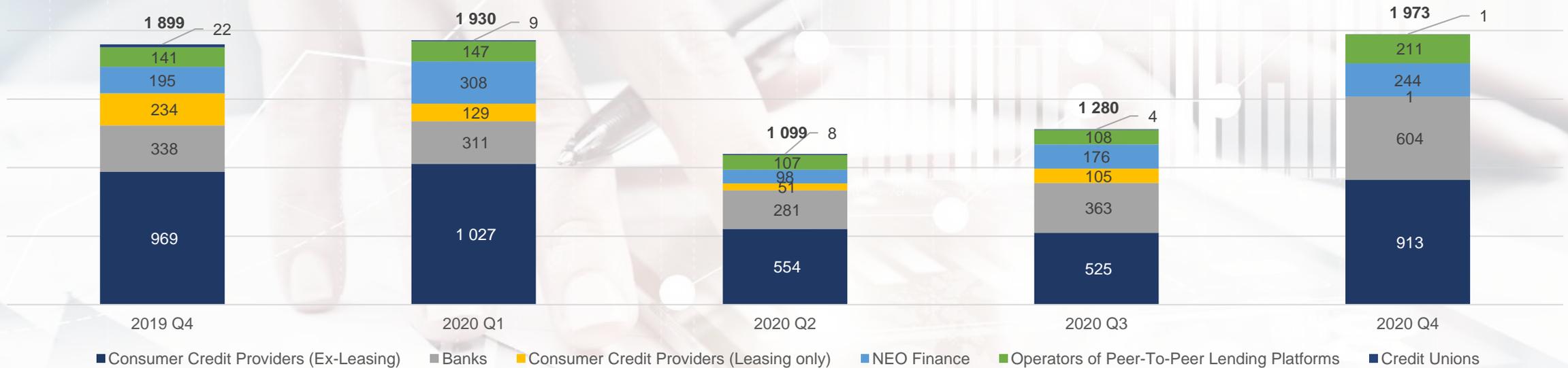


Refinancing



Due to some non-credit providers transformed to specialized bank and more attractive conditions were presented to borrowers during Q4, NEO Finance managed to significantly increase amount of credits which were refinanced from banks. Out of **5.42 million EUR** financed in 2020 Q4 – **1.97 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



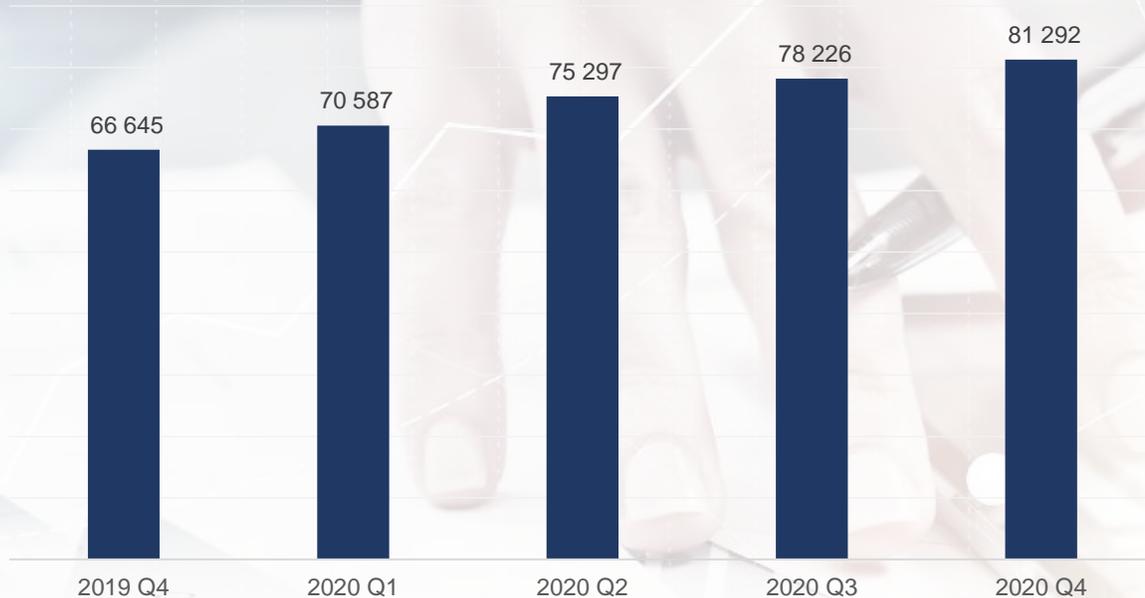
Borrowers



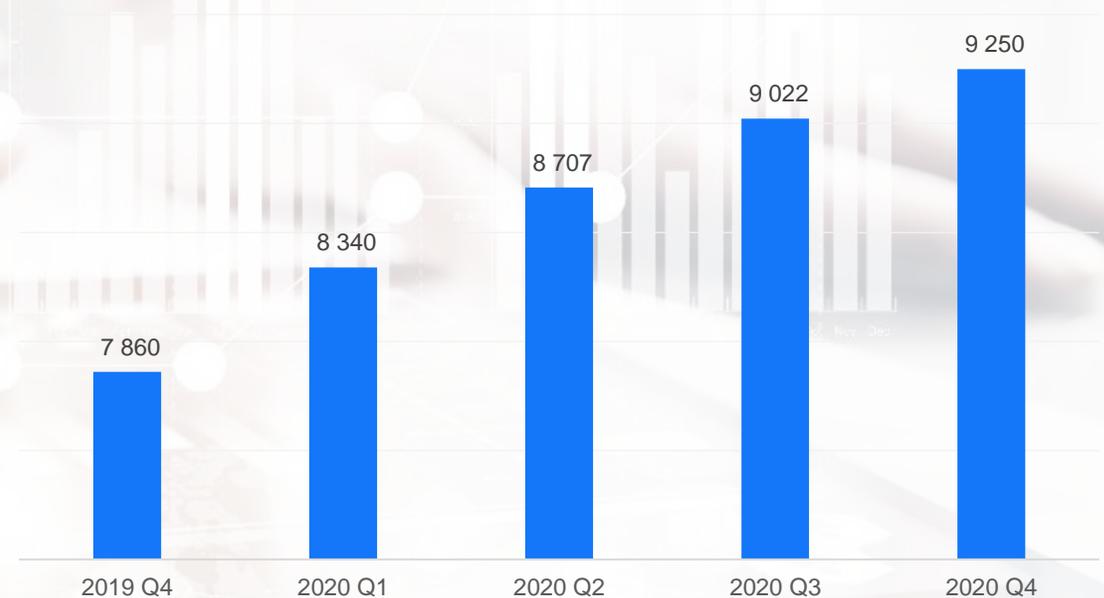
In 2020 Q4 consistently increasing brand notoriety and proven acquisition strategy attracted **3 066 new registered borrowers**. At the end of 2020 Q4 the number of registered borrowers grew to a total of **81 292**. Compared to 2019 Q4, the number of registered borrowers grew by **22%**.

In 2020 Q4 the number of active borrowers grew by **228 users**. At the end of 2020 Q4 the number of active borrowers reached a total of **9 250**. Compared to 2019 Q4, the number of active borrowers grew by **18%**.

Registered borrowers



Active borrowers



Lenders



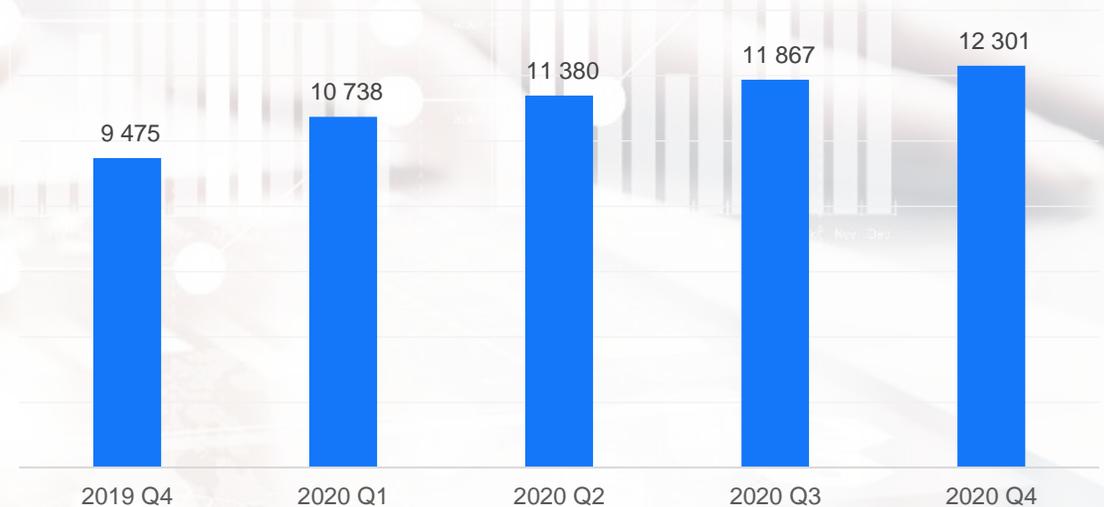
In 2020 Q4 increasing number of international partners and referral programme attracted **1 575 new registrations** to a total of **27 585**. 3 130 users of them did not finish the identification step. Compared to 2019 Q4, the number of registered lenders grew by **59%**. Cooperation with publishers attracts an increasing amount of foreign lenders.

In 2020 Q4 the number of active lenders grew by **434**. At the end of 2020 Q4 the number of active lenders reached a total of **12 301**. Compared to 2019 Q4, the number of active lenders grew by **30%**. The top countries regarding new active lenders that registered in Q4 in the descending order are residents from Lithuania, Netherlands, Germany and Italy.

Registered lenders



Active lenders



Lenders have already earned 10.6 million EUR in returns.

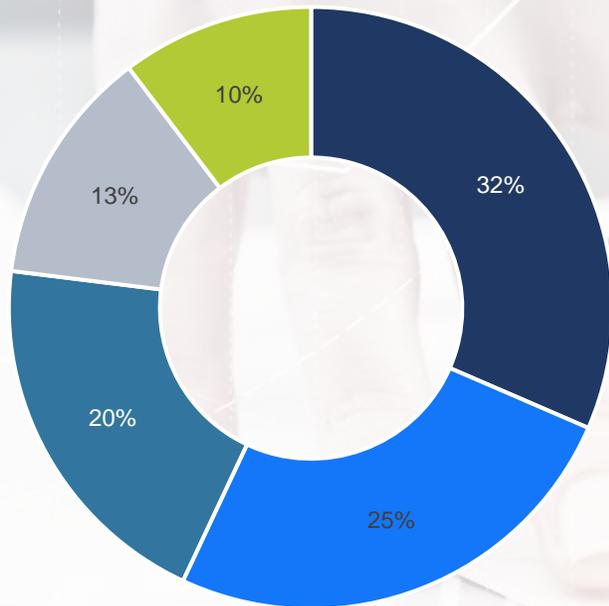
Lenders (Ex-Lithuania)



Registered lenders from outside Lithuania during 2020 Q4 amounted to was **291**. Registered lenders during 2020 Q3 distribution by TOP 5 countries is provided below:

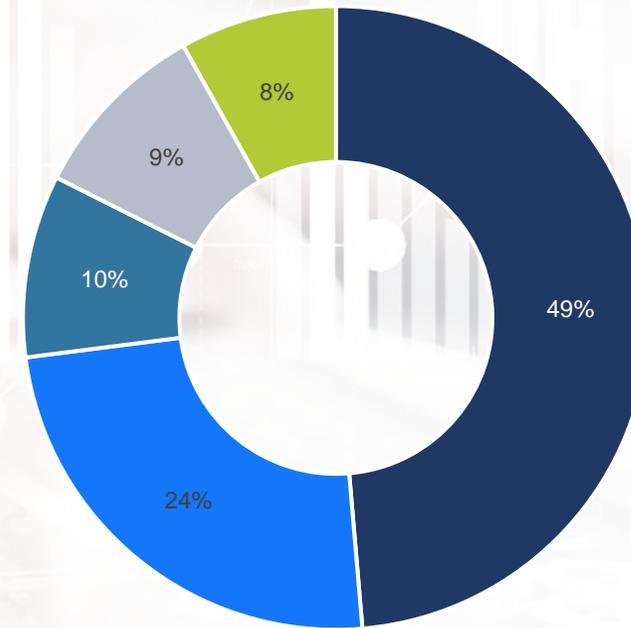
Active lenders, who registered during 2020 Q4 distribution by TOP 5 countries is provided below:

Registered lenders distribution by country



■ Netherlands ■ Spain ■ Germany ■ Poland ■ Italy

Active lenders distribution by country



■ Netherlands ■ Germany ■ Italy ■ France ■ Spain

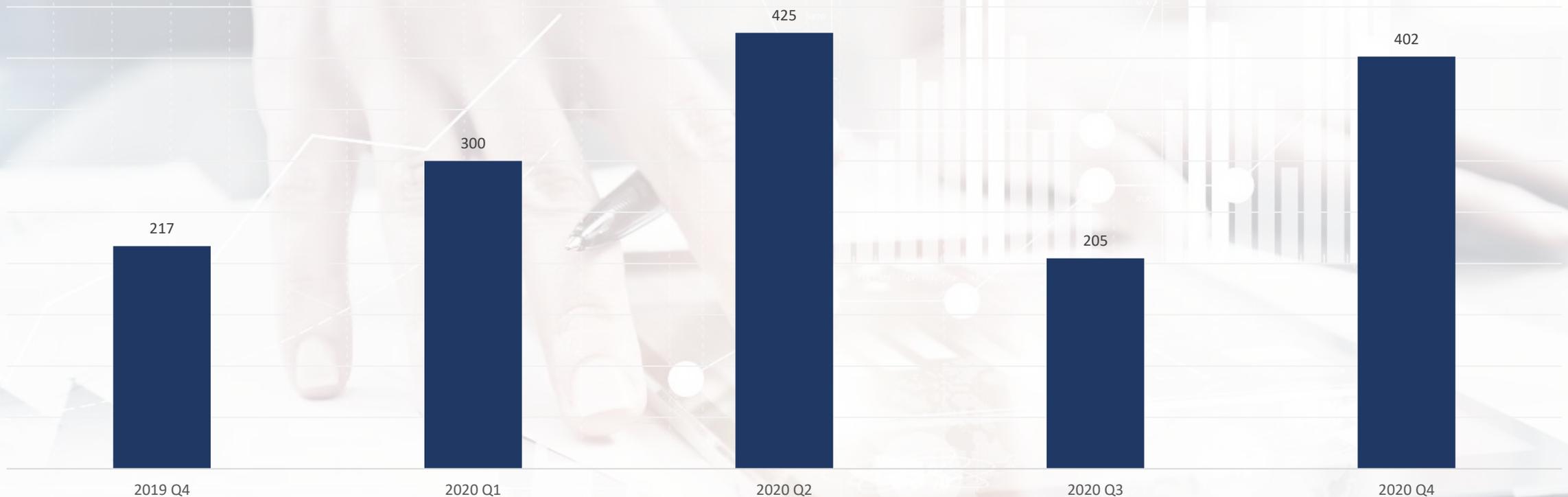
NEO Finance investments



“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 Q4 “NEO Finance” invested **402 thousand EUR**.

Since the launch in December, 2015 “NEO Finance” investments into loans reached **5.40 million EUR**.

NEO Finance investments, K EUR



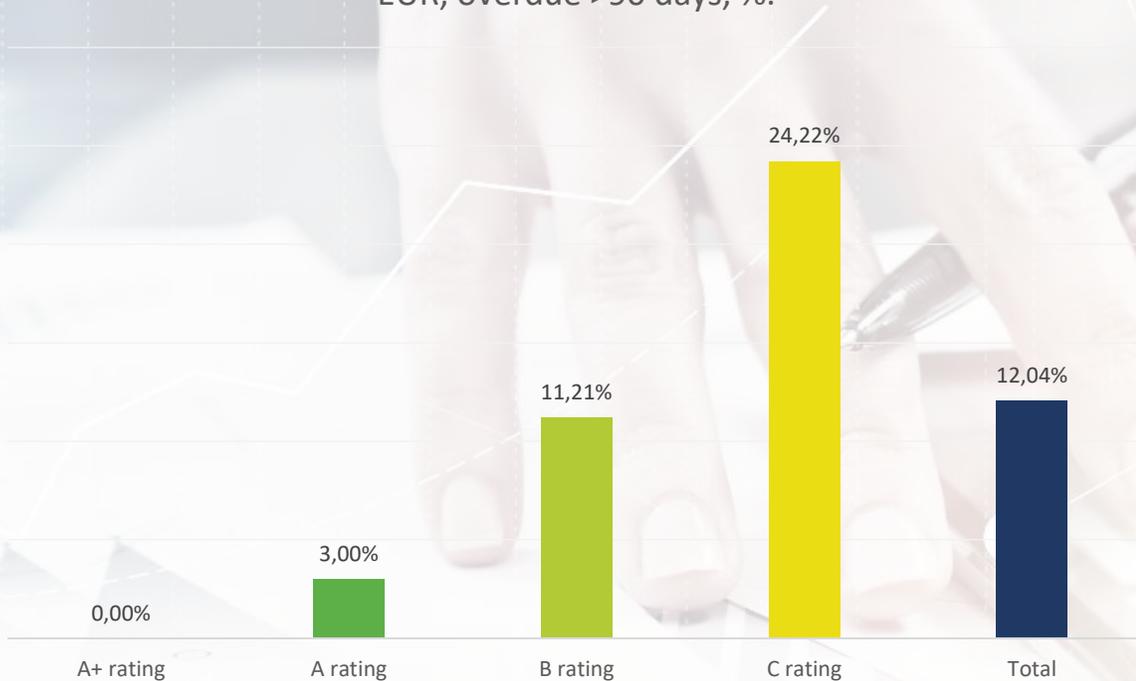
Overdue loans



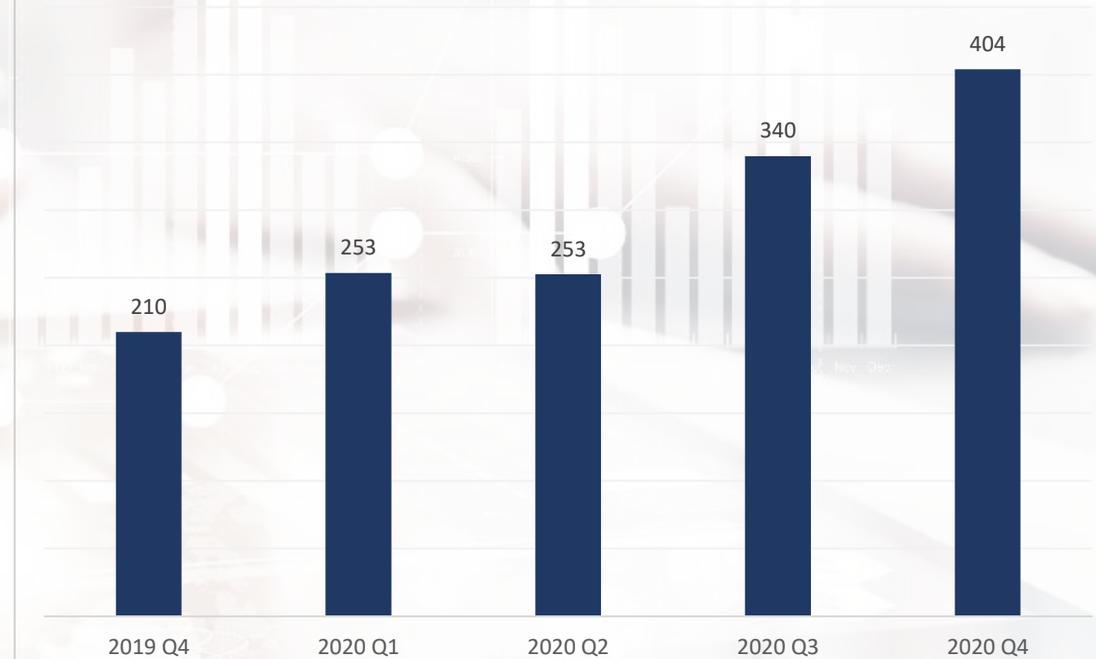
At the end of 2020 Q4 out of **22 148 issued loans** – **2 393 loans**, or **10.80%**, were overdue for more than 90 consecutive days. Respectively, out of **63.54 million EUR** financed – **7.65 million EUR** or **12.04%** were overdue more than 90 days.

“**NEO Finance**” is highly concerned about loan repayments, therefore great effort was put in a recovery of payments from terminated loans. During 2020 Q4 the record high amount **404 thousand EUR** were recovered and distributed to lenders.

EUR, overdue >90 days, %.



Amount recovered, K EUR



Recovery

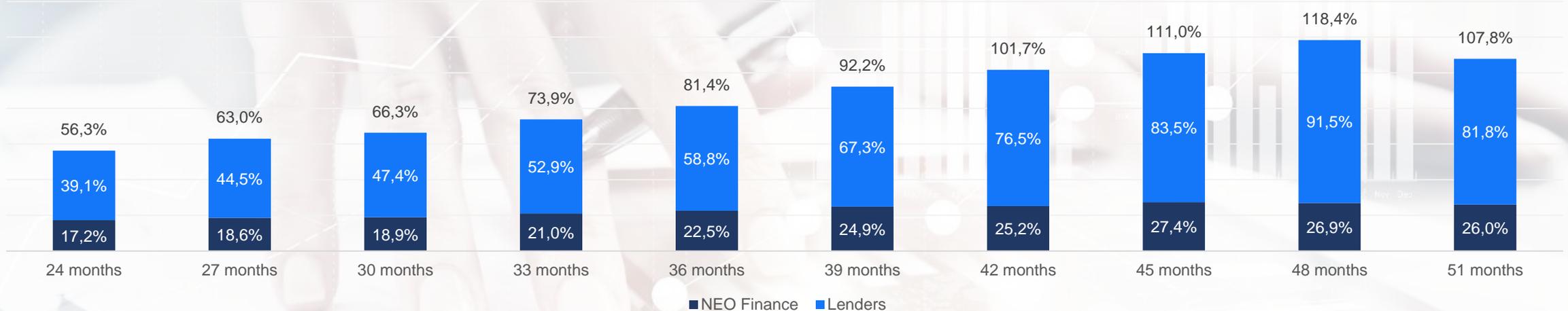


Recovery is presented starting at 24 months after termination. The table represents initial amounts at termination, while chart shows distribution between **“NEO Finance”** and lenders.

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	45 months	48 months	51 months
Principal at termination	€ 2 233 416	€ 1 726 112	€ 1 185 740	€ 879 039	€ 696 857	€ 436 744	€ 272 552	€ 151 459	€ 53 017	€ 21 670
Loans, units	735	579	418	332	275	195	134	80	34	14

Provision fund

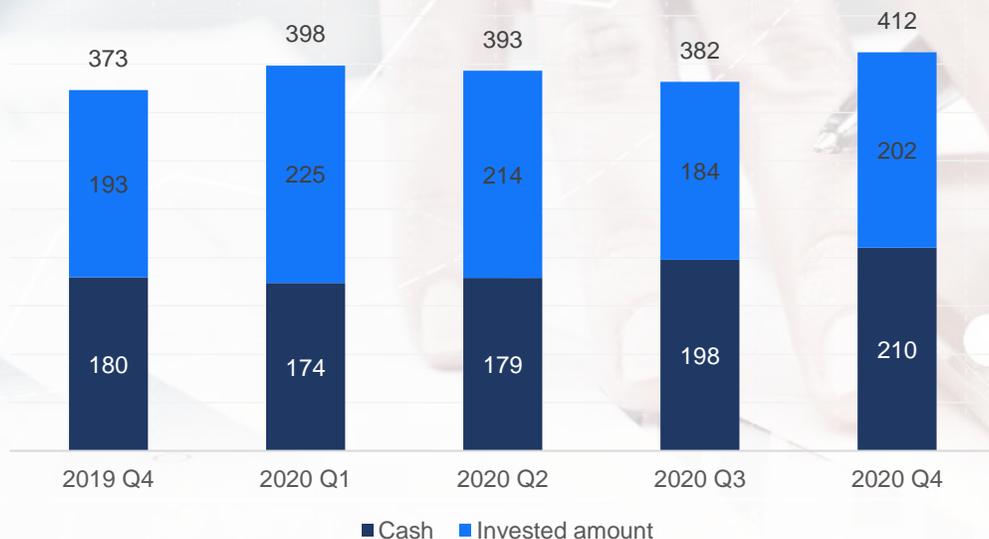


“NEO Finance” offers a “Provision fund” service, which allows lenders to reduce their investment risk. If a loan defaults – “NEO Finance” guarantees to repay the lender with all of its assets. During 2020 Q4 the service covered **167 583 EUR**.

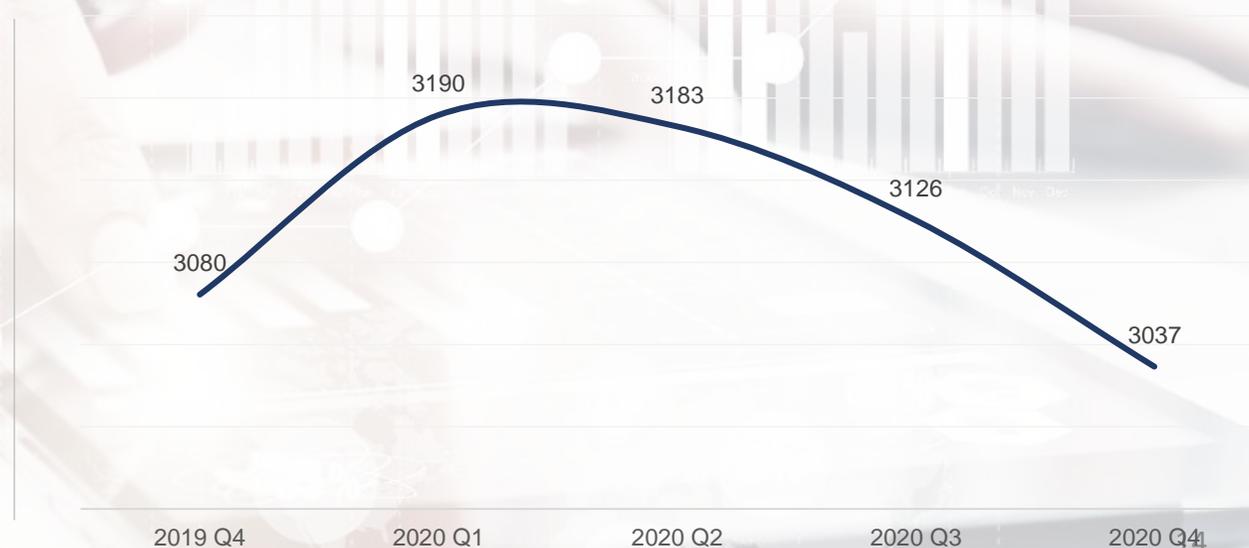
For liquidity risk management, “NEO Finance” calculates the sufficiency of funds to cover liabilities under “Provision fund”. Starting from 2019 Q4 a part of the funds is invested into loans, whereas another part is held in a separate bank account. The purpose of this account is to ensure the company's 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 Q4 there were **412 274 EUR** of accumulated funds, and the total guaranteed amount was **3 036 691 EUR**, resulting in **14%** coverage ratio.

Provision fund, K EUR



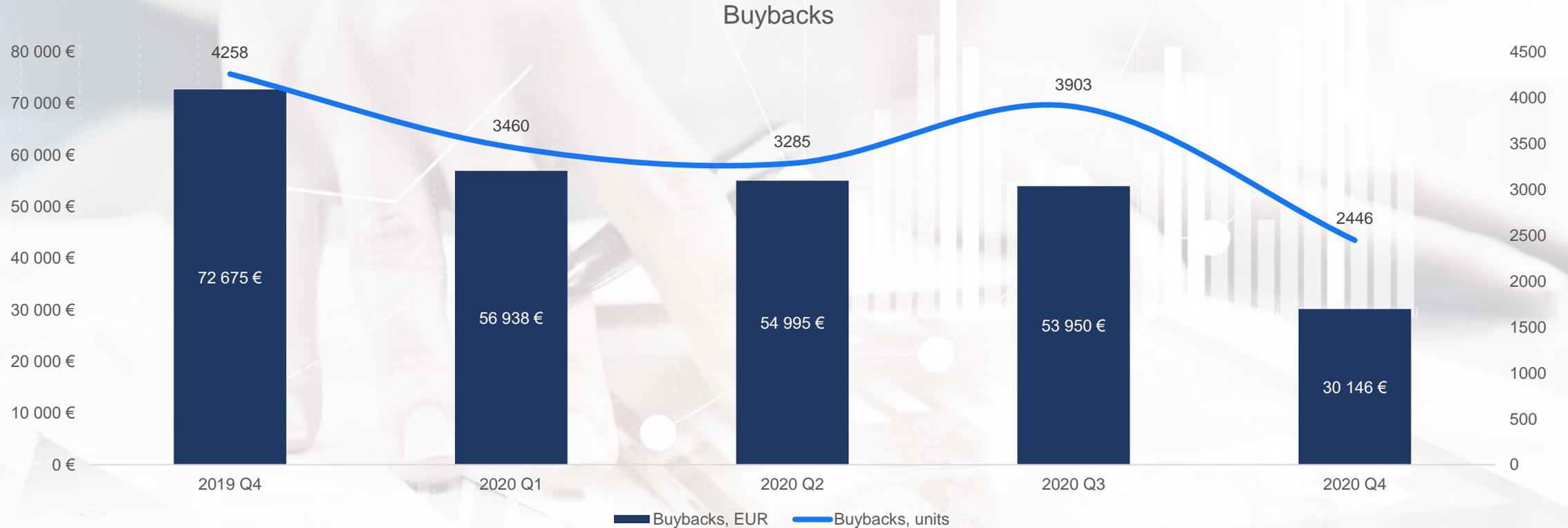
Guaranteed amount, K EUR



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 **50-80%** of it’s face value to “NEO Finance” . In 2020 Q4 lenders sold **2 446 investments** for **30 thousand EUR**.

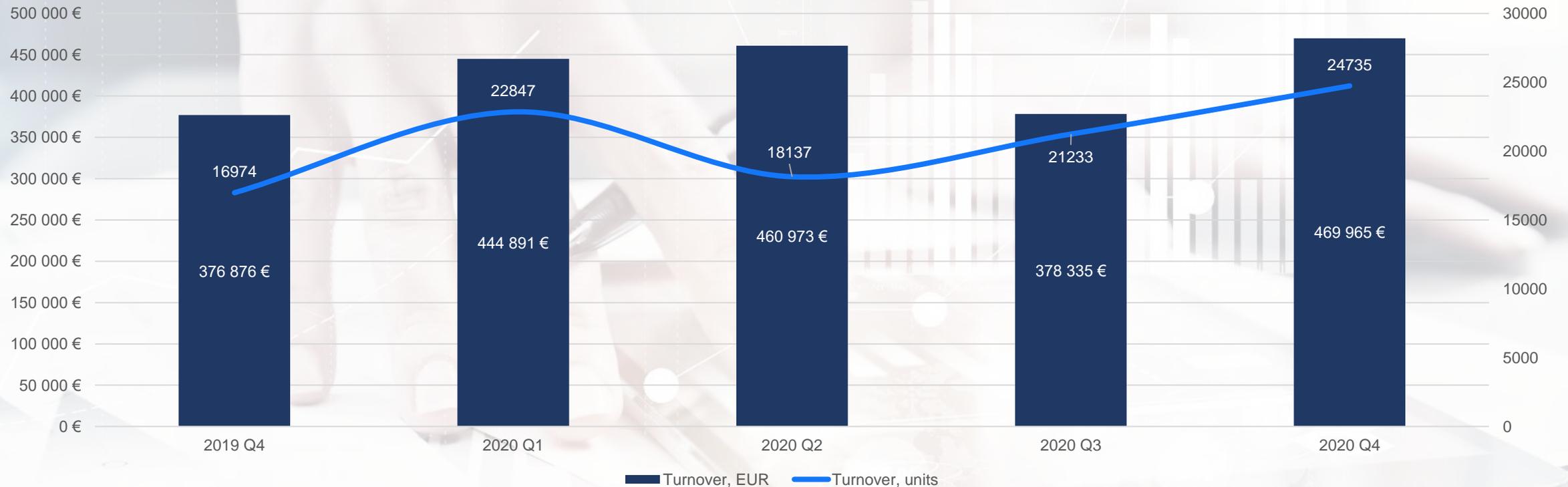


Secondary market



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. During 2020 Q4 secondary market turnover was **470 thousand EUR**. Average transaction was **19 EUR**.

Secondary market



Main statistics

Since launch till the end of 2020 Q4

12 301

Active lenders

2 867 €

Average portfolio

10 582 643 €

Interest received

63 495 120 €

Issued loans

3 504 476 €

Investments sold in
secondary market

34 210 706 €

Outstanding
principal