

## CONTINGENCY AND BUSINESS CONTINUITY PLAN

### Content

|     |  |    |
|-----|--|----|
| 1.  | <i>General provisions</i> .....  | 2  |
| 2.  | <i>Definitions used</i> .....  | 2  |
| 3.  | <i>Operational Risks</i> .....   | 3  |
| 4.  | <i>Business Impact Analysis</i> .....  | 3  |
| 5.  | <i>Business Continuity Culture</i> .....   | 7  |
| 6.  | <i>Incident management and risk scenarios</i> .....  | 7  |
| 7.  | <i>Crisis management</i> .....   | 11 |
| 8.  | <i>Organization of alternative activities of the Company</i> .....   | 13 |
| 9.  | <i>Fault recording and reporting</i> .....   | 14 |
| 10. | <i>Evaluation and continuous improvement of the business continuity plan</i> .....   | 14 |
| 11. | <i>Final provisions</i> .....  | 15 |
| 12. | <i>Annex no. 1. Main Risks of the Company.</i> .....   | 16 |
| 13. | <i>Annex no. 2. Structure and contacts of the members of the Crisis Management Group</i> .....                             | 17 |
| 14. | <i>Annex no. 3. Contacts between security and other special services and authorities to be notified of incidents</i> ..... | 18 |
| 15. | <i>Annex no. 4. Contacts of service providers, the most important for the continuity of the Company's activities</i> ..... | 19 |
| 16. | <i>Annex no. 5. NEO Finance, AB Insolvency Management Scenario in Case of Economic Recession</i> .....                     | 20 |
|     | <i>Ensuring the flow of revenue</i> .....  | 20 |
|     | <i>Actions to avoid the risk of insolvency</i> .....   | 20 |
|     | <i>Operating cost reduction plan in case of economic downturn</i> .....  | 20 |
| 17. | <i>Annex no. 6. Movement of customers' funds</i> .....   | 23 |
|     | <i>Investing</i> .....   | 23 |
|     | <i>Repayment of consumer credit</i> .....  | 24 |
|     | <i>Summary</i> .....   | 25 |
| 18. | <i>Annex no. 7. Scheme of cash flow during investment</i> .....  | 26 |
| 19. | <i>Annex no. 8. Scheme of movement of funds during the repayment of consumer credit</i> .....                              | 27 |
| 20. | <i>Annex no. 9. Risk factors that may affect the operations and market of NEO Finance, AB</i> .....                        | 28 |
|     | <i>Risks related to the Company 's business and operating sector</i> .....   | 28 |
|     | <i>Types of compliance and regulatory risks</i> .....  | 32 |

## 1. GENERAL PROVISIONS

- 1.1. NEO Finance, AB, Business Continuity Plan (hereinafter - the Plan) establishes the measures and procedures applied by NEO Finance, AB (hereinafter - the Company) to ensure the continuous and uninterrupted performance of the Company's activities, uninterrupted performance of contractual obligations in case of unforeseen circumstances.
- 1.2. A business continuity plan is a plan that ensures timely and organized continuity or rapid recovery from an emergency. This process includes methods and measures that ensure that the Company's core business remains stable and is not interrupted during or after an emergency.
- 1.3. The plan is tested regularly and at least once a year to ensure the Company's ability to continue as a going concern and to limit losses in the event of a breakdown. Any difficulties or disruptions to the testing shall be documented and addressed by adjusting the business continuity plan accordingly.
- 1.4. The Head of the Company is responsible for the implementation of the Plan. In case the Head of the Company is unable to perform his / her functions due to objective reasons (vacation, illness, etc.), the Head of the Company shall appoint in advance an employee of the Company responsible for the implementation of all functions provided for in this Plan.
- 1.5. The Board of the Company reviews and approves the Plan at least once a year or more frequently.

## 2. TERMS USED

- 2.1. **ABĮ** - Law on Companies of the Republic of Lithuania.
- 2.2. **Shareholder** - UAB ERA Capital , company code 300638657, registered office Ulonų str. 5, Vilnius. The shareholder owns the main block of shares of the Company.
- 2.3. **Company** - NEO Finance, AB, company code 303225546, registered office A. Vivulskio str. 7, Vilnius, data on the company is stored and accumulated in the Register of Legal Entities of the State Enterprise Center of Registers. The Company acts as an Electronic Money Institution, Consumer Lender and Operator of the Mutual Lending Platform. The Company's subsidiary UAB FinoMark operates as the Operator of the Pooled Financing Platform.
- 2.4. **The Company's systems** - the "Loan Club" system of the Mutual Lending Platform and the MIP / SIP " Neopay " system are hereinafter collectively referred to as the Company's systems.
- 2.5. **EPI** - an electronic money institution defined by the Law on Electronic Money and Electronic Money Institutions of the Republic of Lithuania.
- 2.6. **License** - a license of an electronic money institution granted to the Company by the Bank of Lithuania in 2017. January 5, or another license covering this license, if granted to the Company.
- 2.7. **Customer** - a Lender, a person using VKG or the Company's payment services.
- 2.8. **Lender** - a natural or legal person lending through the System, as defined by the VKU.
- 2.9. **The supervisory authority** is the Bank of Lithuania.
- 2.10. **System Servers** - [CONFIDENTIAL] where a company stores network equipment and collocates (hosts servers in a data center) its server with all the System and information stored on it. This data center is Tier 3 compliant and Tier III Design certified. The Company has outsourced its server maintenance to the following companies: [CONFIDENTIAL]. System Infrastructure Maintenance delegated to [CONFIDENTIAL], ABD System Infrastructure Maintenance delegated to [CONFIDENTIAL].
- 2.11. **"Loan Club" system** - a system managed by the Company, in which all data related to the Company's electronic money issuance activities, mutual lending operator activities, payment services activities, except for payment initiation and account information services, are stored and accumulated. The system is available to the Company's customers on the Internet at the following addresses: <https://www.paskoluklubas.lt/prisijungti> , <https://www.neofinance.com/prisijungti> .
- 2.12. **MIP** is a payment initiation service defined by the Law on Payments of the Republic of Lithuania.
- 2.13. **SIP** is an account information service as defined by the Law on Payments of the Republic of Lithuania.
- 2.14. **ABD** - Open Banking Department.

- 2.15. **The Neopay system** is a payment initiation and account information service system that is available at the Internet addresses: <https://mano.neopay.lt>.
- 2.16. **TSPO** is the operator of the mutual lending platform as defined by the VKU.
- 2.17. **VK** - consumer credit as defined by VKI.
- 2.18. **VKG** - a consumer credit recipient, when VK is provided through the System, as defined by the VKG.
- 2.19. **VKĮ** - Law on Consumer Credit of the Republic of Lithuania.
- 2.20. **BDAR (General Data Protection Regulation)** - 2016 April 27 Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46 / EC.
- 2.21. **Business Continuity Disruption (Crisis)** - an unplanned and undesirable disruption of the Company's operations in a certain area, which may disrupt the Company's operations or terminate its business continuity, ie . any non-standard situation that poses a risk. It usually starts as an incident.
- 2.22. **The Company's crisis management group** is a non-structural body of the Company responsible for decision-making when all the Company's activities are affected by an incident or crisis. The structure of the company's crisis management group is presented in Appendix no. 2.
- 2.23. **IT Manager** - is responsible for the development, organization, management and maintenance of functions related to the development of new technological solutions for the company and the development, organization, management and maintenance of IT strategy.
- 2.24. **Chief Information Security Officer (ISO)** - responsible for risk and security risk management of information and communication technologies.
- 2.25. **Risk Officer** - a person responsible for the development of internal risk management models and the overall supervision of the Company's risk management system.
- 2.26. **An incident** is any current or unavoidable situation that may have a disruptive effect on the Company's normal operations and adversely affect the provision of services. In terms of business continuity, any incident can become a crisis if the impact is significant or long-lasting.
- 2.27. All terms used in the Plan in the singular may, depending on the context, be understood as using the plural and vice versa.

### 3. OPERATIONAL RISKS

- 3.1. At the heart of a business continuity plan is the assessment and management of potential risks, the impact of their consequences, and the calculation of what needs to be protected. In order to ensure the continuity of the Company's operations, the Company examines each operating area of the Company in order to determine the possible consequences and impact on those areas, depending on the specific emergency situations.
- 3.2. When identifying key threats, actions are planned to address these threats. All these measures are applied to ensure that the Company will be able to react quickly to unexpected situations in the shortest possible time and to ensure that the most important work of the Company does not stop.
- 3.3. Depending on the nature of the Company's operations, the Company distinguishes between operational / strategic risk, financial risk and non-financial risk categories. The Company's risk management is set out in detail in the *Internal Management, Risk and Control Management Policy and Strategy*. The Company's main risks are listed in Appendix no. 1.

### 4. BUSINESS IMPACT ANALYSIS

- 4.1. The Company's business continuity planning is based on the assessment and analysis of the potential impact of the risk scenario on the Company's business processes. Business processes must be assessed according to:
  - (a) Impact of potential threats on finances and reputation.
  - (b) Criticality of business processes, taking into account the impact values on confidentiality,

integrity and availability of the relevant business process.

- (c) *Recovery period Time Objective (RTO)* and the maximum period during which the loss of data due to an incident is considered acceptable (*Recovery Point Objective (RPO)*) for IT systems and data necessary to support business processes .
- (d) The Company's current readiness to act in unforeseen circumstances.
- (e) Organizational and technological requirements for the restoration of the Company's operations and information technology operations.
- (f) The methodology for business process criticality assessment is defined below (4.2. - 4.3).

4.2. Business process impact classification values (qualitative and quantitative):

|                 | Low | Low to medium | Average | Medium to high | High |
|-----------------|-----|---------------|---------|----------------|------|
| Confidentiality | 1   | 2             | 3       | 4              | 5    |
| Integrity       | 1   | 2             | 3       | 4              | 5    |
| Availability    | 1   | 2             | 3       | 4              | 5    |

4.3. The process criticality value is calculated by multiplying the Confidentiality value x The Integrity value x The Availability value. Process criticality scores (quantitative and qualitative):

|        |         |
|--------|---------|
| 80-125 | High    |
| 40-79  | Average |
| 1-39   | Low     |

4.4. A summary of the business impact analysis - the criticality assessment of business processes - is provided in the table below:

| # | Business process                               | Confidentiality | Integrity | Availability | The criticality value of the process | Qualitative assessment of process criticality |
|---|--|-----------------|-----------|--------------|--------------------------------------|---|
| 1 | Mutual lending platform operator activities    | 5               | 4         | 5            | 100                                  | High  |
| 2 | Issuance of credits                            | 5               | 4         | 4            | 80                                   | High  |
| 3 | Debt administration                            | 5               | 5         | 2            | 50                                   | Average                                       |
| 4 | Payment initiation service                     | 5               | 5         | 5            | 125                                  | High  |
| 5 | Account information service                    | 5               | 5         | 3            | 75                                   | Average                                       |
| 6 | Customer accounts (EMI activities)             | 5               | 5         | 5            | 125                                  | High  |
| 7 | Redemption of electronic money ( initiation of | 5               | 5         | 5            | 125                                  | High  |

|    |  |   |   |   |     |         |
|----|--|---|---|---|-----|---------|
|    | credit transfers)  |   |   |   |     |         |
| 8  | Issuance of electronic money (acceptance of payments)              | 5 | 5 | 5 | 125 | High    |
| 9  | Payment processing (SEPA)  | 5 | 5 | 5 | 125 | High    |
| 10 | Payment of salaries  | 3 | 2 | 3 | 18  | Low     |
| 11 | Accounting   | 4 | 5 | 3 | 60  | Average |
| 12 | Recruitment and dismissal  | 3 | 2 | 1 | 6   | Low     |
| 13 | Customer service   | 4 | 3 | 3 | 36  | Low     |
| 14 | Marketing and internal communication                               | 4 | 2 | 1 | 8   | Low     |
| 15 | Reports to management  | 4 | 4 | 2 | 32  | Low     |
| 16 | Reports for supervisory services (automatic) (STI, LB PRDB)        | 4 | 4 | 5 | 80  | High    |
| 17 | Reports to supervisory services (manual) (LB, NASDAQ, STI)         | 4 | 4 | 4 | 64  | Average |
| 18 | Internal communication platforms (E-mail, Teams, Sharepoint, etc.) | 3 | 4 | 3 | 36  | Average |
| 19 | KYC and concluding new contracts with customers                    | 5 | 5 | 5 | 125 | High    |
| 20 | Implementation of AML and international sanctions                  | 5 | 5 | 5 | 125 | High    |
| 21 | Live and remote customer identification                            | 5 | 5 | 5 | 125 | High    |
| 22 | Stock Accounting and NASDAQ Compliance                             | 5 | 4 | 4 | 80  | High    |

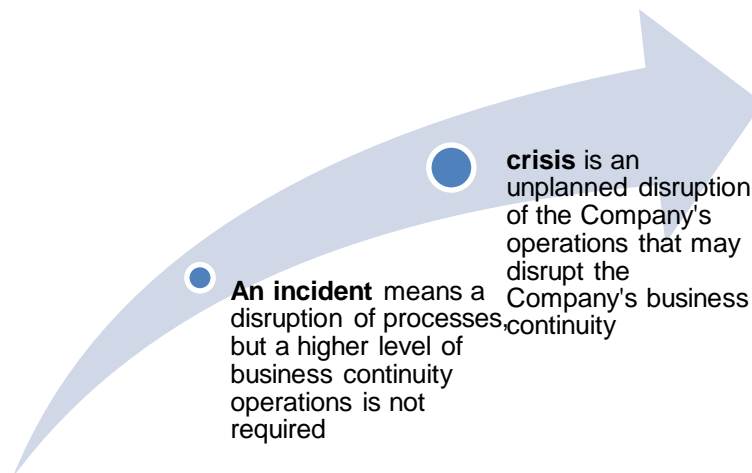
- 4.5. Recovery Time Objectives (RTOs) and Recovery Point Objectives (RPOs) for the respective business processes are defined in the table below:

| #  | Business process   | RTO      | RPO                            |
|----|--|----------|--------------------------------|
| 1  | Mutual lending platform operator activities                            | 4 p.m.   | 0                              |
| 2  | Issuance of credits  | 8 p.m.   | 0                              |
| 3  | Debt administration  | 48 hours | 0                              |
| 4  | Payment initiation service   | 4 p.m.   | 0                              |
| 5  | Account information service  | 24 hours | 0                              |
| 6  | Customer accounts (EMI activities)                                     | 4 p.m.   | 0                              |
| 7  | Redemption of electronic money (initiation of credit transfers)        | 4 p.m.   | 0                              |
| 8  | Issuance of electronic money (acceptance of payments)                  | 4 p.m.   | 0                              |
| 9  | Payment processing (SEPA)  | 4 p.m.   | 0                              |
| 10 | Payment of salaries  | 24 hours | 1 month                        |
| 11 | Accounting   | 24 hours | 72 hrs.                        |
| 12 | Recruitment and dismissal  | 72 hrs.  | 1 month                        |
| 13 | Customer service   | 24 hours | 48 hours                       |
| 14 | Marketing and internal communication                                   | 72 hrs.  | 72 hrs.                        |
| 15 | Reports to management  | 48 hours | 72 hrs.                        |
| 16 | Reports for supervisory services (automatic) (STI, LB PRDB)            | 4 p.m.   | 4 p.m.                         |
| 17 | Reports to supervisory services (manual) (LB, NASDAQ, STI)             | 8 p.m.   | 4 p.m. (on the reporting date) |
| 18 | Internal communication platforms (E- mail , Teams , Sharepoint , etc.) | 24 hours | 48 hours                       |
| 19 | KYC and concluding new contracts with customers                        | 4 p.m.   | 0                              |
| 20 | Implementation of AML and international sanctions                      | 4 p.m.   | 0                              |
| 21 | Live and remote customer identification                                | 4 p.m.   | 0                              |
| 22 | Stock Accounting and NASDAQ Compliance                                 | 8 p.m.   | Information on NASDAQ: 0       |

- 4.6. Circumstances and situations related to the occurrence of the Company's operational risks and their probability must be constantly analyzed in order to ensure the continuity of the Company's operations.

## 5. BUSINESS CONTINUITY CULTURE

- 5.1. The purpose of the Company's business continuity planning is to prevent the termination of the Company's operations, to prevent or reduce the amount of losses caused by possible business disruptions and to restore the Company's operations as soon as possible and as efficiently as possible after an incident or crisis. The company aims to:
- (a) To protect human health and life and ensure business continuity;
  - (b) To forecast possible incidents, crises and emergencies and assess their impact on the Company's operations.
  - (c) Establish measures to prevent possible incidents and crises.
  - (d) Establish principles for the management of alternative processes.
  - (e) Ensure a rapid response to incidents and crises and minimize their impact on the Company and customers.
  - (f) To ensure efficient sharing of information within the Company, with customers, the public, major service providers and the Bank of Lithuania.
- 5.2. The Company understands the importance of each incident as unresolved incidents may result in more serious disruptions / crises.



- 5.3. The plan must be submitted and adhered to by all employees of the Company, as well as third parties who have access to the Company's information systems and information.

## 6. INCIDENT MANAGEMENT AND RISK SCENARIOS

- 6.1. An incident or specific risk scenario may adversely affect the availability, integrity and confidentiality of information; it may also disrupt or disrupt business continuity. Any incident could become a crisis if the impact on the Company's operations were significant or long-lasting (longer than in the business process assessment of RTO and RPO business impact analysis).
- 6.2. The following incidents are possible risk scenarios that could have a material impact on the Company's business:
- (a) Disruptions or failures of communication services
  - (b) Interruption of electricity supply
  - (c) IS software failure
  - (d) IT equipment failure
  - (e) Cyber attacks, data compromise, DDoS attacks, malicious code, illegal access
  - (f) Data loss
  - (g) The data center service provider is unacceptable or unavailable
- 6.3. The possible risk scenarios are presented in the tables below.

|                           |   |
|---------------------------|---|
| <b>Critical event</b>     | <b>Failure or interruption of communication services in data centers</b>  |
| <b>Main information</b>   | This scenario involves the loss of an Internet connection to some or all of the IT systems. The scenario includes communication disruptions between Lithuanian Internet service providers.  |
| <b>Impact on business</b> | Initiating payments through Neopay continues from [CONFIDENTIAL] . Disrupts administration and repeated reports of successful payments to merchants. Prerequisite: Banking websites are accessible. The activities of the loan club are completely disrupted Payment activities are completely disrupted. |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process  |
| <b>Immediate action</b>   | The IT manager assesses the impact, possible causes, and liaises with communications service providers.   |
| <b>Other actions</b>      | After reconnecting, the IT manager must verify that all affected functions are restored to normal operation.  |
| <b>Resources required</b> | Internal IT staff, service provider staff.  |
| <b>Preventive action</b>  | Data center Internet connections are duplicated. Neopay's infrastructure uses infrastructure not related to Lithuanian Internet providers ( [CONFIDENTIAL] )  |

|                           |   |
|---------------------------|---|
| <b>Critical event</b>     | <b>Failure or interruption of communication services at headquarters; power failure at headquarters</b>   |
| <b>Main information</b>   | This scenario involves a disruption of the Internet company's headquarters. Power outage at headquarters.<br><br>This scenario includes disruptions not only to IT systems, but also to other electricity-dependent areas: access and entry into the premises, video surveillance, indoor lights, and so on.  |
| <b>Impact on business</b> | Employees may not perform their duties while working from the company's headquarters  |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process  |
| <b>Immediate action</b>   | 1. Any employee of the Company should inform the IT manager of any disruption to communication services.<br>2. The IT manager shall assess the impact, possible causes and liaise with the communication service providers.<br>3. If the failure lasts for more than 30 minutes, the IT Manager shall inform the Head of Administration and decide whether the employees should continue working from home. |
| <b>Other actions</b>      | After reconnecting, the IT manager must verify that all affected functions are restored to normal operation.  |
| <b>Resources required</b> | Internal IT staff, service providers  |
| <b>Preventive action</b>  | A sufficient number of staff responsible for key functions have laptops.  |

|                           |  |
|---------------------------|--|
| <b>Critical event</b>     | <b>Power outage in data centers</b>  |
| <b>Main information</b>   | Power outages in the Company's data centers may have a material adverse effect on the availability of information in the data centers.   |
| <b>Impact on business</b> | All data centers are connected to an uninterruptible power supply (UPS) and backup diesel generators.<br>Diesel generators can operate for 24 hours without refueling.<br>In the event of a prolonged disruption of the electricity supply, service providers should arrange for the refueling of diesel generators.<br>If it is not possible to refuel: <ul style="list-style-type: none"> <li>– Initiating payments through Neopay continues from [CONFIDENTIAL] . Disrupts administration and repeated reports of successful payments to merchants. Prerequisite: Banking websites are accessible.</li> <li>– The activities of the loan club are completely disrupted</li> <li>– Payment activities are completely disrupted.</li> </ul> |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process   |



|                           |  |
|---------------------------|--|
| <b>Immediate action</b>   | <ol style="list-style-type: none"> <li>1. Any employee of the Company should inform the IT manager and ISO of any power outages.</li> <li>2. The IT manager shall assess the impact, possible causes and contact the energy supplier and inform the representative of the premises manager.</li> <li>3. The IT manager monitors the progress of the energy supplier and reports the status to management.</li> </ol> |
| <b>Other actions</b>      | -  |
| <b>Resources required</b> | Service providers, internal resources  |
| <b>Preventive action</b>  | Ensure that all service providers provide their services properly  |

|                           |  |
|---------------------------|--|
| <b>Critical event</b>     | <b>IS software failure</b>   |
| <b>Main information</b>   | Failure of IS software (especially critical and customer-focused functions) can have a material adverse effect on the Company's operations and reputation.   |
| <b>Impact on business</b> | Failure of the IS software may disrupt the Company's operations and services from minor to very severe disruption. It can also lead to loss of information.  |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process   |
| <b>Immediate action</b>   | <ol style="list-style-type: none"> <li>1. Any employee of the Company should inform the IT Manager of any malfunctions of the IS software</li> <li>2. The IT manager assesses the impact, possible causes, and communicates and communicates with the IS infrastructure and / or SaaS providers .</li> <li>3. The IT manager shall inform employees of the known effects and the planned recovery time.</li> <li>4. The IT manager monitors the IS infrastructure and / or software SaaS provider for progress and reports status to management.</li> <li>5. Neopay merchants are notified of faults lasting more than 15 minutes.</li> <li>6. Loan Club customers are informed about failures, the planned duration of which may exceed 1 hour by message on the Loan Club website.</li> <li>7. If data is restored from backups or moved to backups, it may take 12 to 18 hours for service providers to complete all the necessary configurations.</li> </ol> |
| <b>Other actions</b>      | Protect and reduce potential data loss - Make sure all backups are installed and available if you need to restore information. Consider keeping backups offline.   |
| <b>Resources required</b> | Internal IT resources, IS infrastructure and software ( SaaS ) providers   |
| <b>Preventive action</b>  | <ol style="list-style-type: none"> <li>1. The IT manager shall ensure that all providers of IS infrastructure and / or software SaaS have the necessary IT infrastructure and procedures in place to minimize the impact and likelihood of software failure.</li> <li>2. Periodically test the IS software outage scenario (with infrastructure and / or SaaS providers) by migrating the IS to a backup / disaster recovery location</li> </ol>   |

|                           |  |
|---------------------------|--|
| <b>Critical event</b>     | <b>IT hardware failure</b>   |
| <b>Main information</b>   | IT equipment failures can have a limited negative impact on operations as the Company uses virtual server infrastructure located in duplicated data centers. Neo finance uses a payment DPS that is non-duplicated in the [CONFIDENTIAL] data center.  |
| <b>Impact on business</b> | Failures of servers in the virtual server infrastructure will have a very limited impact on the Company's operations.<br>Failure of the payment DPS would disrupt SEPA credit transfers. SEPA inst . (~ 30 % of all payments ) would remain unaffected.  |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process   |
| <b>Immediate action</b>   | <ol style="list-style-type: none"> <li>1. In case of payment DPS failure: Initiate payment DPS recovery in the [CONFIDENTIAL] data center.</li> <li>2. The IT manager evaluates and verifies the exact service conditions of the faulty equipment ( ie same business day, next business day, etc.).</li> <li>3. Actions of the IT manager: <ol style="list-style-type: none"> <li>3.1. assess the impact, possible causes, and contact the IT equipment provider and / or Service Center for collection;</li> <li>3.2. inform workers of known effects and planned recovery times.</li> <li>3.3. to prepare new jobs for affected employees (in case of failure of office equipment IT equipment).</li> </ol> </li> <li>4. The IT manager monitors the IS infrastructure and / or software SaaS provider for progress and reports status to management.</li> <li>5. Neopay merchants are informed for more than 15 minutes. lasting failures.</li> </ol> |

|                           |   |
|---------------------------|---|
|                           | 6. Loan Club customers are informed about failures, the planned duration of which may exceed 1 hour by message on the Loan Club website.<br>7. If data is restored from backups or moved to backups, it may take 12 to 18 hours for service providers to complete all the necessary configurations. |
| <b>Other actions</b>      | Monitor the actions of the IT equipment provider and report status to management.   |
| <b>Resources required</b> | IT equipment suppliers, IT equipment service centers.   |
| <b>Preventive action</b>  | 1. Daily file data backups<br>2. Periodically test the IT equipment failure scenario.<br>evidence once a year that their solution is located in certified data centers and is adapted to best practice.   |

|                           |   |
|---------------------------|---|
| <b>Critical event</b>     | <b>Cyber attacks, data breaches, DDoS attacks, malicious code, illegal access</b>   |
| <b>Main information</b>   | Cyber attacks, computer virus attacks may disrupt the operation of the IS (ie lose or damage the Company's information). This scenario also includes cases where someone tries to gain unauthorized access to the Company's data , various viruses infect employees 'computers, and the Company's website is unavailable due to an attack and similar situations. |
| <b>Impact on business</b> | Cyber attacks can disrupt the Company's operations and services from a small to a very large disruption. It can also lead to loss of information.   |
| <b>Responsibilities</b>   | ISO is responsible for leading the recovery process   |
| <b>Immediate action</b>   | 1. Any employee of the Company should inform ISO of any cyber attacks or viruses detected.<br>2. ISO actions:<br>2.1. assess the impact, possible causes, and contact the IT service or IS software SaaS provider;<br>2.2. take further action to restore the affected services.  |
| <b>Other actions</b>      | ISO must investigate the causes and propose a plan to prevent this type of attack in the future.  |
| <b>Resources required</b> | IS SaaS providers and IT service providers.   |
| <b>Preventive action</b>  | 1. Employee information security awareness (to prevent viruses)<br>2. Antivirus software.<br>3. Regular backups<br>4. Selected reliable IT partners<br>5. Periodic security audits of IT systems (performed by a third party).  |

|                           |   |
|---------------------------|---|
| <b>Critical event</b>     | <b>Data loss</b>  |
| <b>Main information</b>   | The scenario includes instances where the data was deleted, the data was invalid, and the data was not stored on the file server (local computer disk only). This also includes cases where the data was not backed up or performed insufficiently (time, volume).  |
| <b>Impact on business</b> | Loss of data or part of the Company's data may have a material adverse effect on the Company's customers.   |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process  |
| <b>Immediate action</b>   | 1. Any employee of the Company should notify the IT manager of any loss of data.<br>2. The IT manager assesses the impact, possible causes, and contacts the IT service or IS software (SAAS) provider.<br>3. IT service providers shall verify that backups are installed and can be restored.<br>4. Actions of the IT manager:<br>4.1. assess the impact if data is recovered;<br>4.2. confirm how, what data should be recovered and where<br>4.3. monitor data recovery from Backup<br>4.4. verify that all data has been recovered and inform employees of their status. |
| <b>Other actions</b>      | 1. Check if the missing data (if the part between the backup and the current state is missing) can be recovered from the paper, e-mail. letters or other sources of information.  |

|                           |  |
|---------------------------|--|
|                           | 2. ISO shall prepare an independent incident assessment report for management.   |
| <b>Resources required</b> | Internal IT staff, IT service providers.   |
| <b>Preventive action</b>  | 1. Regular backup check of backup services (backups are now checked quarterly).<br>2. Have an external backup of the Company's data. |

|                           |  |
|---------------------------|--|
| <b>Critical event</b>     | <b>The service of the DC service provider ( [CONFIDENTIAL] ) is unacceptable or unavailable</b>  |
| <b>Main information</b>   | In the event that the services of a DC Service Provider are unacceptable or unavailable, this could have a material adverse effect on the Company's operations, including the loss of all relevant data and the complete freezing of the Company's operations.   |
| <b>Impact on business</b> | The company has fragmented its services and uses several service providers to minimize the impact on operations.   |
| <b>Responsibilities</b>   | The IT manager is responsible for leading the recovery process   |
| <b>Immediate action</b>   | 1. Inform the head of the Company about the situation. Depending on the importance of outsourcing, the Head of Administration must inform the Crisis Management Committee.<br>2. Actions of the IT manager:<br>2.1. evaluate possible alternatives; prepare for the transition to an on-site IT infrastructure;<br>2.2. to compile a list of possible new DC service providers and submit it to the Company's management / Crisis Management Committee. In the case of SaaS , you can have direct contracts with the data center for rent, managed services, firewall and network, Internet connection, and so on.<br>2.3. enter into an agreement with the selected new service provider;<br>2.4. manage and supervise the restoration of services by the new service provider. |
| <b>Other actions</b>      | 1. Inform the Company's employees and customers about the situation and the recovery period.<br>2. If the Company encounters the need to change a significant service provider, the Bank of Lithuania shall be provided with all necessary related information.  |
| <b>Resources required</b> | IT service providers (existing and potential new).   |
| <b>Preventive action</b>  | 1. To constantly monitor the SLA of the provided services, to monitor the performance and capabilities of the service provider, the financial condition.<br>2. Have a sufficient notice period in contracts with IT service providers.<br>3. Assess options and prepare alternative plans:<br>3.1. Duplicate existing solution providers (where possible);   |

## 7. CRISIS MANAGEMENT

- 7.1. The purpose of crisis management is to define the Company's crisis management and communication actions required to respond immediately to crisis situations, to manage the Company's reputation, as well as to quickly and efficiently restore the functionality of the Company's processes. Crisis management must be escalated if the Company's operations cannot be resumed within 1 business day (24 hours) as defined in the Business Impact Analysis.
- 7.2. As the crisis poses a significant threat to the Company's reputation and commitment to customers and other third parties, employees must be prepared to respond without wasting time. In order to reduce the impact of the crisis, a clear communication plan and alternative organization of the Company's activities are being prepared .
- 7.3. The company has developed the following plan to address the immediate requirements of the crisis response when special measures are required:
- (a) to protect the Company's reputation / public image;
  - (b) establish an effective crisis response team, including external advisers;
  - (c) to manage direct notifications and information on the organization of alternative activities of the Company;

- (d) to effectively manage the Company's resources in a crisis situation;
  - (e) take measures to restore the Company's operations as soon as possible.
- 7.4. Manager / ISO / Risk Officer must report the incident that is causing the crisis to the Crisis Management Committee.
- 7.5. The Crisis Management Committee holds emergency meetings to assess and classify the crisis, manage the overall response to the crisis, decide on additional resources and approve the communication plan.
- 7.6. The crisis response team may be composed of a public relations agency and outsourced suppliers. Depending on the type of crisis, additional functional responsibilities are assigned:

| Function                    | Description / Task  |
|-----------------------------|---|
| <b>Safety</b>               | Safety expertise, fire / labor protection issues  |
| <b>Information security</b> | Assessing the impact of the situation on information security, advising the Crisis Management Committee, contact person on all information security issues                                |
| <b>Technology</b>           | Technology impact assessment, Crisis Management Committee advice, contact person for all IT issues  |
| <b>Finance</b>              | Financial impact assessment, relations with insurance companies, banks, coordination of necessary financial transactions  |
| <b>Risk</b>                 | Risk management impact assessment, general assessment of the consequences of the decisions of the Crisis Management Committee for the future activities of the Company                    |
| <b>Operations</b>           | Assessment of the impact of the situation on the Company's operations, consulting of the Crisis Management Committee, contact person for all operational issues                           |
| <b>Communications</b>       | Third party representatives who should be involved as external advisors ( ie public relations agency) are directly responsible for the resolution of incidents ( ie IT service providers) |

- 7.7. The Crisis Management Committee reviews the affected areas of the Company's operations, evaluates the proposals of the responsible functions and approves the sequence of actions.
- 7.8. Depending on the type of crisis, a decision should be made on alternative ways of organizing the Company's activities (as described in Section 8).
- 7.9. The list of all possible components to be addressed in a crisis (customers, central bank, shareholders, employees, press, counterparties, etc.) needs to be reviewed. Communication priorities would be:

| What   | When                   | What   | How   |
|--|------------------------|--|---|
| <b>Head of Administration</b>                      | Immediately            | Full scale of incidents, areas affected, what is being done, possible cause, impact (who, where, where, when)    | Proactive contact, regular briefings and updates    |
| <b>Management</b>                                  | Immediately            | Full scale of incidents, areas affected, what is being done, possible cause, impact (who, where, where, when)    | Proactive contact, regular briefings and updates    |
| <b>Employees</b>                                   | Immediately            | (Total) scale of incidents, areas affected, what is being done, possible cause, impact (who, where, where, when) | Supervisor instruction, intranet, proactive contact |
| <b>Central Bank, if required under Section 9.2</b> | According to the terms | Full scale of incidents, affected areas, what is being done, possible  | Proactive contact, phone call, visit                |

|                | defined in point 9.2                          | cause, impact (who, where, where, when)  |  |
|----------------|---|--|--|
| <b>Clients</b> | As decided by the Crisis Management Committee | Expected business resumption as usual, impact on current business and security, measures taken | Website, sales staff, social media, press, |
| <b>Press</b>   | As decided by the Crisis Management Committee | The public relations agency manages the communication  |  |

- 7.10. Help the Company's employees focus on their work. If possible, continue to address all day-to-day issues and challenges that are necessary to ensure current and future well-being. Maintaining the company's morale during a crisis should always be the focus and priority. Employees and their morale are key to maintaining trust with customers and counterparties.
- 7.11. Preventive measures:
- (a) The Company's Board and key employees must be trained and acquainted with the Company's crisis management process.
  - (b) The effectiveness of the communication line and the plan should be checked at least once a year.

## 8. ORGANIZATION OF ALTERNATIVE ACTIVITIES OF THE COMPANY

- 8.1. In cases when the continuity of operations in the existing premises of the Company is temporarily impossible, but will be restored, the following measures are used to resolve the situation:
- (a) If the recovery period is short, ie up to 5 business days, it is not appropriate to allocate funds for the partial or complete relocation of operations, the operation will not be suspended due to the use of most of the Company's business-critical IT systems as SaaS and service providers in trusted Data Centers . Company employees have opportunities and are instructed to work remotely from home.
  - (b) In case the existing premises cannot be used for more than 5 working days, the transfer of the Company's employees to other premises may be organized; or work from home can be extended to a longer period.
  - (c) When redeploying staff, priority shall be given to staff performing key functions. If necessary, the transfer shall leave one staff member with the appropriate functions at the place of work.
  - (d) In certain cases, new contracts for the necessary electronic communications services, the necessary means of communication and other inventory shall be concluded immediately.
  - (e) The Company's customers and the supervisory authority - the Bank of Lithuania - shall be notified of the suspension, restriction or change of the conditions for the provision of services (place, time, deadlines).
- 8.2. If continuity operations at the Company's existing premises are not possible, the situation is resolved in three stages:
- (a) Stage I: before moving to other premises (people work from home):
    - (i) quick search for new premises with telephone, internet connection (eg temporary office rental service);
    - (ii) the ordering or rental of computers, virtual servers and other office equipment required for Phase II workstations, which must be delivered as soon as the premises are found;
    - (iii) restore data from backup;
    - (iv) Participation of IT business entities in accelerating the recovery of the Company's operations;
    - (v) The Company's domain manager is provided with information approved by the Crisis

Management Committee that is relevant to customers and the public and published on the Internet;

- (vi) The Head of Administration coordinates actions with the Board of the Company and provides the Bank of Lithuania with information on the discontinued operations of the Company and its recovery plans.

(b) Phase II: first agreements when the relevant premises are found:

- (i) preparation of the minimum number of required jobs: IT support staff, business process units, accounting and risk management staff;
- (ii) server configuration and data recovery from backup as needed;
- (iii) network connection of telecommunications equipment;
- (iv) a request from the telecommunications operator to urgently restore the Internet, the communication line, arrange the fixed telephone numbers, and so on.

(c) Phase III: Other measures:

- (i) Development of company data transmission networks;
- (ii) preparation of remaining jobs required to restore normal work.

8.3. responsibility for implementing the measures covered by the paragraphs of the plan rests with the IT Manager , ISO, Risk Officer.

## **9. FAULT RECORDING AND REPORTING**

9.1. All incidents must be registered in the Company's operational or security risk event (incident) data recording system. Employees must immediately report incidents to the IT Manager, ISO and Risk Management Officer.

9.2. Actions by staff to report incidents, incidents and crises, restoring business continuity:

- (a) In the case of minor incidents, the reporting steps are performed by the IT manager. Faults are reported to all IS users;
- (b) In the event of a moderate or severe disruption, reporting activities are performed by the IT Manager, involving ISO and Risk Management Officers. Incidents are transferred to the Company's management (members of the Board and heads of structural units) and IS users;
- (c) Information on a major operational or security risk incident related to the provision of payment services (MOSRI) must be submitted to the Bank of Lithuania no later than within 4 hours from the moment MOSRI is recognized as a major one. Information on a major non-payment service or security risk incident (OSRI) must be submitted to the Bank of Lithuania no later than 4 hours after classification as a significant incident in accordance with the Rules for Submission of Operational and Security Risk Incident Reporting to the Bank of Lithuania.
- (d) During major disruptions, where recovery may take a long time, the Crisis Management Committee coordinates the escalation of the Company's employees, third parties and the Company's customers, as described in the Crisis Management Description.

## **10. EVALUATION AND CONTINUOUS IMPROVEMENT OF THE BUSINESS CONTINUITY PLAN**

10.1. The effectiveness of common incident and crisis management systems, scenarios, procedures, equipment, training and competencies shall be reviewed to ensure that changing circumstances (eg people, systems, processes, facilities or equipment) do not change risk priorities or reduce system capacity . The results of the reviews provide assurance on the effectiveness of the business continuity plan.

10.2. The effectiveness / adequacy of the developed scenarios should be assessed during testing. The following measures should be monitored: overall evacuation time, performance of authorized responders, willingness of staff, customers to comply with specifications, any deficiencies such as blocked escape routes, need for fire extinguishers, equipment, etc.

10.3. The results of the evaluation should be documented. Deficiencies should be described as

specifically as possible and procedures should be reviewed to include systemic improvements where necessary. The rectification of identified deficiencies should be monitored regularly.

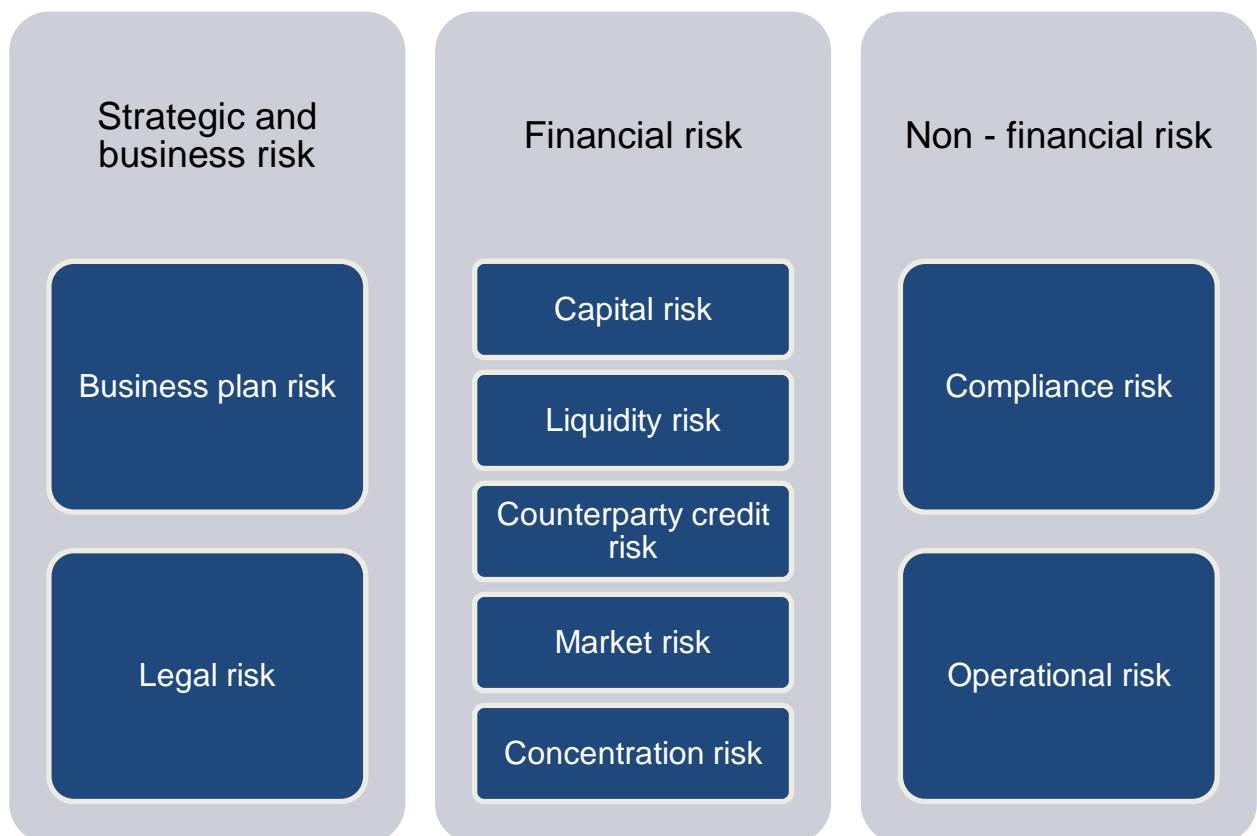
- 10.4. The overall business continuity plan should be reviewed at least once a year.
- 10.5. The risk officer is responsible for the development and periodic review of the business continuity plan, as well as for the organization of the documentation of the testing and test results of the plans.
- 10.6. After conducting the tests according to the prepared description, the Crisis Management Committee shall evaluate the testing and submit the results thereof to the Board within twenty working days.

## **11. FINAL PROVISIONS**

- 11.1. The plan enters into force when it is approved by the Board of the Company.
- 11.2. The plan is adjusted to take into account changes in legal regulations and organizational changes, but at least once a year.
- 11.3. The plan is reviewed annually against risk scenarios.
- 11.4. All relevant employees of the Company are acquainted with the Plan.
- 11.5. The head of the company is responsible for the overall implementation of the plan. The IT-related provisions of the plan are implemented and adequately controlled by the IT Manager, the provisions related to information security are implemented and adequately controlled by ISO, the operational risk-related provisions are implemented, and the Risk Officer ensures appropriate controls.



12. ANNEX NO. 1. MAIN RISKS OF THE COMPANY.



Compliance risks



- Risk of regulatory compliance
- Elgsenos with customers / Customer protection risk
- Protection of customer funds
- Elgsenos with customers Data protection risk

Operational risk



- Information and communication technology (ICT) risk and ICT project risk
- Employee actions / Illegal actions of the Company's employees
- External factors / Risk of money laundering and terrorist financing
- Employee actions / Company employee errors
- Process risk
- Business continuity risk



**13. ANNEX NO. 2. STRUCTURE AND CONTACTS OF THE MEMBERS OF THE CRISIS MANAGEMENT GROUP**

| N r. | Position  | Name, title    | El. mail       | Phone          |
|------|---|----------------|----------------|----------------|
| 1    | Chairman of the Crisis Management Committee, Head of Administration                   | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 2.   | Member of the Crisis Management Committee, Head of the Legal and Compliance Unit      | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 3    | Member of the Crisis Management Committee, Risk Officer                               | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 4    | Member of the Crisis Management Committee, Head of the Operations Management Division | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 5    | Member of the Crisis Management Committee, Head of the Finance Department             | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 6    | Member of the Crisis Management Committee, Head of the IT Department                  | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 7    | Member of the Crisis Management Committee, Chief Information Security Officer         | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |
| 8    | Member of the Crisis Management Committee, Head of Marketing and Communications       | [CONFIDENTIAL] | [CONFIDENTIAL] | [CONFIDENTIAL] |

14. ANNEX NO. 3. CONTACTS OF SECURITY AND OTHER SPECIAL SERVICES AND AUTHORITIES TO BE NOTIFIED OF INCIDENTS

| No. | Name of the institution            | Contacts  | Theme  |
|-----|------------------------------------|---|--|
| 1   | Lithuanian bank                    | Gedimino ave. 6, LT-01103 Vilnius<br>Tel. : +370 5 268 0501   | Notifications on incidents that disrupt or terminate the Bank's services   |
| 2   | State Data Protection Inspectorate | A. Juozapavičiaus st. 6, 09310 Vilnius<br>Tel. : +370 5 271 2804, +370 5 279 1445<br>El. e- mail <a href="mailto:ada@ada.lt">ada@ada.lt</a> .   | Reporting incidents involving personal data breaches   |
| 2   | National Cyber Security Center     | Gedimino ave. 40, Vilnius<br>Company code 191630942<br>Tel. +370 706 84116<br>El. e- mail: <a href="mailto:info@nksc.lt">info@nksc.lt</a><br><br>You can report an incident by filling out a special form or writing an email. At the postal address <a href="mailto:cert@nksc.lt">cert@nksc.lt</a> , or by calling 1843. | Notification of incidents on public electronic communication channels and / or information systems   |
| 3   | Emergency Response Center          | Tel. : 112  | Notification of violations / incidents related to the Company's premises, other violations / incidents threatening the employees and customers of the Company and its premises (police, fire safety and rescue service, ambulance service) |

**15. ANNEX NO. 4. CONTACTS OF SERVICE PROVIDERS, THE MOST IMPORTANT FOR THE CONTINUITY OF THE COMPANY'S ACTIVITIES**

| <b>No.</b> | <b>Service</b>                        | <b>Name of the main provider</b> | <b>Contacts</b> | <b>Responsible person</b>                          |
|------------|---------------------------------------|----------------------------------|-----------------|--|
| 1          | Electricity supplier                  | [CONFIDENTIAL]                   | [CONFIDENTIAL]  | [CONFIDENTIAL], Head of IT                         |
| 2          | Communication and DC service provider | [CONFIDENTIAL]                   | [CONFIDENTIAL]  | [CONFIDENTIAL], Head of IT                         |
| 3          | Office rental services                | [CONFIDENTIAL]                   | [CONFIDENTIAL]  | [CONFIDENTIAL], Personnel and Office Administrator |
| 4          | Security of premises                  | [CONFIDENTIAL]                   | [CONFIDENTIAL]  | [CONFIDENTIAL], Personnel and Office Administrator |
| 5          | Payment system provider               | [CONFIDENTIAL]                   | [CONFIDENTIAL]  | [CONFIDENTIAL], Head of IT                         |

## 16. ANNEX NO. 5. NEO FINANCE, AB INSOLVENCY MANAGEMENT SCENARIO IN CASE OF ECONOMIC DOWNTURN

- 16.1. NEO Finance, AB, company code 303225546, registered office A. Vivulskio str. 7, Vilnius (hereinafter - the Company) liquidity risk differs from other operational risks specified in the business continuity plan in that the Company's insolvency scenario may be affected by external factors, the occurrence of which may not be significantly affected by the Company's adequate collateral. In view of this, the Company has prepared an Insolvency Management Scenario in the event of an economic downturn (hereinafter - the Insolvency Management Scenario), which simulates the impact of the economic downturn on the Company's operations.
- 16.2. One of the main factors that may adversely affect the Company's solvency is the possible economic downturn. In the event of an economic downturn, the Company's operations are likely to decline. The biggest negative impact would be that the economic ability of active investors to finance consumer credit is particularly important in mutual lending activities. In this Insolvency Management Scenario, prepared in 2022. In March, investors' access to finance for consumer credit is expected to double during the economic downturn.

### ENSURING THE FLOW OF REVENUE

- 16.3. The business model chosen by the Company, which complies with the requirements of the Law on Consumer Credit (hereinafter - LCC) for the operator of the mutual lending platform, is that the Company's largest source of income - brokerage fee is received from the consumer borrower (hereinafter - VKG) only when VKG actually pays. monthly consumer credit installment. Given that the average term of a consumer credit is 57 months and the maximum term is 120 months, the Company will receive a monthly brokerage fee income that can be calculated with sufficient accuracy. It is important to note that after VKG pays the monthly installment, there is no risk of not receiving this income, as these funds are as VKG's contractual obligation to pay the monthly installments until the end of the credit disbursement. **2021 According to the data of March, the amount of the Company's future receivables brokerage fee exceeded LTL 6.9 million. EUR .** It should be noted that this amount is increasing every month.

### ACTIONS TO AVOID THE RISK OF INSOLVENCY

- 16.4. The Company has prepared a sufficiently wide range of actions listed below to ensure the Company's solvency even in an economic downturn scenario.
- (a) The Chief Executive Officer of the Company convenes a General Meeting of Shareholders, during which the decision to increase the company's capital is submitted to the shareholders in order to ensure the adequacy of funds required for the Company's operations. An increase in capital for the company's shareholders would avoid the risk of insolvency.
  - (b) In case of lack of funds for the company's activities, the main shareholder is contacted, with whom a financing agreement has been concluded and submitted to the Supervisory Authority. The risk of insolvency disappears when an additional loan is granted to a shareholder.
  - (c) In the event that the Company's shareholders do not agree or are unable to increase the capital and the major shareholder with whom the financing agreement has been signed does not have the necessary financial resources to provide a loan to cover existing overdue financial liabilities, the Company's Chief Executive Officer implements a cost reduction plan.

### OPERATING COST REDUCTION PLAN IN CASE OF ECONOMIC DOWNTURN

- 16.5. The purpose of VSMP is to operate to such an extent that the Company's operations are not unprofitable, ie the monthly cash flow statement is balanced.
- 16.6. The updated VSMP simulates the impact of the economic downturn on the Company's operations. The main assumptions are made regarding the following negative external factors: the growth of the number of insolvent consumer credit recipients, the decrease of new business volumes, and the growth of court costs.

16.7. receivables for the Company's services already accumulated at the beginning of the recession are taken into account . The volumes of these receivables amount to **LTL 6.9 million. EUR.**

16.8. **Key assumptions of the test scenario**

- (a) The economic slowdown begins in 2022. in April At the beginning of April, the Company's future brokerage fee receivable amounts to **LTL 6.9 million. EUR.**
- (b) Although the number of people willing to borrow does not change, a large part of customers no longer meet the criteria for obtaining credit, therefore **the volume of issued consumer loans is decreasing by 30%.**
- (c) **The number of insolvent consumer credit recipients is increasing by 50%.** As the number of insolvent consumer credit recipients increases, litigation is not suspended, and the Company continues to cover recovery costs for investors, which it expects to recover from consumer credit recipients at a later date.
- (d) Guarantee obligations for investments concluded under the Service Agreement of the Guarantee Fund are fully fulfilled using the accumulated funds.
- (e) The reduced volumes reduce the cost <sup>1</sup>, the main part of which is marketing expenses.
- (f) Operating costs <sup>2</sup>: cost optimization, gradually reduce the number of employees and staff-related costs, reduce costs for IT improvement.
- (g) The company, as a consumer credit lender, reinvestes only the part of the credit received in consumer loans, and uses the interest to cover expenses.

*Impact of the economic downturn on the Company's operations*

|                          | 2022 Q1   | 2022 Q2   | 2022 Q3   | 2022 Q4   | 2023 Q1   | 2023 Q2   | 2023 Q3   | 2023 Q4   | 2024   |
|--------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------|
| Issues, EUR              | 7,235,711 | 7,226,485 | 6,030,180 | 4,833,875 | 4,435,107 | 4,435,107 | 4,435,107 | 5,382,741 | 7,164, |
| Income                   | 842,233   | 700,982   | 659,266   | 597,725   | 568,474   | 567,610   | 565,432   | 626,180   | 725,0  |
| Prime cost*              | -428,970  | -404,337  | -369,546  | -335,601  | -324,656  | -324,528  | -324,453  | -344,002  | -374,7 |
| Operating costs**        | -351,213  | -328.192  | -289,715  | -251,615  | -238,982  | -238,982  | -238,982  | -277,023  | -334,7 |
| EBITDA                   | 62,050    | -31.547   | 5         | 10,509    | 4,836     | 4,100     | 1.997     | 5,155     | 15,5   |
| Investment activities    | 35,339    | 23,439    | 19,869    | 15,903    | 13,920    | 13,920    | 13,920    | 17,489    | 22,8   |
| Guarantee fund balance   | 147,919   | 141,362   | 135,096   | 129,107   | 123,384   | 117,914   | 112,687   | 107,692   | 102,9  |
| Money flow               | 90,528    | -14,665   | 13,608    | 20,423    | 13,033    | 12,550    | 10,690    | 17,649    | 33,6   |
| Brokerage fee receivable | 6,902,785 | 7,091,413 | 7,217,926 | 7,265,592 | 7,311,417 | 7,357,410 | 7,405,230 | 7,519,142 | 7,733, |

16.9. Due to the accumulated 6.9 mln. The brokerage fee, which is deferred for future periods, would maintain a positive cash flow during the economic downturn, even with a 30% decrease in issuance and a 50% increase in insolvent consumer credit. **According to this calculation model, the Company would accumulate 197 thousand LTL during the two years of economic recession. EUR in the funds account .**

16.10. With regard to the measures to avoid the risk of insolvency, including the main shareholder's agreement on the financing of operations and the plan to reduce operating costs, it can be stated

<sup>1</sup>The cost consists of marketing, database verification, identification, SMS sending and recovery costs.

<sup>2</sup>Operating expenses consist of salaries, IT improvements, rent and utilities, accounting, auditing, mobile and Internet expenses, and other expenses.

that the Liquidity risk specified in the Business Continuity Plan is only theoretical.

## 17. ANNEX NO. 6. MOVEMENT OF CUSTOMER FUNDS

### INVESTING

- 17.1. The movement of funds during the investment is schematically illustrated in Appendix no. 7.
- 17.2. In order to start investing, an investor who has registered in the Mutual Lending Platform “Loan Club” (hereinafter - the Company) administered by NEO Finance, AB must replenish his personal IBAN account opened in the name of the investor with the Company. He can do this in two ways:
- (a) using the payment initiation service provided by NEO Finance, AB, which has an electronic money institution license No. issued by the Bank of Lithuania. 7, which was supplemented by the decision of the Bank of Lithuania on 30 October 2018 with the right to provide payment initiation services;
  - (b) by making a transfer from an account held by any payment institution operating in the SEPA area to an e-mail account opened in the name of the investor with the Company. cash account.
- 17.3. At the moment when the money is transferred to the investor's IBAN account held by the Company, electronic money is issued and the nominal money paying for it is kept in the Bank of Lithuania and Swedbank, AB. In order to reduce the bank's bankruptcy risk, the Company holds in Swedbank, AB no more than EUR 100,000 or no more than 5 percent of all funds held by customers, whichever is less. As a licensed electronic money institution, the Company keeps the funds received from electronic money holders (investors) for the issued electronic money by separating them from the funds of its institution and keeps customer funds in a separate account opened with the Bank of Lithuania and a deposit account opened with Swedbank, AB. Special purpose accounts). The funds of electronic money holders (investors) transferred to the Company are the property of the investors and could not be subject to recovery in accordance with the Company's debts and creditors' claims, if any. In other words, investors' electronic money does not enter the accounts of non-Special Purpose Company, which hold the Company's personal funds, therefore neither the Company nor its creditors can and could have any claims against this money.
- 17.4. An investor with an email money, they can start investing them either by choosing the automatic investment method, where the investment would take place automatically according to the criteria they have chosen, or by choosing which consumer credits they want to invest in.
- 17.5. Every investment starts with an email. money reservations. EI. the money is still in the investor's account, but note that it is reserved for the corresponding consumer credit and is awaited until the selected credit is fully funded. After the selected credit has been financed, the appropriate procedure takes place, depending on the situation:
- (a) **if the financed new credit and the consumer credit recipient already has an e-mail opened in the Company. cash account** , then the investor's email. the reserved amount is canceled in the cash account and a debit investment transaction is created (an entry appears in which this is already reflected) and the balance of his account is reduced accordingly; **at the same time the** consumer credit recipient's e-mail a credit transaction is created in the cash account and the balance of his account is increased accordingly;
  - (b) if the **financed refinancing credit and the consumer credit recipient have an e-mail opened in the Company. cash account** , then the investor's email. the reserved amount is canceled in the cash account and a debit investment transaction is created and the balance of his account is reduced accordingly; in this case e-mail money is deducted from the investor's email. cash accounts, but are not immediately paid to the consumer credit recipient (are kept in transit for a maximum of 72 hours until the consumer credit recipient clarifies the amounts to be refinanced ). After adjusting the refinanced amount, the consumer's borrower's e-mail a credit transaction is created in the cash account and the account balance is increased accordingly;
  - (c) **if a new credit or refinancing credit has been financed and the recipient of the consumer credit has not opened an e-mail in the Company. cash account** , then the investor's email. the reserved amount is canceled in the cash account and a debit investment transaction is created and the account balance is reduced accordingly; in this case e-mail money is deducted from the investor's email. cash accounts, but are kept in transit until the consumer credit recipient opens an e-mail in the Company. cash account; after opening the account, the consumer's e-mail. a credit transaction is created in the cash account and the

account balance is increased accordingly.

- 17.6. It is noted that even if the e-mail the money is in transit, the status of this money is "money in transit" - the money moves from point A to point B, but it is in no way legally owned by the Company and the Company has no claim to these funds. The funds in transit belong to the investor, only the status of this electronic money is different, that is, the paid electronic money, but reserved until it reaches the addressee and is accepted by the addressee.
- 17.7. If there is more than one investor, the final aggregated amount of electronic money (amount of electronic money collected from many investors) is credited to the IBAN account of the consumer credit.
- 17.8. After the financed credit amount appears in the account of the consumer credit recipient, in the case of refinancing, an order is formed to the creditors; in the case of a simple credit, the consumer credit recipient may form a transfer of funds to the desired credit or payment institution. During this transfer, the corresponding amount of money is reserved by e-mail of the consumer credit recipient. in the cash account until confirmation is received from the financial institution that the money has been credited to the account of the financial institution of the consumer credit recipient. After receiving the confirmation, the consumer credit recipient's e-mail the reserved amount is canceled in the cash account, a debit transaction is created for the transfer amount and the account balance is reduced accordingly.

#### REPAYMENT OF CONSUMER CREDIT

- 17.9. The movement of funds is schematically illustrated in Annex no. 8.
- 17.10. In the case of consumer credit repayment, depending on the situation, the relevant consumer credit installment payment procedure takes place:
- (a) **when the amount payable is less than or equal to zero**, the consumer credit installment is not covered, ie if the installment is not due, then even if there are funds in the consumer's credit account, they are not debited;
  - (b) **when the amount payable is greater than zero**, that is, when the due date for payment of the installment has expired, then the consumer credit recipient's e-mail. a debit transaction is created in the cash account (a record reflecting this appears in the account overview), the account balance is reduced accordingly and the credit installment is covered in the payment schedule of the consumer credit recipient; At the same time, the software system developed by the Company divides the paid premium into investors and transfers the respective part to a specific investor - that is, the investor's e-mail. a credit transaction is created in the cash account (a record reflecting this appears in the account overview) and the account balance is increased accordingly;
  - (c) **when the termination of the contract has taken effect and an amount is paid in excess of the indebtedness incurred on that date**, the consumer's e-mail. a debit transaction is created in the cash account (an entry appears in the account statement in which this is already reflected), the account balance is reduced accordingly and the credit is covered; in this case e-mail the money is debited from the consumer credit recipient's e-mail. cash accounts, but 72 hrs. are considered to be in transit through which the recipient of the consumer credit may request a recalculation of interest;
    - (i) **If the consumer credit recipient does not request a recalculation of the interest**, the Company will start operating a team in the created system, which will distribute the paid premium to the investors and transfer the respective part to the specific investor - that is, the investor's e-mail. a credit transaction is created in the cash account (a record reflecting this appears in the account overview) and the account balance is increased accordingly;
    - (ii) **if the consumer credit recipient requests a recalculation of interest**, then the payment of interest on the unpaid monthly installments by which the consumer credit installment was paid shall be canceled; a credit record shall be created in the account of the consumer credit recipient for the amount for which the payments have been deducted and a debit record shall be created with the recalculated amounts to cover the recalculated amounts; At the same time, the software system developed by the Company distributes the recalculated paid premiums to investors and transfers the respective part of them to a specific investor - that is, the investor's e-mail. a credit



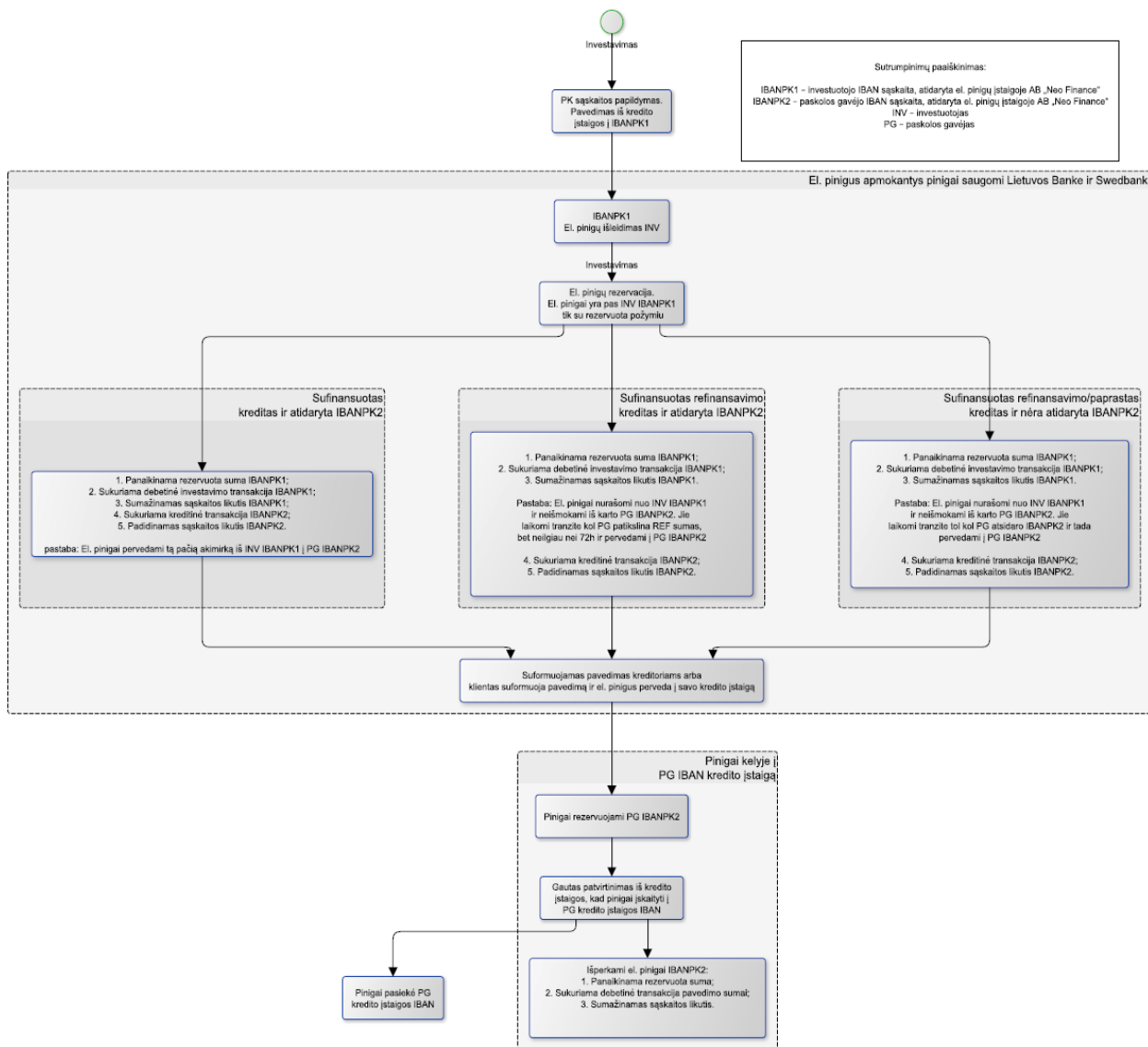
transaction is created in the cash account (an entry reflecting this appears in the account overview) and the account balance is increased accordingly.

- 17.11. It is noted that in the case of consumer credit repayment (as described for investment), e. the money does not at any time enter the non-Special Purpose Company's accounts in which the Company's personal funds are held . Even at the time of email. the money is in transit, the status of this money is "money in transit" - the money moves from point A to point B, but it is in no way legally owned by the Company and the Company has no claim to these funds. Only an investor can have a claim for funds in transit. This is paid electronic money, but reserved until it reaches the recipient and the recipient accepts it.

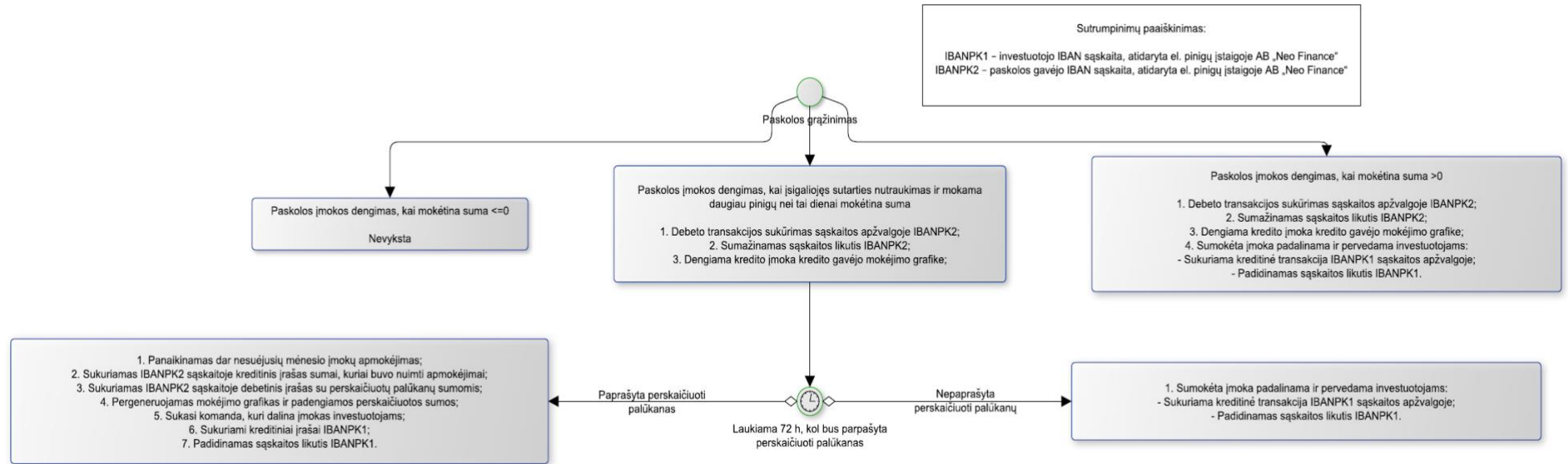
## SUMMARY

- 17.12. The Company ensures the movement of investors' funds and guarantees that in no case may the situation of investors' or other consumers' funds travel through the accounts of a non-Special Purpose Company, so that investors can feel safe about their funds. Should the Company encounter solvency problems, no creditors or other third parties would be able to encroach on funds held by investors and other consumers, both in terms of account balances **and recurring payments received from consumer credit recipients from time to time.**
- 17.13. The Company keeps the funds of its customers (investors and consumer credit recipients, other business entities) in a separate account of the Bank of Lithuania and in the deposit account of Swedbank, AB, as required by Item 1 of Paragraph 1 of Article 25 of the Law on Electronic Money and Electronic Money Institutions. This ensures that the funds of investors and other clients will never be touched by third parties or the Company itself .
- 17.14. The company ensures the inviolability of investors' funds through the implementation of the IT system. The system is programmed in such a way that no employee can make a transfer from the customer's IBAN account in any way. Employees of the Company may not connect to the accounts of Swedbank, AB or the Bank of Lithuania intended for safekeeping the funds of the Company's customers. Payments are initiated only by the user, through active actions such as making a payment order or pre-ordering through automatic investment announcements.
- 17.15. The temporary disruption of the company's activities would be affected by the bankruptcy of only one bank - Swedbank, AB.
- 17.16. It is important that a very small part of the investors' funds is kept in the deposit account opened in the name of the Company, and that part never exceeds EUR 100,000. Automated IT system control and management staff (finance manager, company manager) additionally review the balance of this account.
- 17.17. If Swedbank, AB goes bankrupt, creditors would not be able to encroach on these customers' funds, and the money must be returned to the Company's consumers immediately in accordance with the law. The Company's management would immediately request Swedbank, AB to transfer these funds to another credit institution or to an existing consumer account with the Bank of Lithuania. The Bank must do so in accordance with the agreement concluded between Swedbank, AB and the Company and the procedure for safekeeping funds provided therein. In this case, Swedbank, AB only acts as a custodian and cannot use this money in its operations. If the transfer of funds from Swedbank, AB takes more than two business days, the Company would fully cover the amount of customer funds held in the account of Swedbank, AB from the funds of its company, and upon receipt of the transfer from Swedbank, AB would recover these funds. It can be stated that the bankruptcy of Swedbank, AB would have no or negligible negative consequences for the company.

# 18. ANNEX NO. 7. SCHEME OF CASH FLOW DURING INVESTMENT



19. ANNEX NO. 8. SCHEME OF MOVEMENT OF FUNDS DURING THE REPAYMENT OF CONSUMER CREDIT



**20. ANNEX NO. 9. RISK FACTORS THAT MAY AFFECT THE OPERATIONS AND MARKET OF NEO FINANCE, AB**

**RISKS RELATED TO THE COMPANY'S BUSINESS AND OPERATING SECTOR**

- 20.1. The Company's financial results depend to a large extent on the growth of its mutual lending business. If the Company fails to ensure the sustainable growth of its mutual lending business or loses the interest of existing consumer credit recipients and Lenders, the Company's growth prospects and commercial conditions will be adversely affected.**
- (a) The growth of the Company's business depends on its ability to retain existing Lenders and consumer credit recipients and to attract new customers to the Lending Platform. Since the beginning of operations in 2015. December 9 The company has shown excellent results in this area. In addition, the number of customers using the Lending Platform more than once has increased. These activities resulted in the intensive growth of the amount of loans granted and, accordingly, the steadily growing income of the Company. Given that the Company has several competitors in the Lithuanian mutual lending market and the costs of relocating customers are low, the Company's ability to increase revenue depends on its ability to provide high-level Lending Platform services to interested parties. Against this background, it can be argued that the decline in Lenders and / or consumer credit Recipients' satisfaction would result in a decrease in revenue and a corresponding adverse effect on the Company's business in general, including results of operations, financial condition, prospects or the price of Shares.
- 20.2. The payment initiation service provided by the Company has reached a high volume of operations, therefore, due to a significant decrease in the volume of transactions in the provision of the Payment Initiation Service, a very low profit margin may prevent the Company from covering its operating, administrative and capital costs related to the Payment Initiation Service.**
- (a) In order to increase its market share, the Company pursues an aggressive cost management strategy and offers potential customers a Payment Initiation Service solution that several times reduces the costs for e-commerce participants to receive payments through the bank interface. The Company is also actively expanding not only the local market share, but also at the geographical level by providing the payment initiation service in other European Union countries. By offering low fees to customers, there is a risk that the Company's cost efficiency can only be achieved by ensuring high sales volumes. If the Company does not apply economies of scale before depleting the resources allocated to the project, the Company may be forced to terminate the project or provide additional capital to continue the project. This may adversely affect the Company's business, results of operations, financial condition, prospects or the price of the Shares.
- 20.3. The Company has acquired the pooled financing platform UAB FinoMark , therefore the Company's financial results are affected by the activities and results of operations of both the Company and its subsidiary. If the crowdfunding platform UAB FinoMark fails to achieve sustainable growth of the crowdfunding business and occupy a sufficient market share, it will adversely affect the Company's financial results.**
- (a) UAB Finomark started to provide its services actively only in 2021, therefore the growth of the activity of the crowdfunding platform operator depends on its ability to attract and retain investors in business loans and business entities that need operational financing. Given that there are a number of competitors in the Lithuanian business financing market and low customer relocation costs, FinoMark UAB 's ability to increase revenue depends on its ability to provide high-level crowdfunding platform operator services to stakeholders. If UAB FinoMark is unable to achieve large and stable volumes of operations, the Company could be forced to terminate the activities of the subsidiary or allocate additional capital for the further operation of the crowdfunding platform operator. This would adversely affect the Company's business, results of operations, financial condition, prospects or the price of the Shares.
- 20.4. One of the most important factors determining the Company's success is technology, and if the Company lags behind technological trends and does not implement new features and technological changes on its websites and Lending Platform, it may adversely affect the Company's growth prospects and commercial results.**

- (a) The company recognizes that technology is a key component and engine of the FinTech sector. Technology is changing very rapidly and significantly, so the Company invests a lot of capital in the Lending Platform. Although the Lending Platform is developed by the Company itself and provides an opportunity to improve it more efficiently and quickly, there is no guarantee that these investments will improve the Company's technology efficiency and user experience. In addition, known and / or as yet unknown competitors may develop and bring to market technologies that are more advanced, easier to use and less expensive, thus rendering the Company's services and Lending Platform obsolete. Such changes may increase the Company's cost of capital to catch up with the latest market developments without guaranteeing that the market position can be recovered. Improper anticipation or ineffective response to technological developments in the market may adversely affect the Company's business, financial condition, results of operations, prospects or the price of Shares.
- 20.5. **The solvency of consumer credit recipients is an essential factor in the Company's financial health. If the creditworthiness assessment procedure is not effective, it has a negative impact on the Company's business.**
- (a) Effective Potential Consumer Credit Assessing the creditworthiness of recipients is one of the most important tasks of the Company. From 2019 October 1 one of the world's most advanced credit assessment methodologies for assessing a consumer's ability to repay a loan based on artificial intelligence and system learning technology learning ). The main outcome of the creditworthiness assessment process is consumer credit the beneficiary has a credit rating. There are currently 5 levels of risk on the risk scale: A +, A, B, C and C-, where A + is the lowest and C- is the highest default risk. The credit rating of each consumer borrower, which is calculated on the basis of artificial intelligence and system learning technology learning ) is determined by an individual combination of various factors rather than the standard set of indicators on which the creditworthiness assessment methodologies were based. The credit rating is expected to sufficiently differentiate the credit risk of individual rating groups. The value of a credit rating should be assessed on the basis of a differentiation of the actual default rates of the different rating grades.
- (b) The Company currently considers the credit approval process to be appropriate. If the credit approval process becomes ineffective for any reason, overdue loans and recovery costs may result. These events could result in higher losses and lower loan returns, and therefore have a material adverse effect on the Company's business, results of operations, financial condition, prospects or share price.
- 20.6. **A higher default rate would lead to a build-up of bad loans between consumer borrowers and a loss of investment by lenders.**
- (a) If consumer credit the Company does not repay the loan, the Company guarantees to the Lenders that all or part of the investment will be recovered, taking into account various factors such as consumer credit. the rating of the Beneficiary and whether the Lender has opted for the "Guarantee Fund" service. In order to cover these costs, the Company, in turn, must initiate a debt collection procedure using the services of debt collection service providers. If consumer credit If the beneficiary's default rate increases significantly, the Company may experience difficulties in managing the recovery process. In addition, the Guarantee Fund, whose function is to protect investments, may be exhausted as a result. These events may result in a loss of Lender confidence, including in the Lending Platform itself. In addition, the cost of debt recovery would increase and the rate of successful recovery is likely to fall. These events would result in higher losses and lower loan returns, and would therefore have a material adverse effect on the Company's business, financial condition, prospects or share price.
- 20.7. **The growth and success of a company clearly depends on its brand awareness and marketing activities. Negative advertising or the Company's inability to maintain effective marketing activities may have an adverse effect.**
- (a) The success of a company depends on the awareness of its brands. This includes the confidence of Lenders and Borrowers in the Lending Platform, the reputation of the Company and the attractiveness of mutual lending and Payment Initiation Services. These factors enable the Company to attract consumer credit recipients and Lenders, merchants who use the Payment Initiation Service to the Lending Platform. Direct negative The Company's direct and indirect advertising is detrimental to the mutual lending sector and may undermine the trust of stakeholders in the Company's services. These events may slow growth, prevent the

Company from retaining existing customers and, accordingly, increase losses and reduce loan returns. This would have a material adverse effect on the Company's business, financial condition, prospects or share price.

**20.8. The Company is dependent on management and failure to attract or retain the Company may adversely affect the Company's results.**

(a) The company operates in the FinTech sector, where the general experience and competence of managers and other employees in the fields of finance and information technology are very important. In addition, it is vital to gain experience in a particular Company, which is necessary to continuously expand the Company's competencies, knowledge *and* experience . Therefore, the Company is highly dependent on its ability to retain management and, in the event of the Company's expansion, to hire competent people in the future. If the Company's human resources policy fails to achieve its objectives and one or more senior executives with specific experience decide to terminate their employment with the Company and the Company fails to replace their skills and experience with equivalent skills and experience, this could have a material adverse effect on the Company's business, results of operations, financial condition, prospects or Share Price.

**20.9. The Company may not be able to meet capital requirements or favorable financing conditions for existing capital in the future.**

(a) The preferred source of capital for the Company is equity financing. The future growth of the Company may require additional capital investments to increase the Company's loan portfolio, make acquisitions or ensure compliance with legal requirements or implement other unforeseen business activities. It is possible that the Company will not be able to obtain capital or debt financing on favorable terms, which will impede the Company's growth and have a material adverse effect on the Company's business, results of operations, financial condition, prospects and share price.

**20.10. The protection of the Company's intellectual property rights may be insufficient, and third parties may claim that the Company is infringing their intellectual property rights.**

(a) The Company's IT platform, which enables the Company to perform key operations, has been developed and is being further developed in-house. Therefore, the success of the Company is highly dependent on the Company's intellectual property and its ability to protect these property rights in the future. In order to protect its trademarks, platforms, copyrights and domain names, the Company relies on applicable regulations, including national, EU and international laws and regulations, has established appropriate internal procedures and has entered into agreements to protect any person who has complied with the Company's instructions. intellectual property rights in the products developed. However, third parties may infringe the Company's intellectual property and similar rights and remedies used by the Company to protect them. In addition, third parties may sue the Company for alleged infringements of their intellectual property and similar rights. In order to respond appropriately to these threats, the Company may be required to participate in legal proceedings or litigation and reallocate appropriate resources to grow the Company. This could have a material adverse effect on the Company's business, results of operations, financial condition, prospects and share price.

**20.11. The Company has several direct competitors in the existing mutual lending market, new competitors can enter the market and provide better products and technologies, therefore the Company risks losing market share.**

(a) Currently, there are two important competitors of the Company in the Lithuanian mutual lending market. The Company's competitors provide lending services using the same business models as the Company. The Company is currently the market leader, but it cannot be ruled out that these competitors may focus their resources on increasing market share through more effective marketing and more favorable conditions for consumer credit recipients and Lenders. In addition, large foreign mutual lending companies could enter the Lithuanian market with the aim of gaining market share or even becoming leaders. Increased competition in the market may result in a lower number of loans, lower loan returns, and have a material adverse effect on the Company's business, financial condition, prospects and share price.

**20.12. Competition of market participants with the Company's Payment Initiation Service.**

(a) Currently, the Company is not only expanding its share of the local market, but also seeks to enter the markets of other European Union countries by providing payments to e-

commerce companies based on a cost leadership strategy. However, if the Company and other small market participants begin to threaten large payment processing centers (such as banks), banks may adopt a price leadership strategy. In addition, banks would primarily use cost leadership elements in their defense strategy to maintain a market share that requires less resources than the amount of resources needed to capture market share. In addition, such large players work more flexibly with e-commerce players, as various factors (such as other services offered to the e-commerce business, past history of cooperation, and brand awareness) can play an important role in facilitating market retention strategies. Even by maintaining certain prices that exceed the Company's level, banks may slow down the Company's market development. This could have a material adverse effect on the Company's business, results of operations, financial condition, prospects or the price of Shares.

**20.13. Market entry risk of a new Payment Initiation Service Provider.**

- (a) Under the Payment Services Directive (PSD2), a large bank can provide a Payment Initiation Service at attractive rates. Currently, this service is already provided by two large banks in Lithuania. Banks are generally not even forced to achieve pricing for the Payment Initiation Service provided by the Company, as this is offset by brand awareness, infrastructure, contacts and experience. This could put significant competitive pressure on the Company.
- (b) In line with its cost leadership strategy, the Company seeks to increase its operations before the end of the project capital. In such circumstances, the Company may limit its research and customer service costs before achieving economies of scale. However, large banks, by providing a Payment Initiation Service even for a higher fee, but using their market knowledge, customer base and brand awareness advantage, can create serious competition for the Company's Payment Initiation Service and limit the Company's ability to gain the necessary market share, necessary to achieve an appropriate level of activity. Such consequences could have a material adverse effect on the Company's business, results of operations, financial condition, prospects or the price of Shares.

**20.14. The mutual lending market is no longer evolving and is becoming less attractive to customers.**

- (a) The company operates in the mutual lending sector, which competes with traditional credit institutions and consumer lenders. The mutual lending sector is currently fighting competition by applying a higher acceptable level of risk and offering more favorable interest rates to consumer credit recipients. In addition, the mutual lending sector has a positive reputation advantage over consumer credit lenders, while high interest rates are favored by consumer credit recipients. However, other players in the lending market can respond to the threat from the mutual lending sector by lowering their interest rates, increasing the digitization of services and improving customer experience and efficiency. Such measures may reduce the advantage of mutual lending platforms, limit the future prospects of the mutual lending sector and have a material adverse effect on the Company's business, results of operations, financial condition, prospects or share price.

**20.15. The Company systematically faces an economic downturn that affects the size and volatility of interest rates.**

- (a) The general economic downturn could have a negative impact on unemployment and inflation, increase volatility and have a negative impact on environmental interest rates. The default rates of consumer borrowers may be affected by a variety of factors contributing to the increase in overdue loans, including the changing unemployment rate. Under the worst-case scenario, Lenders could recoup their investments to cover investment losses they may incur in other areas. The Company is constantly striving to reduce the potential impact of adverse systemic factors on its loan portfolio through a variety of forecasting methods ranging from *stress-tests* to econometric models based on a variety of assumptions. However, the measures used by the Company may not be sufficient, the modeling may be misinterpreted and / or based on inaccurate assumptions. The economic downturn, which results in unfavorable economic conditions, may result in a decrease in the Company's profit and have a material adverse effect on the Company's business, results of operations, financial condition, prospects or share price.

## TYPES OF RISKS RELATED TO COMPLIANCE AND REGULATION

- 20.16. **Legislation regulating mutual lending activities in Lithuania is relatively new and lacks official comments. There is a likelihood that this legislation will change.**
- (a) In Lithuania, the regulation of mutual lending was adopted in 2015. November 5 Incorporating it into the Consumer Credit Act. This means that the legal environment governing the mutual lending sector is relatively new. It is also worth noting that significant regulatory changes are still being made. For example, only in 2020. December 23 it is legal that legal entities can also invest through the mutual lending platform. It is considered that, depending on the actual application and interpretation, the legal environment for mutual lending may change in the future. In addition, there is a lack of formal commentary on mutual lending activities and other guidelines, authoritative market and case law or doctrine on mutual lending and related activities. The position of the supervisory authority (ie the Bank of Lithuania) may change over time. Mutual lending services are a regulated activity, therefore changes in the law governing the sector may have a material adverse effect on the Company's business. Legislative changes may increase, rather than reduce, the regulatory burden and oversight, while increasing the Company's costs while reducing profits. This could have a material adverse effect on the Company's business, results of operations, financial condition, prospects or the price of Shares.
- 20.17. **The adoption of the Regulation on European providers of crowdfunding services to businesses will provide easier access to new markets for providers of crowdfunding in the European Union.**
- (a) From 2021 November 10 Regulation (EC) No 1/2003 of the European Parliament and of the Council On European crowdfunding providers, amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937. The uniform operating requirements set out in the Regulation will allow a crowdfunding platform operator licensed in one Member State to provide services in other countries of the European Union. This can lead to easier access for investors from other European Union countries, with lower operational and compliance costs. These regulatory changes will not only provide greater opportunities for business development for the Company's subsidiary UAB FinoMark , but may further increase competitive pressure. Operators of the crowdfunding platform established in other European Union countries could reduce the opportunities for the Company's subsidiary to establish itself in the market, which in turn could affect the performance of UAB FinoMark . The company could be forced to close down the subsidiary or provide additional capital for the further operation of the crowdfunding platform operator. This may adversely affect the Company's business, results of operations, financial condition, prospects or the price of the Shares.
- 20.18. **The company collects and processes large amounts of personal data. If the Company does not process personal data in accordance with the requirements of legal acts, the Company may be subject to sanctions by the supervisory authorities, which would damage the Company's reputation.**
- (a) The EU General Data Protection Regulation (Regulation (EU) 2016/679, hereinafter - **BDAR** ) entered into force in 2018. May 25 BDAR requires the Company to comply fully with all data protection requirements and principles set out in BDAR. If the Company does not comply with the requirements of the BDAR, the local data protection authority may impose a fine on the Company, which may amount to up to 4%. The company's global annual net turnover or up to 20 million. EUR amounts. If the supervisory authorities imposed sanctions on the Company for non-compliance with personal data protection requirements, the Company could avoid the imposed penalty in the best case scenario. However, such an incident could lead to negative advertising (see Risks. *The Company's growth and success clearly depends on its brand awareness and marketing activities. Negative advertising or the Company's inability to maintain effective marketing activities could have a negative impact.* would be expelled from the business and should initiate insolvency proceedings.
- 20.19. **Should the Company lose its license or be removed from the list of public consumer credit providers or mutual lending platform operators, its operations would be suspended.**
- (a) The activities of the company are regulated and supervised by the Bank of Lithuania. The company has an electronic money institution license and is included in the public list of consumer credit providers and the public list of mutual lending platform operators in Lithuania. In view of this, the Company is dependent on compliance with the law and the decisions of the Bank of Lithuania. In the event that the Company does not comply with the



law and the Bank of Lithuania revokes the license or removes the Company from the list of public consumer credit providers or mutual lending platform operators, the Company's core business may be suspended immediately. This would have a material adverse effect on the Company's future business, results of operations, financial condition, prospects or share price.

**20.20. Violation of the legislation applicable to the Company's subsidiary UAB FinoMark would also affect the Company.**

- (a) The Company's subsidiary UAB FinoMark is also a regulated financial institution that administers the crowdfunding platform. The operator of the crowdfunding platform is subject to high requirements for customer protection, transparency of activities, protection of personal data and other mandatory requirements. In the event that UAB FinoMark is unable to carry out its activities in full compliance with the requirements, a fine may be imposed on the Company's subsidiary or, in extreme cases, exclusion from list of operators of public crowdfunding platforms. This would adversely affect the Company's reputation, financial condition, prospects or Share Price.

**20.21. Changes in tax regulations, interpretation or application of tax laws may adversely affect the Company's business and financial condition.**

- (a) Compared to other European countries, corporate income tax in Lithuania is currently relatively low and it cannot be ruled out that it may be increased. Such unfavorable changes in tax laws would increase the tax rate applicable to the Company and may adversely affect the Company's net profit, financial condition and prospects. 2018 Lithuania has introduced a tax credit for personal income of less than € 500 related to interest earned on investing in loans through mutual lending platforms. However, if Lithuania adopts changes to the Company's personal income tax on Lenders and this results in higher tax rates, tighter scrutiny of Lenders' income or an increase in bureaucracy, the Company may lose some of its Lender. This would have a material adverse effect on the Company's business, results of operations, financial condition, prospects or share price.

**20.22. The company may violate laws governing money laundering, terrorism, corruption prevention and receive sanctions.**

- (a) supervisors have paid close attention to the implementation of anti-money laundering ( **PPP** ) **laws and regulations**. European financial institutions have received particular attention. The regulatory environment for PPPs is constantly changing. The company falls within the scope of PPP regulation. When providing payment initiation services in other countries, the Company must comply with local laws governing the prevention of money laundering and terrorist financing. The Company has established and adheres to PPP policies and procedures that comply with PPP regulations, but such measures provide only a certain degree of protection. It cannot be ruled out that the Company may violate the PPP regulations, as the Company may be held liable for the actions of its employees, agents and other related persons. In this case, the Company may have to sue, incur administrative sanctions, receive fines, and so on. In addition, the Company's payment system is compromised by money laundering, evasion of sanctions, terrorist financing, illicit trafficking in arms, drugs and human beings, banking fraud and related activities and related activities that may be subject to supervisory scrutiny by the Company. In the event of an error of the Company's employees caused by a human factor, the Company may be prosecuted. This would have a material adverse effect on the Company's business, results of operations, financial condition, prospects or share price.

