

Mutual lending platform "NEO Finance", AB operation continuity plan

General provisions

1. This plan of Mutual lending platform "NEO Finance", AB operation continuity (hereinafter – the Plan) determines the measures and procedures of "NEO Finance", company code 303225546, registered office Verkių 25C-1, Vilnius, data about the company is stored and kept in the registry of legal entities of the "Centre of registers" SE, which acts as the Mutual lending platform operator. It is intended to ensure that the activity of MLPO is conducted constantly and continuously, and that also ensure the smooth administration of the consumer credit agreement and continuous performance of contractual obligations in case of unexpected circumstances, as is specified by the Law on consumer credit of the Republic of Lithuania.
2. Definitions and abbreviations used in the plan:
 - 2.1. LC – Law on companies of the Republic of Lithuania.
 - 2.2. Shareholder – UAB "ERA Capital", company code 300638657, registered office A. Polocko st. 17-168, Vilnius, which owns the main package of the Company shares.
 - 2.3. Company - "NEO Finance", AB, company code 303225546, registered office Verkių 25C-1, Vilnius, data about the company is stored and kept in the register of legal entities of the "Centre of registers" SE. It acts as the mutual lending platform operator.
 - 2.4. License – the electronic money institution license of limited activity. This was granted to the Company by the Bank of Lithuania on 29 October 2015, or other license that includes this license, if one should be granted to the Company.
 - 2.5. Client – Credit provider or CCR. Credit provider and CCR collectively are referred to as Clients.
 - 2.6. Credit provider – natural person, who is lending through the System, as specified in the LCC.
 - 2.7. Supervisory institution – Bank of Lithuania.
 - 2.8. Servers – servers owned by [CONFIDENTIAL], to which the Company has transferred its function of activity – server maintenance, those Tier contain the whole System and the information that it includes. This information center meets Tier 3 category and also has "Tier III Design" and "Tier III Facility" certificates.
 - 2.9. System – internet system controlled by the Company, all data, related to the electronic money emission activity performed by the Company and the activity of the mutual lending operator, is stored in it. Clients of the Company can access the System at the internet address: www.paskoluklubas.lt.
 - 2.10. MLPO – mutual lending platform operator, as specified in the LCC.
 - 2.11. CC – consumer credit, as defined in the LCC.
 - 2.12. CCR – consumer credit recipient, provided through the System, as specified in the LCC.
 - 2.13. LCC - Law on consumer credit in the Republic of Lithuania.
3. All definitions that are used in the Plan in singular can have the meaning of plural and vice-a-versa, depending on the context.

Risks of activity

4. The Plan is applied in order to avoid and manage further listed risks in the activity of the Company. It also specifies measures and procedures in the event that the Company does face the consequences caused by the specific risk. During its activity the Company encounters the following risks:
 - 4.1. Operational risk – the risk of incurring losses due to improper or unimplemented internal control decisions of the Company, errors and illegal actions of employees, as well as malfunctions

of information system operation or due to the influence of the external events. Main sources of the operational risk: information systems (malfunctions of hardware, software, and telecommunication systems, etc.); human factor (illegal actions of Company employees and non-employees); working conditions (violation of the safe working conditions, etc.); errors (entry of incorrect data, improper legal documents, etc.).

4.2. Risk of virtual data loss – the risk that data, stored in the System, will be lost or affected otherwise, so there would be no possibility of its restoration.

4.3. Physical hazard risk – the risk that the property of the Company or third parties to whom the Company has delegated the performance of its functions, will be physically damaged (by damaging, destroying or hijacking), and due to that the functioning of the Company will be impaired.

4.4. Risk of liquidity - the risk that the Company will not be able to meet its financial obligations on time. Manifested in a temporary or permanent insolvency of the Company and in extreme cases – commencement of a case of bankruptcy against the Company.

4.5. Risk of management – the risk that because of the improper management of the Company or separate projects that it implements, damage will be done to the Company or third parties.

4.6. Risk of reputation - a risk that something could negatively affect the income and capital of the Company due to the unfavourable opinion about the reputation of the Company, which is formed by the clients, contractual parties, and investors.

4.7. Loss of license risk – a risk that the Company will lose the electronic money institution's license granting the right to engage in the activity of an electronic money institution, or will be removed from the lists of public credit lenders and public lending platform operators granting rights to engage in MLPO and consumer credit activities. As a result, the Company will no longer be able to properly administer the concluded CC agreements and Customer payments under these agreements.

4.8. Risk of strategy - the risk that occurs due to the external and internal environmental factors that can have a negative effect during the implementation of the Company objectives, on the activity consistency and continuity due to the erroneous assessment or absence thereof.

4.9. Creditworthiness evaluation risk – the risk that the Company will evaluate the creditworthiness of the CCR improperly, and because of such evaluation the CCR will not perform the obligations under the concluded CC agreements on time. Therefore the Company will not receive the planned income from the commissions on time (or will not receive income at all).

Activity risk management methods

5. This part of the plan specifies processes, measures and procedures that are applied in order to avoid or minimise the manifestation of the risks, specified in the paragraphs 4.1 – 4.9 of the Plan, in the activity of the Company.

6. Operational risk is managed by employing the following methods:

6.1. By preparing and harmonising with the Supervisory institution the rules and descriptions of internal control and operational risk (this was performed by the Company before the acquisition of the License);

6.2. System is programmed and function in such way that the employee, who is using the System would not be able to perform intentional or unintentional acts of deception, e. g., create fictitious Clients, confirm fictitious CC agreements, etc. Description of the information system is presented to the Supervisory institution in order to acquire the License;

6.3. By ensuring that the System and other software as well as network and communication equipment are protected from software viruses, cyber-attacks and other sources of non-physical damage;

- 6.4. By ensuring that a temporary cut of the electricity would not damage the machinery, equipment and Servers that are specified in the paragraph 6.3 of the Plan due to the use of the measures of protection (uninterruptible power supplies are used);
- 6.5. By concluding the agreement with third parties, whose activity is the assurance of work safety in companies, the agreement specifies that the third party will prepare proper internal rules and procedures so that the requirements of the proper and safe working conditions would not be violated, and a proper and safe working environment would be ensured;
- 6.6. By concluding full material responsibility agreements that provide for the unlimited material responsibility of every employee of the Company for the damage caused to the Company by his intentional or unintentional actions with all employees of the Company;
- 6.7. All agreements that are concluded through the System are stored in the System, and not in the physical format, 10 year storage statute of limitations applies to them, counting from the complete performance of the agreement;
- 6.8. By updating, during the internal audit that is performed once per financial year since 2016, the versions of rules that specify the management of the operational risk, as well as checking and improving the processes within the Company and managing the operational risk.
- 6.9. Appointing a Data Protection Officer who is responsible for compliance with personal data protection requirements under the General Data Protection Regulation.
7. The risk of virtual data loss is eliminated by:
 - 7.1. Copying all System Data:
 - 7.1.1. A copy of the entire System data is made every calendar day;
 - 7.1.2. A copy of any changes to the System Data is made on each calendar day;
 - 7.1.3. Every thirty calendar days, there is a complete backup of the entire System.
 - 7.2. Copies of the System data are stored in the servers that are remote from the main Servers, [CONFIDENTIAL].
 - 7.3. Every day the Company transfers the information about all CC agreements concluded through the System with the detailed information about their performance, to UAB "Creditinfo Lietuva" that administers the joint debtor and financial obligation information file. It ensures that the data about the CC agreements that are concluded through the system and performed, are also safely stored by the reliable third party.
8. The risk of physical hazard is managed by employing the following methods:
 - 8.1. The office of the company is in a secure office building, where security personnel are working, has installed and functioning alarm, and a properly functioning fire system;
 - 8.2. By storing all data of the Company System in the remote Servers as specified in the paragraph 7.2 of the Plan.
9. The risk of liquidity is managed by employing the following methods:
 - 9.1. By having the License, the Company is accountable to the Supervisory institution and is constantly submitting the information about the financial condition (liquidity) of the Company to the Supervisory institution according to the terms of the legislation, and that ensures the proper external supervision of the Company;
 - 9.2. The Company and Shareholder has concluded the Agreement on the funding of activity that is presented to the Supervisory institution, under this Agreement the Shareholder undertakes to finance the Company if needed. According to this agreement, the provisions of this agreement are also applicable to the new shareholder only if part of the Shareholder's shares or all of them are acquired by another person.
 - 9.3. The business model chosen by the Company complies with the requirement of the LCC that at least 75 per cent of the brokerage fee paid by the CCR to the Company shall be calculated only from the monthly instalments actually paid by CCR, since the total amount of the brokerage fee paid by CCR is calculated only from the monthly instalments actually paid by CCR. This ensures a flow of revenue for the entire life cycle of consumer credit issued.

10. The risk of management is managed by employing the following methods:
 - 10.1. Three stage system of management is specified in the articles of association of the Company. The following managing bodies are operating: the general shareholder meeting, the board, and the director. The supervisory body – supervisory council is operating as well. If either one of governing bodies fails to perform the functions that are assigned to it by the legislation of the articles of association of the Company, the performance of this function can be overtaken by another body. If the overtaking of the respective function is not allowed by the legislation, the supervisory board is informed of that and presents the offer to the general shareholder meeting. Such a system of management ensures that all functions specified by the legislation are performed properly and on time.
 - 10.2. The supervisory board of the Company is comprised of independent qualified members of suitable reputation that ensure the effective functioning and independence of the body.
 - 10.3. The candidacies of the Company management body members (the appointments to the respective positions are done through these persons), except of the shareholders, who directly or indirectly own up to 10% of the Company shares, are approved by the Supervisory institution in advance.
11. The risk of reputation is managed by employing the following methods:
 - 11.1. By ensuring the proper management of the Company, as specified in the article 10 of the Plan and its paragraphs;
 - 11.2. By cooperating with external consultants during the creation and management of the reputation of the Company.
12. The risk of license loss is managed by employing the following methods:
 - 12.1. The activity of the Company is supervised by the Supervisory institution that ensures timely identification of potential activity non-compliance with the legislation and prevents the future violations;
 - 12.2. By ensuring proper management of the Company, as specified in the article 10 of the Plan and its paragraphs.
13. Strategic risk is managed by performing activity in the internet, protecting the data of the System on Servers and remote servers, and in such a way being able to transfer the operation to another location at any time without bigger damage to the Company.
14. The risk of creditworthiness evaluation is minimised by employing the following methods:
 - 14.1. Creditworthiness of CCR is evaluated according to the consumer credit recipient creditworthiness evaluation rules of the Company coordinated with the Supervisory institution and approved by the director of the Company. These rules are prepared in accordance with the LCC and the board resolution of the Bank of Lithuania No. 03-12 "Regarding the amendment of the approval of consumer credit recipient solvency evaluation and responsible lending provisions" of 28 January 2016;
 - 14.2. The Company additionally uses the creditworthiness rating that it created. This rating is assigned to each CCR during the evaluation of its creditworthiness, and this reduces the risk of creditworthiness evaluation even more;
 - 14.3. System is created in such way that there would be no possibility to intentionally or unintentionally conclude CC agreements with CCR, who does not match the creditworthiness evaluation requirements that are described above.
15. By being a financial institution, the Company performs the external audit at the end of each financial year, and during the financial year it performs the internal audit, during them the auditors comprehensively identify and evaluate all risks that occur in the operation of the Company and help for the Company to contain them.

Critical situation management methods

16. This part of the Plan specifies the processes, means and procedures that are applied, if any of the activity risks, specified in the paragraphs 4.1 - 4.9 of the Plan, occur. The implementation of these processes, measures and procedures ensures the continuity of Company activity if the undesirable factors occur.

17. Should the Company lose the License, the administration of the payments under the CC agreements concluded in the System would be impaired. In such case the Company:

17.1. The director of the Company convenes the meeting of the board no later than on the same working day, when he becomes aware of the possibility of losing the license. The meeting of the board must take place no later than on the next working day after the day of its convocation. If the meeting of the board does not take place, the authority and duties of the board are overtaken by the director of the Company for this purpose.

17.2. The board must form a commission of no less than 3 (three) employees of the Company or members of the board. It is tasked to immediately, but no later than within 2 working days, compile the list of all persons, who have obligations to the Company or third persons under the agreements that were concluded through the System, under which the obligations are not performed (hereinafter the List). Near each CC agreement in this List the following information must be specified:

17.2.1. Name, last name and personal code of CCR;

17.2.2. CC agreement number, agreement conclusion date, debt balance;

17.2.3. Number of CCR settlement account, opened at the financial institution;

17.2.4. Numbers, dates of conclusion and debt balances of all Agreements on investments into the consumer credit, based on which the specific CC was granted;

17.2.5. Names, last names, personal codes/birth dates and number of settlement account, opened in the financial institution, of all Credit recipients, who invested into this CC agreement.

17.3. Commission presents the List to the director of the Company;

17.4. The director of the company ensures that immediately, but no later than within 1 working day from the loss of the License, the following actions would be performed according to the information of the List:

17.4.1. Unilateral annex would be concluded to each CC agreement. It would amend the terms of payment under the CC agreement, by establishing that proper performance of obligations under the Agreement is the direct payment of the part of the credit and interest that are being repaid into the account of the Credit provider by specifying the specific details for the payment: Name, last name, number of settlement account, opened in the financial institution, and payment schedule (separate for each Credit provider).

17.4.2. Documents, described in the sub-paragraph 17.4.1 of the Plan, are submitted by the CCR in System, as well as are sent via Email;

17.5. Every Credit recipient is informed of the fact that:

17.5.1. Commission (brokerage) fee that must be paid by the Credit provider to the Company according to the provisions of the Agreement on the investment into the consumer credit, must be paid to the Company account, opened in the credit institution, that is specified in the notice;

17.5.2. CCR will perform the payments under the concluded CC agreements directly into the account, opened in the financial institution, and owned by the Credit provider.

18. If the Supervisory institution decides to remove the Company from the list of MLPO, the Company undertakes the following actions:

18.1. The director of the Company convenes the meeting of the board no later than on the same working day, when he becomes aware about the possibility of the removal from the list of MLPO. The meeting of the board must take place no later than on the next working day after the day of its convocation. If the meeting of the board does not take place, the authority and duties of the board are overtaken by the director of the Company for this purpose.

18.2. The board must form a commission of no less than 3 (three) employees of the Company or members of the board. It is tasked to immediately, no later than within 3 (three) working days, perform the following actions:

18.2.1. to prepare typical information notes, dedicated to CCR and Credit providers, in which there is extensive information about the fact that the Company will not be conducting MLPO activity, but will be providing services under the License. When the decision of the Supervisory institution to remove the Company from the list of MLPO comes into effect, this information is submitted to the System of the Company, and is sent to the Clients via email;

18.2.2. to conduct training for all employees of the Company, during which the extensive information about the fact that the Company will not be conducting MLPO activity, but will be providing services under the License;

18.2.3. to organize meetings of the Company board with the legal entities that have the right to conduct the MLPO activity, during those meetings the possible overtake of the Company's MLPO activity would be discussed.

18.3. If the Company is removed from the list of MLPO, the responsibility of the Company for the actions, performed while exercising the rights and performing the obligations of MLPO, does not end.

18.4. On the same day that the decision of the Supervisory institution to remove the Company from the list of MLPO comes into effect, the possibility to conclude CC agreements and Agreements regarding the investments into consumer credit, and to perform any other actions that would make the Company act as the MLPO, is disabled in the System, except the administration of the payments according to the agreements that are already concluded, which is the activity of the Company under the License. The director of the Company is responsible for the performance of the actions that are specified in this paragraph of the Plan.

19. If the equity of the Company becomes less than ½ (half) of its authorised capital, the Company undertakes the following actions:

19.1. According to the part 3 of the article 38 of the Law on companies of the Republic of Lithuania, the board of the Company must convene the general shareholder meeting that would consider the issues, regarding the decisions that are specified in paragraph 2 of part 10 and in part 11 of article 59 of the Law on companies of the Republic of Lithuania, no later than within 3 months from the day on which it became aware or should have become aware of the situation that occurred. The situation that occurred in the Company must be rectified no later than 6 months from the day on which the board became aware or should have become aware about the situation that occurred.

19.2. In the event that, as specified in the part 3 of the article 38 of the Law on companies of the Republic of Lithuania, the general shareholder meeting of the Company does not adopt the decision to rectify the situation that occurred in the Company or the situation is not rectified within 6 months from the day on which the board became aware or should have become aware of the situation that occurred, the board of the Company must apply to court regarding the reduction of the authorised capital of the company by the amount by which the equity became smaller than the authorised capital, no later than within 2 months of the general meeting of shareholders that took place. The authorised capital of the Company can be reduced according to the LC, however, it cannot be smaller than the amount specified in the article 20 of the Plan.

19.3. CONFIDENTIAL

20. Authorised capital of the Company cannot be lower than minimum authorised capital of MLPO. It is set by the Law on consumer credit, or minimum authorised capital that is set by the legislation that regulates the activity of the companies that have the License. When determining the minimum size of the authorised capital of the Company, the higher of the amounts, specified in this paragraph of the Plan, is applicable.

21. If the general shareholder meeting of the Company intends to adopt the decision to reduce the authorised capital of the Company so that it would become smaller than the amount, specified in the article 20 of the Plan, the general shareholder meeting must first adopt the decision that the company will not be performing the activity of MLPO and/or activity under the license. The director of the Company must present a proposal for the agenda of the general shareholder meeting, after they become aware of the decision of shareholders to reduce the authorised capital of the Company to the amount specified in this article of the Plan.

22. If the solvency of the Company becomes temporarily diminished or if the Company becomes temporarily insolvent, because of the reasons such as, but not limited to, filing of a lawsuit with court against the company and because of that provisional safeguard measures are imposed – the Company's accounts are frozen, but bankruptcy proceedings are not initiated against the Company. It performs actions that are provided in the paragraph 19.3 of the Plan, i. e. *mutatis mutandis* contacts the Shareholder requiring to provide additional funding. In such case, the Shareholder is also included as the party of the legal proceedings, when the Company is a defendant.

23. If the Company becomes insolvent and a case of bankruptcy is initiated against it, the Company undertakes the following actions:

23.1. No later than on the same day, when it becomes evident that the case of bankruptcy is initiated against the Company, the director of the Company convenes the meeting of the board that must take place no later than on the next working day;

23.2. The board *mutatis mutandis* must take all actions, specified in the articles 17 and 18 of the Plan, so that a proper administration and execution of the agreements, concluded by Clients in the System, and the payments under these agreements, is ensured.

24. If the System, all or part of the data that is stored in the System, becomes inaccessible, the director of the Company ensures that the Company immediately, but no later than within 1 (one) working day, takes the following actions:

24.1. On the same calendar day, when it becomes evident that the System, all or part of the data, stored in the System, becomes inaccessible, the data is restored by using the copies of the System that the Company has that are named in the article 7 of the Plan. The director of the company ensures that the data is restored immediately, but no later than within 24 hours.

24.2. Statements of all Company accounts, opened in commercial banks and other financial institutions (hereinafter – the Accounts), for the period that begins no later than 2 (two) calendar days from the day on which it becomes evident, that the System, all or part of the data that is stored in the System, become inaccessible, are checked manually. After checking the account statements, all data are re-imported into the System, so that proper crediting of all payments are ensured.

24.3. The Company contacts UAB "Creditinfo Lietuva", to which the information about the CC agreements, concluded through the System, is transferred as specified in the paragraph 7.3 of the Plan, by requesting to present all information that was transferred by the Company during the last 7 (seven) calendar days. This information is used to check whether all data of the System, restored according to the article 24.1 of the Plan, are restored correctly.

24.4. No later than 5 (five) calendar days from the day on which it becomes evident that the System, all or part of the data that is stored in the System, has become inaccessible, the Company evaluates the direct losses incurred by the Clients. Because they were unable to properly perform the agreements that were concluded through the System due to the inaccessibility of the System, these losses are compensated to the Clients from own funds.

25. If the Company, due to its fault, evaluates the creditworthiness of the CCR improperly and any Client of the Company, including the CCR himself, incurs direct losses as a result, the Company evaluates direct losses incurred by the Clients and compensate these losses from its funds, if the Client requests it.

Final provisions

26. This Plan enters into force from the date of its approval and is valid indefinitely or until it is replaced by the order of the Head of the Company.

27. The director of the Company is responsible for the proper implementation of this Plan in the activity of the Company. All employees of the Company must be acquainted with the Plan under signature.

28. This Plan must be reviewed no less than once per calendar year, and amended or appended if needed.

NEO Finance, AB insolvency management scenario in case of an economic downturn

NEO Finance, AB, company code 303225546, registered office at Verkių 25C-1, Vilnius (hereinafter referred to as the Company), distinguishes itself from other operational risks specified in the business continuity plan by the fact that the Company's insolvency scenario may be influenced by external factors, for the occurrence of which the Company's proper performance of its activities may not have any significant impact. Considering this, the Company has developed an insolvency management scenario in the event of an economic downturn (hereinafter referred to as Insolvency Management Scenario), which balances the impact of the economic downturn on the Company's operations.

One of the main factors that may have a negative impact on the solvency of the Company is the possible economic downturn. In the event of an economic downturn, the Company's business volumes are likely to decrease. The main negative impact would be that, in the context of peer-to-peer lending, the ability of active investors to finance consumer credit is of particular importance. This insolvency management scenario assumes that investors' ability to finance consumer credit would be doubled.

Ensuring revenue stream

The business model chosen by the Company, which meets the requirements of the Law on Consumer Credit (hereinafter referred to as the LCC) for the peer-to-peer lending platform operator, is manifested by the fact that the Company's largest source of income – the brokerage fee from the consumer credit recipient (hereinafter referred to as the CCR) is received only when CCR actually pays monthly consumer instalment. As the average maturity of consumer credit is 48 months and the longest maturity is 60 months, the Company will receive a monthly brokerage fee for at least 60 months, which can be calculated with sufficient accuracy. It is important to note that when CCR pays a monthly instalment, there is no risk of receiving this income, as these funds are the obligation of the CCR to pay monthly instalments before the end of the loan payment. **In March 2019, the amount of the brokerage fee received by the Company in the future exceeded EUR 3.2 million.** Please note that this amount is increasing every month.

Insolvency risk avoidance actions

The Company has developed a wide range of actions to ensure the Company's solvency even in the scenario of the economic downturn:

- The Chief Executive Officer of the Company convenes the General Meeting of Shareholders, whereby the decision is made to increase the capital of the Company so that the Company has sufficient funds for its activities. Increasing the capital of the company by the shareholders would avoid the risk of insolvency.
- In the event of a company's lack of funds, the principal shareholder with whom the loan agreement was concluded and submitted to the Supervisory Authority would be contacted. If an additional loan is granted by the shareholder, the risk of insolvency disappears.
- In the event that the Company's shareholders disagree or cannot raise capital and the principal shareholder with whom the loan agreement has been signed does not have the necessary financial capacity to grant the Company a loan to cover current delinquent

financial liabilities, the Head of Administration of the Company shall implement the Operational Cost Reduction Plan (hereinafter referred to as OCRP).

The action cost reduction plan in case of an economic downturn

The objective of the OCRP is to act to such an extent that the Company does not operate at a loss, i.e. a cash flow statement for each month would be balanced.

The renewed OCRP simulates the impact of the economic downturn on the Company's operations. The main assumptions are made about the following negative external factors: the growth of the number of insolvent consumer borrowers, decrease of new business volumes, increase of judicial costs.

When assessing the Company's resistance to the downturn, receivables for the Company's services already accumulated at the beginning of the downturn are taken into account. These receivables amount to **EUR 3.2 million**.

The main assumptions of the test scenario are:

- 1) The economic slowdown begins in April 2019. The Company's future brokerage fee received in early April amounts to **EUR 3.2 million**.
- 2) With a fall in investor investment, although consumer interest rates on loans to be borrowed are growing, **consumer credit is falling by 40%**.
- 3) **The number of borrowers with insolvent consumption is doubling**. As the number of borrowers with insolvent consumption increases, judicial proceedings are not halted, and the Company continues to cover the costs of recovery, which are later expected to be recovered from consumer credit borrowers.
- 4) Suretyship obligations under the "Guarantee Fund" service contracts are fully executed, using accumulated funds. It is assumed that funds are not received under the new surety agreement.
- 5) Reduced volumes reduce the cost¹, the main part of which is marketing costs.
- 6) Operating costs². By optimizing costs, the number of employees and staff costs are gradually reduced, and IT development costs are reduced.
- 7) The Company, as a consumer credit lender, reinvests only part of the credit received in consumer credit and uses the interest to cover costs.

The impact of the economic downturn on the Company's operations

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1
Issues, EUR	4,565,922	4,037,157	3,384,624	2,700,000	2,700,000	2,700,000	2,700,000	3,384,624	4,037,157
Income	233,392	245,591	246,836	236,297	256,028	269,414	291,838	335,507	431,886
Prime cost*	(174,886)	(144,072)	(147,465)	(152,640)	(137,553)	(121,723)	(121,723)	(113,984)	(125,024)
Operating costs**	(198,000)	(159,145)	(128,363)	(105,900)	(105,900)	(105,900)	(105,900)	(128,363)	(159,145)

¹ Cost consists of marketing, database validation, identification, SMS message sending and recovery costs.

² Operating costs consist of wage, IT development, rental and utilities, bookkeeping, auditing, mobile communication and Internet costs, and other costs.

Annex No. 1 to
the Business Continuity Plan of peer-to-peer lending platform NEO Finance, AB

EBITDA	(139,494)	(57,626)	(28,992)	(22,244)	12,575	41,790	64,215	93,160	147,717
Investment activities	23,624	20,487	19,028	17,497	17,497	17,497	17,497	19,028	20,487
Guarantee fund balance	293,650	282,720	225,400	168,079	110,758	53,438	(3,883)	(61,204)	(118,525)
Money flow	(115,870)	(37,139)	(9,964)	(4,746)	30,073	59,288	77,829	54,868	110,884
Received brokerage fee	3,211,083	3,650,036	3,973,133	4,201,315	4,391,942	4,570,149	4,736,525	4,925,588	5,159,590

Due to the accumulated brokerage fee of EUR 3.2 million, which is postponed for future periods, even with a 40% drop in issuance volumes and a doubling in the number of insolvent consumer loans, NEO Finance would maintain a positive cash flow during the economic downturn and be able to live independently for at least two years. **According to this calculation model, irrespective of the balance of funds existing on 31.03.2019, the Company would accumulate EUR 281 thousand in two years of economic downturn, if it starts on 01.04.2019.**

Customer funds movement

Investing

The movement of funds during the investment is shown schematically in Annex No. 3.

An investor registered with the Neo Finance, AB Loan Club platform (hereinafter referred to as NEO), needs to replenish its personal IBAN account opened in investor's name in an electronic money institution, in order to start investing. It can be done in two ways:

1. using the payment initiation service provided by NEO Finance, AB, which holds the license issued by the Bank of Lithuania to the electronic money institution No. 7, which was supplemented by the decision of the Bank of Lithuania on 30/10/2018 to provide payment initiation services.
2. by making a money transfer from an account of any payment institution operating in the SEPA area to an electronic money account opened in the name of the NEO investor.

At the moment when the money is transferred to the investor's NEO IBAN account, electronic money is issued and the nominal money paid for it is stored in the Bank of Lithuania and Swedbank, AB. The amount of customer funds stored in Swedbank, AB bank does not exceed EUR 100,000. NEO Finance, AB, as a licensed electronic money institution, it keeps funds received from electronic money holders (investors) for the electronic money received by separating them from the funds of its institution and keeps the funds of its customers in a separate account opened at the Bank of Lithuania and a deposit account opened at Swedbank, AB (hereinafter referred to as Special Purpose Accounts). The funds of electronic money holders (investors) transferred to NEO are the property of the investors and could not be directed to the recovery of NEO's debts and creditors' claims if any. In other words, the electronic money of the investors does not fall into the non-Special Purpose NEO Accounts, which hold NEO's personal funds, so neither NEO nor its creditors can and would not have any claim against this money.

An investor with electronic money can start investing them or opt for an automated way of investing, where the criteria chosen by it would make the investment automatic or by choosing by itself to which consumer credits it wants to invest.

Every investment starts with an electronic money reservation. Electronic money is still in the investor's account, but note that they are reserved for the respective consumer credit and are waiting until the selected credit is fully funded. When the selected credit is funded, then, depending on the situation, there is an appropriate procedure:

1. **if a new credit has been funded and the consumer credit recipient already has a NEO electronic money account opened**, then the reserved amount is cancelled in the investor's electronic money account and a debit investment transaction is created (an entry appears in which it is already reflected) and its account balance is reduced accordingly, **at the same moment** a credit transaction is created in the consumer credit electronic money account and the balance of its account is increased accordingly.
2. **if a refinancing loan is financed and the consumer credit recipient has opened a NEO electronic money account**, the reserved amount is cancelled in the investor's electronic money account and a debit

investment transaction is created and its account balance reduced accordingly. In such a case, electronic money is debited from investor electronic money accounts, but are not immediately paid to the recipient of consumer credit, but are considered to be in transit until the recipient of customer credit specifies the refinanced amounts (but not more than 72 hours). When refinanced amounts are adjusted, a credit transaction is created in the consumer credit electronic money account and its account balance is increased accordingly.

3. if a new credit or refinancing loan is financed and the consumer credit recipient does not have a PK electronic money account opened, the reserved amount is cancelled in the investor's electronic money account and a debit investment transaction is created and its account balance reduced accordingly. In such a case, electronic money is debited from investor's electronic money account, but are kept in transit until the consumer credit recipient opens an electronic money account at NEO. When an electronic money account is opened, a credit transaction is created in the consumer credit electronic money account and its account balance is increased accordingly.

It is noted that even in the case of electronic money is in transit, the status of this money is "money on the road" – the money moves from point A to point B, but they are by no means legally owned by NEO, and NEO has no claims on these funds, and the funds in transit belong to the investor, only the status of such electronic money is different, that is, this is paid for electronic money, but they are reserved until they reach the recipient and the recipient accepts them.

If there is more than one investor, then the final aggregated (electronic money amounts collected from many investors) electronic money is credited to the consumer credit recipient's NEO IBAN account.

After the amount of the credit is financed in the consumer credit account, in the case of refinancing an order is placed to the creditors, and in the case of ordinary credit, the consumer credit recipient can make a transfer of funds to the desired credit or payment institution. At the time of this order, the respective amount of money is reserved for the consumer credit recipient's electronic money account pending confirmation from the financial institution that the money is credited to the account of the consumer credit recipient's financial institution. When a confirmation is received, the reserved amount is cancelled in the consumer credit electronic money account, a debit transaction is created for the amount of the order and the account balance is reduced accordingly.

Consumer credit repayment

The movement of funds is shown schematically in Annex No. 4.

In the case of consumer credit repayment, depending on the situation, there is an appropriate consumer credit deposit cover procedure:

1. **When the amount payable is less than or equal to zero**, the coverage of the consumer credit charge is not applied i.e. if there is no maturity payment, then even if there are funds in the consumer credit recipient's account, they are not written off.
2. **When the amount payable is greater than zero** (i.e. when the payment deadline expires), a debit transaction is created in the consumer credit electronic money account (an entry is reflected in the account overview), the balance of its account is reduced accordingly and the credit payment is covered in the consumer credit recipient's payment schedule. At the same moment, the software developed by NEO divides the paid contribution to the investor and transfers the respective part to the specific investor, i.e. a credit transaction is created in the investor's electronic money account (an entry is reflected in the account overview) and its account balance is increased accordingly.

3. **When the termination of the agreement comes into effect and a higher amount than the current debt is paid**, then a debit transaction is created in the consumer credit recipient's electronic money account (an entry is made in the account overview, which already reflects it), its balance on the account is reduced and the credit is covered accordingly. In such a case, the electronic money will be debited from the consumer credit electronic money account, but for 72 hours are considered to be in transit through which the consumer credit recipient may request a recalculation of interest.

a. **If the consumer credit recipient does not request a recalculation of the interest**, then in the system created by the NEO, a team that distributes the paid instalment to the investor and transfers its respective share to the specific investor starts to work, i.e. a credit transaction is created in the investor's electronic money account (an entry is reflected in the account overview) and its account balance is increased accordingly.

b. **If the consumer credit recipient asks to recalculate the interest**, then the payment of the outstanding interest on the monthly instalments that was paid for by this consumer credit instalment is cancelled. A credit note is created on the consumer credit recipient's account for the amount for which the payments were withdrawn and a debit note is created with the recalculated amount of interest covered from the recalculated amounts. At the same moment, the software developed by NEO divides the recalculated paid instalments to investors and transfers the respective part to a specific investor, i.e. a credit transaction is created in the investor's electronic money account (an entry is reflected in the account overview) and its account balance is increased accordingly.

It is noted that in the case of consumer credit repayment (as described in the case of the investment), the electronic money does not at any time fall into the non-Special Purpose NEO Accounts where NEO's personal funds are held. Even while electronic money is in transit, the status of this money is "money on the road" – the money moves from point A to point B, but they are by no means legally owned by NEO and NEO has no claims on these funds. Only the investor can claim the money in transit. These are paid for electronic money, but they are reserved until they reach the recipient and the recipient accepts them.

Summary

NEO ensures the flow of investor funds in such a way that in no case can funds from investors or other consumers go through non-Special Purpose NEO Accounts, so investors can feel safe about their funds. If NEO were faced with solvency problems, no creditor, or another third party would be able to encroach on funds held by investors and other consumers, both in terms of the balance of the account **and in terms of returned payments, periodically obtained from consumer credit recipients.**

NEO stores 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 Swedbank deposit account as required by Article 25 (1) (1) of the Law on Electronic Money and Electronic Money Institutions. This ensures to investors (and other customers) that their funds will never be touched by third parties or NEO itself.

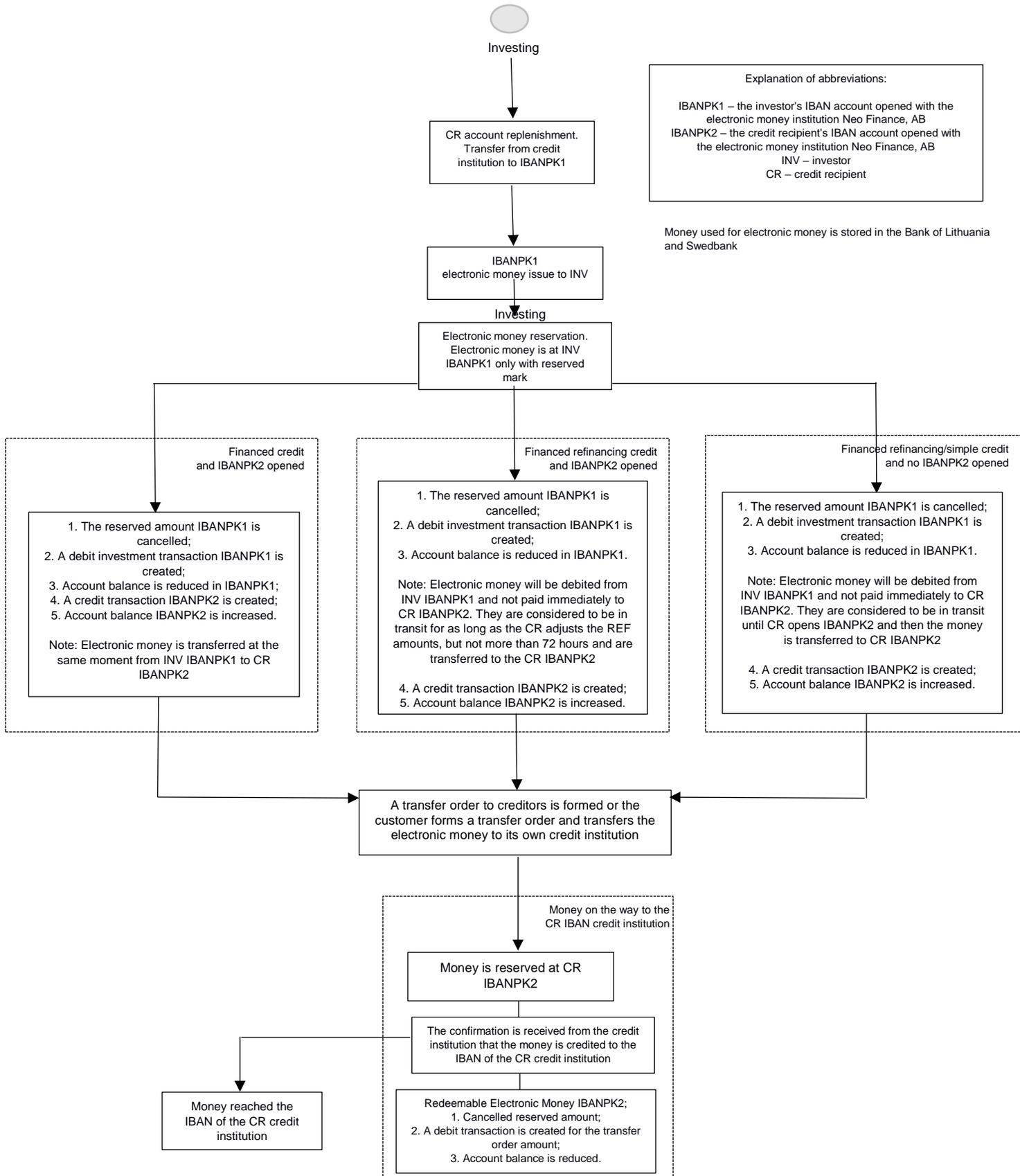
NEO ensures the inviolability of investor funds through the realization of an IT system that is programmed so that no employee can in any way make a transfer directly from the customer's IBAN account. Also, the employees of NEO are not able to connect to the accounts of the NEO customers funds held within Swedbank or the Bank of Lithuania. Payments are initiated by the user only through active actions, such as making a payment order or taking action by prior user instructions (e.g. automatic investment ads).

Only the bankruptcy of one bank – Swedbank, AB – would affect the temporary disruption of NEO activities.

Importantly, the deposit account opened on behalf of NEO holds a very small portion of investor funds, and that portion never reaches EUR 100,000. For this purpose, the company has implemented control that is performed by the IT system itself, in addition, the balance of this account is also reviewed by the management staff (financial manager, company manager).

Secondly, in the event of bankruptcy of Swedbank AB, the creditors would not be able to encroach on these customer funds, and they must be immediately returned to NEO users by law. The management of NEO would immediately request Swedbank, AB to transfer these funds to another credit institution or to an existing account within the Bank of Lithuania. The bank has to do this, according to the agreement with NEO, because it is precisely this procedure of depositing funds in the agreement with Swedbank, AB. In such a case, Swedbank, AB plays only the role of custody of funds and cannot use these funds in its activities. If the transfer of funds from Swedbank, AB would take more than two business days, NEO would fully cover the amount of customer funds stored in the account of Swedbank, AB from the funds of its own company funds, and then, upon receiving a transfer from Swedbank, AB would recover the funds. Therefore, it can be argued that the bankruptcy of Swedbank, AB would not cause negative consequences for the company or would be of minimal significance.

Annex No. 3 to
the Business Continuity Plan of peer-to-peer lending platform NEO Finance, AB



Annex No. 4 to
the Business Continuity Plan of peer-to-peer lending platform NEO Finance, AB

