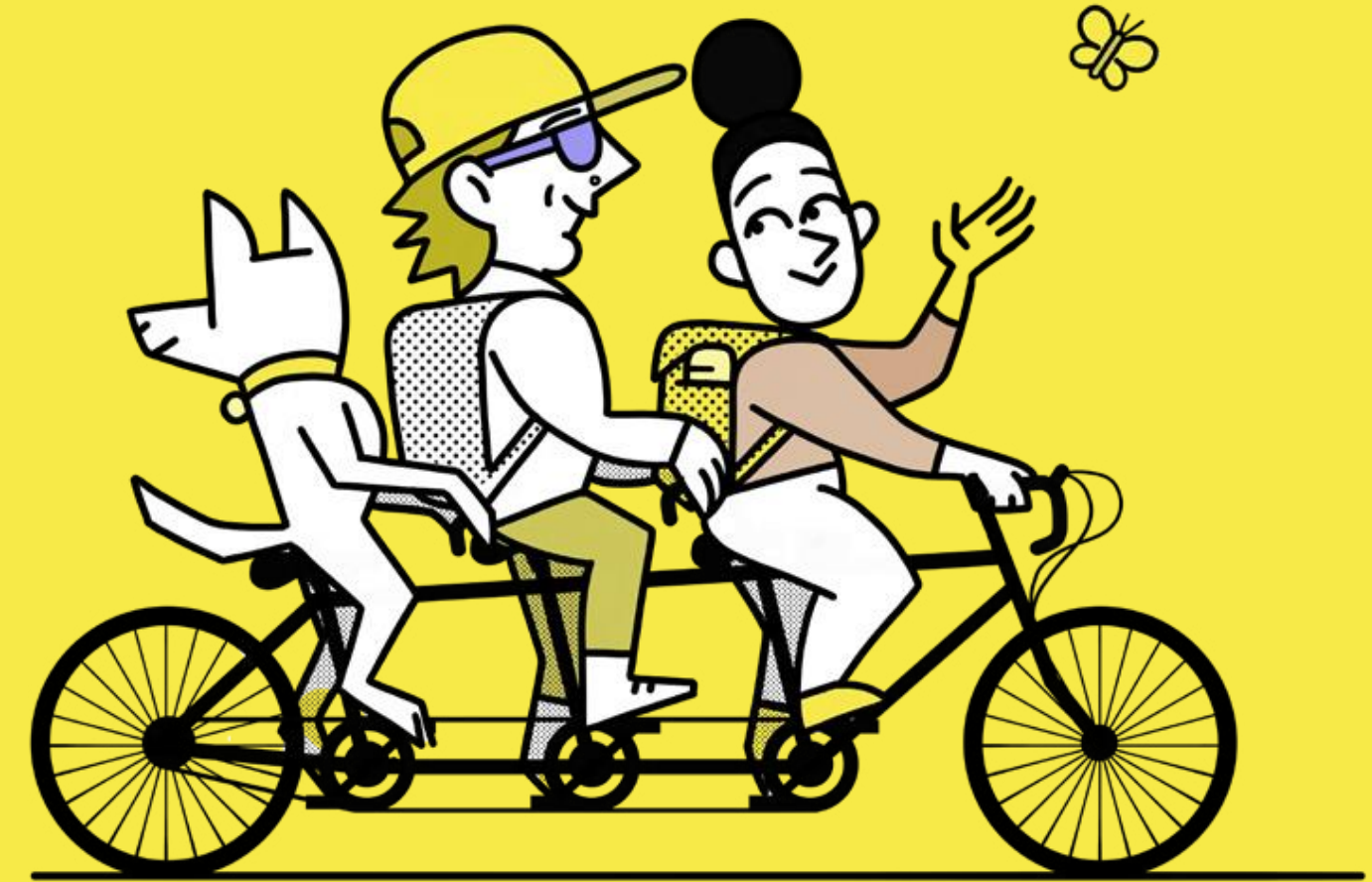


INDEXO¹



One step from launching banking services

November 2023

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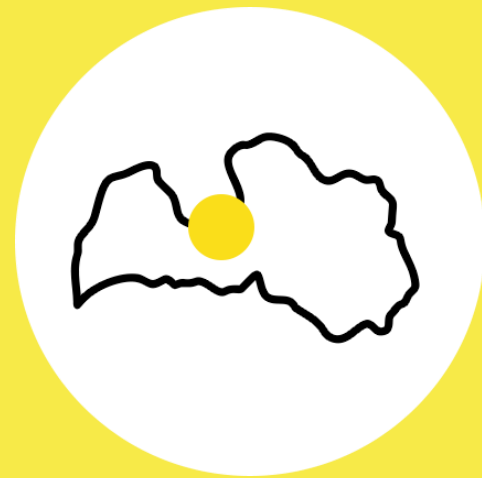
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Content

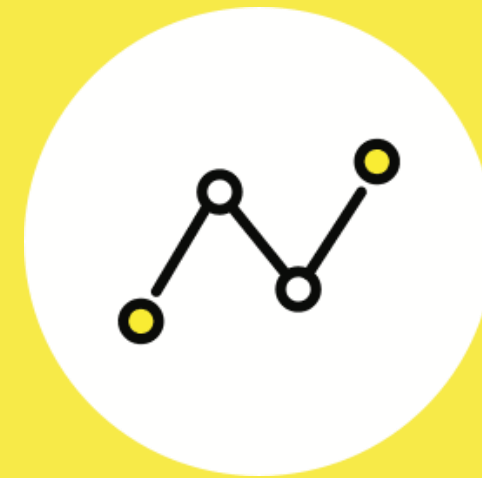
4	INDEXO Story
12	We are going to disrupt banking market
28	Detailed financial projections
31	Fundraising timeline
33	Risks

INDEXO Story

INDEXO¹



Launched in 2017 as a **challenger brand** and the **first passive pension manager** in Latvia. By now, **the 3rd largest 2nd Pillar manager** in Latvia



In April 2021 launched **the first 3rd Pillar robo-advisory product** with automated investment decisions in index funds



In July 2022 held a **successful IPO by raising 7.49 million EUR** for Bank business development

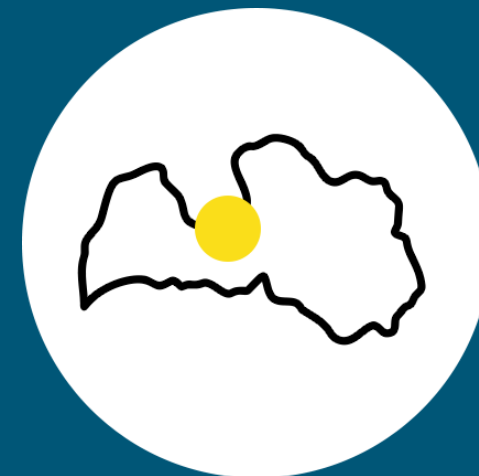
INDEXO¹



Fastest growing pension fund manager in the Baltics, with brand emphasis on transparency, low cost and being local



AUM 840+ M EUR*
Up 350 M since IPO



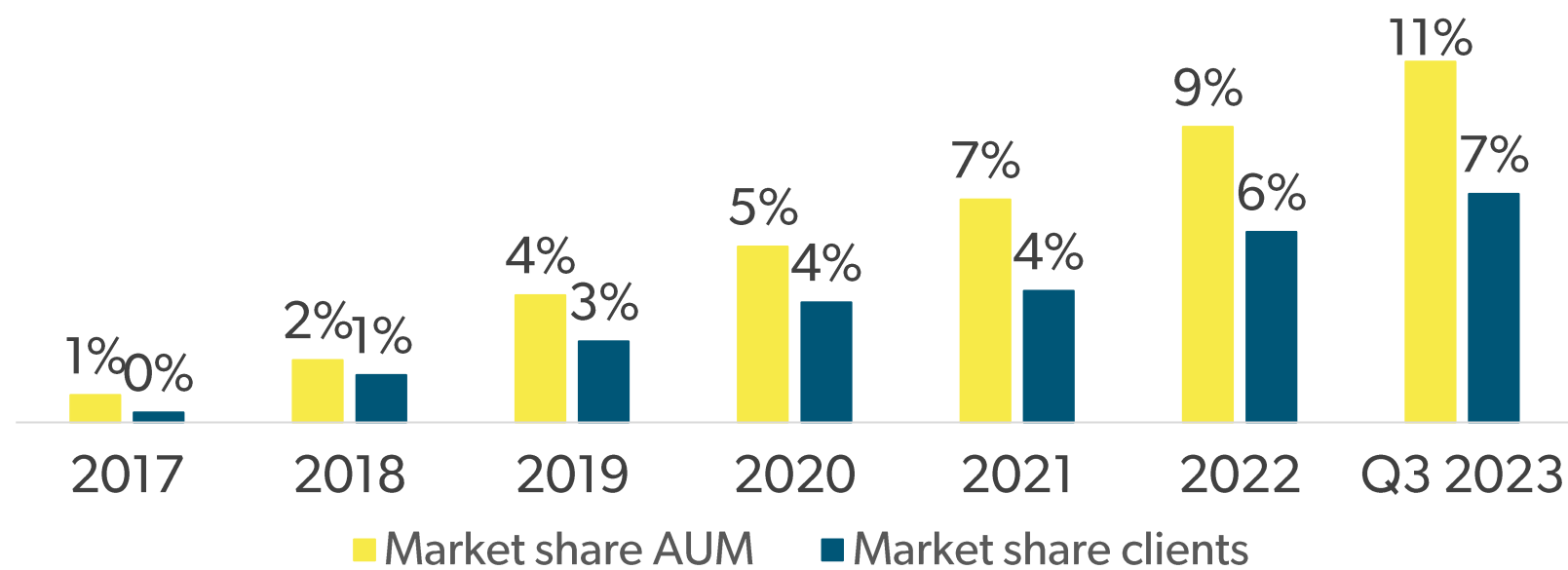
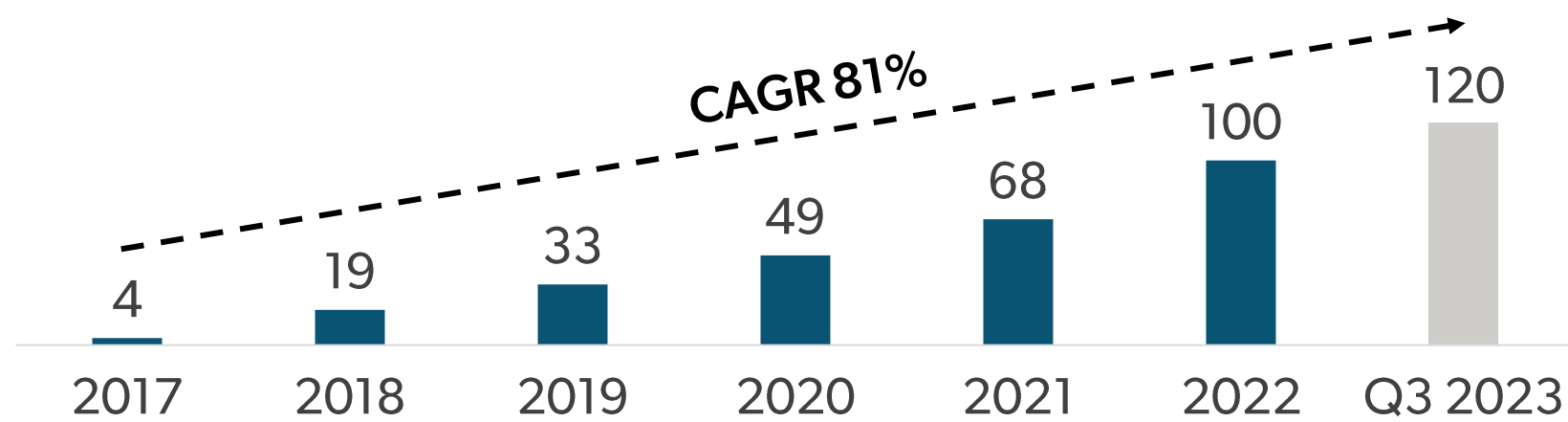
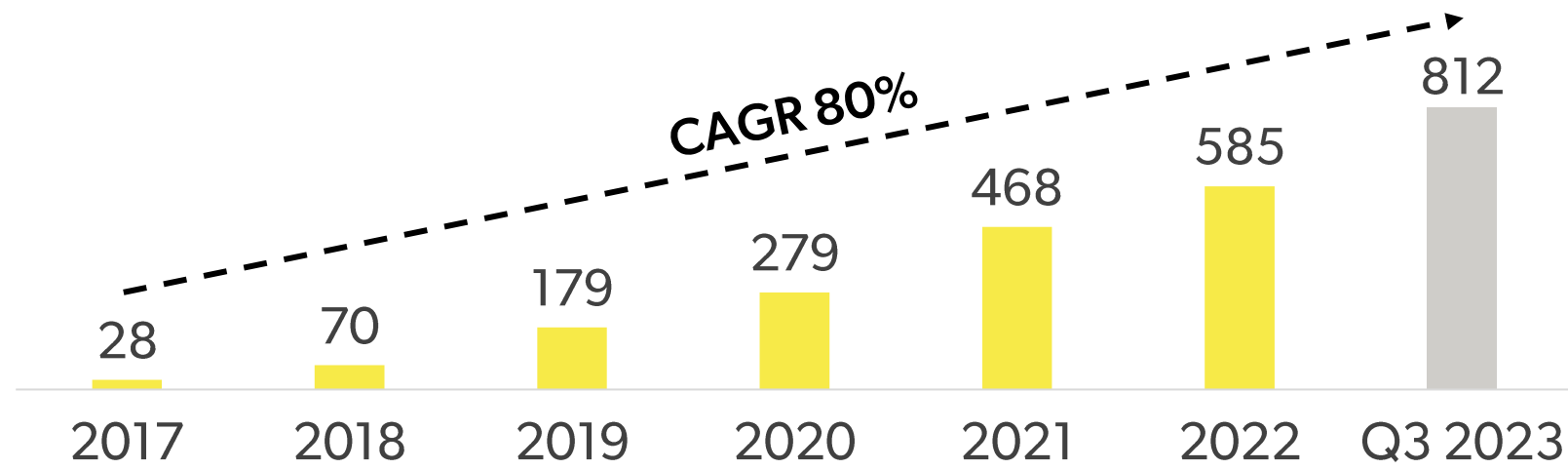
Over 124 000 clients*
Up 42 000 since IPO



INDEXO 2nd Pillar pension equity plans are among the best performing plans in the Latvian market proving the thesis that passive low-cost funds beat active management

*as of November 13th, 2023

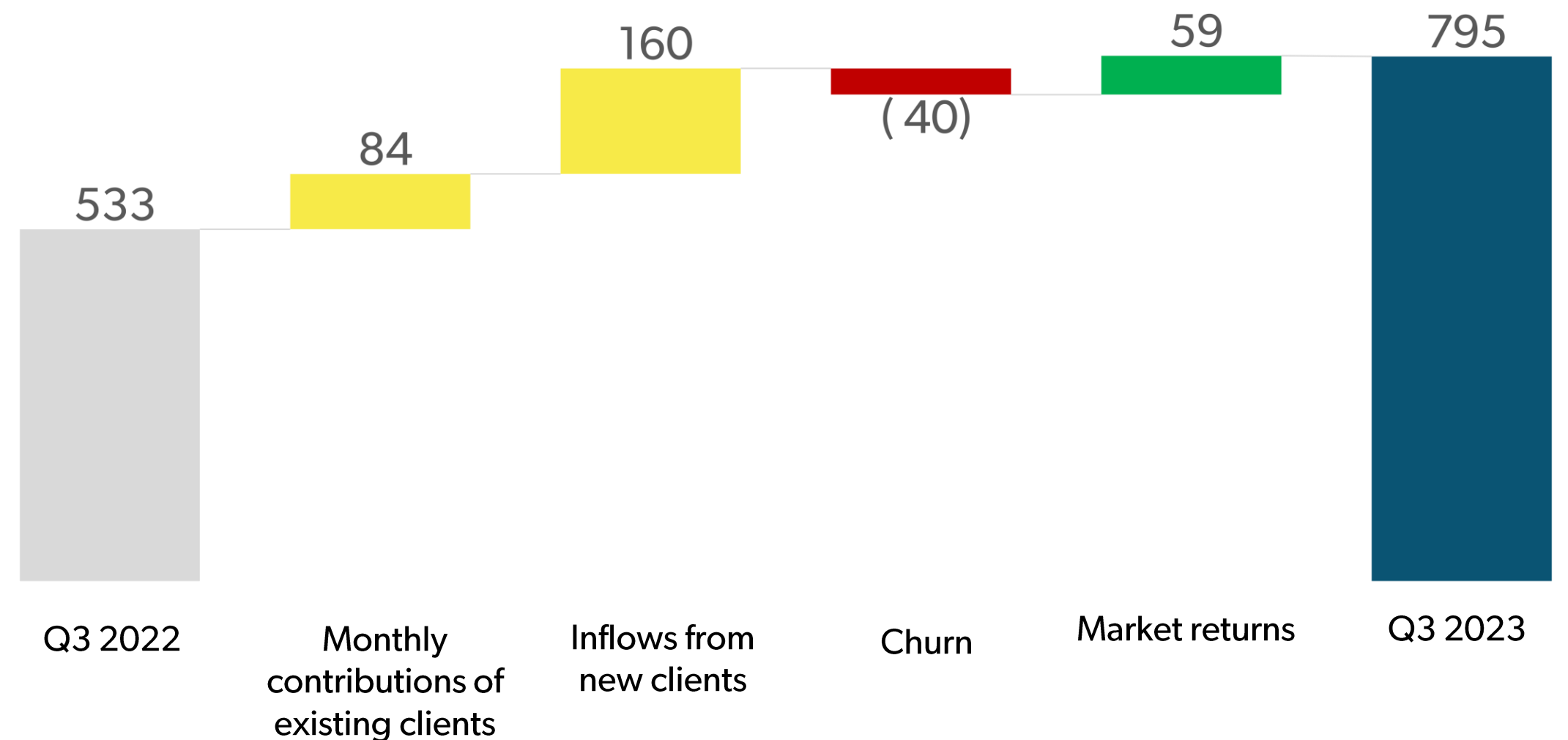
Total asset management growth since inception has been excellent despite market turmoil



Our business growth in 2nd pillar is largely attributed to growing monthly contributions of existing clients and new customers joining INDEXO. Annual run-rate contributions already over 100M.

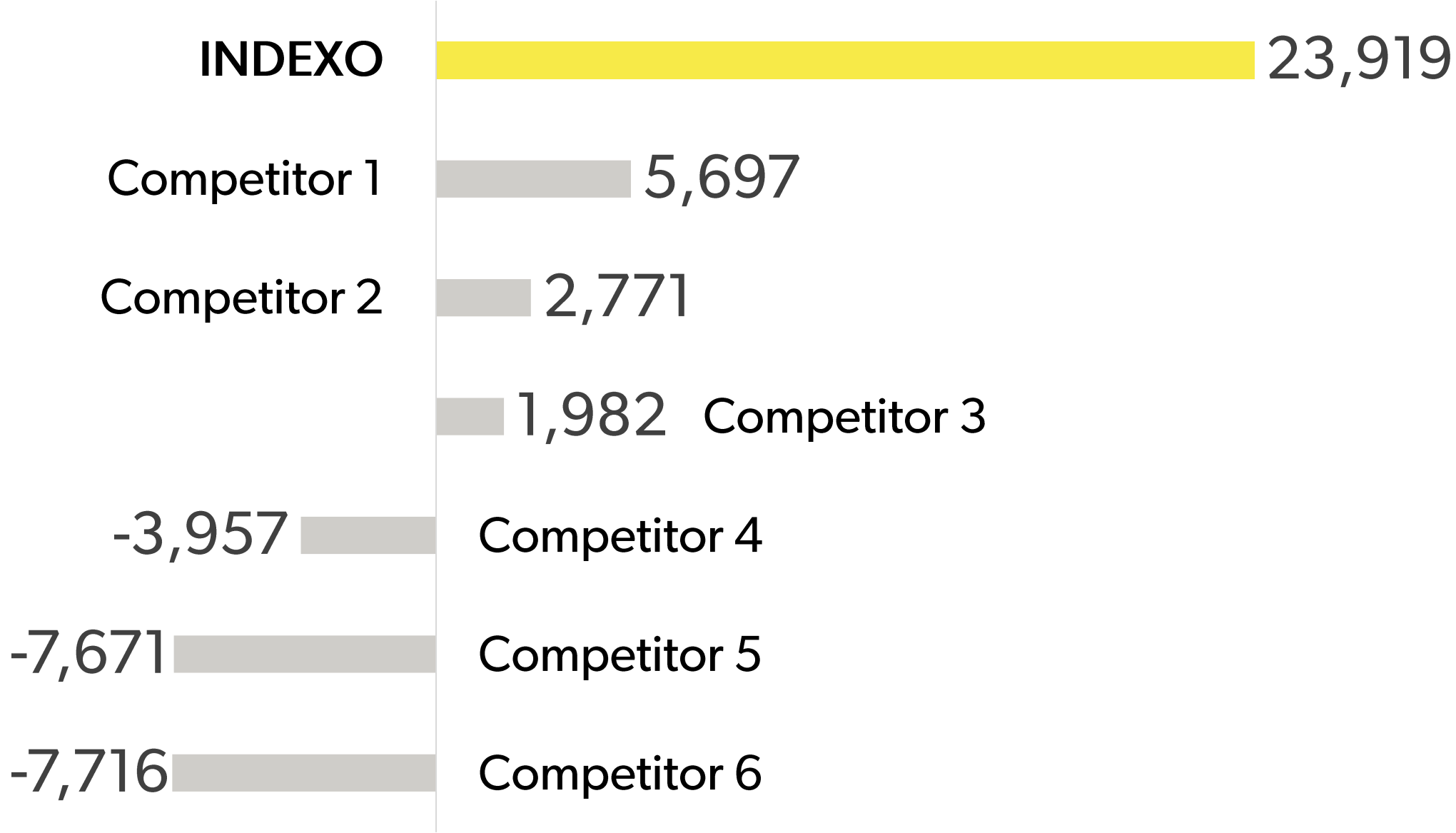
Even without new client acquisition, our business would be growing from existing clients.

2nd Pillar pension waterfall chart Q3 2022 – Q3 2023
Millions EUR, based on management estimates

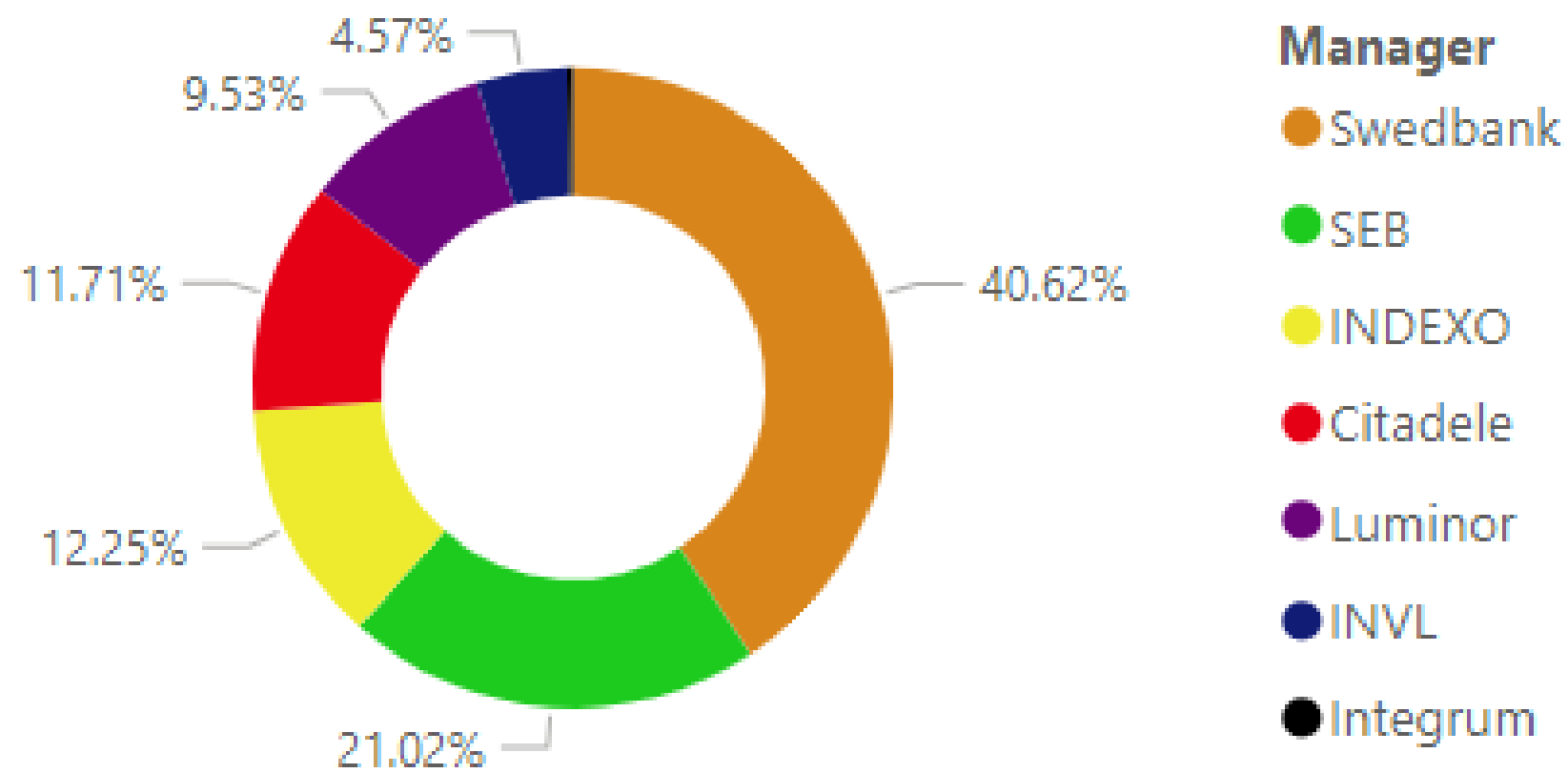


INDEXO: The absolute leader in 2nd Pillar client acquisition

Change in the number of 2nd Pillar clients (Oct. 1st 2022 – Sep 30th 2023)



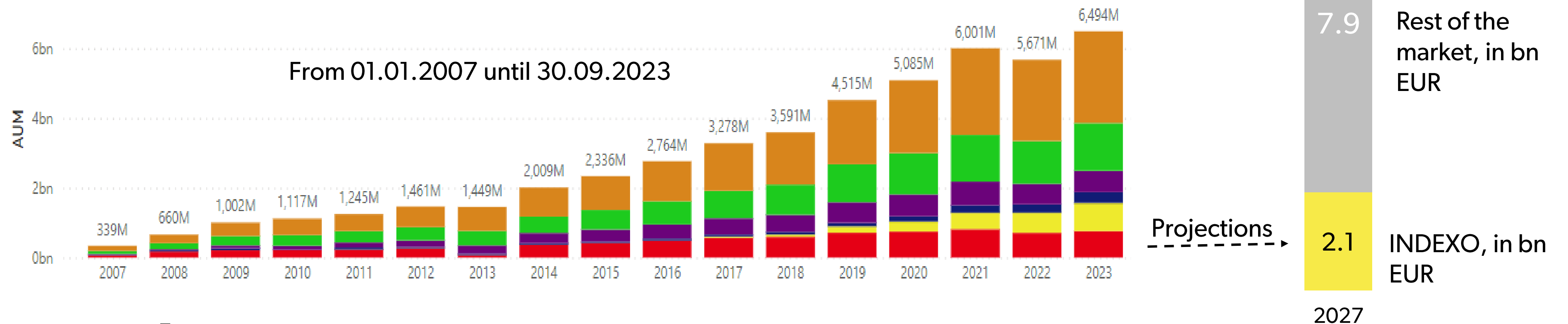
Gaining market share in fast growing market



Market growth driven by:

- 6% compulsory contributions of monthly gross salary
- High salary growth
- Long term positive market returns

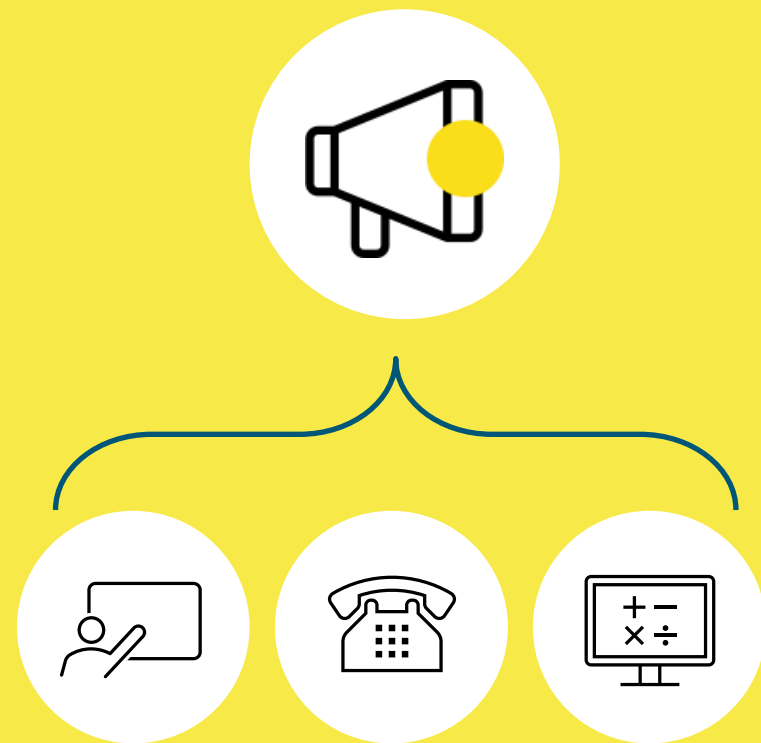
Manager ● Citadele ● INDEXO ● Integrum ● INVL ● Luminor ● SEB ● Swedbank ● Valsts kase



INDEXO will continue to increase market share

① Excellent, unique client acquisition model

We use retail, telephone and online channels



② Delivering growing customer numbers and revenue



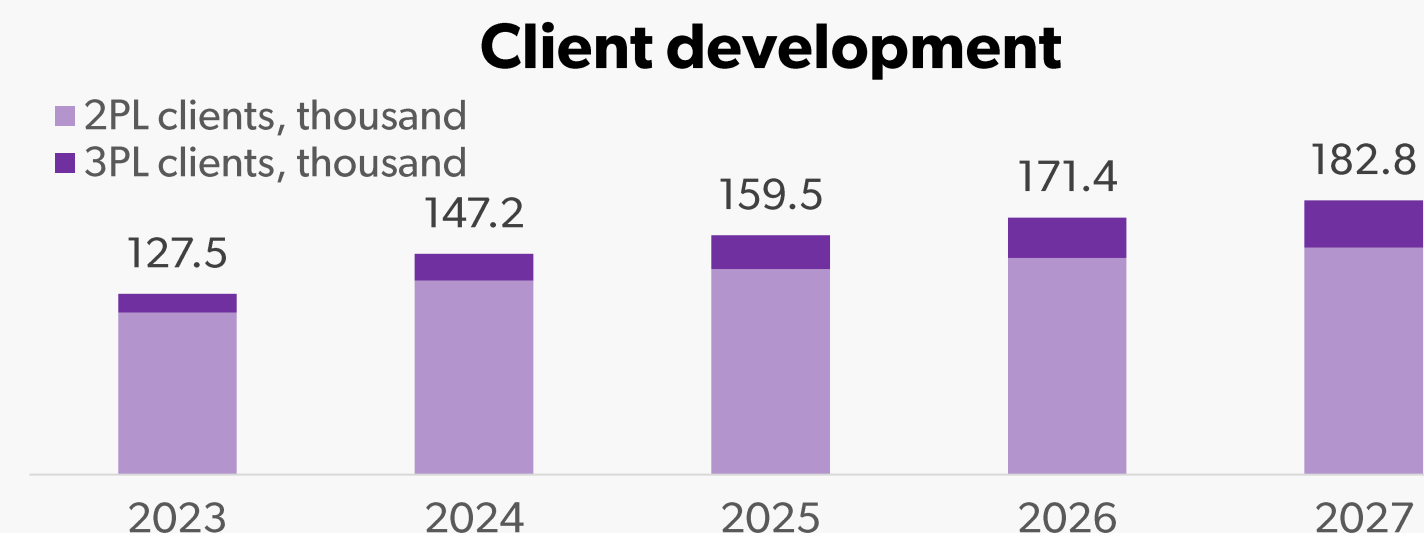
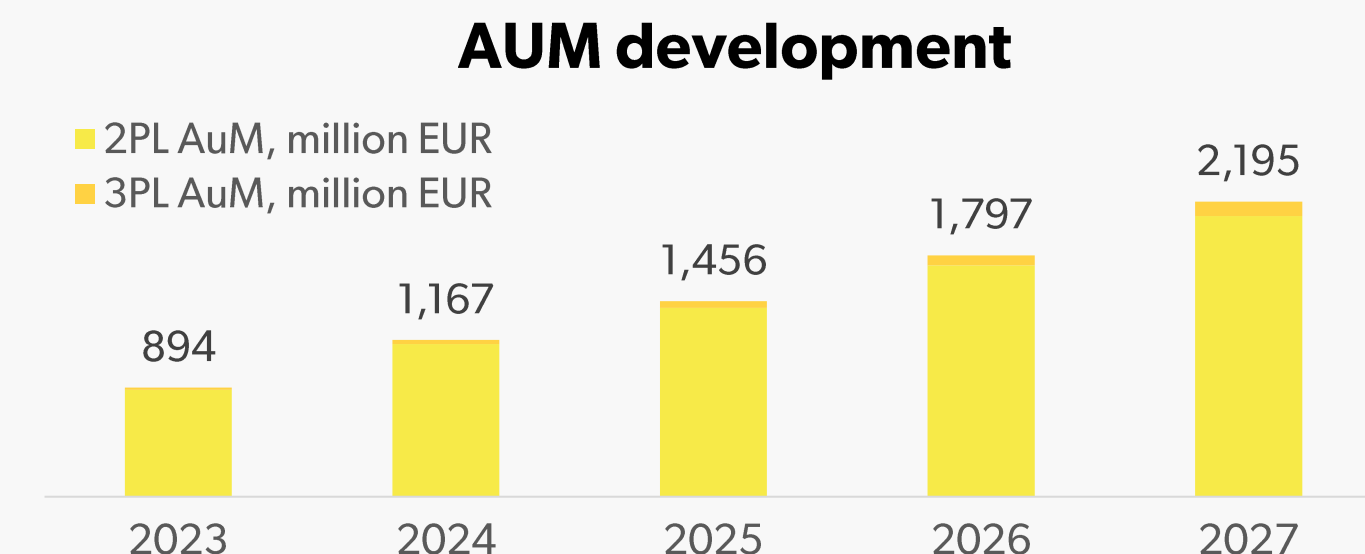
Exploring new potential sales channels



Constantly monitoring customer acquisition cost and lifetime customer value

Pension business alone creates significant shareholder value

Year	2023F	2024F	2025F	2026F	2027F
Net commission income [2PP]	3,051,279	3,903,992	4,517,799	5,052,890	5,382,194
Net commission income [3PP]	76,402	128,272	203,841	312,838	459,004
Net commission income	3,127,681	4,032,263	4,721,640	5,365,728	5,841,197
Administrative expenses*	(862,932)	(847,473)	(932,421)	(972,626)	(1,014,443)
Marketing expenses	(1,794,495)	(1,820,400)	(1,457,110)	(1,545,208)	(1,635,574)
Non-cash expenses	(247,012)	(189,539)	(137,968)	(137,968)	(137,968)
Operating income before marketing and client acquisition	2,264,749	3,184,790	3,789,219	4,393,102	4,826,755
Operating income	470,254	1,364,390	2,332,108	2,847,894	3,191,181
Earnings before tax	223,242	1,174,851	2,194,140	2,709,926	3,053,212
Corporate tax	0	0	0	0	0
Net profit	223,242	1,174,851	2,194,140	2,709,926	3,053,212



INDEXO continues to invest in client acquisition - Operating results before marketing and client acquisition are more indicative of run-rate profitability

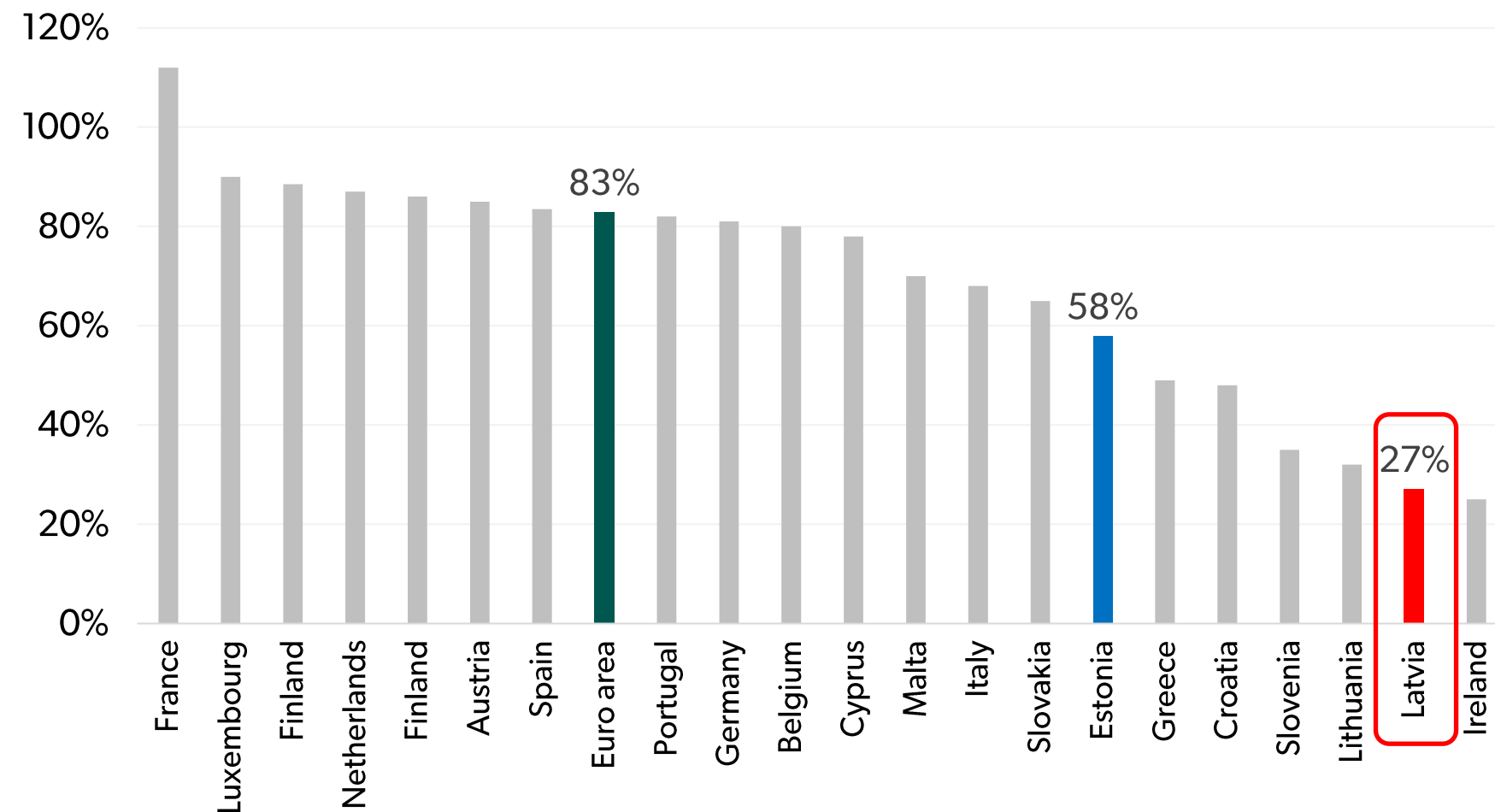
*Management information system

We are going to disrupt banking market

Low and decreasing loans to GDP

Latvia has the 2nd lowest Loans to GDP ratio in Euro area

Latvian banks' loan portfolio to GDP is the smallest in the Baltics with a lending gap of over 5 billion euros

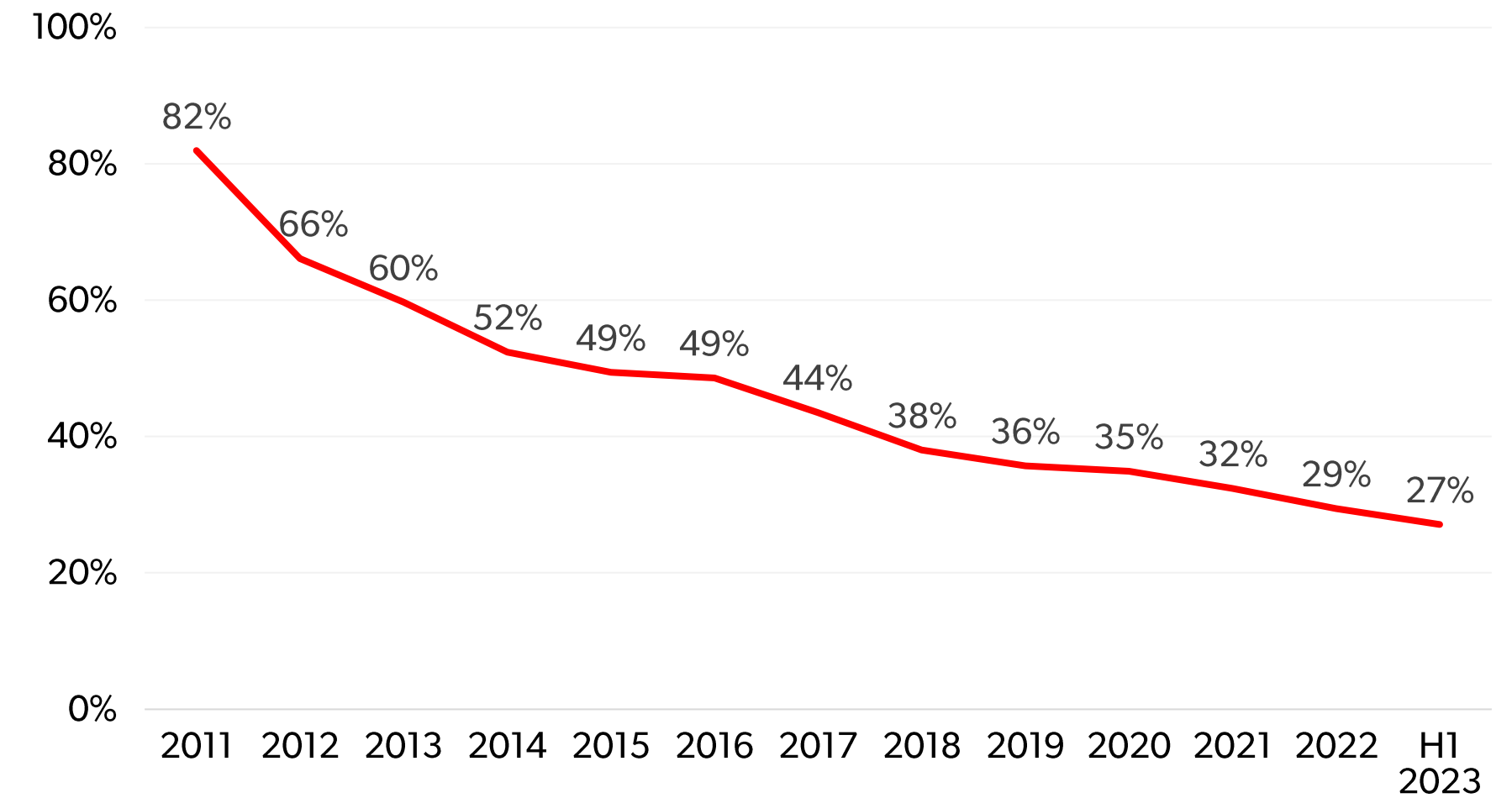


Source: ECB (Q2 2023)

Notes: Loans include household debt and non-financial corporation debt

Latvia's Loans to GDP ratio is at an all-time low

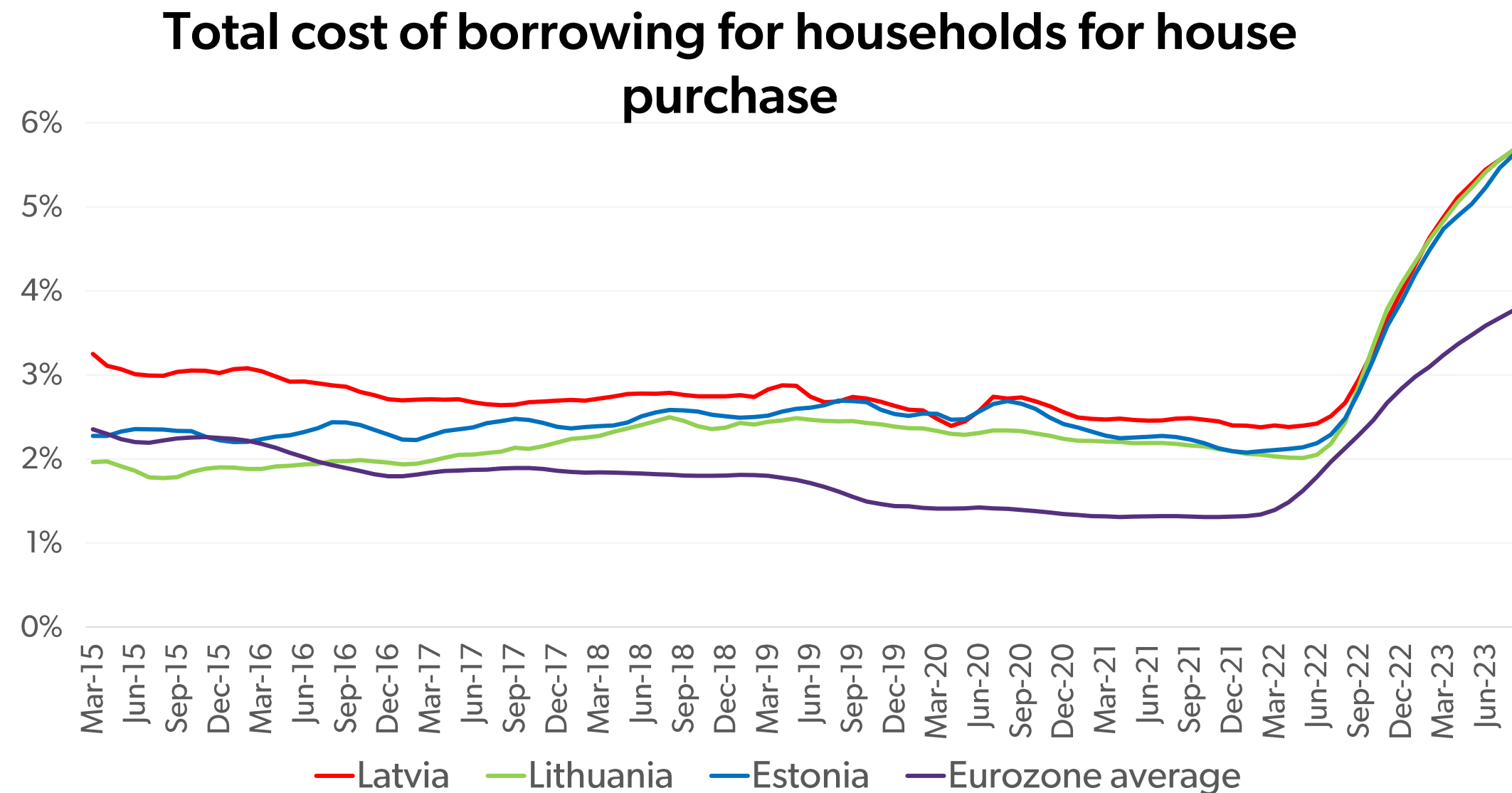
Latvian banks' loan portfolio to GDP has consistently decreased since 2011 and is now less than 1/3 of its peak value



Source: Central Statistical Bureau, ECB (Q2 2023)

Notes: Loans include household debt and non-financial corporation debt

Latvia has one of the highest mortgage loan margins in Europe



Latvian banks charge some of the highest interest rates in the Eurozone

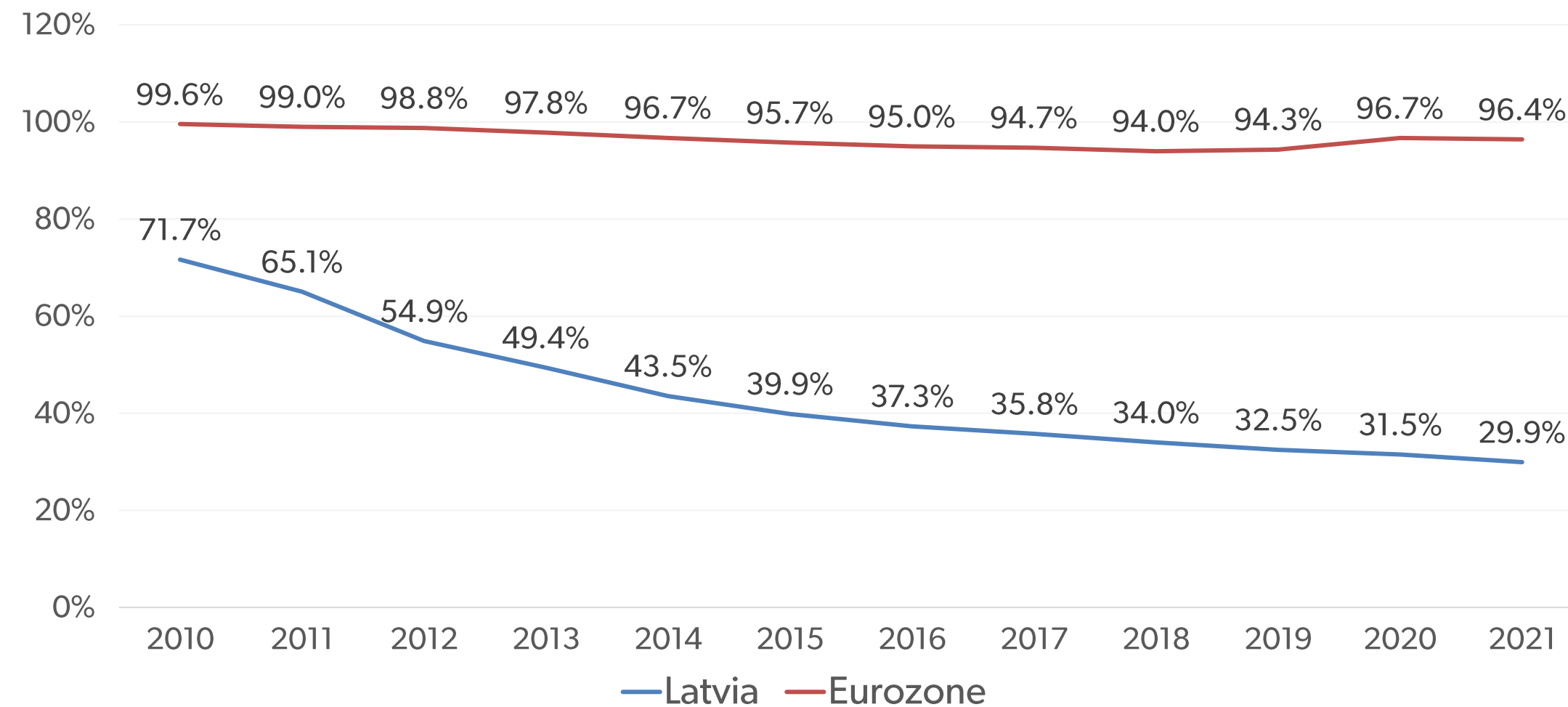
The Baltic states were among the few euro area countries where mortgage rates did not decline during the 2010s

Source: ECB (July 2023)

Notes: Interest rates calculated as 3-month average

Latvian household market is underserved

Household debt-to-income ratio

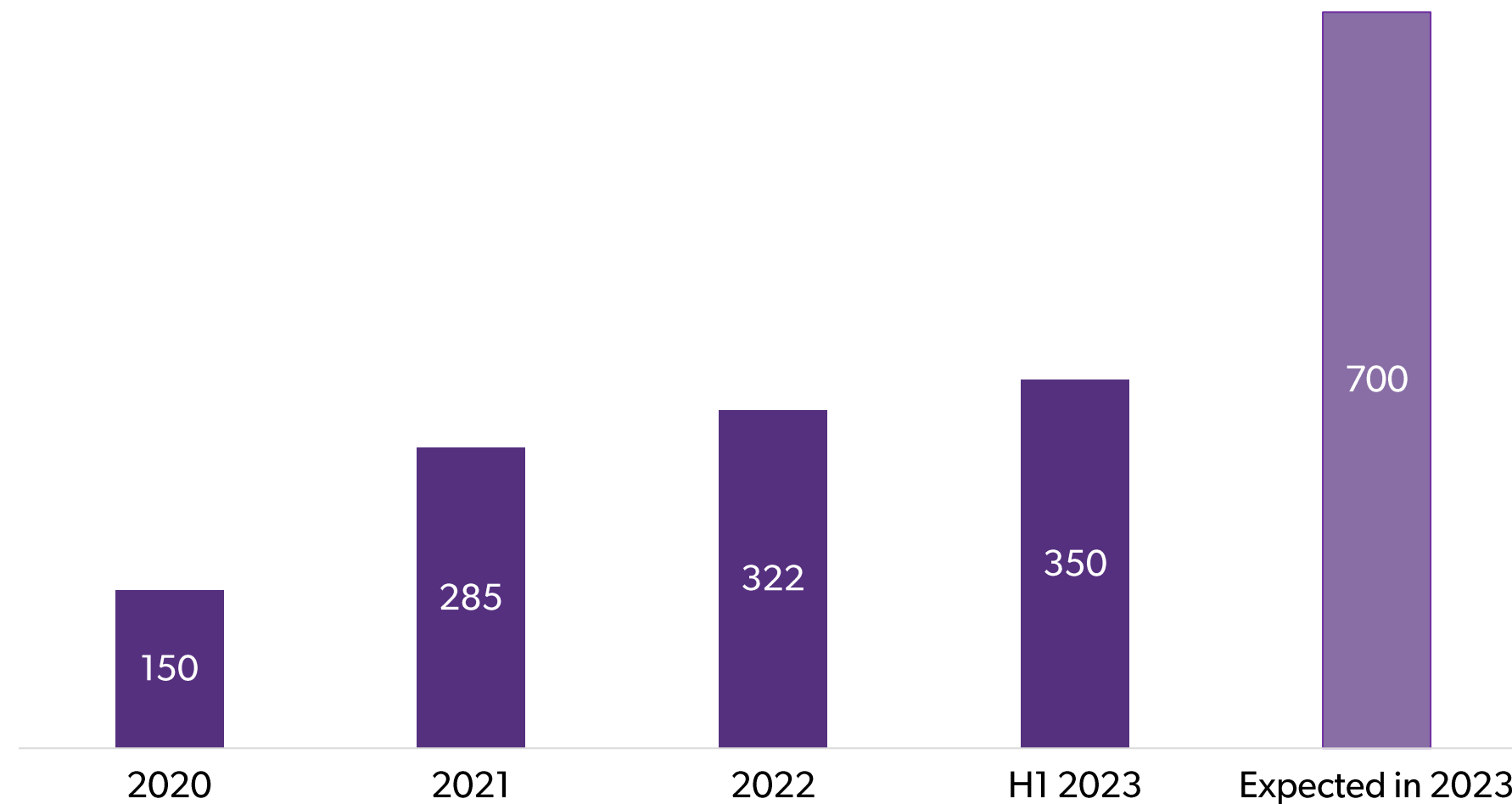


The gap between the Latvian and the Eurozone household debt to income ratios has been growing since 2010, creating excess debt capacity in the market

Source: ECB (2023)

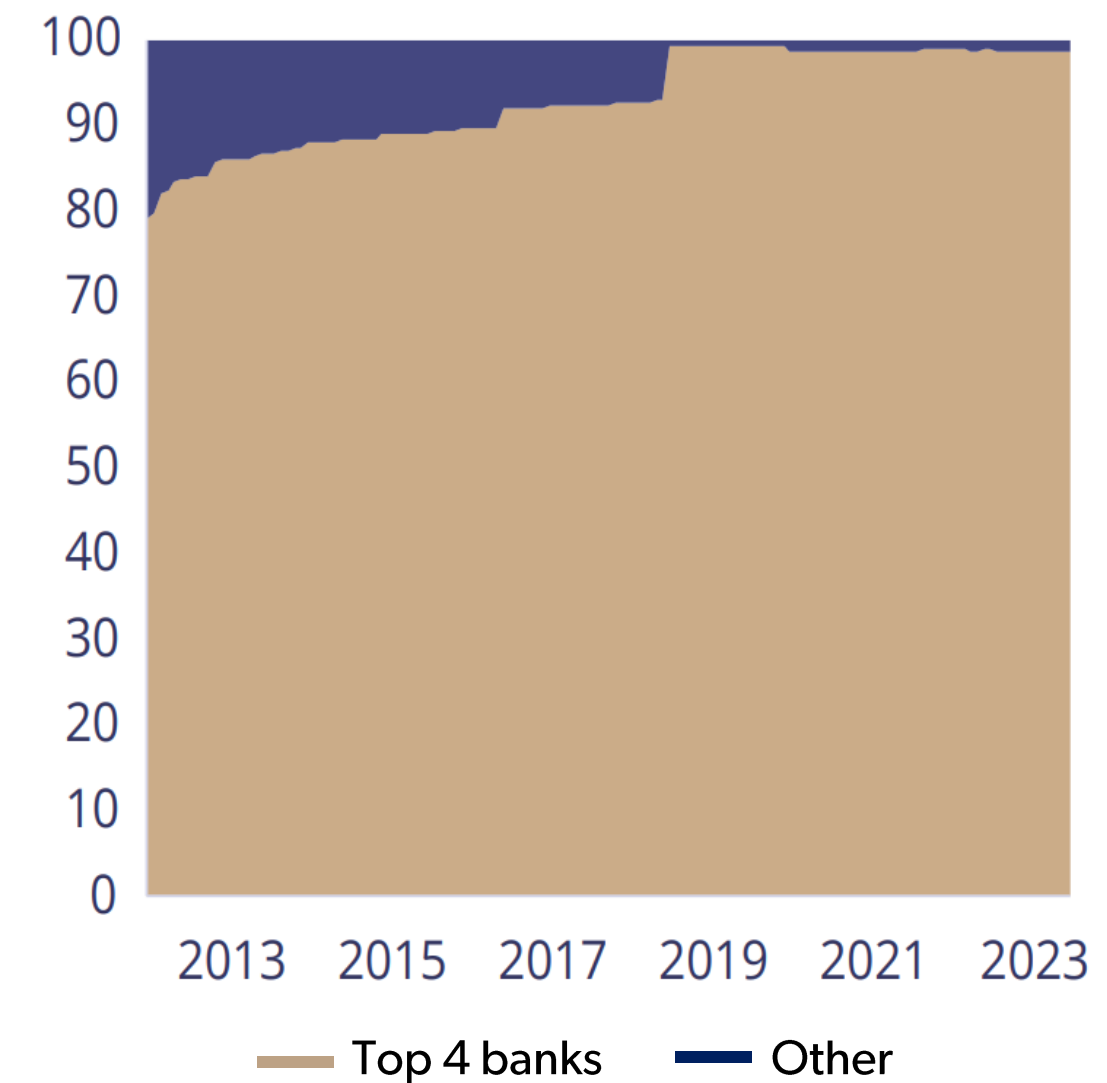
Oligopolistic situation with high profits and limited competition

Latvian banking sector profits, millions EUR



Source: Bank of Latvia (2023)

Outstanding mortgage portfolio to households and non-financial corporations, %



Source: Bank of Latvia (2023)

Lack of competition is a hot topic



Latvijas Bankas prezidents Mārtiņš Kazāks. (Foto: LETA)

Kazāks: Latvijas Banku neapmierina lielo komercbanku īstenotā politika

Replay Latvijas Televīzija Latvijas Radio Trešdiena, 25. oktobris: **Latvijas Sabiedriskie Mediji** Rīgā +4 °C, A vējš, 6m/s

SVARĪGI >> Krievijas iebrukums Ukrainā Izraēlas un palestīniešu konflikts LSMnīca LSM garstāsti Zeme, kur d

Bankas Latvijā – nedraudzīgas. Intervija ar LU profesori Innu Šteinbuku

Dalīties:



Mārtiņš Kazāks: Ja komercbankas neaktivizē kredīvēšanu, tad jāmeklē jauns tirgus spēlētājs ārpusē

Par komercbanku nevēlēšanos uzņemt risku izsniegt Latvijas iedzīvotājiem un uzņēmējiem pieejamus kredītus, iespējamajiem risinājumiem konkurences audzēšanai banku sektorā, ārkārtas nodokli bankām, ģeopolitisko risku ietekmi, kā arī valsts nevēlēšanos un nespēju tieši ietekmēt banku darbību vai iesaistīties banku tirgū "Neatkarīgās" saruna ar Latvijas Bankas (LB) prezidentu Mārtiņu Kazāku.

03.04.2023. ROLANDS PĒTERSONS Abonē digitālo avīzi Neatkarīga.lv bez maksas

Rīgā +9 °C, Z vējš, 3m/s

Latvijas Banka: Kredīvēšana pēc finanšu krīzes sarukusi trīskārt

Panorāma Dalīties:

Delfi Bizness **Finances** **Ekonomika** Tehnoloģijas Nekustamais īpašums Investīcijas Abonentiem Pasaul

Ministrija: problēma ir vājā banku konkurence Latvijā, nevis kredītu sasaiste ar Euribor

tv3.lv Trešdiena, 25. oktobris • Beāte, Beatrise • 4° ZINĀS IZKLAIDE DZĪVESSTILS SPORTS BEZ TABU DEGPUNKTĀ

LATVIJĀ 900 SEKUNDES NEKĀ PERSONĪGA ĀRVALSTĪS EKONOMIKA ZINĀTNE UN TEHNOLOĢIJAS AUTO

Saņem paziņojumu par svarīgākajām ziņām, līdzko tās ir publicētas tv3.lv! [Pieteikties](#)

Bankas Saeimā spiestas skaidroties par kūturo kredīvēšanu un procentu likmēm

Delfi Ziņas Bizness Sports Auto Kultūra Delfi TV Cālis Tasty Māja&Dārzs

VERSĪJAS

Mārtiņš Bitāns: Procentu likmes Latvijā – cik ilgi turpināsim mocīties? (10)

Mārtiņš Bitāns Latvijas Bankas ekonomists



Līdz ar to – ja galvenais cēlonis pārāk augstajām kredītu procentu likmēm Latvijā ir pārāk zemā konkurence, tad situāciju pēc būtības var atrisināt tikai jauna, nopietna spēlētāja parādīšanās tirgū, kas ļautu esošajiem tirgus dalībniekiem sajst reālu konkurenci. Kamēr tas nenotiks, turpināsim mocīties. Latvijas kredītņēmēji – ar vienām no augstākajām likmēm eiro zonā, Latvijas noguldītāji – ar zemāko atlīdzību par uzkrājumiem bankās.

Rīgā +4 °C, A vējš, 6m/s

Pētījums: Banku kredītu procentlikmes Baltijas valstīs – augstākās eirozonā

Panorāma

Replay Latvijas Televīzija Latvijas Radio Pirmdiena, 30. oktobris **Latvijas Sabiedriskie Mediji** Rīgā +10 °C, D/DR vējš, 3m/s

SVARĪGI >> Krievijas iebrukums Ukrainā Izraēlas un palestīniešu konflikts LSMnīca LSM garstāsti Valsts budžet

Uzņēmēji: Banku attieksme pret uzņēmējdarbību Latvijā nav tik labvēlīga kā citviet reģionā

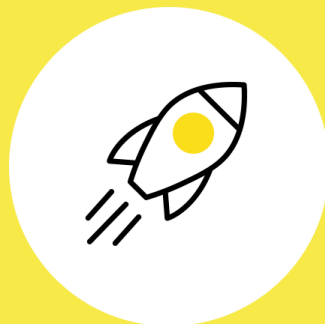
Perfect time to enter the market



Addressable oligopolistic market of 700+ million banking profits in 2023 ripe for disruption



Huge underserved lending market opportunity, estimated to be 5+ bn



Latvia lacks successful local banks like Coop, LHV who have been building market share quickly in Estonia



The end of low interest rate era

INDEXO well positioned to disrupt the market

1

Large, fast growing high-quality customer base

INDEXO has more than **120 thousand** high-quality customer base and with 45 % higher AUM per client compared to the market average. Current sales channels generating 2-3 thousands new pension customers per month will be used to also sell bank products



2

Well recognized and positively perceived brand

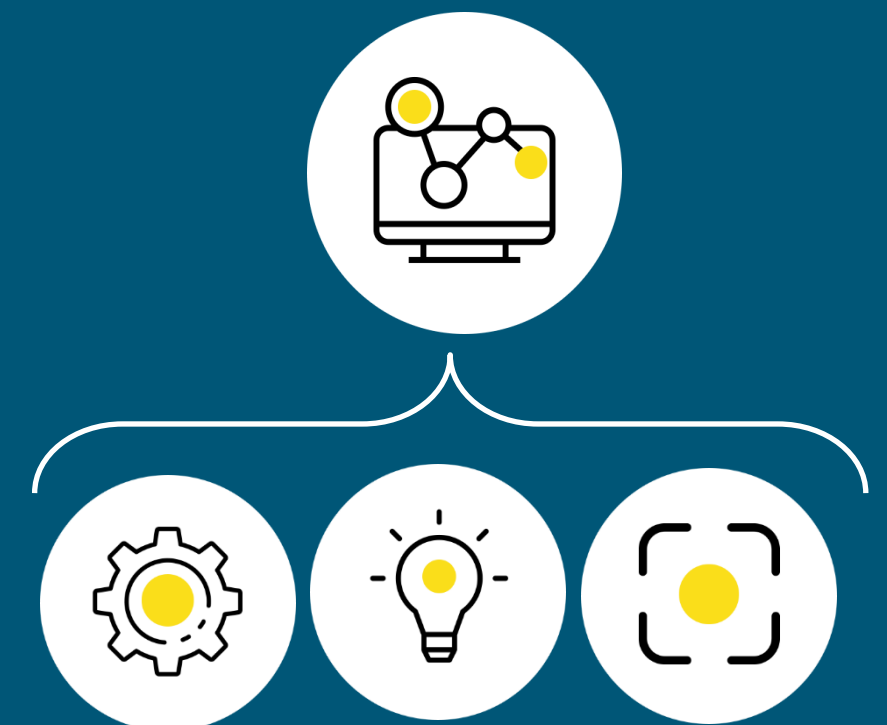
According to market survey approximately **150-200 thousand people in Latvia are already open to start using INDEXO services**



3

Building best-in-class IT infrastructure

We are building cloud native IT infrastructure, that enables agile product development
Competition mobile offering is weak, we can make a difference
Indexo does not need to "struggle" with legacy systems



Bank is technically ready in 2023



Banking IT infrastructure



Mobile Application:

1000+ iOS and Android screen designs
Digital onboarding and self service
Integrated with CRM, Core banking, Payments Cards and AML systems



Base retail products:

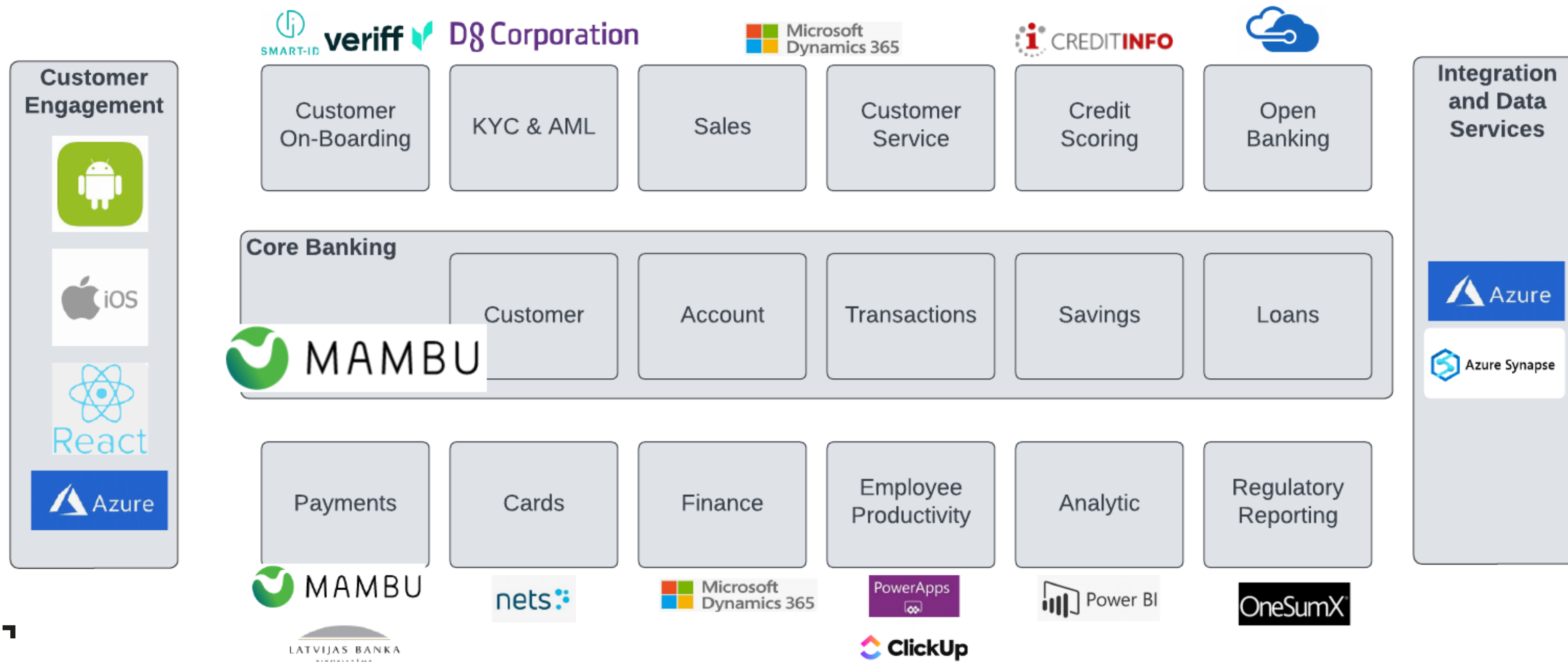
Current accounts
Payments and Cards
Vaults and Deposits
Consumer Lending
3rd Pillar Pension



Supporting and regulatory processes

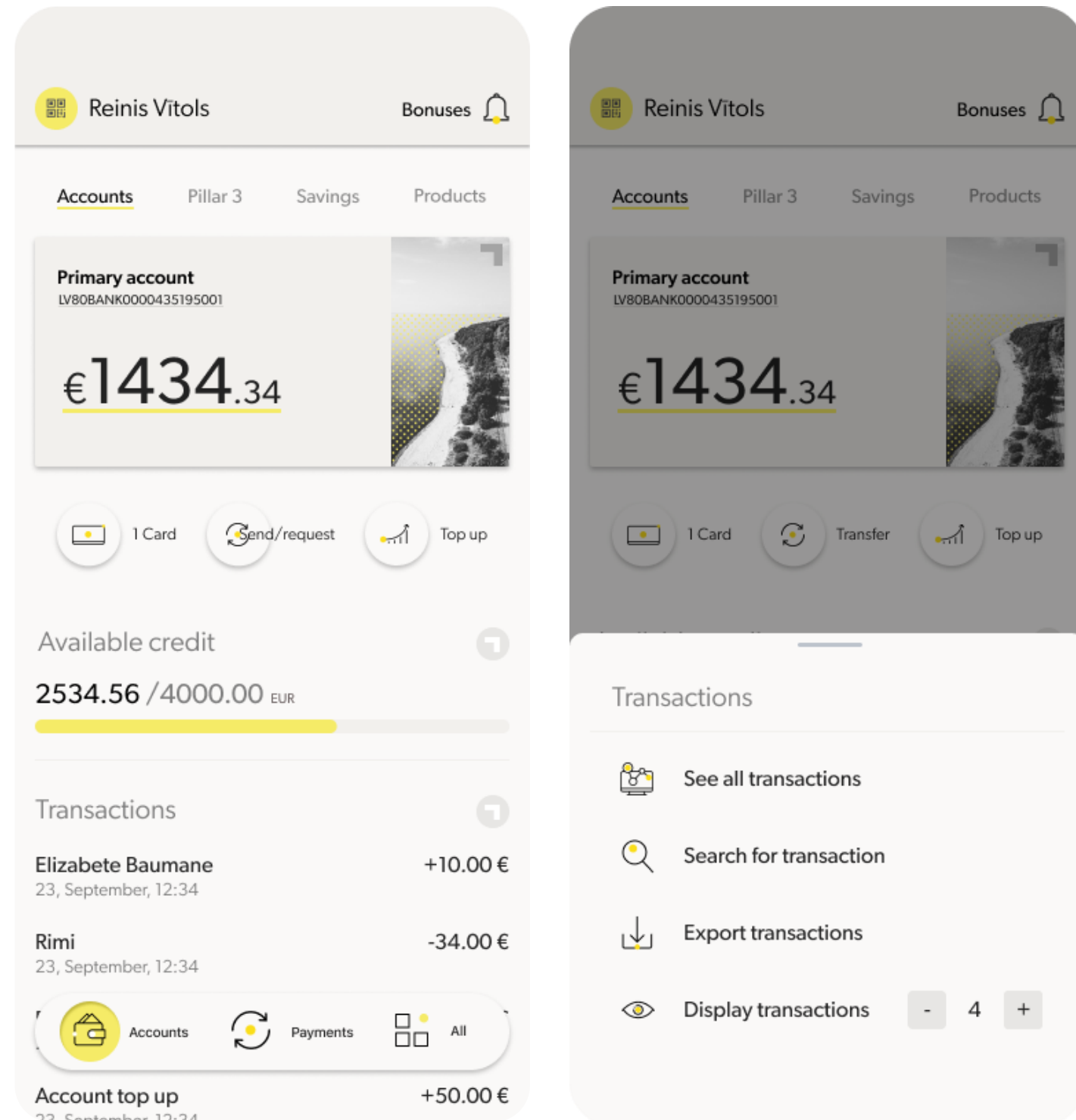
Composable, cloud native banking IT infrastructure

- Production readiness of core system deployment and integrations
- Digital first approach and cloud native technology deployment
- Security and business continuity considerations
- Composable platform for future product development



INDEXO app will raise the standards for mobile banking in Latvia

Mobile first full-service bank with local support



Simple for everyday user, customizable for power users

Some of the functions may not be available immediately at launch date

	INDEXO	Competitor 1	Competitor 2	Competitor 3	Competitor 4	EXPLANATION
Design personalization	✓			✓		The dark and light user interface, along with additional image personalization, that matches to users' preferences.
Functionality personalization	✓					Experienced and more demanding users who desire more from banking services can tailor their banking experience to their preferences.
Budgeting and expenditure planning		✓				Budgeting is expected from users but it is also complex from the system's side. Currently, there is only one service that offers it, but it requires a lot of effort to make it work, and even then, it's not precise enough.
Management of pension funds	✓					INDEXO offers mobile-adapted full pension fund management, while other banks provide it through their web version
Junior accounts	✓				✓	INDEXO will offer junior accounts that can be opened and set up directly from the app. It also includes the ability for parents to assign tasks to their children.
Immediate card usage	✓			✓		Bank card transactions immediately after downloading the app; instant card usage and Apple Wallet and Google pay usage
Native (system) design	✓	✓		✓		Native (system) design works better than customized because users are already familiar with how to interact with the user interface.
Quick functions	✓				✓	Quick actions allow users to perform everyday tasks faster with fewer clicks.
Payment request from any bank	✓	✓	✓			Hassle-free way to receive money from anyone using safe web links.
Send money without knowing IBAN	✓					All banks have a money transfer function, but to achieve the desired result, the user needs to know the IBAN. In the case of INDEXO, we have a streamlined solution.
Full financing within the application	✓					Mortgage, consumer loan and other application and management options directly within the app. Other banks need to open the WEB to do it.
International payments within the app	✓				✓	To make international payments over 10k, you need to switch to the web environment. It cannot be done within the applications.

Survey results from 10,000 users, comparing various applications, were taken into account during the design of the mobile application's functionality.

In 2-3 years INDEXO Bank will be **bank for everybody with all significant banking services, but will start with mobile banking services for private individuals**

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	..	Q1 2027
Bank licensing		Yellow	Yellow	Yellow					
Preparation of IT infrastructure		Purple	Purple	Purple					
Recruitment and training of personnel		Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Beginning of retail banking					Purple	Purple			
Launch of custody services							Yellow		
Launch of SME banking segment								Purple	

The timetable indicated here is provisional and subject to change.

INDEXO cards are ready for customers



Card design and systems ready



VISA certification completed



INDEXO card design

Most of the excellent Bank management team is already in place



Valdis Siksnis
CEO

27 years of management experience



Tina Kukka
CFO

22 years of management experience



Gints Ozoliņš
CTO

13 years of management experience



Evija Sloka
CRO

22 years of management experience



Ieva Bauma
CMO

2 year of management experience



Līga Katrīna Kļaviņa
CCO

5 years of management experience



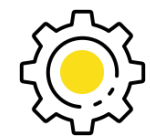
Vladimirs Bolbats
Head of Retail Banking

7 years of management experience

One step from acquiring the banking license



Based on the communication we have had with the Bank of Latvia, INDEXO considers that the receipt of the credit institution license is subject to the raise of additional capital of 12.5 million euros.

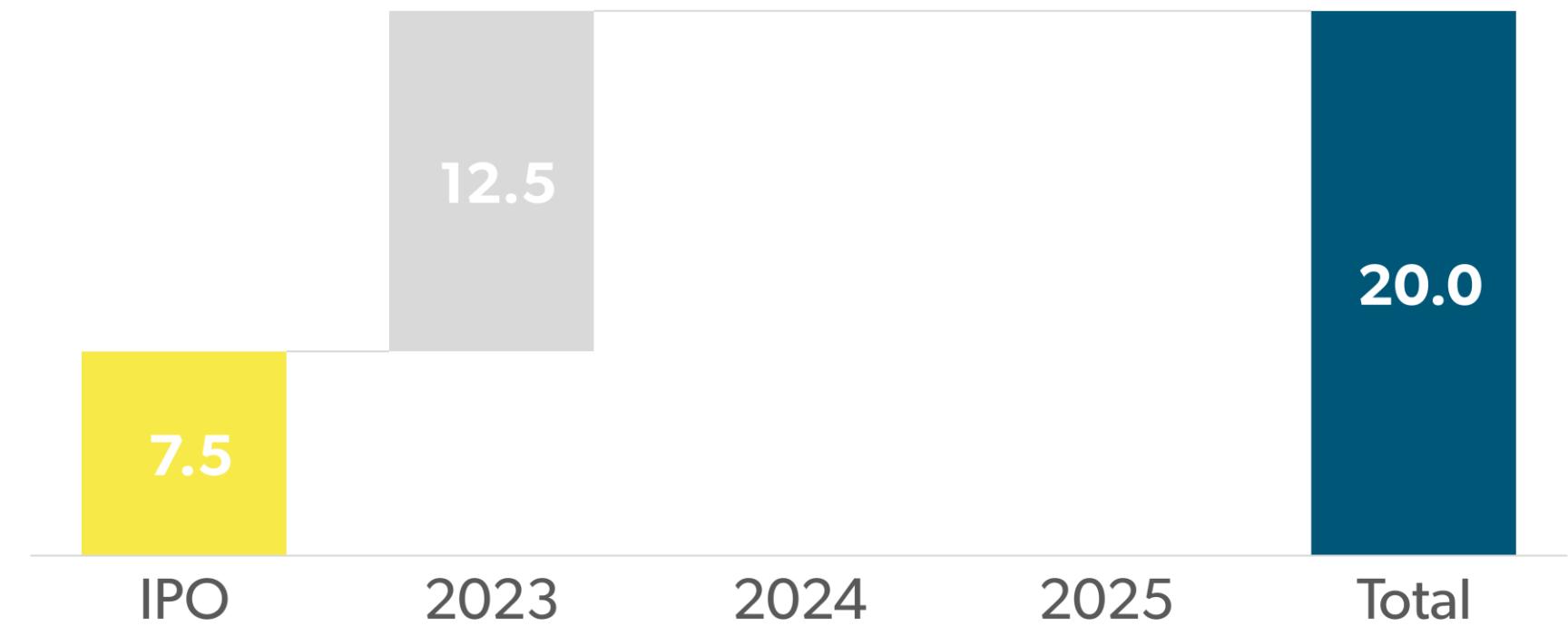


INDEXO team believes that this is the last essential prerequisite for obtaining the license.

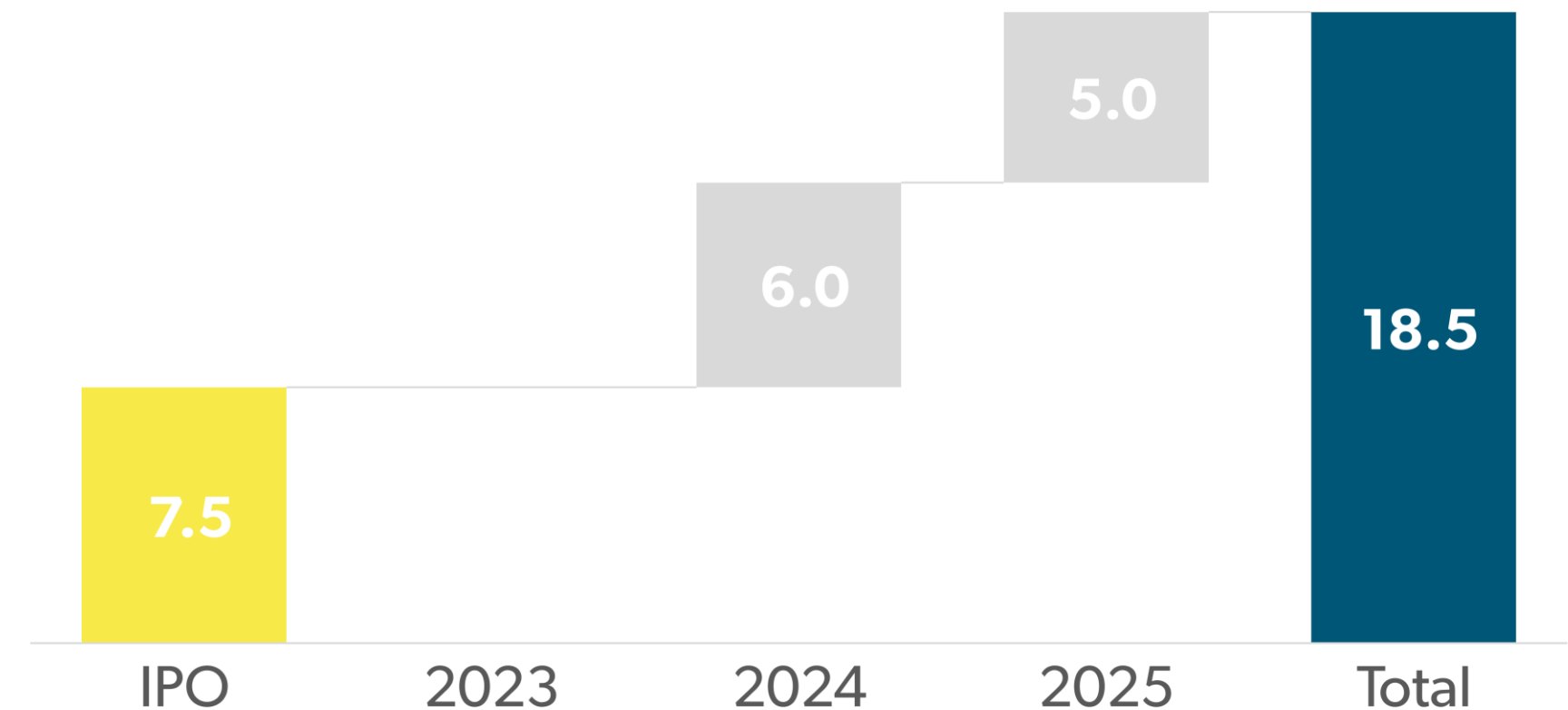


This exceeds the IPO plan of raising 11 (6+5) million euros during the first 24 months of operations. However, the increased amount of capital raised now would make us independent of further capital raising.

Current capital raising plan

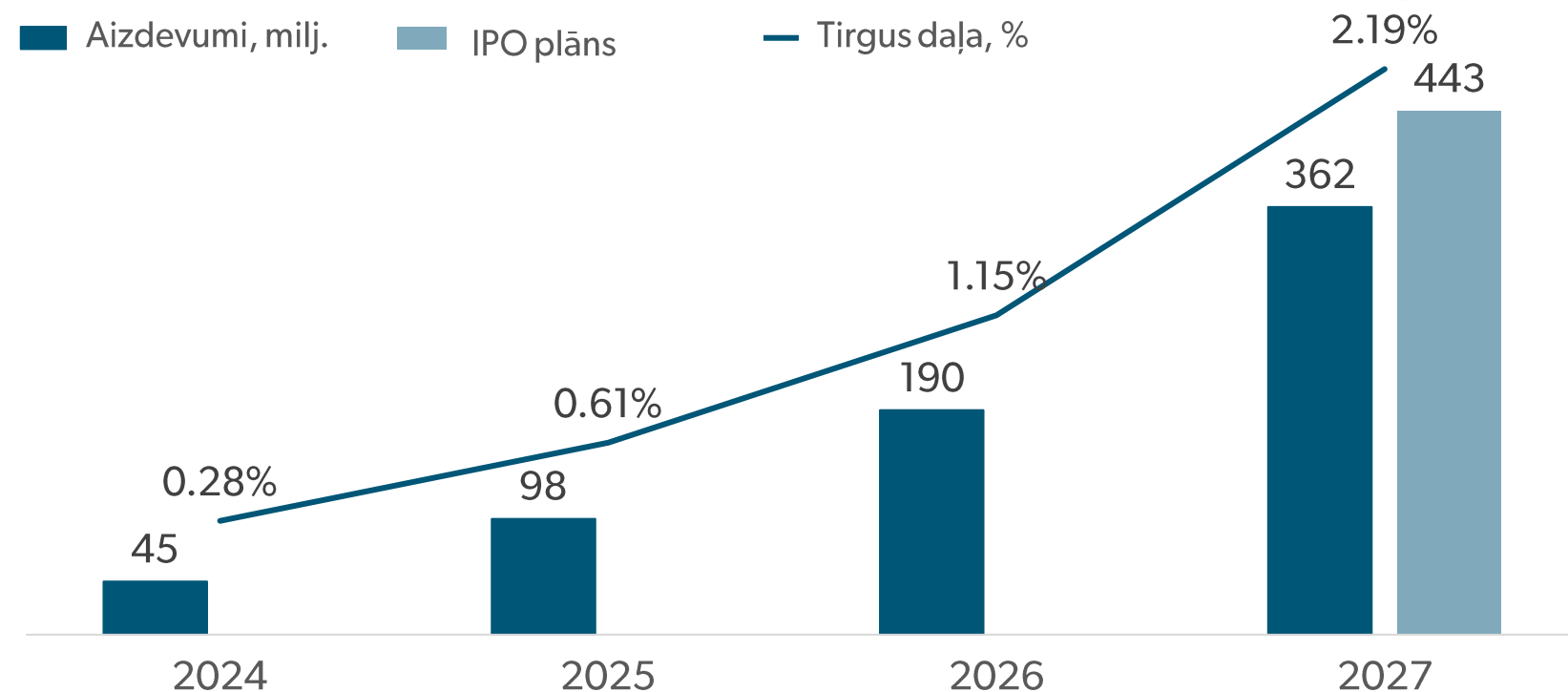


Capital raising plan at the time of the IPO

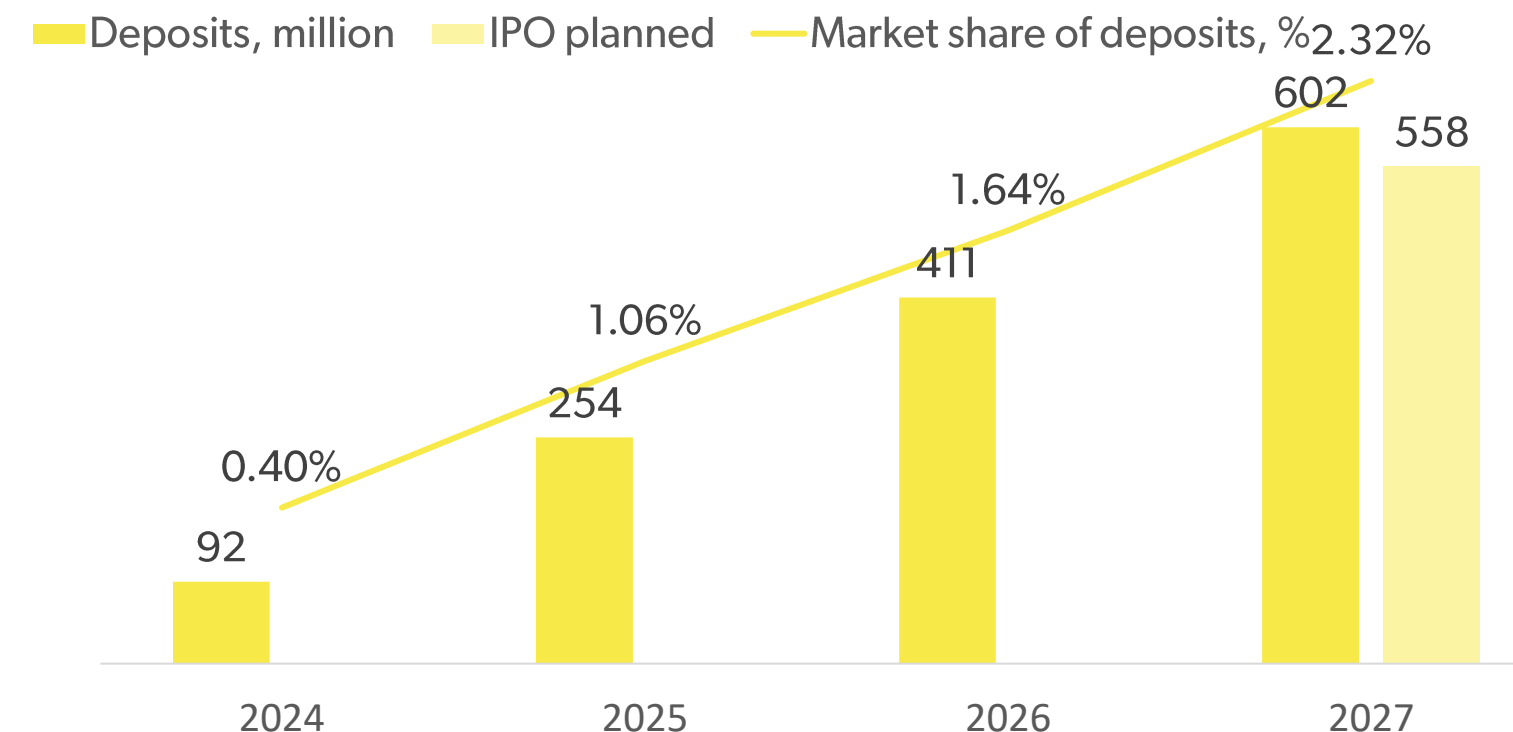


Even small market share will generate significant profit

Forecasted Loan volumes and market share development



Forecasted Deposit volumes and market share development



Forecasted Net profit development



Main differences versus IPO assumptions:

- ECB requirement of 12.5 million is higher than IPO forecast of 11 million and more dilutive as contributed up front. Higher capital at launch helps to catch up with planned lending volumes;
- Longer licensing process and higher IT expenses than initially planned;
- While lending and deposit volumes are expected to remain similar, the projected profitability of the INDEXO group in 2027 has improved due to the favourable interest rate environment.



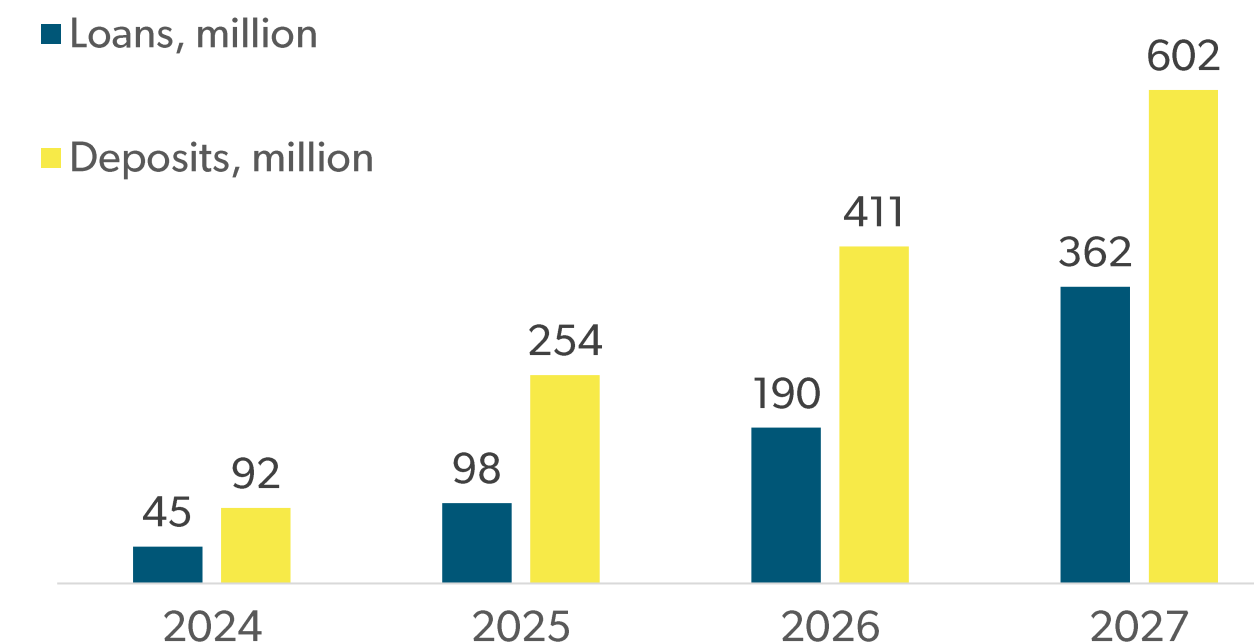
Detailed financial projections

Forecasted Group Financials

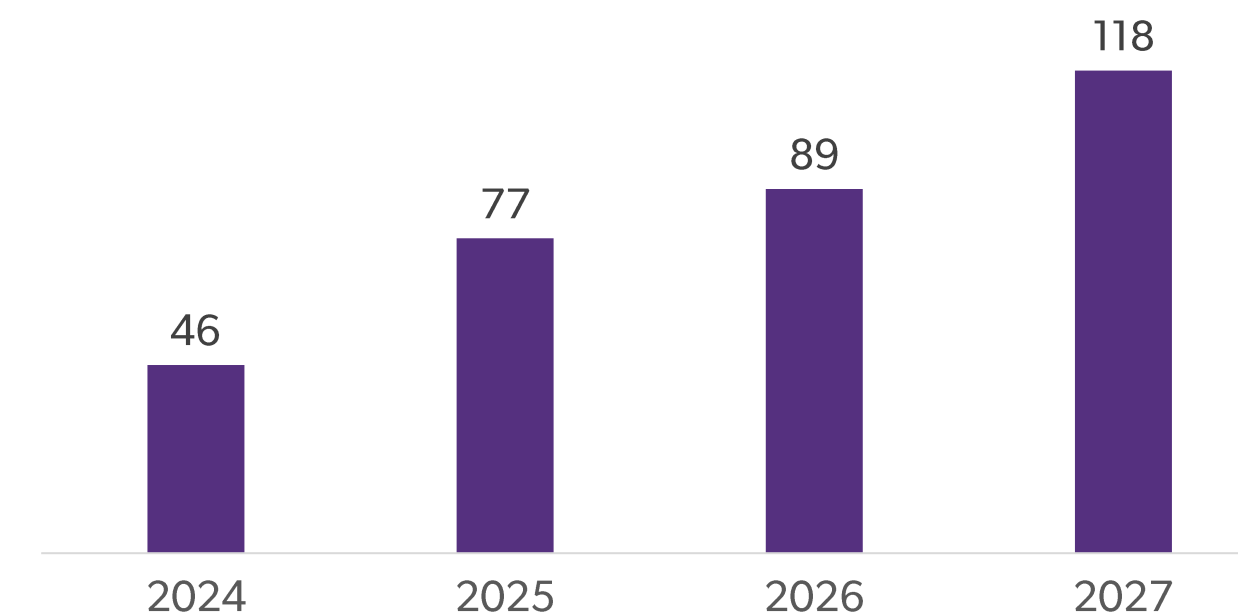
Consolidated

	2024	2025	2026	2027
Assets	107,387,054	273,430,356	440,965,325	650,782,100
Intangible assets	3,487,101	5,050,920	5,953,962	6,340,459
Fixed assets	147,500	146,500	92,000	4,500
Investments in subsidiaries	108,400	108,400	108,400	108,400
Deffered income	1,593,264	1,781,714	1,964,344	2,143,000
Loans	44,959,313	98,475,913	190,158,446	361,962,180
Other debtors	344,132	344,132	344,132	344,132
Cash at central bank	56,603,113	167,522,777	242,344,040	279,879,430
Liabilities	92,449,730	254,684,083	411,053,966	602,066,583
Deposits	92,007,247	254,241,600	410,611,483	601,624,100
Taxes	17,603	17,603	17,603	17,603
Other creditors	129,946	129,946	129,946	129,946
Accrued liabilities	294,934	294,934	294,934	294,934
Equity	14,937,324	18,746,273	29,911,359	48,715,517
Share capital	21,001,496	22,262,665	24,673,833	27,085,002
Retained earnings	(6,064,172)	(3,516,392)	5,237,526	21,630,515

Loans and deposits development



Bank's Client development, thousands



Forecasted Group Financials

<u>Consolidated</u>	2024	2025	2026	2027
Interest income	3,748,535	11,200,382	20,726,404	31,634,287
Interest expense	(525,793)	(2,340,468)	(3,156,180)	(3,714,585)
Net interest income / (expense)	3,222,742	8,859,914	17,570,224	27,919,702
Commission income	5,366,116	8,609,958	11,586,078	14,434,805
Commission expense	(527,325)	(1,331,275)	(1,968,310)	(2,507,222)
Net commission income / (expense)	4,838,791	7,278,683	9,617,768	11,927,583
Administrative expenses	(3,839,334)	(5,448,878)	(7,094,240)	(9,535,647)
Marketing expenses	(2,530,400)	(2,538,110)	(2,904,308)	(3,225,085)
IT expenses	(2,301,901)	(2,532,091)	(2,785,300)	(3,342,360)
Other expenses	(14,576)	(54,872)	(105,609)	(161,375)
Depreciation	(791,835)	(1,297,310)	(1,831,356)	(2,356,902)
Loss provisions	(750,965)	(519,556)	(1,363,261)	(2,482,925)
Earnings before tax	(2,167,478)	3,747,780	11,103,917	18,742,990
Corporate tax	0	0	0	0
Net profit	(2,167,478)	3,747,780	11,103,917	18,742,990

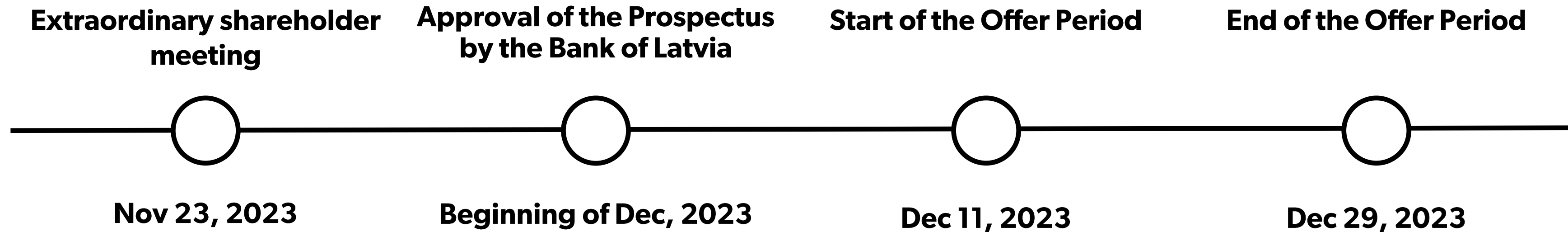
Comments

1. All the profit generated by pension fund management and bank will be invested in bank's capital to support its growth in the upcoming years.
2. Admin costs are expected to grow substantially slower than revenues creating lasting operating leverage and efficiency driven profitability.
3. EURIBOR is expected to slightly decrease over the next years making assumptions that on the 2027 it will be around 3%.



Fundraising timeline

The indicative timeline of fundraising



Detailed information on the issue will be available after approval of the issue prospectus by the Bank of Latvia and publication of the issue prospectus. Please refer to the prospectus (when available) before making any final investment decisions.



Risks

Investment in INDEXO comes with pension risk

Business risks



Price competition

Regulatory caps on fees and competitor action could continue driving down fees, thus decreasing profitability.

Customer retention



Customer retention could decrease due to better sales and more attractive products of other market participants.

The INDEXO business case is very robust even in the face of much lower customer retention rate.



Political uncertainty

The geopolitical situation is challenging and uncertain for the Latvian economy due to the war in Ukraine.

Legislation risks



Changing contribution rate

Current 6% gross salary contribution into pension 2nd pillar system could be decreased due to an economic downturn. For example, during 2008 crisis it was cut to 2%, but reversed back up in 2013. Due to strong client acquisition record, INDEXO business case is very robust even in the case of contribution cuts.

Investment in INDEXO comes with banking risk



Entry in new market

INDEXO has created a brand with a strong reputation and an existing customer base that trust the brand and team behind it. The brand will help to enter the market, gain trust and show the public that they have already once challenged the market and is ready to do it again.

INDEXO has established strong client acquisition process that also will be used for acquiring new clients for the bank.



IT infrastructure

INDEXO Bank will be developed as a highly digital bank, largely relying on its IT infrastructure and its security. Appropriate solutions must be implemented to guarantee smooth operation and safety. INDEXO plans to outsource reliable IT solution providers and hire experienced professionals in-house.



Banking license

INDEXO team regularly consults with the FSA and discusses the business plan and at this stage management understanding is that there are no conceptual objections thus the risk of not obtaining a banking license is small.



Bank associated risks

The banking business is associated with many risks that must be managed daily – credit risk, market risk, liquidity risk, compliance risk, operational risk, AML and others. Appropriate processes for risk management will be designed in accordance with best practices and local regulations.

INDEXO will perform regular risk assessment.



Additional capital requirement to support growth

INDEXO will follow conservative capital requirement ratios but in case of need, INDEXO IPAS will support needed capital requirement.

Why to invest in INDEXO shares?

1

INDEXO is a company with good growth potential

2

Supporting local capital bank that is fighting for better financial environment in Latvia

3

It is very easy – everybody will be able to become a shareholder

INDEXO¹

For a better financial environment in Latvia!

indexo.lv/investors

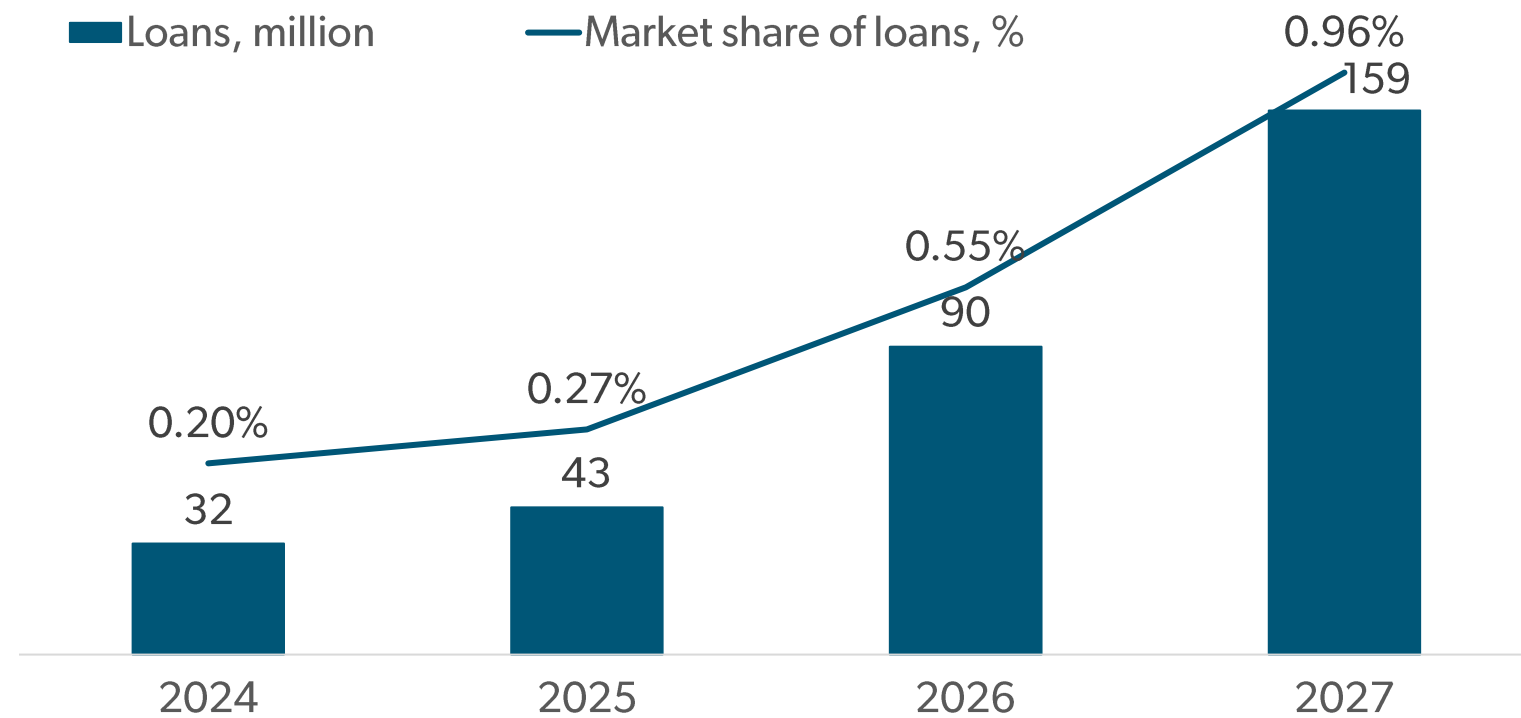


Appendix 1

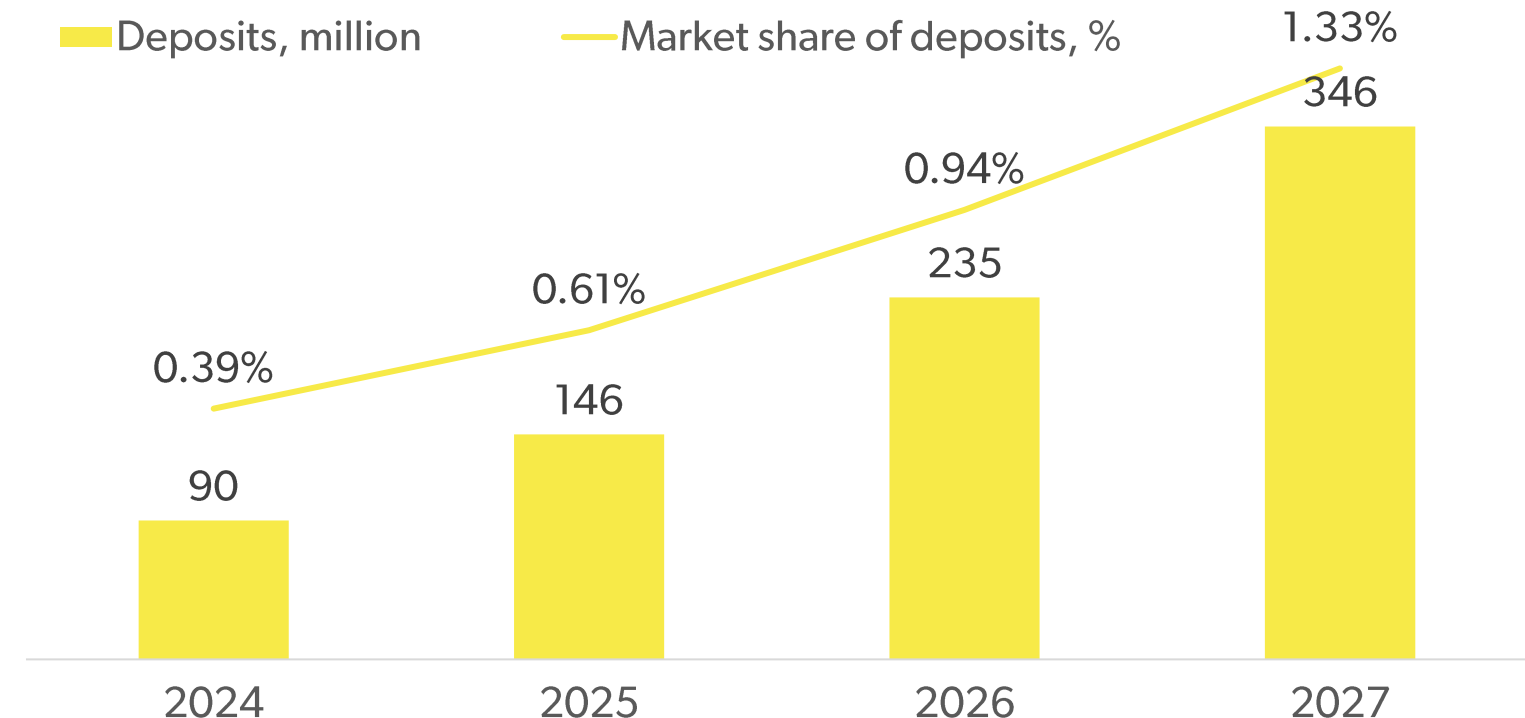
**Bank's financial projections in the scenario when
neither external funding is available nor IPAS
INDEXO is able to support the bank in its first years
of operation**

Even without any capital injections INDEXO bank will be able to generate positive returns

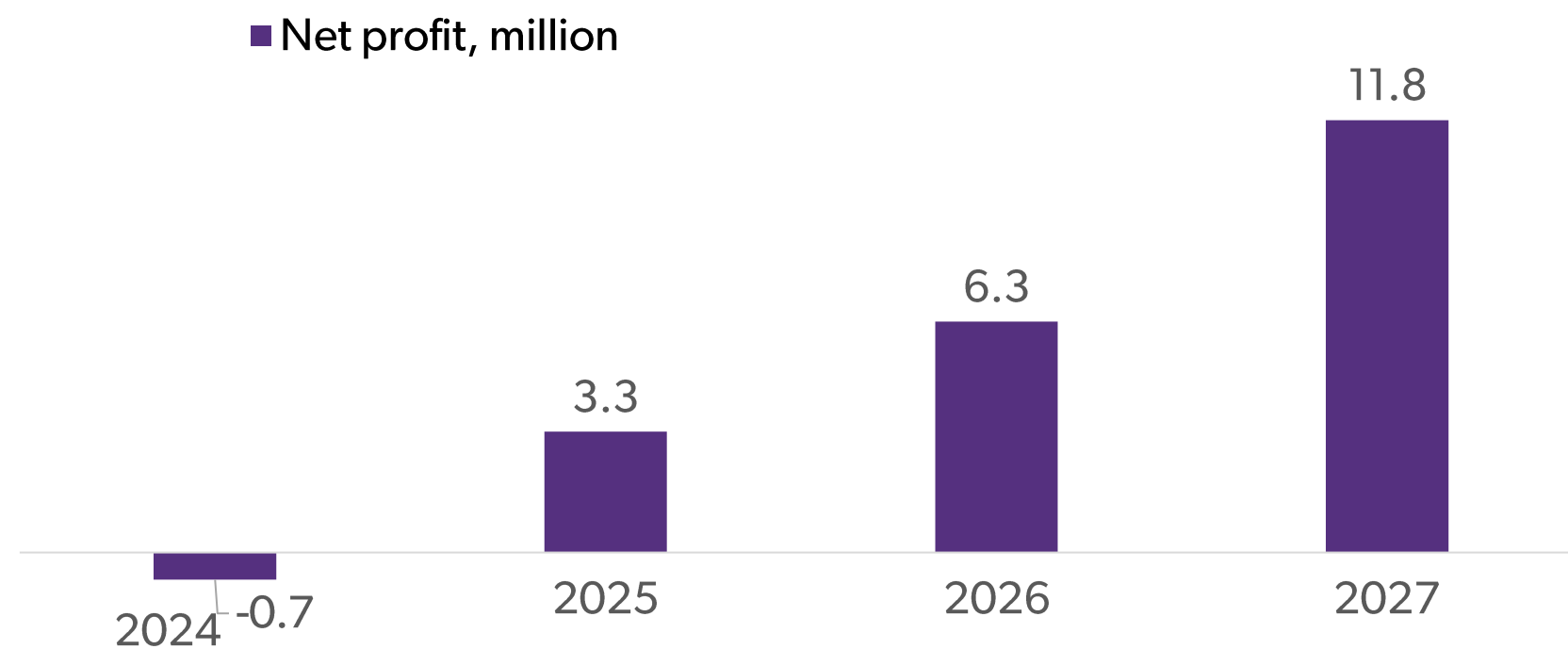
Forecasted Loan volumes and market share development



Forecasted Deposit volumes and market share development



Forecasted Net profit development



Forecasted AUM development

