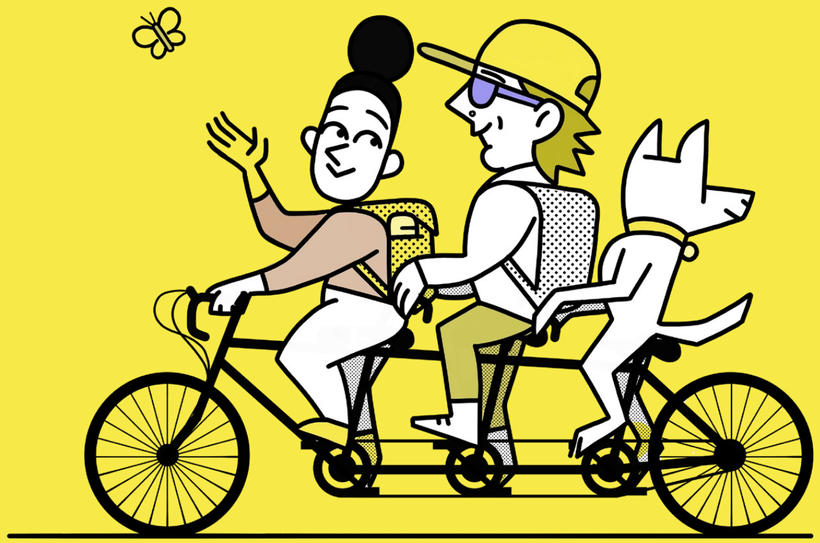
INDEXO



Why does Latvia need INDEXO Bank?

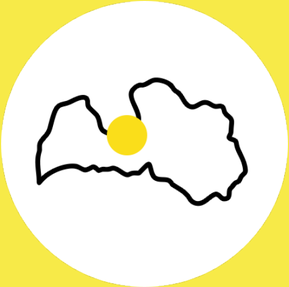
June 2023

Disclaimer

The licensing process for obtaining a banking license is lengthy, technically complex and subject to approvals from the Bank of Latvia and the European Central Bank. INDEXO has formally submitted an application for a banking license, but the process is still ongoing and is awaiting approvals from Bank of Latvia and European Central Bank.

The information presented in this presentation is provided solely for informational purposes. Unless stated otherwise, the information provided reflects estimates by INDEXO. These estimates are based on the analysis of multiple sources, including data compiled by relevant government institutions, publicly available information, as well as INDEXO's internal data and expertise.

INDEXO Story



Launched in 2017 as a **challenger brand** and the **first passive pension 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**

INDEXO

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

AUM 710+ M EUR

Over 110 000 clients

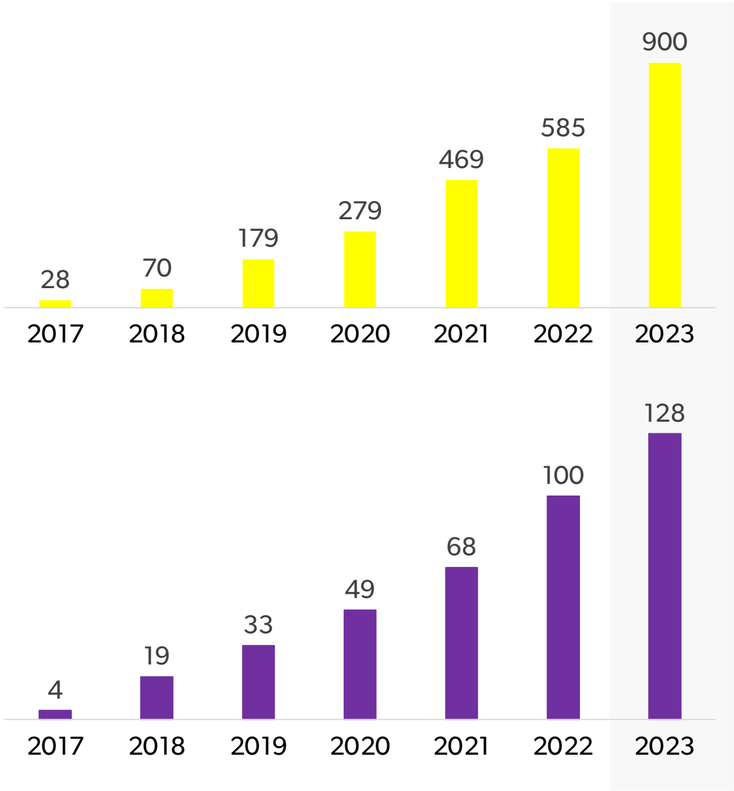
INDEXO 2nd Pillar pension plans are the best performing plans in the Latvian market proving the thesis that passive low-cost funds beat active management

Strong operating income before customer acquisition

Year	2018	2019	2020	2021	2022
Net commission income [2PL]	305 552	585 458	972 467	1 595 942	2 242 677
Net commission income [3PL]	-	-	-	6 079	34 943
Net commission income	**305 552**	**585 458**	**972 467**	**1 602 021**	**2 277 620**
Administrative and other expense allocation	(262 728)	(390 011)	(397 181)	(605 157)	(783 893)
Marketing and client acquisition expenses	(375 525)	(849 348)	(586 290)	(976 630)	(1 579 333)
Operating income before marketing and client acquisition	**42 824**	**195 446**	**575 286**	**996 864**	**1 493 727**
Corporate tax	0	0	0	0	0
Operating income	**(332 701)**	**(653 902)**	**(11 004)**	**20 234**	**(85 606)**

Actual

Projections



Total AUM, millions EUR

Total Clients, thousands

- **Marketing and operating costs can be decreased without affecting daily operations of the company**
- **Customers are effectively attracted at a significant discount from their total lifetime value**
- **Operating income before customer acquisition costs has been positive since 2018 and is steadily growing**

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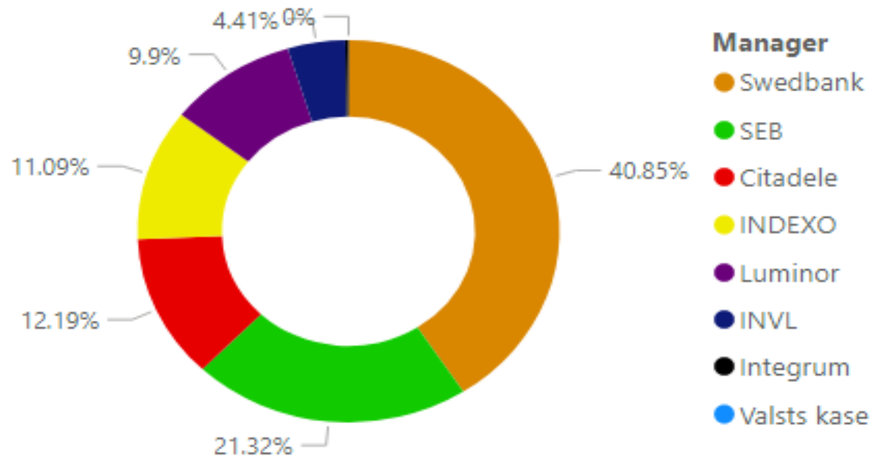
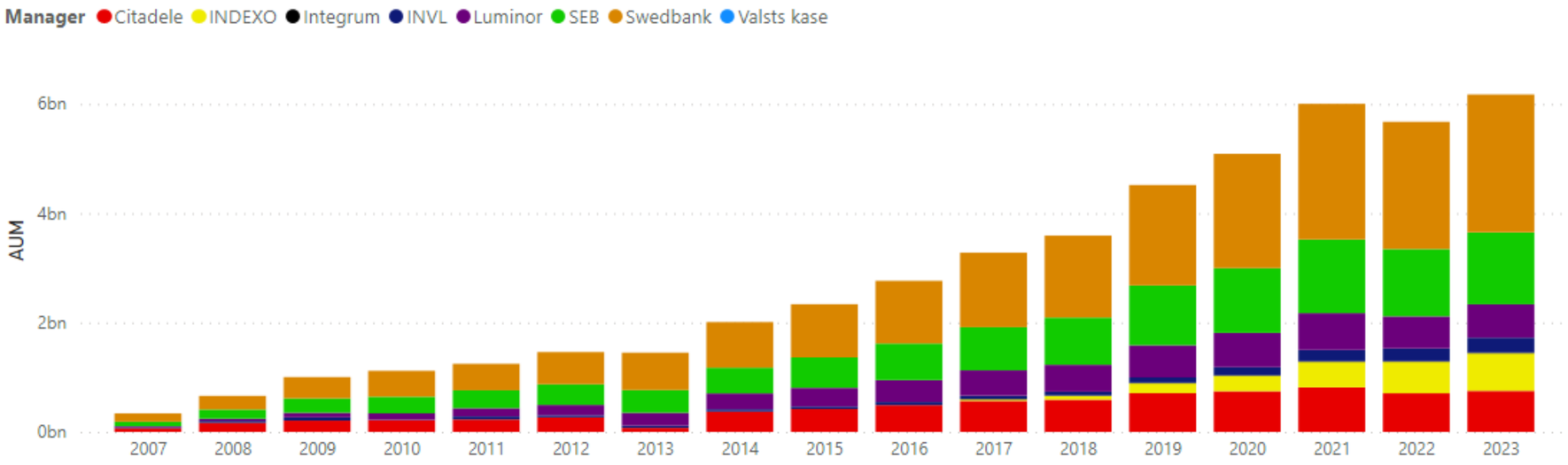
Strong 2nd pillar pension market growth expected



2nd pillar pension market share as of 15.05.2023



Projections

Rest of the market, bn EUR

INDEXO, bn EUR

From 01.03.2007 until 15.05.2023

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Data source: manapensija.lv, internal data

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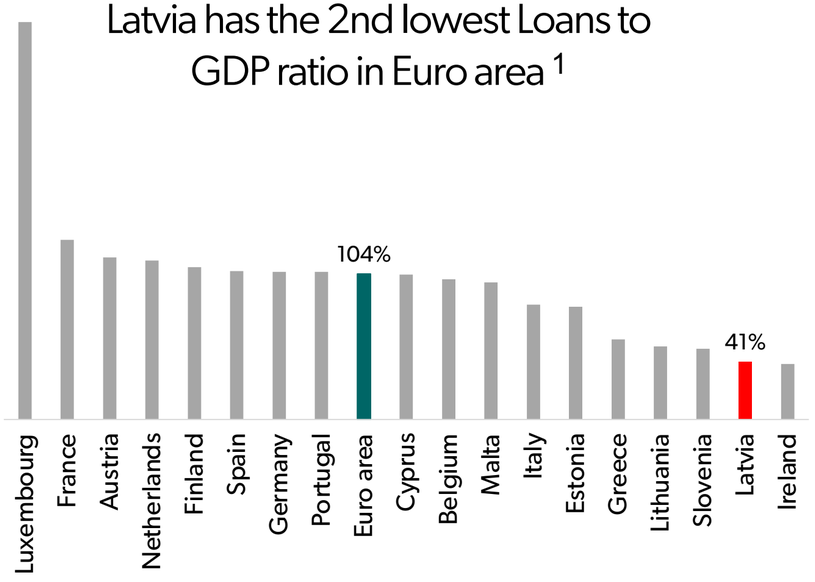
Launching banking services

Opportunities in 400+ MEUR a year Latvian banking industry

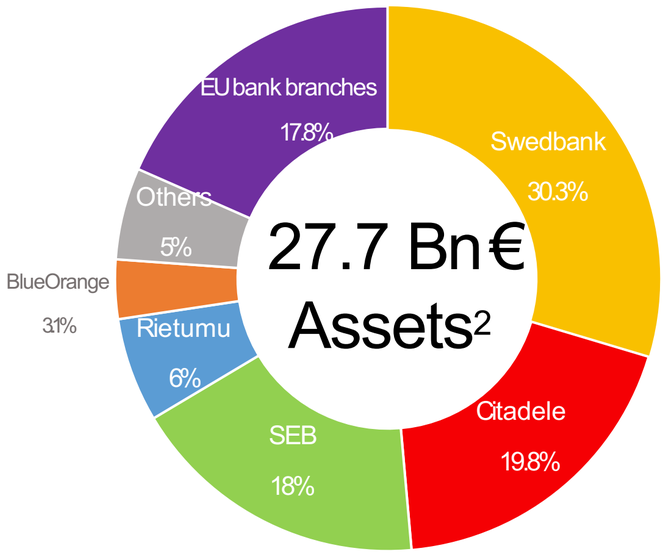
1 Banks don't lend

Latvia has the 2nd lowest Loans to GDP ratio in Euro area [1]



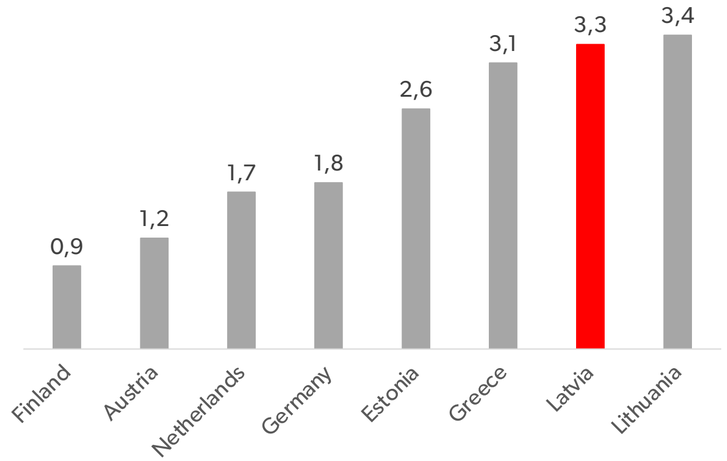
2 No competition

Dominated by 4 foreign banks and holds 98% of all credits



3 High margins

Mortgage margins in Europe (January 2023) [3]



Sources:
1) ECB (Q3 2022), Loans include household debt and non-financial corporation debt
2) EU bank branches also includes Luminor
3) ECB (2023)

Notes: Latvia's GDP based on 2022 projections in December

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INDEXO is well positioned to disrupt the market

1 Large high-quality customer base

INDEXO has more than **110 thousand high-quality customer base and with 40 % higher AUM per client compared to the market average.**

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.***

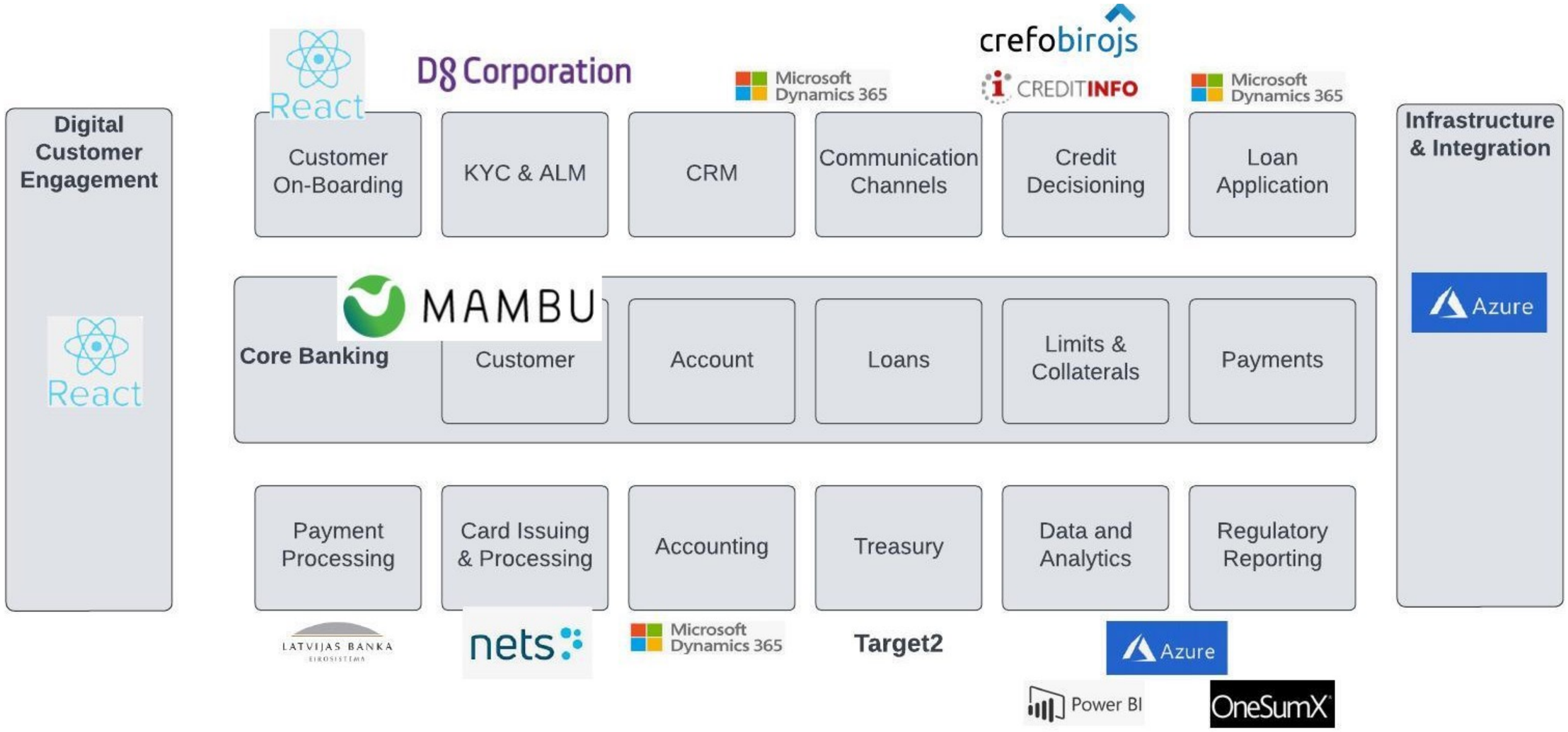
3 Building best-in-class IT infrastructure

We are building cloud native IT infrastructure, that enables agile product development. Competition in mobile offering is weak, we can make a difference.

INDEXO

Source: *Norstat survey, November 2022, n+1003, age group - from 25 to 60 years old.

Cloud native, composable banking IT architecture



INDEXO app will raise the standards for mobile banking in Latvia

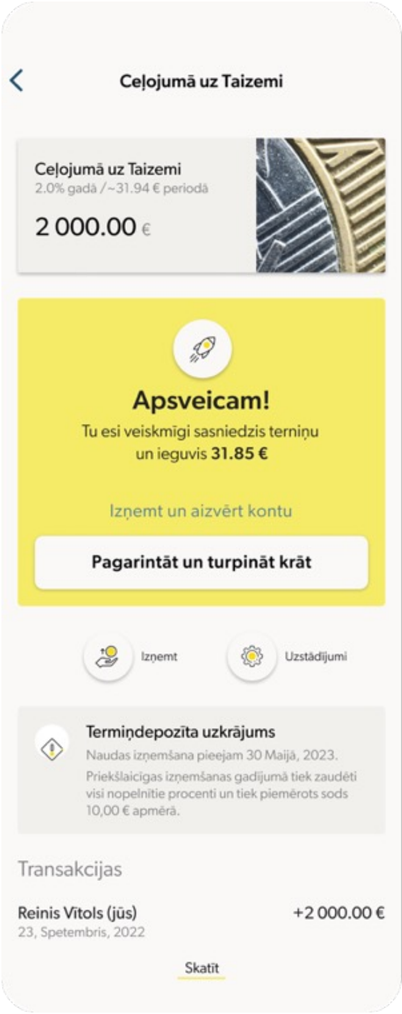
Make payments

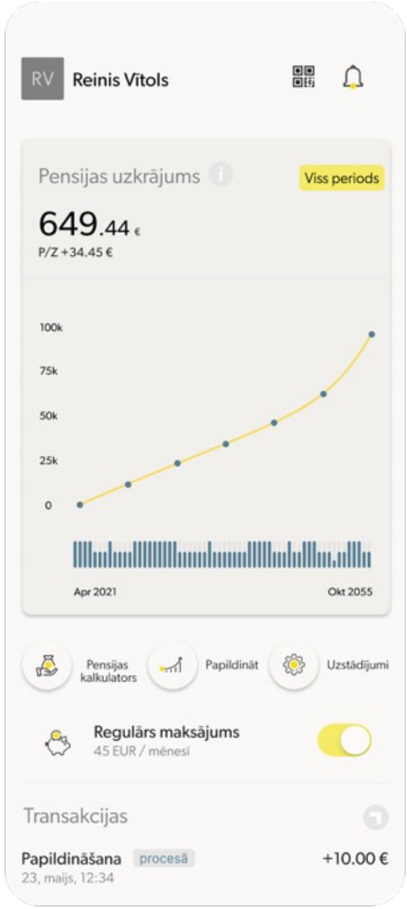
Save and earn interest

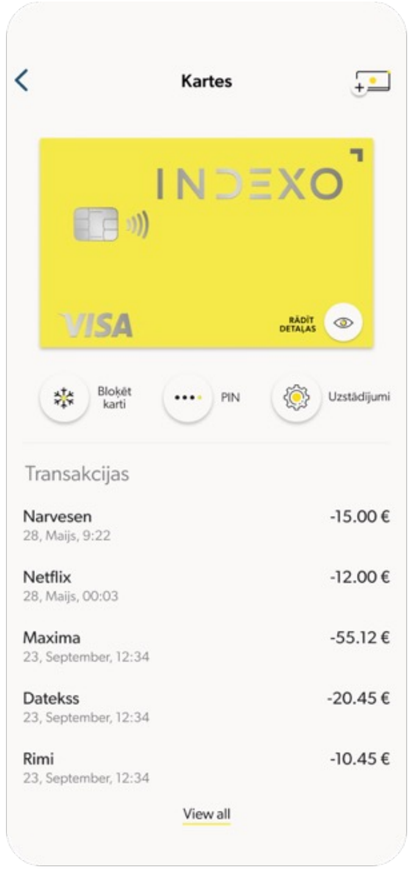
Manage pension savings

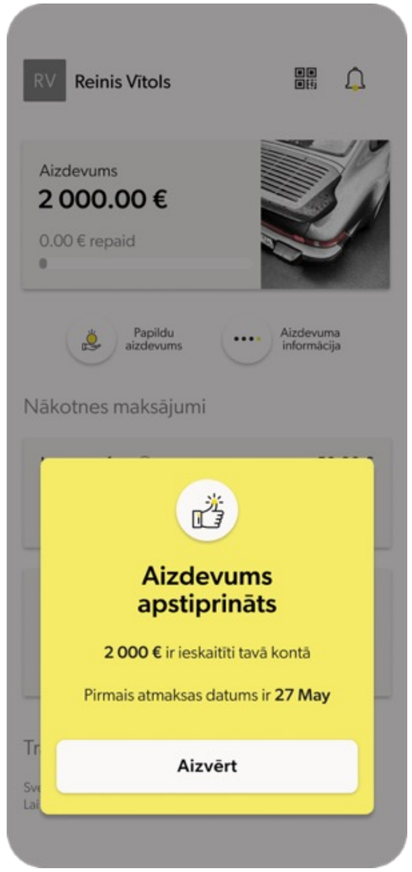
Borrow when necessary

and many more options…



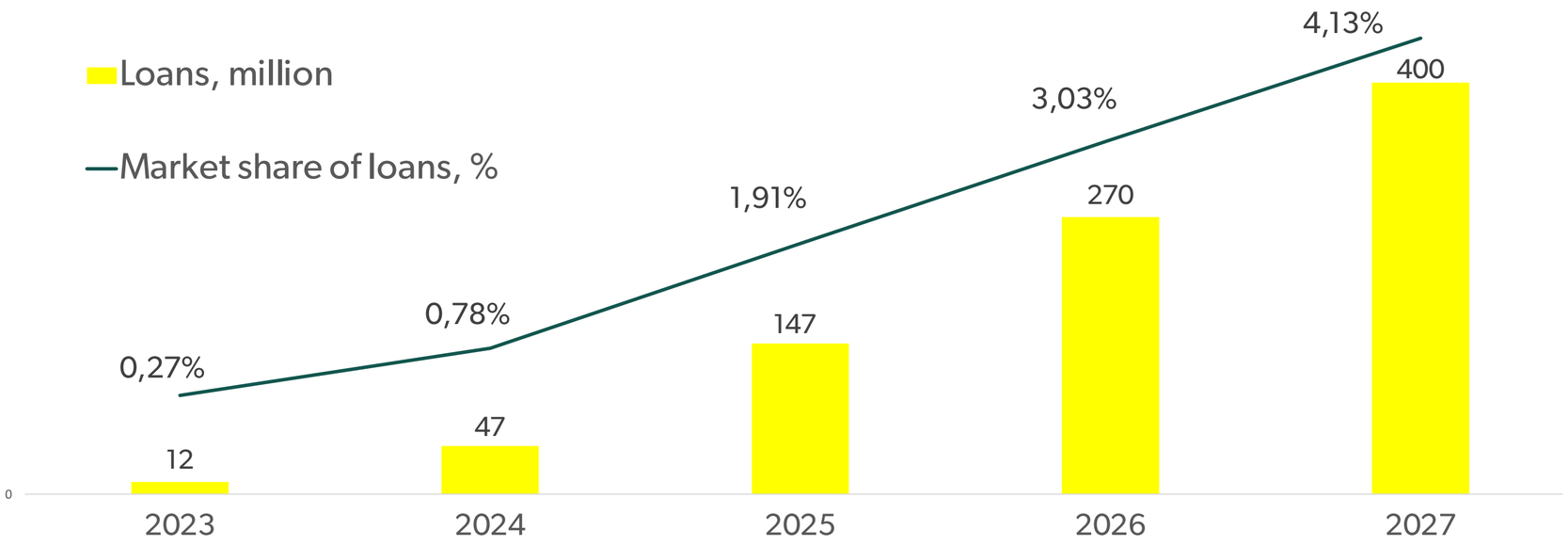






INDEXO Bank intends to improve access to financing in Latvia by igniting competition in lending market

Loan volumes and market share development



Even 5 % market share will have a significant impact on lending market and create a lot of shareholder value.

INDEXO is well positioned to improve access to financing in Latvia

1 Large high-quality customer base

INDEXO has more than **110 thousand high-quality customer base and with 40 % higher AUM per client compared to the market average.**

2 Positively perceived brand with impressive disruptors track record

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 in mobile offering is weak, we can make a difference.

Source: *Norstat survey, November 2022, n+1003, age group - from 25 to 60 years old.

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For a better financial environment in Latvia!

indexo.lv