

# INDEMO

## Non-Performing loans (NPL)

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# Non-Performing loans (NPL)

Non-Performing loans are created from mortgage loans for which the borrower was unable to make payments\*.

The original creditors, such as banks, or subsequent buyers, such as institutional intermediaries, sell these debts on the market at a reduced price, including the real estate attached to them as collateral.

The credit company selects and purchases non-performing loans on the secondary market, ensuring debt collection and restructuring. After the sale of the pledged real estate either on the open market, at an auction, or through an out-of-court settlement with the borrower, investment profits are generated, which are distributed among the investors.

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\*Hereinafter - NPL (Non-Performing Loan)

# Why do banks sell NPLs?



NPLs are an integral part of bank loan portfolios.

The cyclical nature of economic development and the onset of systemic and non-systemic risks lead to an increase in the share of NPLs in the overall portfolio.

NPLs require capital, time, and management attention, distracting from the main activities and increasing current expenses, thereby reducing profitability. Therefore, the bank's task is to reduce the share of such loans in the shortest possible time.

In Spain, as in other countries in the Eurozone, the share of NPLs sharply increased after the financial crisis in 2008 and gradually decreased over time.

# The NPL market in Spain

One of the effective methods of NPL management within a bank's portfolio is the sale of NPLs to external investors from the private sector.

Spain is an example of a European Union country that successfully sells NPLs owned by banks to investment funds and private investors.

## The main factors of attractiveness of NPLs in Spain are:

An active NPL market that has emerged in recent years, where banks can sell or securitize their problem loans.

A large and active real estate market that provides NPL market activity and allows investors to adequately evaluate and realize collateral.

The restructuring of the banking sector in 2010 and the overall recapitalization of the banking sector in 2012.

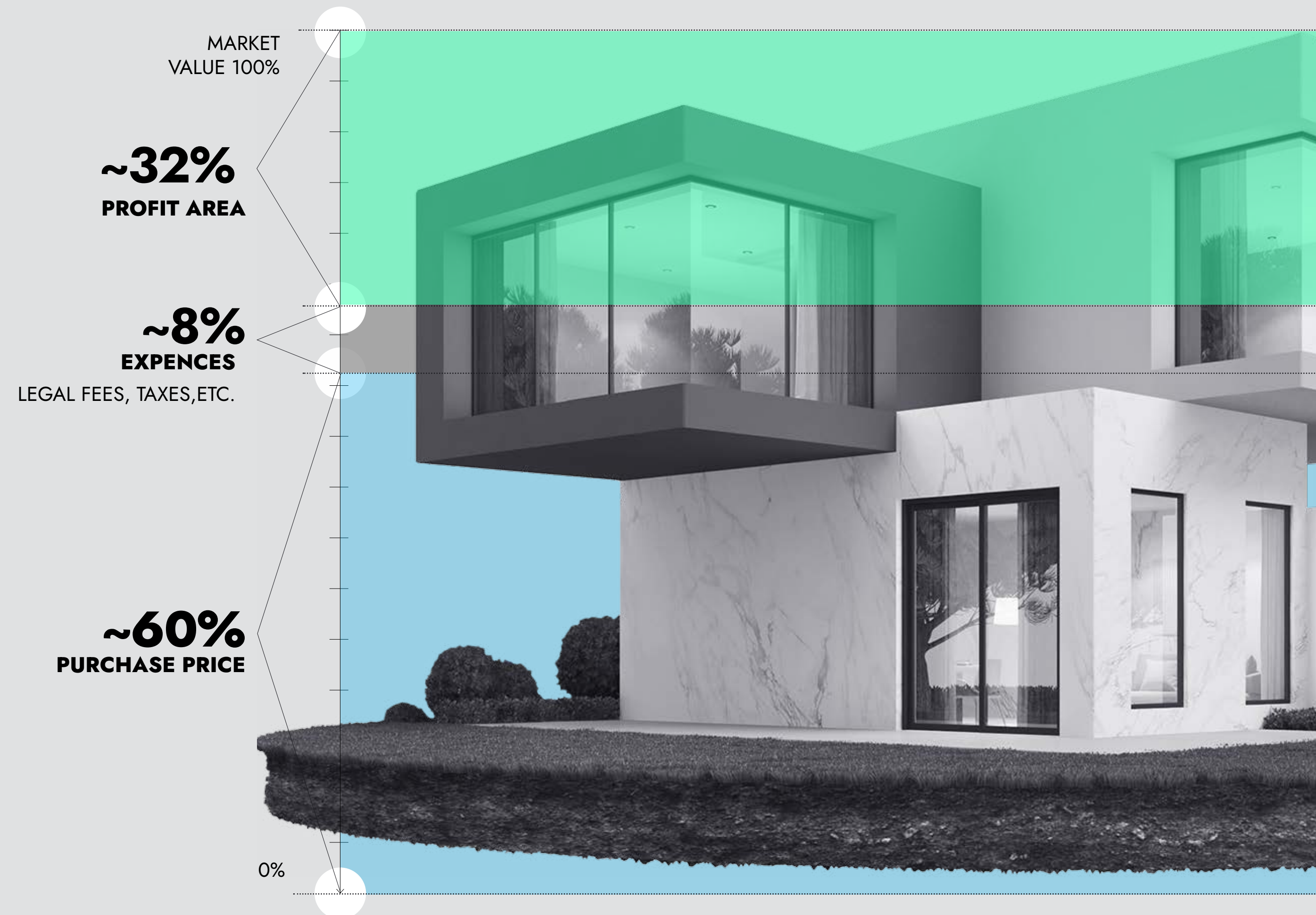
# NPLs as Investments

Investing in NPLs in many ways is similar to investing in real estate secured loans. However, they have several significant advantages in terms of profitability, turnaround time, and preservation of investment value in the face of inflation.

The profitability of NPL investments is ensured thanks to a significant discount to the market value of the collateral and the amount of debt, which can reach 40-50%.

For example, for 100,000 euros, an investor can acquire an NPL with a market value of real estate collateral of 200,000 euros and an amount of debt claims that exceed this value.

The amount of debt claims constantly increases due to the accumulation of legal costs and penalties.



# Collection and Scenarios for Realization of NPLs

The investor's profitability in an NPL transaction is formed either as a result of the borrower repaying their obligations or as a result of the realization of the pledged asset. Accordingly, investments in NPLs have earning potential that is secured by real estate collateral.

## Debt collection



## Scenarios for realization

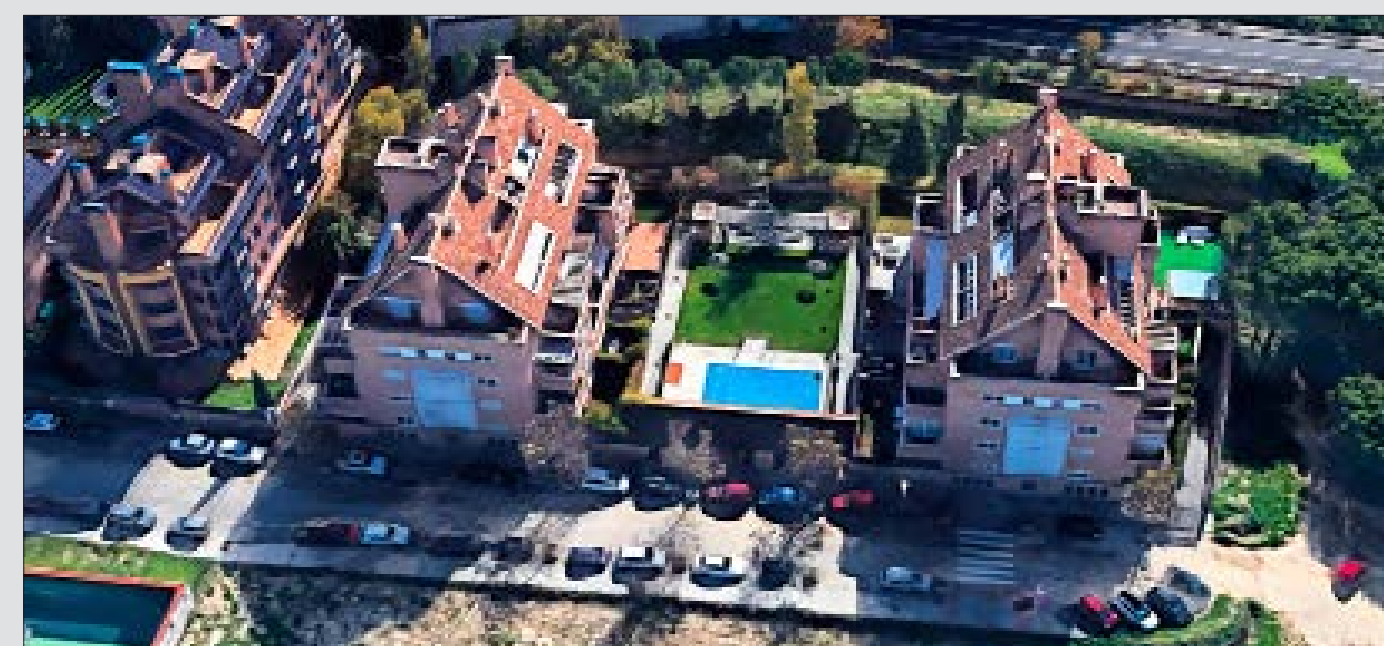
1. Pre-trial settlement agreement with the debtor (transfers collateral to repay obligations or repays the debt themselves).
2. Selling real estate at a special auction.
3. Acquisition of real estate on one's own balance sheet and subsequent sale on the market.

# Examples of NPLs



## Residential apartment in Girona

<b>Type</b>	Apartment
<b>Built in</b>	1985
<b>Area</b>	96 m <sup>2</sup>
<b>Appraisal</b>	320,000 EUR
<b>Outstanding debt</b>	204,787 EUR
<b>NPL price</b>	110,000 EUR
<b>PTV</b>	34,8%
<b>Stage of debt recovery</b>	Initiating legal proceedings



## Residential apartment in Madrid

<b>Type</b>	Apartment
<b>Built in</b>	2005
<b>Area</b>	131 m <sup>2</sup>
<b>Appraisal</b>	440,000 EUR
<b>Outstanding debt</b>	390,000 EUR
<b>NPL price</b>	200,000 EUR
<b>PTV</b>	45,45%
<b>Stage of debt recovery</b>	Auction



## Residential house in Madrid

<b>Type</b>	House
<b>Built in</b>	2008
<b>Area</b>	311 m <sup>2</sup>
<b>Appraisal</b>	400,000 EUR
<b>Outstanding debt</b>	308,440 EUR
<b>NPL price</b>	160,000 EUR
<b>PTV</b>	34,8%
<b>Stage of debt recovery</b>	Auction

# Investments in NPLs through the Indemo platform

Indemo is a licensed investment firm under the supervision of the Central Bank of Latvia. All products offered by Indemo are backed by real estate in Spain.

## Regulated financial instruments

Investments in asset-backed securities (ABS), which represent a pool of 8 NPLs.

## Licensed platform

The license\* provides monitoring and control of Indemo's operations by competent EU authorities.

## Investor protection

Investors are protected up to an amount of 20,000 euros under the national investor protection system.

\* License number 06.06.08.824/547.

The screenshot displays the Indemo platform interface. At the top, there's a navigation bar with 'Notes 8', 'My Notes 5 15', 'Analytics', and 'Invite friends'. Below this, there are filter buttons for 'DDI', 'Mortgage Loans', 'Funded', and 'Already Invested'. A balance of €5930,00 is shown in the top right corner. The main area features a map of Spain with several blue circular markers indicating investment locations. To the right of the map, there's a list of investment details for three different assets:

ISIN	ISSUED	INTEREST	NOTE AMOUNT, EUR	PTV	Status
LV0022389602	07.09.2022	15%	331.480	25.3%	Invest
LV0022322511	07.09.2022	15%	221.360	22.3%	Invested
LV1322322509	07.09.2022				



# Indemo Team



## Sergejs Viskovskis

[in](#)

More than 13 years of experience in investment banking and Fin-tech. Managed investment services' legal and regulatory functions in one of the largest banks in the Baltics. Contributed as a key manager in the process of licensing and transformation of the EU's largest P2P platform - Mintos Marketplace into a regulated environment.



## Filipp Sviridenko

[in](#)

Started his career in 2006 as a lawyer in one of the major Latvian banks and left the bank being Deputy Head of Legal Department. Founded a law firm successfully providing legal services to the clients worldwide since 2016. Mr. Sviridenko is an expert in corporate, finance and tax law. He also is a co-founder of a consulting company providing tax and accounting advice to its clients.



## Daniels Zirjakovs

[in](#)

More than 25 years of experience in investment banking and real estate development business. Headed investment services function in one of the largest banks in the Baltics overseeing clients' securities portfolio of 700 million USD.



## Pavels Pochtarenko

[in](#)

More than 12 years of experience in assets management. Developed and led an asset management company from scratch in 2014 to reach USD 200 million of AUM in 2019. Holds CFA and CAMS qualifications.



## Aleksandrs Volosins

[in](#)

More than 18 years of experience in investment banking and M&As. Held a board member position in one of the largest banks in the Baltics, overseeing treasury, investment services and asset management businesses (responsible for AuM of more than 2 billion USD).



## Vairis Dmitrijevs

[in](#)

Transactional and corporate lawyer with international experience. During the last 12 years he has worked on over 150 M&A, financing and investment transactions with the aggregate value above EUR 1 bn. He has been recognized among «associates to watch» by «Chambers & Partners Europe» and among «next generation lawyers» by «Legal 500».



## Paul Melamed

[in](#)

In the asset management business as of 2001. Worked in the largest investment banks of the region. From a scratch founded and managed regulated asset management company-Aquarium Investments. Currently AUM amounts to €50M.



## Anna Kolosjonoka

[in](#)

Anna Kolosjonoka has joined the Indemo Team as Investor Service Lead and will manage relationships with Indemo whale investors and partners, whilst overlooking the customer support of our community. Anna has over 10 years experience managing institutional and HNW customer relations in banking and wealth management.

# What will happen if INDEMO is unable to provide service?

In this case, your assets will be transferred to another registered broker approved by the regulator.

All client assets are separated from INDEMO's own funds and are not linked to INDEMO's liquidity.

The issuer of financial instruments is a special purpose company for issuing financial instruments that does not engage in operational activities unrelated to the technical work of issuing securities.

INDEMO is a member of the national investor compensation scheme established in

accordance with EU Directive 97/9/EC.

The investor protection scheme applies to situations that typically arise due to operational errors, in case of INDEMO's involvement in fraud, or in case of INDEMO's cessation of activities.

The maximum compensation that an investor can claim under this scheme is 90% of their net loss, but not more than 20,000 EUR. The scheme does not protect against investment risks.

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