

Creating Investable NPL Markets

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European Bank
for Reconstruction and Development

What Creates Liquid NPL Markets?

Market Foundations

- Clear transfer rules
- Standardized loan-level data
- Servicing and recovery ecosystem

Market Momentum

- Investor confidence and participation
- Price discovery
- Repeat transactions

Accelerators



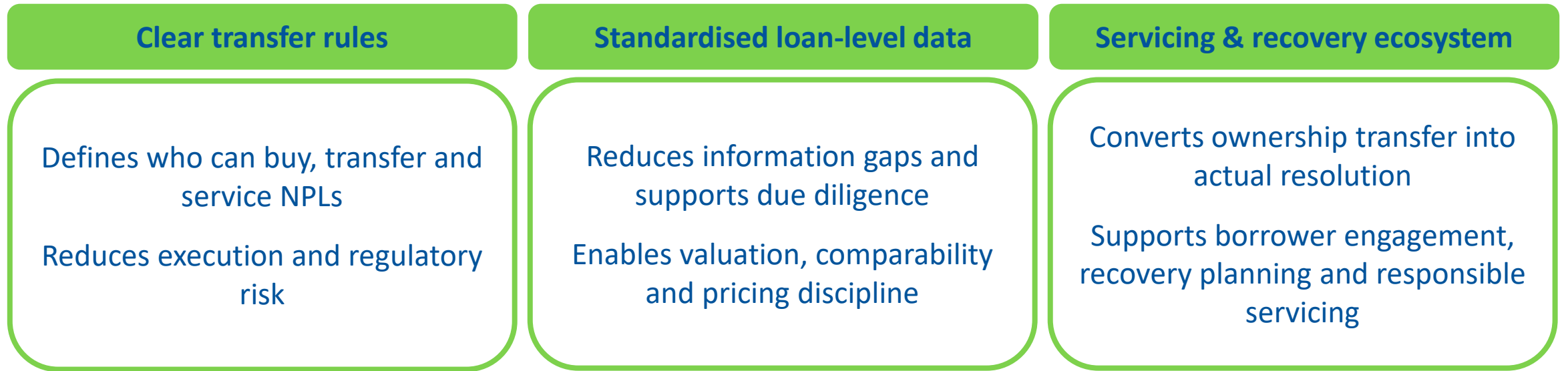
Digital platforms

AI / Analytics

Process
Automation

**Liquid and
sustainable
NPL markets**

Market Foundations: Making NPLs Investable



Transparency means different things to different market participants



Market Momentum: How Liquidity Becomes Self-Sustaining

Investor Participation

Broader investor base
Increased capital deployment
Expansion into new asset classes
More innovative transaction structures

Price Discovery

Benchmark transactions
Improved valuation methodologies
Narrower valuation dispersion
Operational track record
Servicer-informed underwriting

Repeat Transactions

Consistent deal flow across sellers, asset classes and vintages
Repeat investor participation
New market entrants on sell-side and buy-side
Confidence in availability of buyer for every sale
Effective price formation through competitive bidding
Sustainable liquidity

EBRD's Experience: NPL Initiative - Overview of Results

Pillar I · Monitoring and Knowledge Sharing

- **NPL Monitor**: bi-annual, 20+ editions, CESEE (17 countries) and Non-CESEE (8 countries)
- IMF FSI-based data with EU benchmarking, emerging risk chapters
- Best-practice: KAMCO (Korea), GACS (Italy), HAPS (Greece), SAREB (Spain)
- Partnership with Korean Asset Management Corporation, including through secondments
- Academic research, industry papers & notes on best practice published on website

Pillar II · Resolution strategies, transparency and restructuring

- Public NPL web portal: country-level data, legal reform statuses, investor-regime info
- Coordination of a comprehensive resolution strategy for Serbia
- Published action plans & progress tracking for select countries on npl.vienna-initiative.com
- **EBA NPL data templates** promoted & rolled out as standard across the region
- **Kazakhstan TA** (2020~2023): support for investor access, credit servicing framework and NPL data standardisation

Pillar III · Capacity Building

- 5 partner countries: Croatia, Hungary, Serbia, Slovenia, Montenegro
- Regional trainings on NPL restructuring in Athens and Nicosia
- Conference with the Bulgarian National Bank in Sofia
- Webinar for central banks of **Uzbekistan**, Azerbaijan and Kazakhstan
- Workshop for central banks of **Georgia**, Armenia, Moldova and Ukraine
- Planned study visit for central banks of Morocco and Jordan to Korea

EBRD's Experience: NPL Initiative – NPL Monitor

NPL Monitor (20+ editions · Semi-annual report)

Transparency

NPL Evolution in CESEE and beyond

- Country NPL ratios & volumes, coverage ratios, stage 2/3 split
- Based on IMF FSI. If no data is available from IMF, we use data from central banks.

Benchmarking

Reform Progress

- Country action plan, insolvency & collateral law reforms
- Supervisory measures taken & EBA/ECB alignment tracking

Early Warning

Market Transactions

- Portfolio sale deal activity and selected countries' deal monitor
- AMC / Servicer market development
- Investor appetite by country

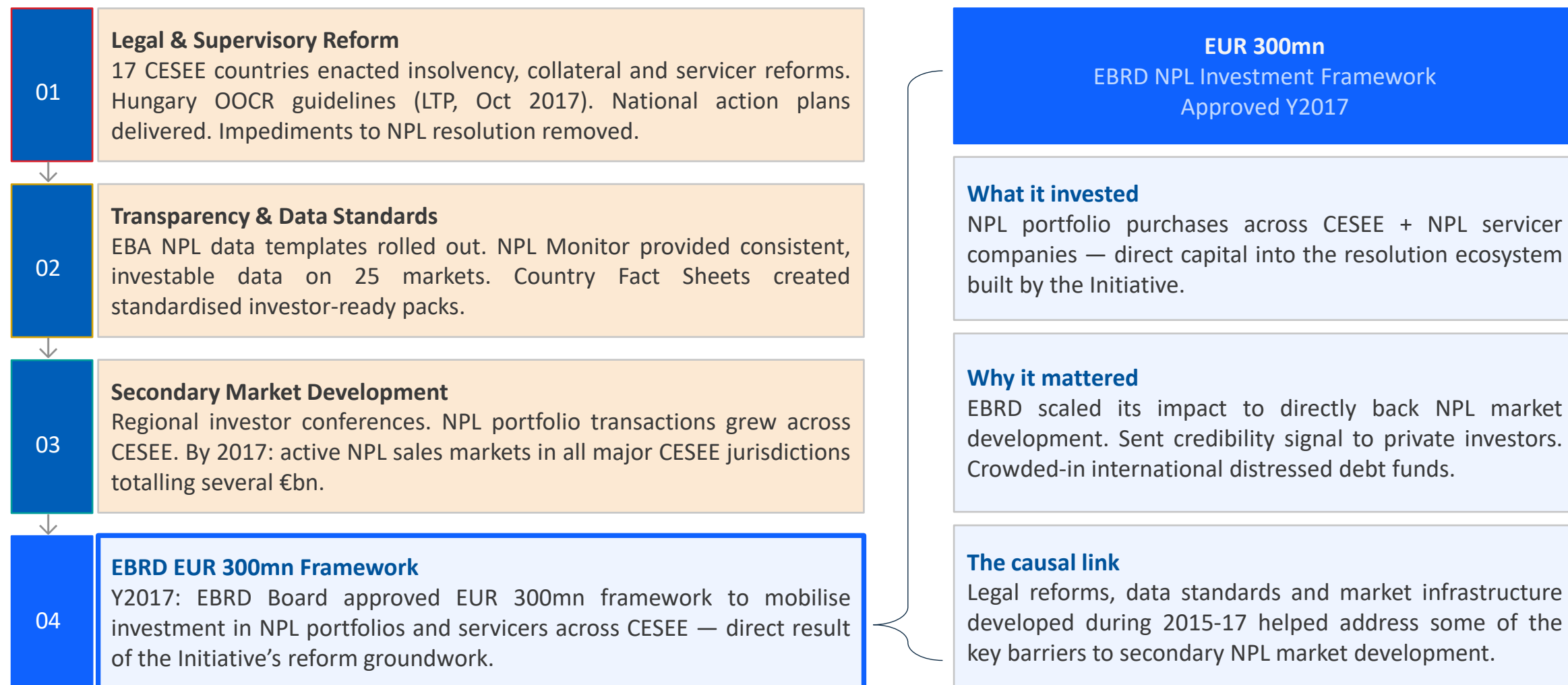
Policy Dialogue

EU Regulatory Landscape

- EBA NPL data templates
- EU's Advisory Panel on NPLs

EBRD's Experience: NPL Resolution Framework I

Linking reform and investments : NPL Initiative reform work directly enabled EBRD's investments to CESEE NPL markets



EBRD's Experience: EBRD's NPL Resolution Framework II

Scaling Market Participation: Up to EUR 300 million to be invested by EBRD in NPL transactions over a period of five years till YE 2028. FW II expands coverage to all EBRD countries of operation and will partner with private investors to target total financing of EUR 1.5 billion.

Framework Objectives

- The Framework builds on the original NPL Resolution Framework, approved in 2017 and supports policy dialogue and legal and regulatory reforms.
- The Framework aims at future-proofing the financial sector and strengthening resilience through facilitation of reduction in NPLs and by fostering greater competition, transparency and liquidity in the NPL markets.

Investment Type

Portfolio Investment

- Equity and hybrid investments in co-investment facilities organized as SPVs to purchase NPL portfolios
- Senior debt instruments (including profit participation instruments) provided to co-investment facilities or to Partners

Servicer Investment

- Equity/debt investments in NPL Servicers established in the Region

Asset Class

- Unsecured consumer loans
- Commercial real estate-backed loans
- Leases
- Corporate / SME loans
- Retail loans
- NPL portfolios may consist of a single asset class or a mix of two or more

Supporting the Full NPL Resolution Cycle

EBRD's Integrated Approach

Diagnostic and Strategy

Gap analysis
NPL prevention and
resolution strategies
Legal and regulatory
reform roadmaps

Market Development

Secondary market
frameworks
Investor eligibility
Servicing ecosystem
Data standards and
transparency

Targeted Implementation

Technical assistance
Capacity building
Transaction support

Mobilising Investment

Portfolio co-
investment vehicles
Servicer debt and
equity financing
Partnership platforms

Sustainable Markets Require Responsible Resolution

- ✓ Liquidity should not be pursued at the expense of responsible servicing and borrower protection.
- ✓ Sustainable NPL markets require appropriate servicing standards, effective borrower communication and safeguards around vulnerable borrowers.
- ✓ The most successful markets combine efficiency with responsible recovery practices.

At the end of the day, behind every NPL portfolio there are businesses, households and livelihoods.

Thank you

