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

Clear transfer rules	Standardised loan-level data	Servicing & recovery ecosystem
Defines who can buy, transfer and service NPLs Reduces execution and regulatory risk	Reduces information gaps and supports due diligence Enables valuation, comparability and pricing discipline	Converts ownership transfer into actual resolution Supports borrower engagement, recovery planning and responsible servicing

Transparency means different things to different market participants

Regulators	AMCs	Investors	Servicers	IFIs
Supervision Market integrity	Pricing Portfolio strategy	Valuation Underwriting	Recovery planning Operations	Responsible market development

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

01

Legal & Supervisory Reform
17 CESEE countries enacted insolvency, collateral and servicer reforms. Hungary OOCR guidelines (LTP, Oct 2017). National action plans delivered. Impediments to NPL resolution removed.

02

Transparency & Data Standards
EBA NPL data templates rolled out. NPL Monitor provided consistent, investable data on 25 markets. Country Fact Sheets created standardised investor-ready packs.

03

Secondary Market Development
Regional investor conferences. NPL portfolio transactions grew across CESEE. By 2017: active NPL sales markets in all major CESEE jurisdictions totalling several €bn.

04

EBRD EUR 300mn Framework
Y2017: EBRD Board approved EUR 300mn framework to mobilise investment in NPL portfolios and servicers across CESEE — direct result of the Initiative’s reform groundwork.

EUR 300mn
EBRD NPL Investment Framework
Approved Y2017

What it invested
NPL portfolio purchases across CESEE + NPL servicer companies — direct capital into the resolution ecosystem built by the Initiative.

Why it mattered
EBRD scaled its impact to directly back NPL market development. Sent credibility signal to private investors. Crowded-in international distressed debt funds.

The causal link
Legal reforms, data standards and market infrastructure developed during 2015-17 helped address some of the key barriers to secondary NPL market development.

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