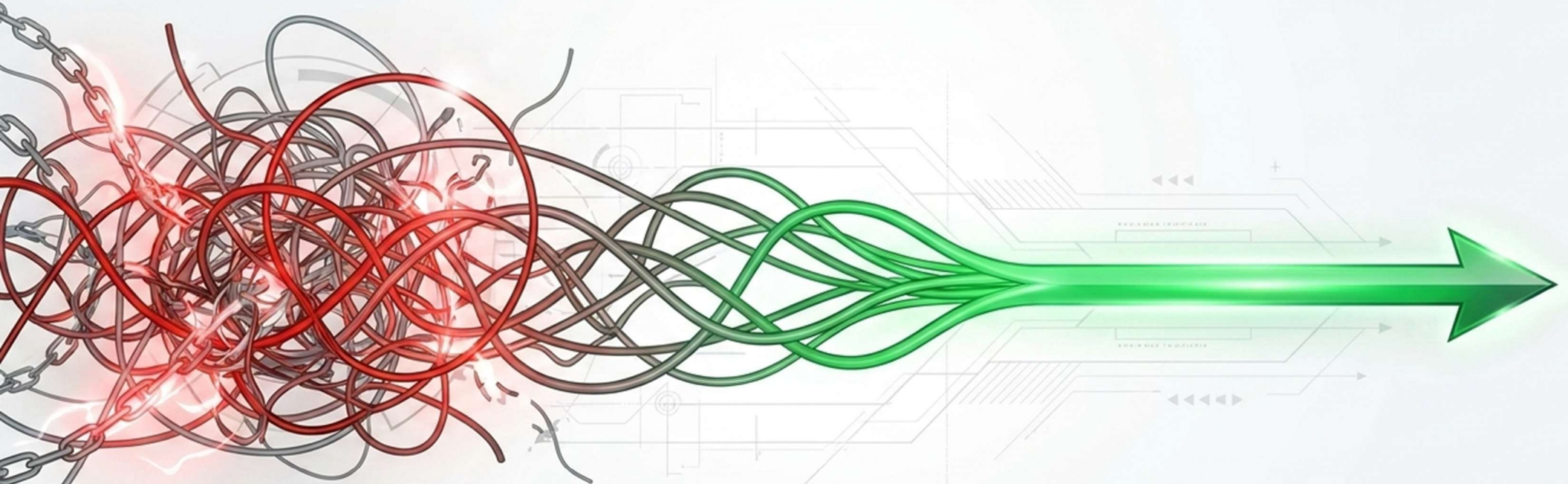


From Distress to Recovery: Borrower Rehabilitation and Financial Re-Entry in Retail NPL Resolution

Methodology for Retail NPL Portfolio Resolution
10th IPAF Training Seminar | Ulaanbaatar



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Retail NPLs signal a systemic vulnerability in household balance sheets



THB 16.35 Trillion [500 billion USD]
(86.8% of GDP)

Total Household Debt

Thailand is a gear of household debt, in the formal system, **33.1%** of household own the main national debt tators.



The Paradox

Debt-to-GDP is slightly falling, but NPLs are surging to **9.11%**.

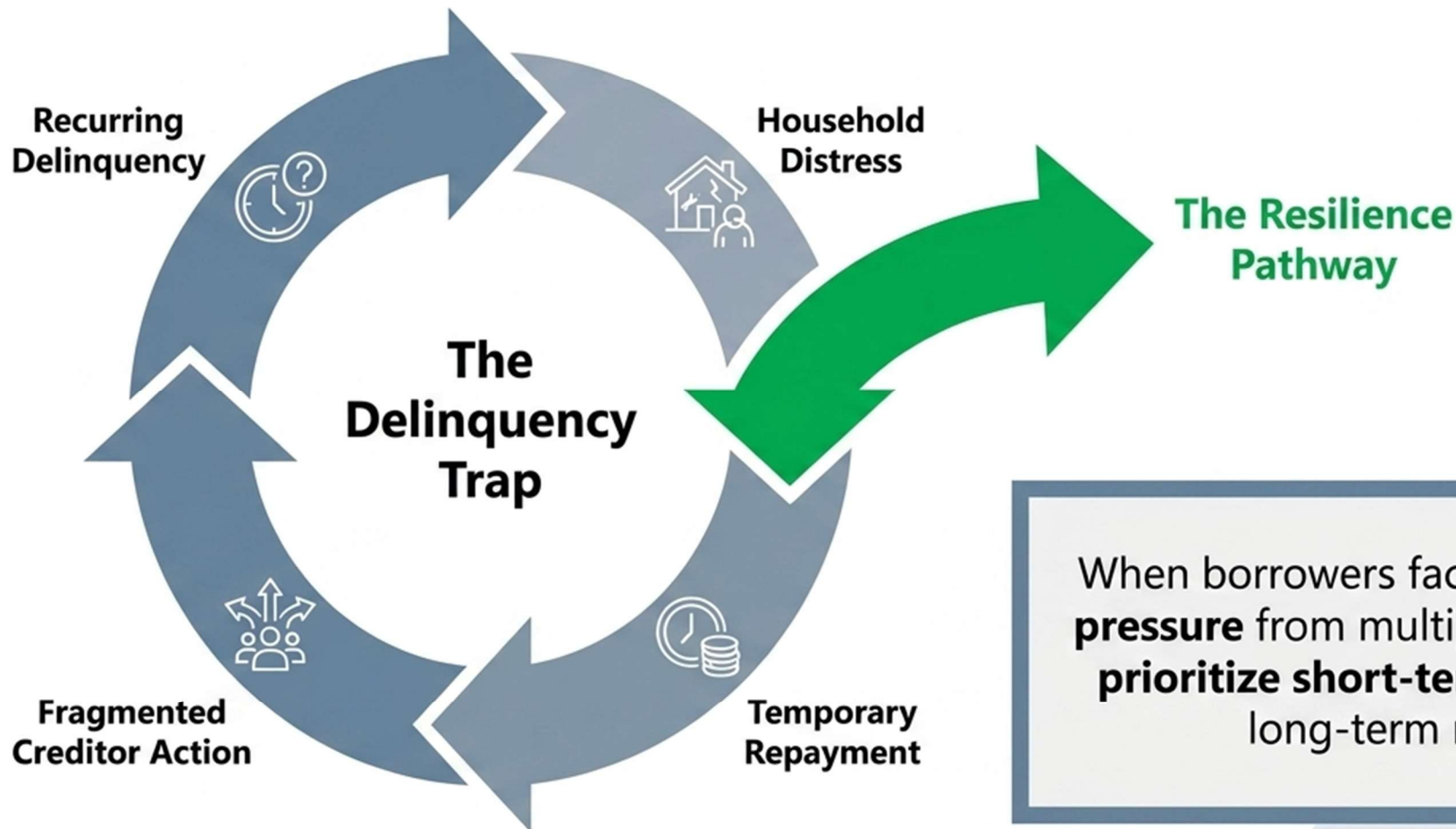


The Pipeline

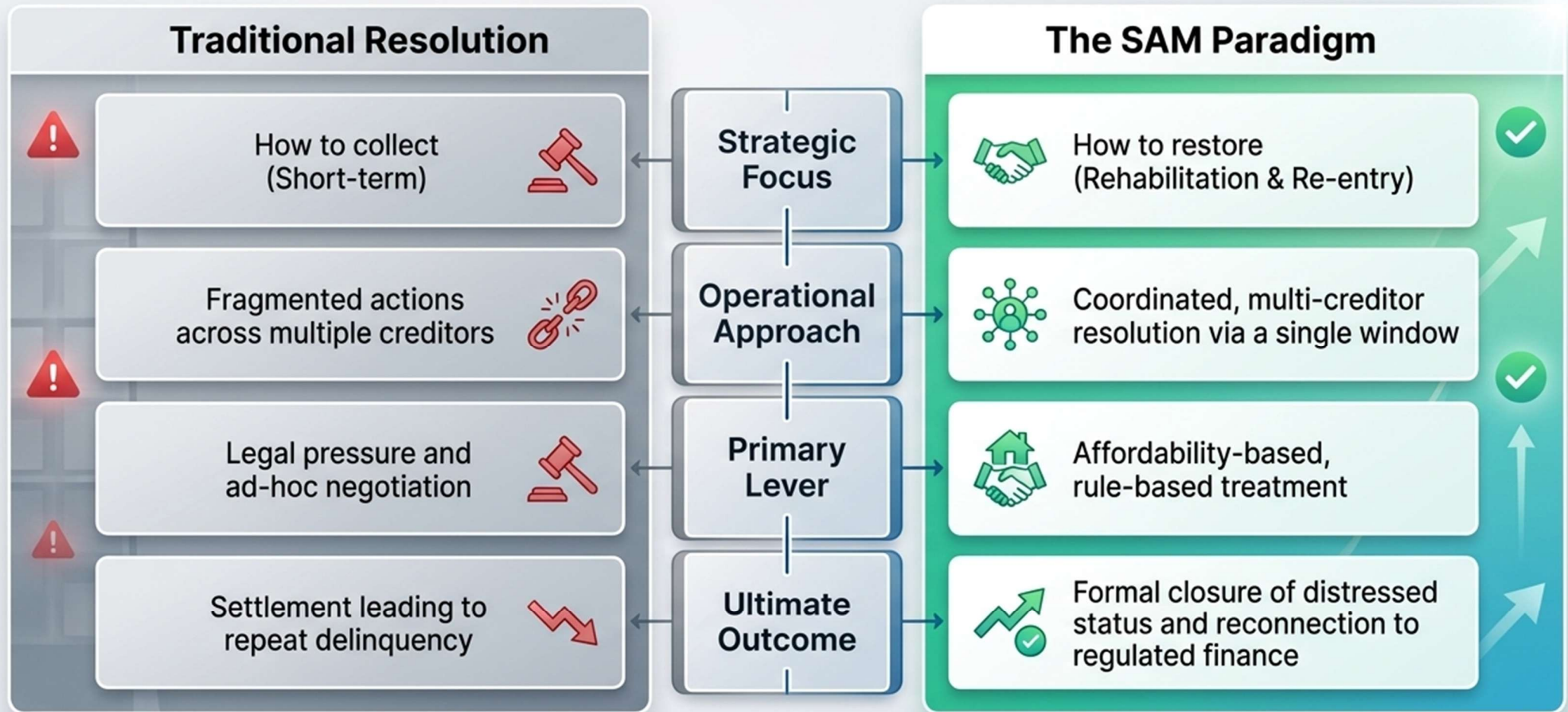
THB 1.28 Trillion in Stage 2 (Special Mention) loans—the primary **pipeline** for future NPLs. [40 billion USD]

Retail NPLs are not isolated credit events. They represent broader systemic risks affecting national financial stability.

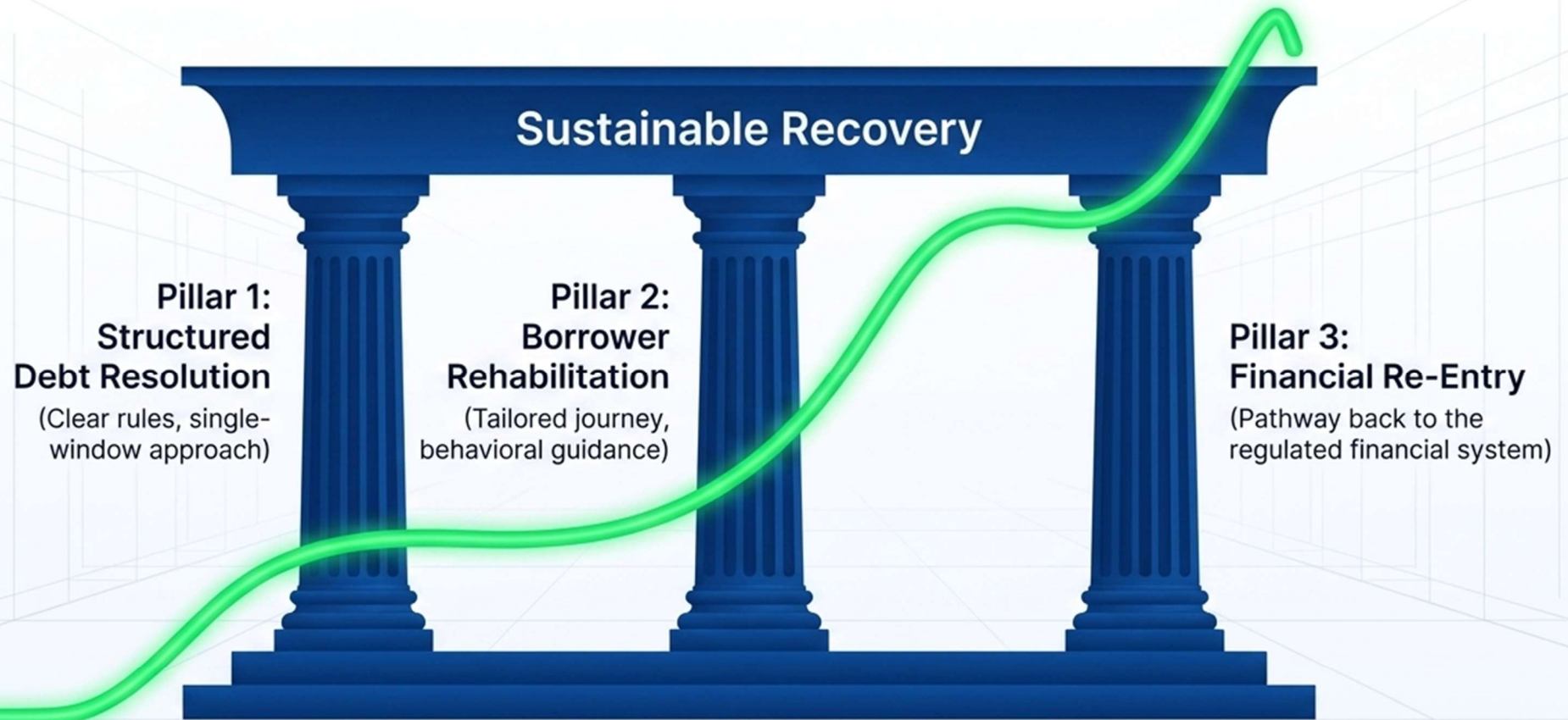
Without structural rehabilitation, resolution is only a temporary postponement of default



The Paradigm Shift: From transactional recovery to sustainable re-entry

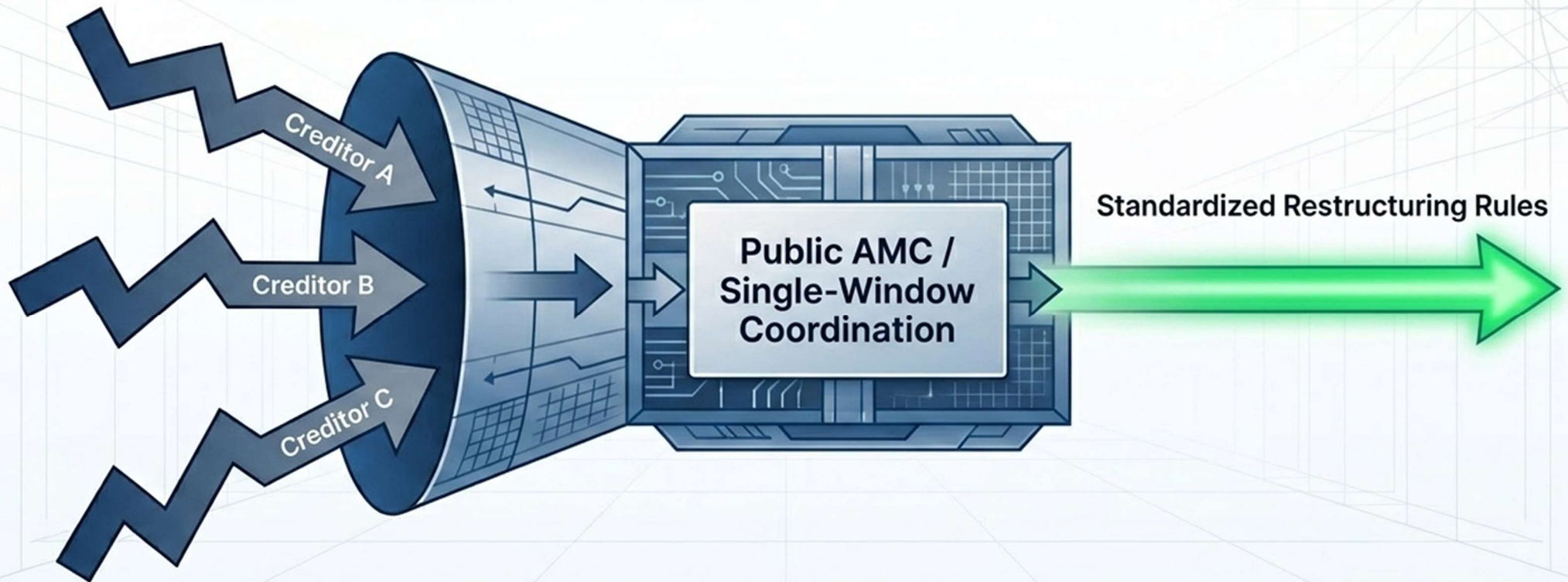


The Architecture of Sustainable Recovery: A Three-Pillar Framework



A balance between financial recovery and social outcomes, engineered for scale.

Pillar 1: Consolidating fragmented distress into a structured single window

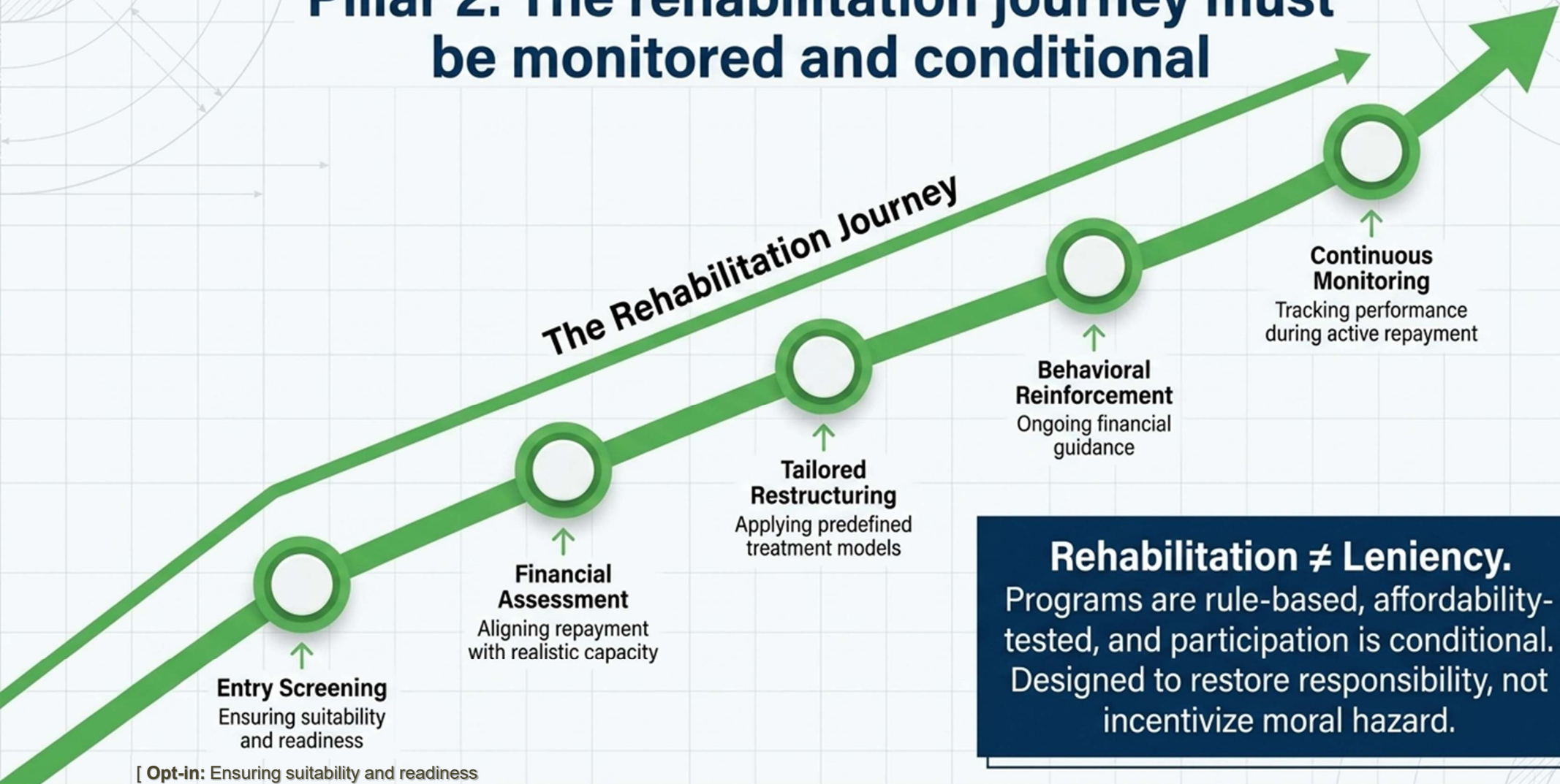


- Removes multi-creditor friction and conflicting timelines.

- Establishes clear obligations and unified communication.

- Replaces ad-hoc negotiation with standardized, affordability-based solutions.

Pillar 2: The rehabilitation journey must be monitored and conditional



[Opt-in: Ensuring suitability and readiness through voluntary participation]

Rehabilitation ≠ Leniency.
Programs are rule-based, affordability-tested, and participation is conditional. Designed to restore responsibility, not incentivize moral hazard.

Pillar 3: Financial re-entry closes the macroeconomic loop

“A restructured debt without re-entry is an incomplete solution. Rehabilitation only succeeds when borrowers can safely return to formal credit.”

Distressed Status

Documented Resolution

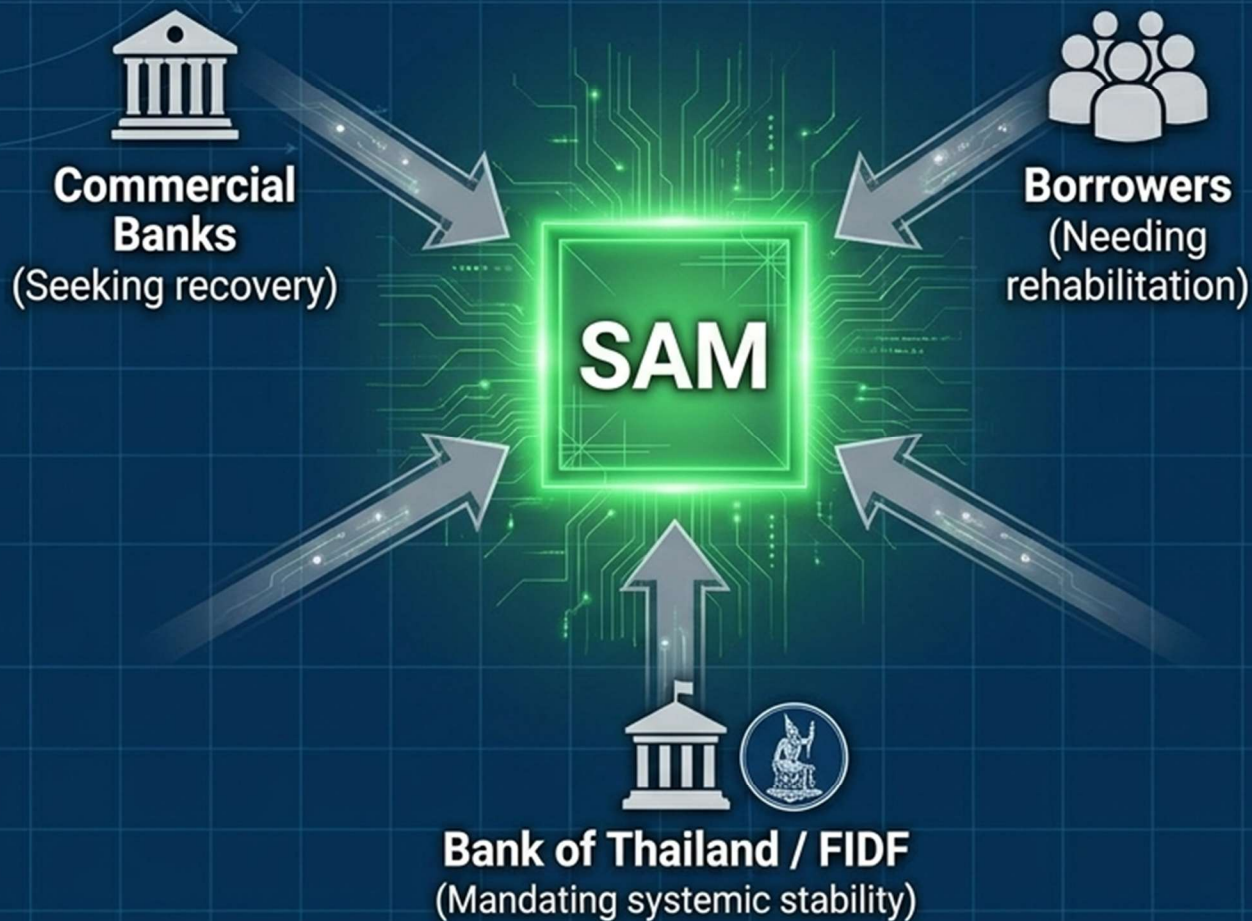
Responsible Repayment

Credit History Normalization

Regulated Financial System

Key Driver: Cross-stakeholder coordination with National Credit Bureaus to trigger status upgrades upon successful milestone completion.

Institutional Proof of Concept: SAM as the Neutral Coordinator



- ✓ **State-Owned Mandate:** Sukhumvit Asset Management (SAM) is a 100% public AMC, wholly owned by the FIDF under the Bank of Thailand.
- ✓ **The Social AMC Role:** Balances efficient commercial recovery with the critical mandate of maintaining national financial stability.
- ✓ **The Execution Arm:** SAM acts as the central executing agent for BOT-initiated national retail rehabilitation programs.

Implementing the methodology: Tailored pathways for different segments

Two Distinct Tools for National Debt Rehabilitation		
Feature	Debt Clinic by SAM	Clear Debt, Move Forward
Target	Multi-creditor unsecured NPLs	Vulnerable small debtors
Max Limit	Up to 2,000,000 Baht <small>[approx. 60,000+ USD]</small>	Up to 100,000 Baht <small>[approx. 3,000+ USD]</small>
Term	Long-term, up to 10 years	Short-term, up to 3 years
Interest	3–5% per annum	0% interest
Primary Goal	Sustainable rescheduling based on capacity	Rapid complete debt fulfillment and credit history reset

"Clear Debt, Move Forward": Engineering a rapid credit reset



Target:

1.2 Million small-scale retail debtors (NPLs < 100k Baht) [approx. 3,000+ USD]

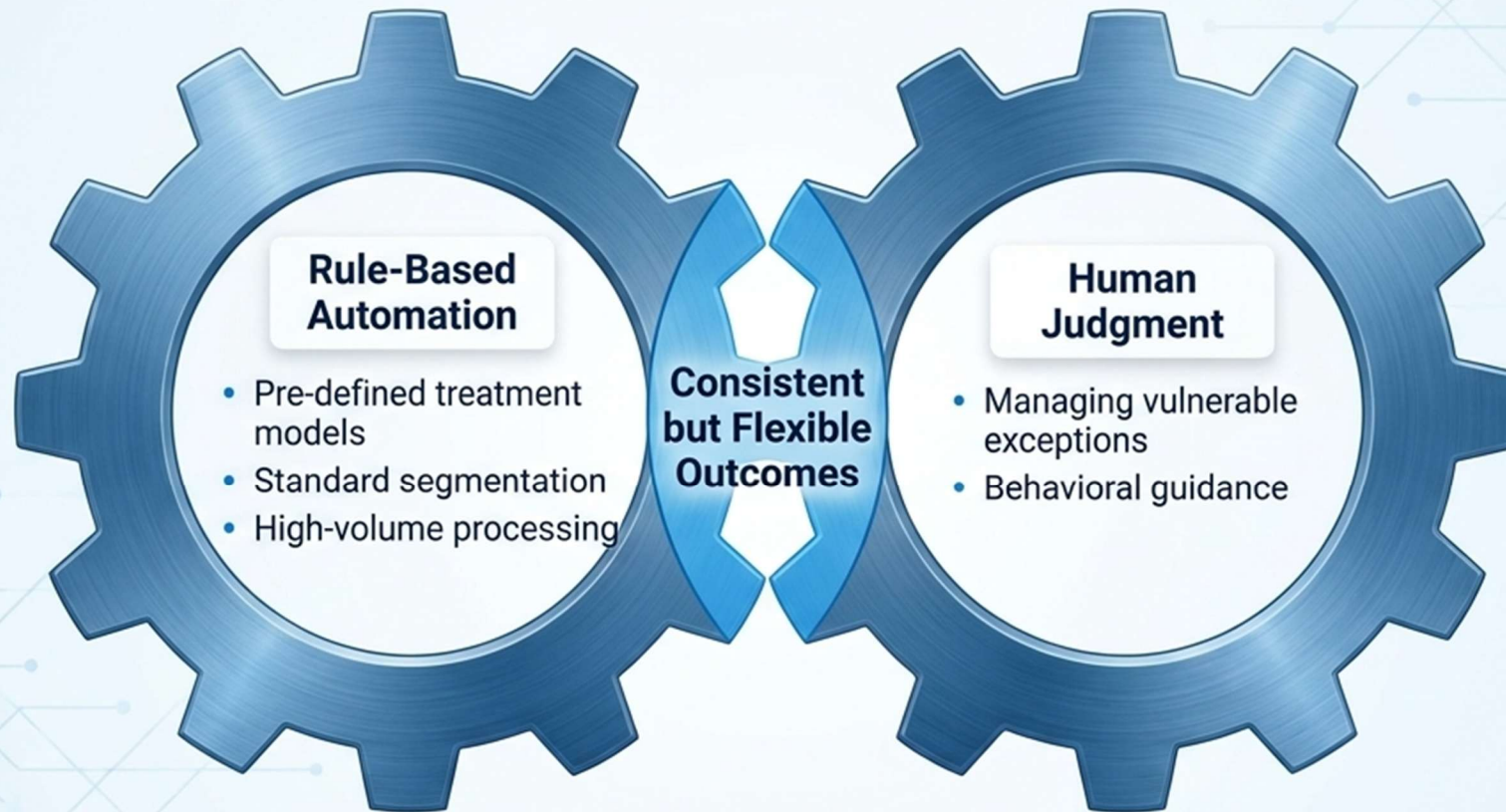
Mechanism:

0% Interest for 3 years; 100% of old interest/fees waived upon completion. Supported by FIDF-backed funding mechanism.

The Game Changer (Pillar 3 in Action):

Upon the very first payment, the debtor's National Credit Bureau (NCB) status is immediately upgraded to Code 16 ('Normal Status').

Portfolio-Based Scaling: Efficiency without losing human focus



Moving from manual case-by-case negotiation to standardized portfolio resolution significantly lowers unit costs.

Outcomes: The systemic impact of rehabilitation-led resolution



1. Improved Rehabilitation Success

Higher completion rates via realistic, affordability-based planning.



2. Reduced Re-Default Risk

Behavioral guardrails and earned re-entry lower repeat delinquency.



3. Faster Resolution Cycles

Standardized pathways bypass prolonged ad-hoc negotiations.



4. Systemic Social Impact

Restored household purchasing power alongside institutional recovery.

Translating the framework: A blueprint for international adaptation

The Adaptation Blueprint for International Jurisdictions

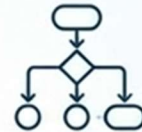
Institutional Alignment

Establish a central coordinating mechanism (like SAM) to prevent multi-creditor fragmentation.



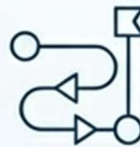
Portfolio-Ready Rule Sets

Define objective borrower segmentation and clear treatment parameters to manage volume.



Engineered Pathways

Design the end-to-end journey making exit conditional on performance.



Stakeholder Integration

Ensure legal and credit bureau alignment for formal financial re-entry.



“In a transforming economy, financial distress is often a temporary setback rather than permanent failure.

Sustainable retail NPL resolution is about designing disciplined systems that restore responsibility and enable meaningful re-entry into society while rebuilding financial stability.”