


# Operational Risk Management in Retail NPL Resolution

Lessons from Large-Scale Portfolio Servicing

 TURNING OPERATIONAL DISCIPLINE INTO INVESTOR RETURNS

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# Scale + Smart Execution = Sustainable Returns

7

Markets

8.6 M+

Customers

\$129 M+

USD Deployed

1,200

Staff

## In-House Engine

Focus on **10–20% contactable accounts** via call, digital, legal, and field channels.

## Outsourced Layer

Long-tail portfolios managed for scalability and cost efficiency.

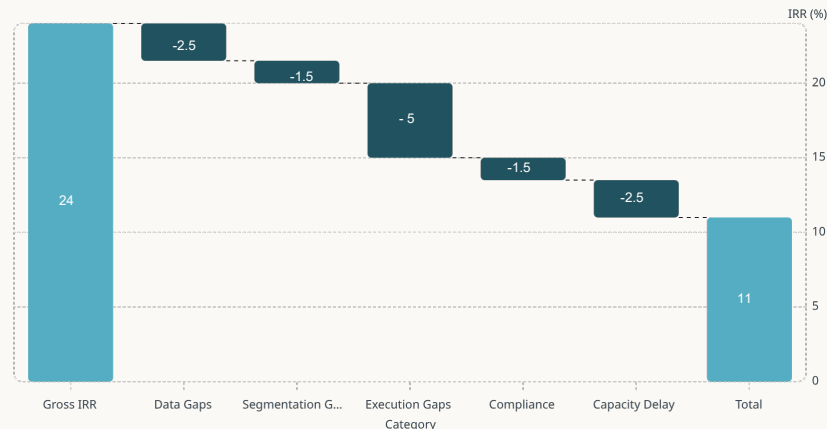
*Precision in execution drives returns.*



# Operational Risk Directly Impacts IRR



Each pillar represents a source of IRR leakage when left unmanaged. Small inefficiencies create large return loss.



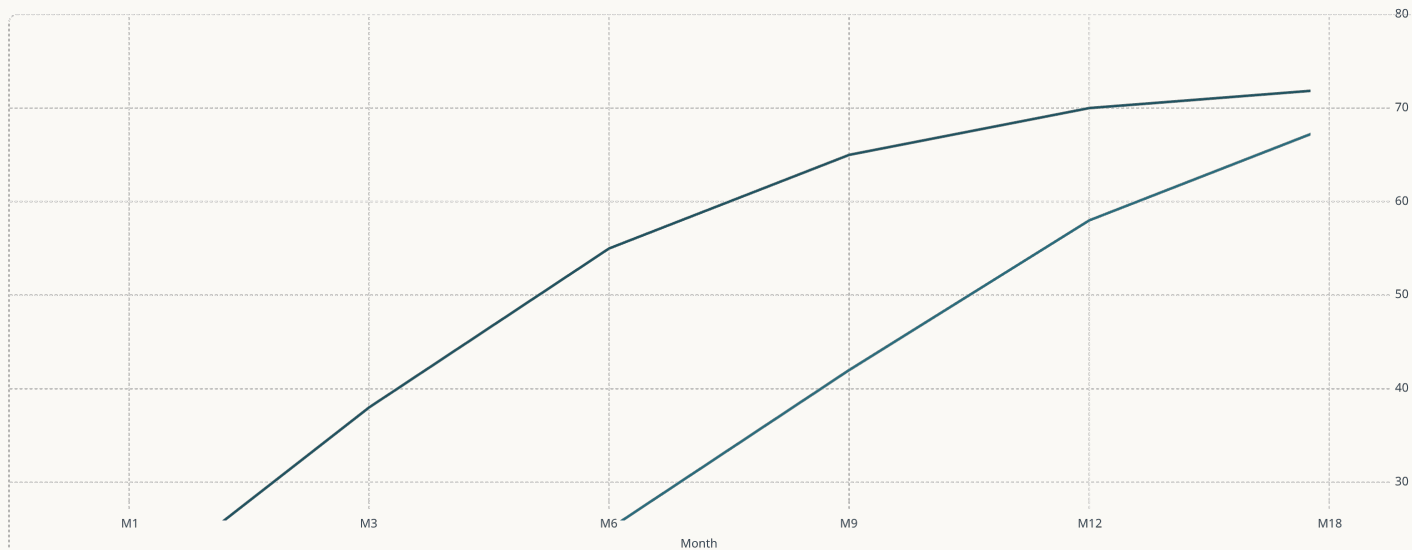
⚠ Net IRR: ~11% — a 13-point erosion from gross.

# Faster Collections = Higher IRR

Two portfolios with the **same total recovery (~72%)** can produce dramatically different IRR outcomes based solely on execution speed. Timing matters more than volume.

← Curve B: Delayed Execution

← Curve A: Strong Execution



Front-loaded recovery curves generate significantly higher IRR – even at identical total collection rates.

# Data + Systems = Execution Power

## Key Challenges

Incomplete seller data

Low contactability (10–20%)

Variable credit bureau maturity

Limited bureau access in some markets

## System Must Enable

→ Segmentation engine

→ Workflow automation

→ Multi-channel execution

→ Real-time dashboards

Data

Segmentation

Strategy

System

*Systems convert insight into cash.*

# Control Risk Exists Inside and Outside

## External Risks

Misreporting

Poor Conduct

Compliance Breaches

## Internal Risks

Payment Diversion

Data Misuse

Side Settlements

## Controls in Place



Direct payment channels



Monitoring systems



Audit logs



Whistleblowing framework



No collection of cash policy



Clear Standard Code of Conduct for  
External and Internal Mediators

*Strong controls protect investor capital.*



# Stable Systems = Predictable Cash Flow

Technology infrastructure is the backbone of consistent collections performance at scale. Five pillars ensure operational continuity.



## Collections Platform

Core engine for workflow and account management.



## Cybersecurity

Protecting sensitive customer and financial data.



## Disaster Recovery

Business continuity under adverse conditions.



## Access Control

Role-based permissions limiting exposure.



## Real-Time Dashboards

Live visibility into performance and risk signals.

*Technology enables consistency at scale.*

# People Performance Drives IRR

## Key Challenges

20–30% productivity gap across teams

Attrition resets performance curves

Inconsistent execution across markets

## Practical Solutions

1 Weekly performance ranking

2 Dynamic portfolio allocation

3 Pay-for-collection incentives

4 Real call coaching

5 Daily productivity dashboards

✔ Small productivity gains create large return impact.

# One Region, Six Different Regulatory Realities

| Country     | Licensing Clarity | NPL Sale Maturity | Bureau Access | Execution Complexity |
|-------------|-------------------|-------------------|---------------|----------------------|
| Singapore   | High              | Mature            | Strong        | Low                  |
| Malaysia    | Improving         | Moderate          | Good          | Medium               |
| Thailand    | Structured        | Growing           | Moderate      | Medium-High          |
| Indonesia   | Unclear           | Large Market      | Moderate      | High                 |
| Vietnam     | Restrictive       | Early Stage       | Limited       | High                 |
| Philippines | Improving         | Moderate          | Moderate      | Medium               |

## Mature Markets

Lower regulatory risk, lower yield potential.

## Complex Markets

Higher execution risk, higher return potential.

# What I Have Learned from Operating Across SEA

Practical lessons from large-scale retail NPL servicing across fragmented markets.

## Contactability Is the Real Battlefield

Only 10-20% of accounts are contactable. Prioritize the right accounts, not just more calls.

## Data Quality Determines Strategy Quality

Incomplete seller data weakens segmentation. Varying credit bureau access requires adaptability. Better data drives better pricing and recovery.

## Speed Protects IRR

The first 90–180 days post-onboarding are critical. Delays in loading, staffing, or segmentation lead to permanent IRR reduction.

## In-House vs. Outsourced Must Be Dynamic

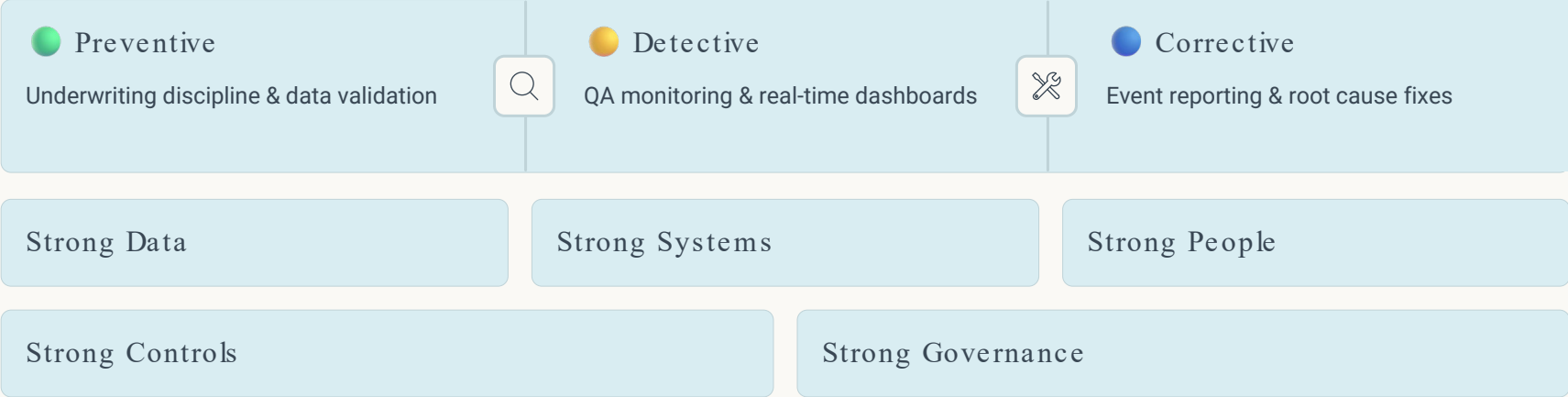
High-value accounts stay in-house for control. External agencies manage long-tail. Reallocate based on performance, not habit.

## SEA Is Not One Market

Thailand, Indonesia, Vietnam, Philippines, Malaysia, and Singapore require different playbooks due to varying regulations, bureau access, and borrower behaviors.

The winning operator in SEA is not the one who collects hardest – it is the one who allocates effort most intelligently.

# Controlling Risk = Controlling Returns



*"Alpha is created every day through disciplined execution."*

# Operational Risk Report Sample

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## 1. Risk identification (preventive)

- Frequency: every quarter

## 2. Operational risk event reporting (when events occur)

- Frequency: every month

### 1. Risk identification

All operational risks estimated to result in a loss corresponding to between USD 0.5 Mil and USD 1.5 Mil if they occur.

To be reviewed and reported by last day of **each quarter** (quarterly) by filling in form on SharePoint. Meeting will be held on quarterly basis to review identified risks.

### 2. Operational risk event reporting (when events occur)

All operational events occurred resulting in a loss corresponding to between USD 0.5 Mil and USD 1.5 Mil.

To be reported by last day of **each month** (monthly) by filling in form on SharePoint.

# Operational Risk model

## Risk identification

| Consequence   | Description  |
|---------------|--|
| 4 Very severe | Very severe losses/costs for the business (> USD 10 Mil)                         |
| 3 Severe      | Severe losses/costs for the business (between USD 1.5 Mil and USD 10 Mil )       |
| 2 Less severe | Less severe losses/costs for the business (between USD 0.5 Mil and USD 1.5 Mil ) |
| 1 Negligible  | Negligible cost/loss for the business (< USD 0.5 Mil)                            |

| Probability   | Description   |
|---------------|---|
| 4 Very likely | 1 or more time(s) per year (75-100% probability for the risk to occur)  |
| 3 Likely      | Less than every 2 years (40-74 % probability for the risk to occur)     |
| 2 Less likely | Less than 1x every 10 years (10-39 % probability for the risk to occur) |
| 1 Not likely  | Less than 1x every 100 years (0-9 % probability for the risk to occur)  |

| Actions for each risk value result |  |
|------------------------------------|--|
| Grade                              | Description  |
| Red                                | <b>High/essential risk</b> - The business is having essential operational risks  |
|                                    | Identified risks need to be mitigated or continuity planned with high priority.  |
| Orange                             | <b>Considerable risk</b> - The business is having considerable operational risks |
|                                    | Identified risks should be addressed promptly.                                   |
| Yellow                             | <b>Relevant risk</b> - The business is having relevant operational risks.        |
|                                    | Identified risks should be mitigated or further investigated.                    |
| Green                              | <b>Negligible risk</b> - The business is having negligible operational risks.    |
|                                    | No further action needed, but risk should be monitored.                          |

