

Building Sustainable Distressed Debt Markets

A Private Investor Perspective from Southeast Asia

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Southeast Asia Is One of the Most Attractive Emerging Distressed Debt Markets

Key Drivers

- ASEAN population 680M+
- Fast GDP growth vs. mature Europe
- Rising consumer lending
- Rapid fintech / BNPL expansion
- Increasing distressed asset supply

Why Investors Care

- Less competition
- Better pricing inefficiencies
- Strong long-term growth

Europe offers maturity. Southeast Asia offers growth, yield, and first-mover advantage.

Capital Flows Where Returns Meet Structure



Strong IRR Potential

Pricing inefficiencies drive above-market returns for disciplined buyers.



Recurring Portfolio Supply

Continuous NPL origination from banks and fintechs ensures deal flow.



Operational Alpha

Skilled operators extract value others leave on the table.



Scarcity Premium

Limited institutional competition preserves pricing advantage.



Exit Pathways

Refinancing, resale, and securitization provide clear liquidity routes.

Investors allocate where skill can outperform.

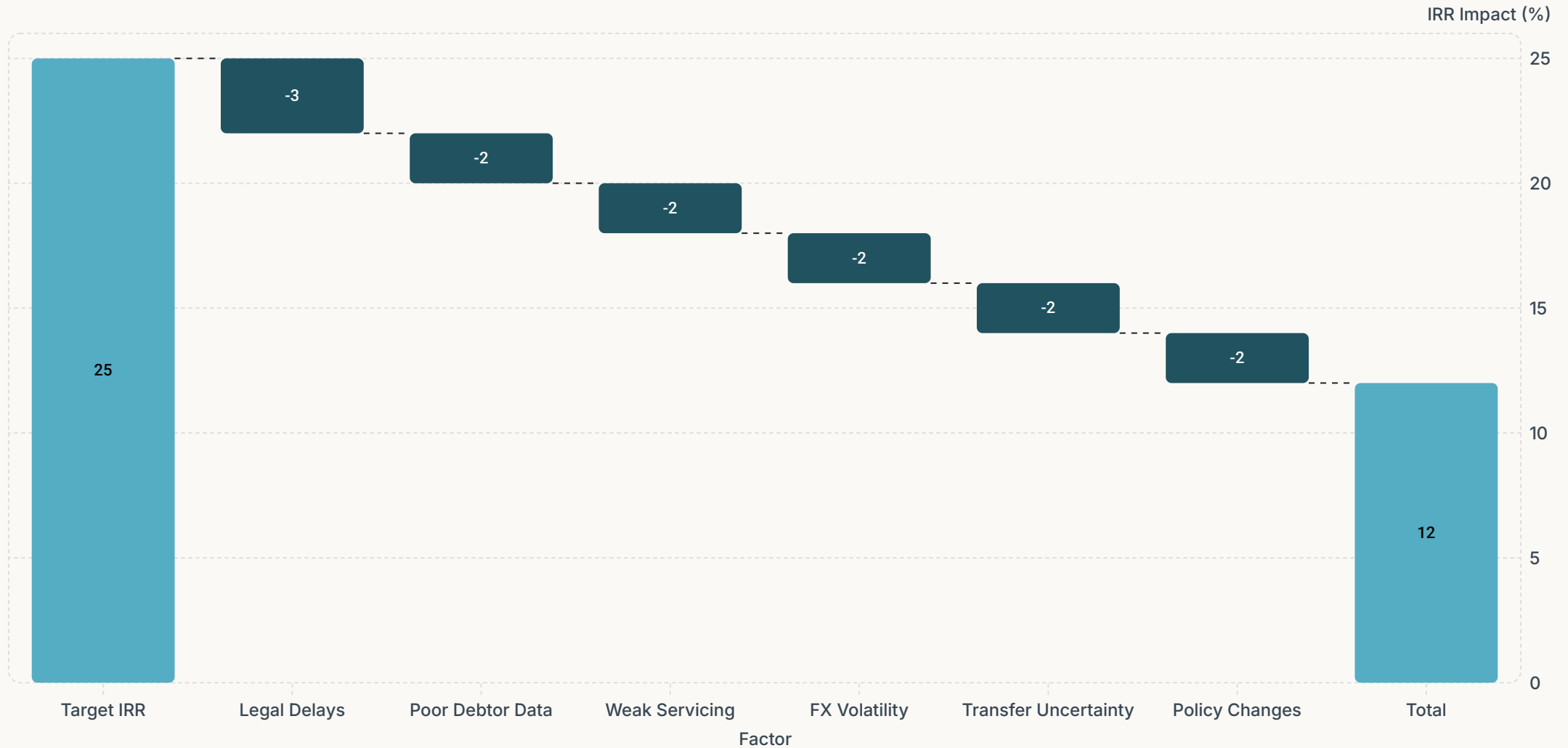
One Region, Six Different Market Realities

Same region, different return profiles – market maturity and regulatory clarity vary significantly across ASEAN.

Country	Market Maturity	Regulation	Bureau Access	Attractiveness
Singapore	Mature	High clarity	Strong	Stable
Malaysia	Moderate	Improving	Good	Attractive
Thailand	Growing	Structured	Moderate	Strong
Indonesia	Large	Complex	Moderate	Very Attractive
Vietnam	Early	Restrictive	Limited	High Upside
Philippines	Moderate	Improving	Moderate	Attractive

Investors Can Price Credit Risk — But Hate Friction

Structural and operational friction erodes returns significantly. Reducing friction increases bids and unlocks capital.



⚠ Net IRR after friction: **12–15%** — nearly half the target eroded by avoidable structural barriers.

Five Reforms That Immediately Improve Investor Appetite



Clear Receivable Transfer Laws

Unambiguous legal frameworks for NPL assignment and ownership.



Standardized Data Tapes

Consistent loan-level data formats enabling confident underwriting.



Credit Bureau Access

Licensed buyers and servicers granted bureau access for accurate pricing.



Faster Courts / Mediation

Streamlined enforcement and out-of-court resolution mechanisms.



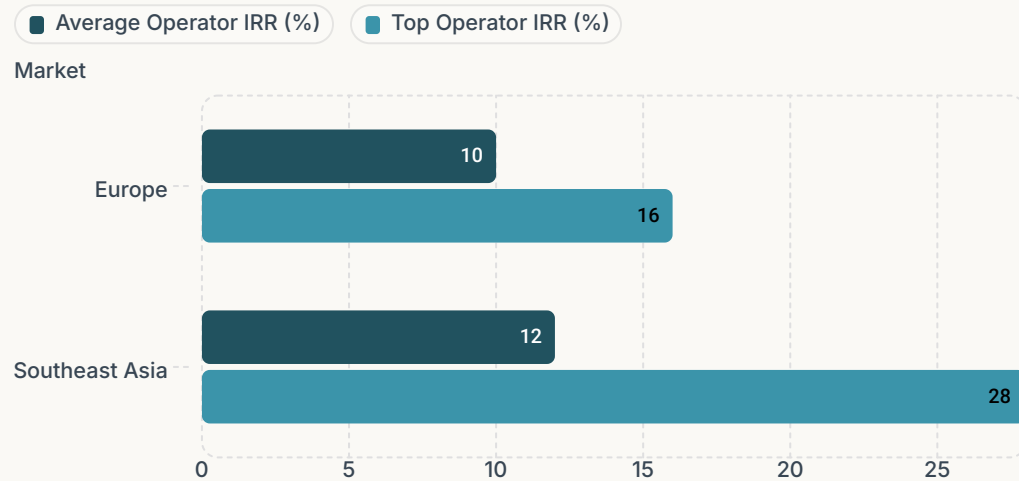
Stable Consumer Rules

Predictable regulatory environment reduces policy risk premium.

 Some markets restrict bureau access, reducing pricing confidence and suppressing bids. **Better rules lower discount rates.**

Inefficient Markets Reward Expertise

SEA vs. Europe: Performance Spread



Why the Spread Is Wider in SEA

→ Lower Competition

Fewer institutional bidders preserve pricing advantage.

→ Fragmented Sellers

Banks and fintechs lack NPL disposal sophistication.

→ Digital Leapfrog

Mobile-first collections unlock recovery upside.

In inefficient markets, great operators earn premium returns.

Returns Are Driven by Execution

Cheap buying without execution is a trap. Value creation requires discipline across all four stages.

1

Buy Right

Conservative underwriting with data-driven pricing.

2

Collect Right

Segmentation, AI, and digital self-cure journeys.

3

Operate Right

Local teams and purpose-built collections systems.

4

Exit Right

Refinance, resale, or securitization pathways.

What I Have Learned Operating in SEA NPL

Practical lessons from deploying capital, servicing portfolios, and resolving retail NPLs across fragmented Southeast Asian markets.



Contactability is Key

In many SEA retail portfolios, only a small portion of accounts are reachable. The key is not more calls, but smarter prioritisation to maximize reach and engagement.



Data Quality Determines Pricing

Incomplete seller data weakens underwriting and segmentation. Credit bureau depth and access differ materially across markets, directly impacting recovery strategies and bid confidence.



Country Playbooks Must Be Localised

Singapore, Malaysia, Thailand, Indonesia, Vietnam, and the Philippines require different execution models. Regulation, borrower behaviour, enforcement timelines, and payment channels vary significantly.



Servicing Platform Quality = IRR

Collections systems, segmentation, dashboards, and channel orchestration turn strategy into cash. Weak servicing can destroy returns even when the portfolio is bought well, highlighting operational alpha.



Ethical Resolution Protects Deal Flow

Responsible engagement reduces complaints and regulatory risk. Banks and regulators trust operators who treat borrowers fairly, ensuring long-term access to valuable portfolio opportunities.

In SEA NPL, the winning investor is not only the best buyer – it is the one with the best execution partner.



Responsible Collections Improve Long-Term Returns

Traditional Collections

- Aggressive outreach tactics
- High complaint volumes
- Low long-term sustainability
- Regulatory exposure

Modern Resolution

- Structured repayment plans
- Digital self-serve journeys
- Higher liquidation rates
- Stronger regulator trust

✔ **Ethics is commercially rational.** Better borrower outcomes drive higher recoveries and lower regulatory risk.

Governments Do Not Need to Solve NPL Alone

One public dollar can crowd in multiple private dollars through well-structured partnership models.

AMC + Private Servicer

State asset management company partners with private operator for collections expertise.

Co-Investment Fund

Public and private capital co-invest in NPL portfolios, sharing risk and return.

Forward-Flow Sale Program

Banks commit to recurring NPL sales, enabling private investors to build scale.

SME Workout Vehicle

Dedicated restructuring platform for small business distressed debt.

NPL Securitization as Collateral

Private investors securitize NPL portfolios as collateral to obtain bank financing, recycling capital and amplifying deployment capacity.

Control the Servicing = Control the Returns

Build or Partner with Servicing Platforms

Direct control over collections, data, and borrower engagement is the core alpha driver.

- Collections operations
- Proprietary data assets
- Borrower engagement

Value Creation

Higher Recovery Rates

Operational control drives superior liquidation performance.

Better Future Pricing

Proprietary data improves underwriting on subsequent portfolios.

Scalable Operations

Platform infrastructure supports growing AUM without linear cost growth.



SEA Distressed Debt Is Becoming an Institutional Asset Class



More Private Capital



Stronger Banks



Faster Credit Growth



Better Borrower Outcomes

The next major distressed debt growth story may be Southeast Asia. Countries that move early attract the capital, the talent, and the institutional infrastructure that compounds over time.