

Building Sustainable Distressed Debt Markets

A Private Investor Perspective from Southeast Asia

20-MINUTE EXECUTIVE BRIEFING





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

Private investors allocate where skill can outperform. Five structural pillars define the opportunity in Southeast Asia's distressed debt market.



Strong IRR Potential

Attractive risk-adjusted returns driven by pricing inefficiencies



Recurring Portfolio Supply

Consistent deal flow from banks and fintechs



Operational Alpha

Skilled operators extract superior recoveries



Scarcity Premium

Limited institutional competition preserves margins



Exit Pathways

Refinancing, resale, and securitization options available

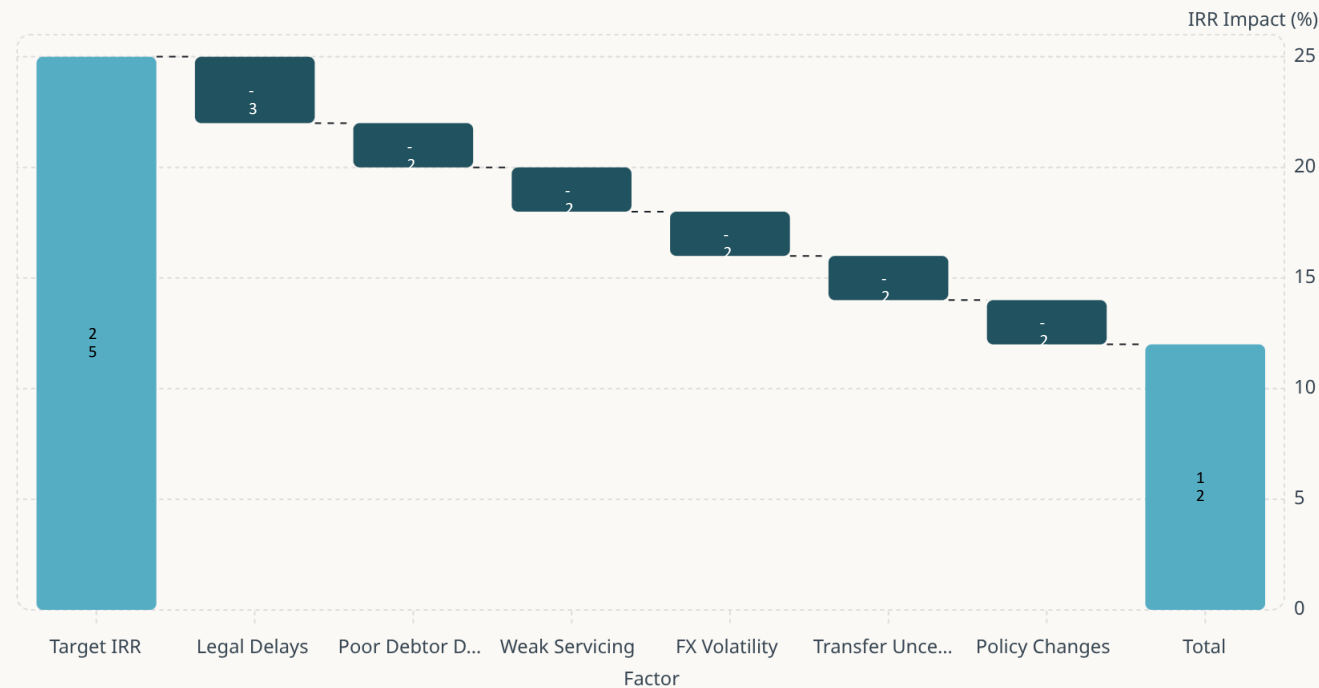
One Region, Six Different Market Realities

Same region, different return profiles. Market maturity, regulatory clarity, and bureau access 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 friction erodes returns significantly. Reducing operational and regulatory barriers directly increases investor bids and capital deployment.



⚠ Net IRR after friction: **12–15%** vs. target of 25%

Key Friction Points

- Legal delays in enforcement
- Poor or inaccessible debtor data
- Weak local servicing infrastructure
- FX volatility and repatriation risk
- Uncertain receivable transfer rules
- Unpredictable policy changes

✅ Reducing friction increases bids.

Five Reforms That Immediately Improve Investor Appetite

Better rules lower discount rates. Targeted regulatory reforms can unlock significant private capital flows into distressed debt markets.

1

Clear Receivable Transfer Laws

Unambiguous legal framework for portfolio sales

2

Standardized Data Tapes

Consistent loan-level data formats enabling accurate pricing

3

Credit Bureau Access

Licensed buyers and servicers granted bureau access

4


Faster Courts / Mediation

Expedited resolution mechanisms for distressed claims

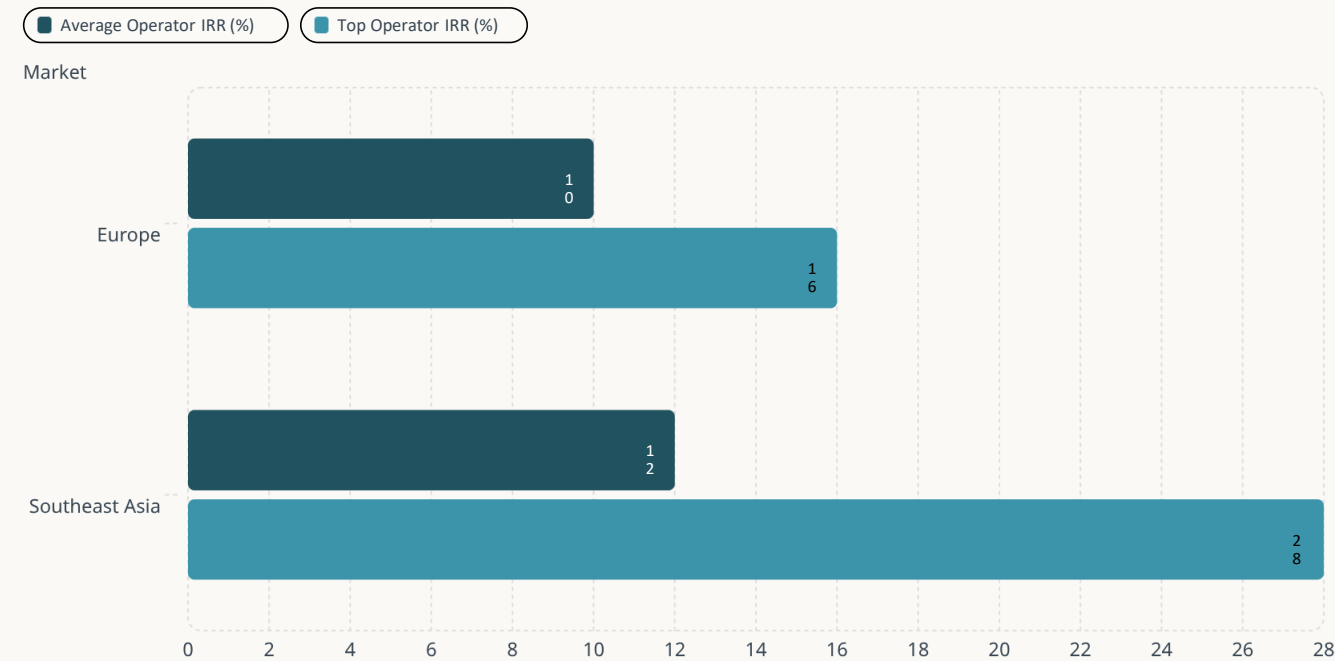
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Stable Consumer Rules

Predictable regulatory environment for collections

 Some markets restrict bureau access, reducing pricing confidence and suppressing investor bids.

Inefficient Markets Reward Expertise



Why the Spread Is Wider in SEA

- Lower institutional competition
- Fragmented sellers with limited data
- Operational inefficiency creates alpha
- Digital leapfrog opportunity

In inefficient markets, great operators earn premium returns.

The performance spread between average and top operators is significantly wider in SEA than in mature European markets.

Returns Are Driven by Execution

Cheap buying without execution is a trap. Superior IRR is built across four disciplined stages of the investment lifecycle.



Buy Right

Conservative underwriting with margin of safety



Collect Right

Segmentation, AI, and digital self-cure journeys



Operate Right

Local teams and purpose-built collections systems



Exit Right

Refinance, resale, or securitization at optimal timing

Responsible Collections Improve Long-Term Returns

Ethics is commercially rational. Modern resolution approaches outperform aggressive tactics on every measurable dimension.



Traditional Collections

- Aggressive contact strategies
- High complaint volumes
- Regulator friction
- Low long-term sustainability



Modern Resolution

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

✔ Responsible servicing builds regulator goodwill, reduces complaints, and improves portfolio liquidation – a commercially superior model.



Scale Converts Complexity Into Advantage

Investors prefer platforms, not isolated operators. Regional scale transforms country-level complexity into a structural competitive moat.

Shared Technology

One platform across multiple markets reduces unit cost

Better Analytics

Cross-market data improves underwriting accuracy

Diversified Recoveries

Country-level risk offset by regional portfolio breadth

Better Governance

Institutional standards applied consistently across markets

Governments Do Not Need to Solve NPL Alone

One public dollar can crowd in multiple private dollars. Public-private partnership models unlock capital at scale while sharing risk appropriately.

1

AMC + Private Servicer

State asset management company holds portfolios; private operator manages collections and recoveries

2

Co-Investment Fund

DFI or government anchor investor alongside private capital in a structured fund vehicle

3

Forward-Flow Sale Program

Banks commit to regular portfolio sales under pre-agreed terms, ensuring consistent deal flow

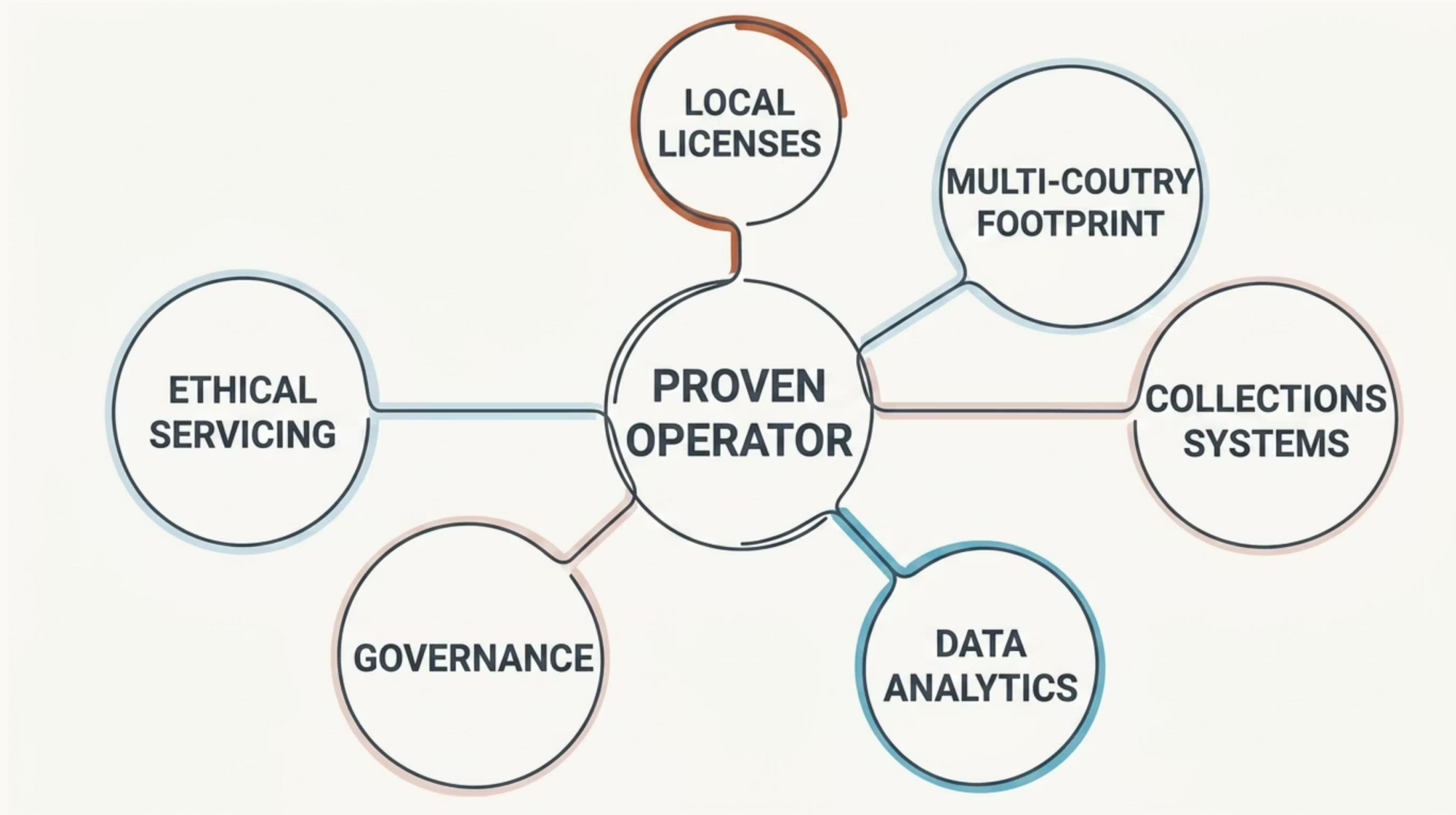
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SME Workout Vehicle

Dedicated restructuring platform for small business NPLs, preserving employment and credit access

Capital Needs Execution Partners

Investors bring capital. Operators turn it into returns. The right execution partner is the single most important variable in distressed debt performance.





SEA Distressed Debt Is Becoming an Institutional Asset Class

Countries that move early attract more private capital, stronger banks, faster credit growth, and better borrower outcomes.

More Private Capital

Early movers attract institutional allocators seeking yield

Stronger Banks

NPL resolution improves balance sheet health and lending capacity

Faster Credit Growth

Clean balance sheets enable renewed lending to consumers and SMEs

Better Borrower Outcomes

Ethical resolution preserves financial dignity and credit access

The next major distressed debt growth story may be Southeast Asia.

Key Takeaways

1 SEA offers first-mover advantage

680M+ population, rising credit, and limited institutional competition create exceptional entry conditions

3 Execution determines returns

Regional platforms with proven operators, digital capabilities, and ethical servicing outperform isolated buyers

2 Friction is the enemy of capital

Legal clarity, data access, and stable rules directly translate into higher investor bids and more capital deployed

4 Public-private models multiply impact

Governments that partner with private capital accelerate NPL resolution without bearing the full burden alone