

10th IPAF - Training Seminar

Developing Distressed Asset Markets in
Emerging Asia: Mobilizing Private Capital
for NPL Resolution

May 2026

Why This Matters

Situation today

- NPL volumes across EAP remain significant
- Banks face pressure on capital and lending capacity
- Private capital is needed to absorb and resolve distressed assets

But

- Capital is available globally
- It does not automatically flow into these markets

“Mobilization is not about availability of capital – it’s about making it investable.”

What DARP Is Supposed to Do

- Act as anchor investor
- De-risk new markets and platforms
- Mobilize third-party capital
- Support market creation and development

“In simple terms: we go first, so others can follow.”

How We Mobilize Capital (In Practice)

1. Build investable structures

- Funds (e.g. regional NPL / special sits funds)
- SPVs (portfolio-level co-investments)

2. Share risk

- Senior / junior structures
- IFC as cornerstone LP

3. Enable scale

- Bring in co-investors
- Support repeat transactions

Value Proposition for Investors (DARP)

1. Leverage and risk-sharing

- Access to structured investments (e.g. senior/junior)
- Improved risk-return profile
- More efficient capital deployment

2. Additional oversight and discipline

- Strong governance frameworks
- Investment structuring expertise
- Enhanced transparency and reporting

3. Market access and execution support

- Access to local platforms and pipelines
- Support in complex or emerging market
- Ability to scale through repeat transactions

4. ESG and E&S standards

- Implementation of robust Environmental and Social Management Systems
- Alignment with international best practices
- Increased credibility with stakeholders

Key Frictions in Mobilizing Capital

- Complexity in legal and regulatory frameworks
- Uncertainty around enforcement and recovery timelines
- Restrictions on investor participation and structures
- Lengthy transaction and approval processes

Reality:

- Increased execution risk
- Higher required returns by investors

“In distressed investing, uncertainty directly translates into pricing and investor appetite.”

Impact on Investor Behavior

- Investors become more selective

Preference for:

- Larger, more established platforms
- Markets with clearer frameworks

Outcome:

- Smaller or first-time opportunities struggle to attract capital

“Capital does not disappear – it reallocates to where execution risk is lower.”

Implications for Emerging Markets

- Slower development of secondary NPL markets
- Limited participation of international investors
- Concentration of assets within the banking system

Consequence:

- Reduced balance sheet flexibility for banks
- Slower recycling of capital into new lending

“Without efficient NPL resolution, credit growth can be constrained.”

The Role of Local Platforms

Local servicers and asset managers are critical:

- Access to portfolios
- Operational expertise
- Borrower engagement

They depend on:

- Access to capital
- Scalable investment structures
- Supportive regulatory frameworks

“Strong local platforms are essential – but they need the right environment to scale.”

What Needs to Change

1. Clear and predictable regulatory frameworks

- Transparent rules for NPL sales and transfers
- Legal certainty in enforcement and recovery
- Consistent application across institutions

2. More flexible investment structures

- Allow participation of foreign investors
- Enable SPVs and fund structures
- Reduce restrictions on capital flows and ownership

3. Streamlined processes

- Efficient approval processes for transactions
- Simplified onboarding and licensing requirements
- Reduced administrative burden

Case Example: Indonesia vs. Thailand

Indonesia

- Large and growing NPL volumes
- Strong underlying economic activity

However:

- Legal uncertainty around enforcement
- “State loss” considerations for SOE banks
- Limited secondary market activity

Result:

- Banks tend to hold NPLs longer
- Limited participation from international investors
- Transactions are more complex and slower

Thailand

- Well-established NPL market
- Clearer legal and enforcement framework
- Active participation of large AMCs (e.g. BAM, SAM)

Result:

- Regular portfolio sales
- Strong domestic investor base
- More predictable execution for investors

“The difference is not the availability of capital – but the clarity and efficiency of the market framework.”

Closing

“The opportunity to mobilize private capital is clearly there.”

“Unlocking this capital depends on clear, predictable, and efficient market frameworks.”

“With the right conditions in place, private capital can support banks, strengthen financial systems, and accelerate economic growth.”