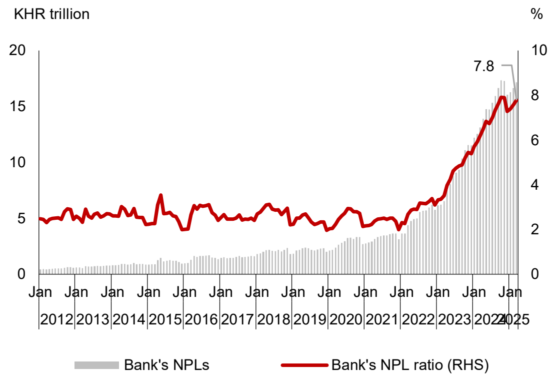
Annex 4. Exploring Policy Options for NPL Resolution in Cambodia[90]

Non-performing loans (NPLs) have risen sharply in Cambodia in recent years. While the authorities have introduced certain policy measures and banks have pursued recovery strategies on an individual basis, the continued accumulation of NPLs underscores the need for an effective NPL resolution strategy to safeguard financial stability and support economic growth. This Selected Issue explores policy options, including the potential establishment of an asset management company (AMC) and broader reforms, as well as a holistic NPL management approach, that aims to build a robust NPL resolution framework in Cambodia over the medium to long term.

Background

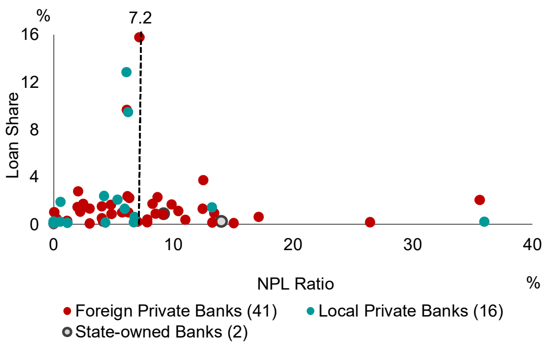
1. Cambodia's banks have experienced broad deterioration in asset quality amid a prolonged credit boom and fragmented market structure. Cambodia's sustained credit expansion over the past decade has pushed the credit-to-GDP ratio above 120 percent since 2021.[91] Banks' asset quality has deteriorated markedly in parallel, with NPLs reaching KHR17.2 trillion (approximately USD4.3 billion) and the NPL ratio rising to 7.8 percent as of March 2025 (Figure A4.1). By end-2024, 47 of 59 commercial banks reported higher NPL ratios year-on-year, including 40 that had already experienced deterioration in 2023. Notably, 21 banks—comprising 17 foreign private banks, two local private banks, and two state-owned banks—recorded NPL ratios above the sector-wide average of 7.2 percent (Figure A4.2). While large banks remain the primary contributors to aggregate NPLs,[92] nearly half of the total is distributed among smaller institutions,[93] reflecting both the fragmented nature[94] of the banking system and the broad-based weakening in asset quality.

Figure A4.1. NPL Volume and NPL Ratio



Source: National Bank of Cambodia (NBC); AMRO staff calculations
Note: The chart covers commercial banks and specialized banks.

Figure A4.2. Distribution of NPL Ratios and Loan Shares across Individual Banks (end-2024)



Source: NBC; AMRO staff calculations
Note: (i) Figures in parentheses denote the number of banks in each group; (ii) this chart includes commercial banks only; (iii) *foreign private banks* are defined as privately owned banks with foreign ownership exceeding 50 percent, while *local private banks* are those with foreign ownership of 50 percent or less; (iv) the blue circle represents institutions with NPL ratios above the sector average .

[90] Prepared by Zhan (Bella) Guo, Associate Economist.
[91] Cambodia's double-digit credit growth between 2012 and 2022 pushed the credit-to-GDP ratio from 37.2 percent to 137.1 percent. Although growth decelerated sharply to around 3-4 percent from 2023 onward, the ratio remains elevated, at above 120 percent.
[92] The top five banks with largest loan market shares accounted for 49.6 percent of total NPLs.
[93] One medium-sized bank' relatively high NPL ratio led to it accounting for a 10.1 percent share of total NPLs, but the remaining 53 banks collectively held 40.3 percent, with none individually with a share of more than 2.8 percent.
[94] Cambodia's banking sector remains highly fragmented. As of end-2024, the largest bank accounted for 15.8 percent of total loans, and the top four banks held a total share of 47.7 percent. In contrast, 47 banks each held less than a 2 percent loan market share, of which 31 enjoyed a share of under 1 percent, underscoring the limited scale of most institutions.

2. In response to rising NPLs, the National Bank of Cambodia (NBC) reintroduced a loan structuring forbearance measure in August 2024. Empirical studies suggest that a sustained buildup of NPLs can weaken bank profitability, erode capital buffers and constrain lending, ultimately heightening financial vulnerabilities and hindering economic growth (Fell et al., 2021; Caprio and Klingebiel, 1996). While banks in Cambodia have remained well-capitalized,[95] profitability has already declined significantly.[96] By year-end, deposit-taking institutions had restructured 84,434 loan accounts under the reintroduced forbearance policy totaling USD1.8 billion—equivalent to 3.0 percent of total loans, but well below the 12.6 percent recorded during the initial COVID-era forbearance in 2020. While providing short-term relief, the measure's effectiveness is limited and may introduce risks including hidden vulnerabilities and moral hazard (Table A4.1). To safeguard financial stability and ensure durable NPL resolution, Cambodia should develop a holistic and well-coordinated approach to NPL management, as discussed in the following sections.

Table A4.1. Positive Impacts, Limitations and Potential Risks of Forbearance Measure

Positive Impacts	Limitations	Potential Risks
• Eases immediate cash flow pressures for borrowers, supporting business continuity and recovery. • Helps contain a short-term surge in NPLs and allows banks to restructure loans while preserving liquidity and capital buffers.	• Allows restructuring without loan reclassification up to twice. • Measures are temporary, in effect only through end-2025. • While applicable to all borrowers, the measure can only resolve problems of going-concern borrowers faced with temporary financial distress.	• May delay the timely recognition of credit losses and obscure potential vulnerabilities. • Risks postponing the resolution of non-viable borrowers. • Potential under-provisioning and inefficient capital allocation.

Source: AMRO; NBC (2025).
Note: This forbearance measure allows banks and financial institutions (BFIs) to restructure loans in all sectors up to twice without change in classifications or additional provisioning until the end of December 2025. It also allows BFIs to move up loan classification for customers who have been fulfilling their loan obligations diligently for at least three months consecutively.

Key Challenges in Addressing NPL Resolution in Cambodia

3. Structural weakness in Cambodia's financial and legal systems has constrained effective NPL resolution. Banks face institutional capacity constraints with limited experience in managing sharp increases in NPLs despite several episodes of financial stress[97] since the 1990s. This is evidenced by recent breaches of financial covenants[98] by several major banks. Legal and judicial weaknesses—including the absence of a legal framework for NPL sales[99] and the lengthy, costly court-led insolvency procedures[100]—undermine the effectiveness of formal recovery mechanisms. Cambodia ranked 46th out of 50 economies in the World Bank's 2024 *Business Insolvency* score mainly due to its undeveloped digital infrastructure, inadequate judicial capacity, lack of specialized courts and low transparency (Table A4.2;

[95] By end-2024, the CAR and Tier 1 ratio were at 22.4 percent and 20.0 percent respectively, well above the regulatory minimum requirement of 15 percent for total capital and 11 percent for Tier 1 capital, based on risk-weighted assets. In addition, banks are required to maintain a capital conservation buffer (CCB) of 1.25 percent of risk-weighted assets.
[96] In 2024, Banks' return on assets (ROA) and return on equity (ROE) declined significantly to 0.4 percent and 0.6 percent, respectively, down from 1.0 percent and 3.4 percent in 2023, and well below 2.4 percent and 9.9 percent in 2022, reflecting narrowing interest margins, subdued credit growth, and rising provisioning costs.
[97] In 2000–2001, the sector faced instability due to weak and undercapitalized banks, leading the NBC to revoke licenses and enforce stricter capital rules, resulting in sector consolidation. During the 2008–2009 Global Financial Crisis, Cambodia avoided major disruption through prudential tightening, with no bank bailouts required. The 2019–2020 period saw reputational damage in the microfinance sector from over-indebtedness, prompting authorities to impose rate caps and introduce a code of conduct.
[98] According to **S&P**, three large Cambodian financial institutions breached NPL-related covenants on their borrowings in 2023, as the surge in NPLs eroded the buffers between their actual financial ratios and the covenant thresholds.
[99] Cambodia lacks a dedicated legal framework governing the sale of NPLs to third parties. While bilateral transactions may occur in practice, they operate in a legal grey zone, posing risks related to compliance and enforceability.
[100] Court proceedings in Cambodia are often subject to significant delays, with anecdotal evidence suggesting that cases can take up to 7-8 years to resolve, compounded by frequent changes in presiding judges. According to the World Bank's *Doing Business 2015* report, the average time required to resolve corporate insolvency in Cambodia was six years—considerably longer than the ASEAN+3 average of 2.3 years. The recovery rate stood at 14.6 percent (ASEAN+3 average: 55.8 percent), while the cost of proceedings was 18 percent of the estate's value (ASEAN+3 average: 13.4 percent).

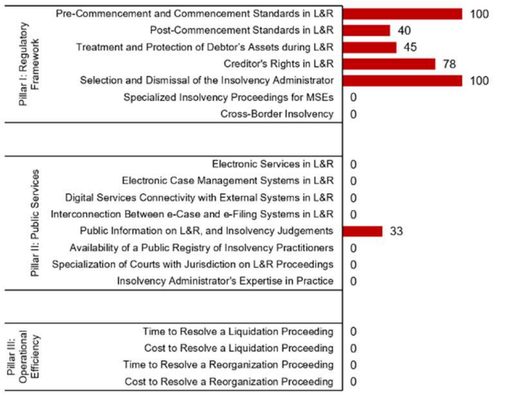
Figure A4.3[101]). These institutional and legal deficiencies have impeded the emergence of a secondary market for distressed assets, limiting market-based resolution options.

Table A4.2. Business Insolvency Scores for ASEAN+3 Economies

Economy	Pillar I: Regulatory Framework	Pillar II: Public Services	Pillar III: Operational Efficiency	Overall	Rank
Singapore	93.2	76.7	99.3	89.7	1
Indonesia	50.6	53.3	67.0	57.0	20
Vietnam	75.8	38.3	51.3	55.1	21
Hong Kong, China	65.1	26.3	49.0	46.9	27
Philippines	71.9	18.3	46.3	45.5	29
Cambodia	**55.6**	**3.3**	**0.0**	**19.6**	**46**

Source: World Bank *Business Ready 2024* Database.
Note: (1) Data for Brunei, China, Japan, Korea, Malaysia, Myanmar, and Thailand are not available. (2) The maximum possible score for each category is 100.

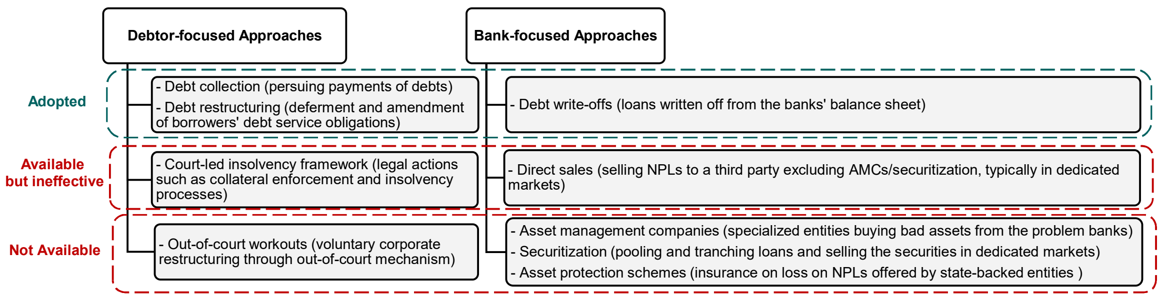
Figure A4.3. Business Insolvency Scores for Cambodia, by Sub-Category



Source: World Bank *Business Ready 2024* Database.
Note: "L&R" denotes "Liquidation and Reorganization"; "MSEs" denotes "Micro and Small Enterprises."

4. Cambodian banks therefore rely heavily on a narrow set of resolution tools. In principle, banks can deploy a wide range of strategies to address distressed assets, including "debtor-focused" approaches, aimed at enhancing repayment capacity and preserving business value; and "bank-focused" approaches, intended to remove or reduce NPLs from bank balance sheets. These tools are not mutually exclusive and are often combined and used sequentially, guided by the expected recovery outcome of each option (Baudino and Yun, 2017; World Bank, 2021). In Cambodia, however, due to institutional, legal, and market constraints, banks remain largely reliant on basic recovery measures in both approaches such as debt collection, debt restructuring and debt write-offs (Figure A4.4). Structural reforms are needed to strengthen court-led and out-of-court insolvency regimes as well as to facilitate the development of risk transfer mechanisms such as direct sales, AMCs, securitization and asset protection schemes.

Figure A4.4. Availability of NPL Resolution Tools in Cambodia



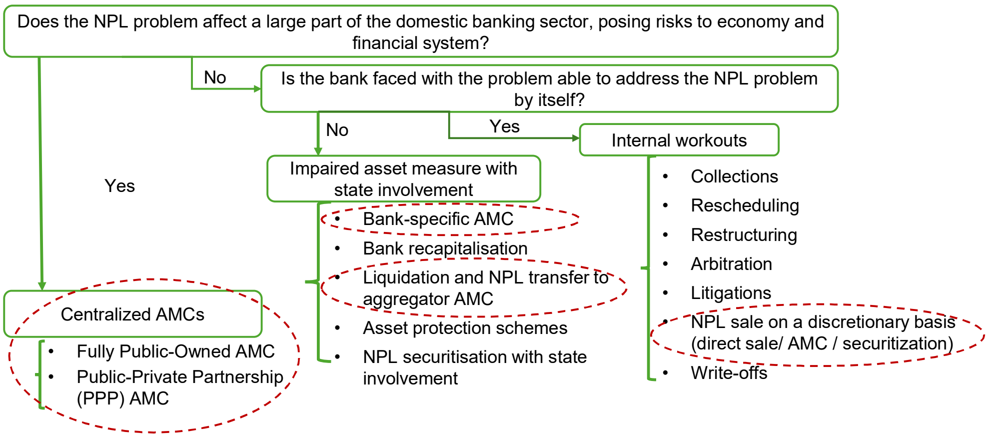
Source: AMRO staff assessment based on the analytical framework from Baudino and Yun (2017).

Policy Options for Complementing the NPL Resolution Framework

[101] The Business Insolvency Score evaluates key aspects of insolvency systems at the regulatory level, examines the institutional and operational infrastructure supporting insolvency proceedings—particularly judicial services—and assesses the overall efficiency of these proceedings across three pillars. Compared to the selected ASEAN countries, Cambodia's regulatory framework for judicial insolvency proceedings—liquidation and reorganization—is generally aligned with international standards, but its implementation is notably the weakest, in terms of the quality of institutional and operational infrastructure, and the time and cost required to resolve in-court liquidation or reorganization proceedings.

5. To complement Cambodia's limited NPL resolution toolkit, establishing an AMC can be a feasible and pragmatic option. Figure A4.5 shows various NPL resolution mechanisms and how they can be applied under different scenarios. While enhancing debtor-focused approaches—such as court-led insolvency frameworks or out-of-court workouts—requires complex and time-consuming legal and institutional reforms, introducing a dedicated legal framework for bank-focused tools would be more straightforward and achievable in the near term. Additionally, given the nascent stage that Cambodia's capital markets are in, the development of a sufficiently deep and diversified investor base to support securitization or sizable NPL direct sales is also unlikely in the short to medium term. While an asset protection scheme[102] is typically applied during acute crises to target individual banks with exceptionally high NPLs, an AMC[103] can offer a broader, sector-wide approach to NPL resolution, with greater flexibility in mandate design and use of public resources.

Figure A4.5. Tailored Strategies for NPL Resolution



Source: AMRO staff illustration based on the analytical framework from Martin et al. (2025).
Note: Red circles indicate resolution measures in which the AMC(s) can play a direct role.

6. While AMCs can offer notable benefits, they also carry certain risks and therefore require careful design and implementation.[104] AMCs have been successfully established across both advanced and emerging market economies, including nine ASEAN+3 countries[105]—most of which initially introduced public AMCs, to efficiently offload distressed assets from banks (Table A4.3; Figure A4.6[106]). AMCs can also improve financial sector transparency, restore market confidence, enhance asset recovery, and contribute to the development of secondary NPL markets. However, AMCs are not a panacea—if poorly designed or implemented, AMCs may entail significant fiscal costs, create moral hazard and weaken credit discipline. In Cambodia, success will depend on a well-calibrated approach that reflects country-specific factors, including fiscal, legal and institutional constraints.

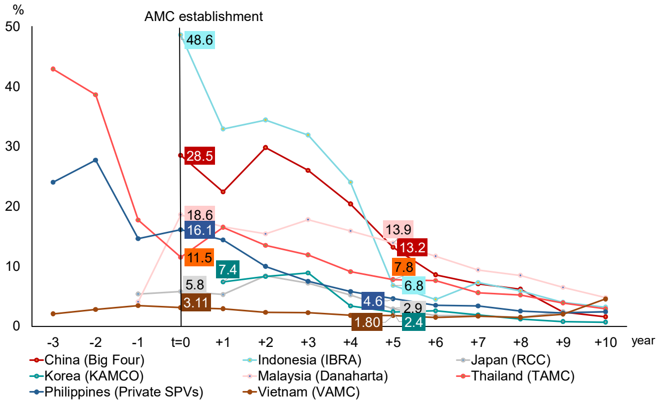
[102] According to Baudino and Yun (2017), an asset protection scheme (APS) is an insurance mechanism designed to support banks with elevated NPL levels. Under an APS, a public agency agrees to absorb a portion of losses on legacy assets in exchange for a fee. The primary objective is to sustain credit provision. APSs are typically deployed during acute phases of banking crises, when the risk of a credit crunch is heightened. They often focus on a few large domestic banks to address systemic vulnerabilities, rather than covering the entire sector. In some instances, eligible banks may opt to raise private capital instead, to avoid the potential stigma associated with APS participation.
[103] An AMC is an entity established to manage and enhance the recoveries of distressed assets removed from the banking system.
[104] See Otero-Fernández et al. (2024), Fell et al. (2021), Cerruti et al. (2019), Baudino and Yun (2017) and Fung et al. (2004) for an overview of the benefits and drawbacks of AMCs, as well as explanations of selected country experiences.
[105] Brunei Darussalam, Cambodia, Myanmar, Singapore and Hong Kong, China haven't set up AMCs specialized for NPL resolution.
[106] The AMCs presented in this chart refer to either the first or the most dominant AMCs established in each country to address the high level of NPLs. The chart shows that in all cases, NPL ratios declined following the establishment of AMCs. Indonesia, China, and the Philippines witnessed sharp reductions in NPL ratios within five years, whereas Korea, Thailand, Malaysia, Vietnam, and Japan experienced more gradual improvements.

Table A4.3. AMC Landscape in ASEAN+3 Economies

	First AMC(s)			Current Landscape	
	Set-up Background	Set-up Year	Centralized?	Public AMCs	Private AMCs
Indonesia	Asian Financial Crisis	1998	√	√	√
Korea		1997	√	√	√
Malaysia		1998	√	√	√
Thailand		2001	×	√	√
China	Domestic banking crisis	1999	×	√	√
Japan		1999	√	√	√
Vietnam		2003	√	√	√
Lao PDR	Non-systemic banking problem	2023	√	√	×
Philippines		2003	×	×	√

Source: AMRO staff compilation based on international practices and analytical literature.
Note: See Appendix A3.1 for more details.

Figure A4.6. NPL Ratio Trends Following AMC Establishment



Source: Haver Analytics; Asian Development Bank; AMRO staff calculations.
Note: "Big Four" refers to Orient, Great Wall, Cinda, Huarong Asset Management; IBRA = Indonesia Bank Restructuring Agency; RCC = Resolution and Collection Corporation; KAMCO = Korea Asset Management Corporation, Danaharta = Pengurusan Danaharta Bhd, TAMC = Thai Asset Management Company, SPVs = special purpose vehicles. VAMC = Vietnam Asset Management Company.

Key Considerations for AMC's Design and Operation

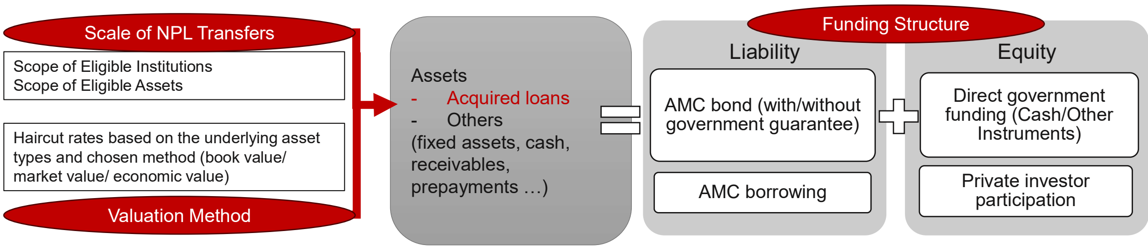
7. **Given the varied roles and design features of AMCs, the key challenge lies in establishing a model well-suited to Cambodia's specific needs and institutional context.** International experience points to several success factors for effective AMC operations, including strong political commitment, explicit government support, a supportive legal framework, efficient market infrastructure, a clear mandate, a finite lifespan, robust governance, transparency, realistic asset valuation, and timely resolution (Fung et al., 2004). Cerruti et al. (2019) further underscores the importance of commercial focus, sound governance, and comprehensive NPL management strategy, while Baudino and Yun (2017) and Otero-Fernández et al. (2024) highlight operational challenges and trade-offs across different AMC models. Drawing from these lessons, key AMC design considerations include:

- **A centralized AMC model may be more appropriate for Cambodia, given the systemic nature of NPL challenges and institutional constraints.** Unlike decentralized AMCs that are suited to bank-specific issues, a centralized AMC is better equipped to address sector-wide distress, enforce consistent resolution practices, and advocate for legal reforms. Public funding and oversight would likely be required, as the private sector generally lacks the capacity to coordinate system-wide programs.

- **A balanced public-private funding approach would help ensure financial sustainability of an AMC.** Funding needs depend on the scale of NPL purchases, asset valuation methods, and the financing structure (Figure A4.7). While the first two reflect strategic objectives, asset features, and market conditions, the funding structure mainly hinges on the availability of financing sources. Given Cambodia's track record of fiscal discipline and underdeveloped bond markets, mobilizing private capital can help reduce the fiscal burden, and promote transparency and commercial orientation.[107]

[107] According to Otero-Fernández et al. (2024), participation by private investors with expertise in distressed asset markets can strengthen transparency and accountability, and promote a commercial focus.

Figure A4.7. Key Factors Relating to the Financing Needs of AMCs



Source: AMRO staff illustration.

- **A careful selection of assets is critical to achieving the AMC's objectives and ensuring operational effectiveness.** The AMC mandate should clearly define the scope of eligible institutions and asset types. As AMCs have been seen to be effective when focused on large, collateralized loans,[108] it may be appropriate to set minimum thresholds for loan size and portfolio volume, enabling the AMC to benefit from economies of scale and leverage specialized expertise.

- **A sound valuation methodology should be developed in advance.** As noted by YCP and Confluences (2024), Cambodian banks currently face challenges in pricing transactions appropriately.[109] The real economic value approach, often regarded as a balanced and transparent methodology,[110] could serve as a benchmark. To further mitigate friction arising from asset heterogeneity, legal uncertainty, and asymmetric information, loss- or gain-sharing mechanisms[111] could also be considered.

- **Robust governance and incentive frameworks are critical to safeguard the AMC's effectiveness.** For example, the mandate should clearly define the AMC's independence, internal control, and external oversight to prevent political interference and misuse as a bailout vehicle.[112] Setting a legislative sunset clause can help reduce moral hazard and promote timely resolution.[113] To further align incentives, employment contracts can include performance-based compensation tied to asset resolution outcomes.[114]

[108] According to Fell et al. (2021), AMCs have historically been most successful when tasked with resolving real assets, typically commercial real estate and land. These assets are relatively straightforward to value and, as a result, can be managed by AMCs with relatively lean staffing. However, it remains unclear whether AMCs can efficiently manage other asset types, such as household mortgages, which involve a large number of small-sized loans and may strain operational capacity. According to Otero-Fernández et al. (2024), large, collateralized loans—particularly those linked to commercial real estate and corporate borrowers—are generally well suited for AMCs, as their recovery values are less dependent on borrower performance. In contrast, unsecured loans—whose recovery depends largely on the borrower—require in-depth borrower knowledge to maximize recovery, making originating banks better positioned to manage them. It is also important that each eligible loan meets a minimum critical size to ensure recovery process efficiency by the AMC.
[109] Due to the relative immaturity of the market, Cambodian banks face high transaction costs in sourcing investors and are under pressure to offer steep portfolio discounts, making NPL transaction negotiations particularly challenging.
[110] The real economic value approach estimates the present value of expected cash flows. Book value transfers seen in the initial AMC operations of China and Vietnam's initial AMC operations can significantly increase fiscal risks and reduce AMC effectiveness, while relying solely on deeply discounted market prices may undermine credit discipline by incentivizing strategic defaults, where borrowers seek to repurchase assets at reduced prices. See more discussion in Baudino and Yun (2017), Otero-Fernández et al. (2024) and Fell et al. (2021).
[111] Korea Asset Management Corporation (KAMCO), Pengurusan Danaharta Bhd (Danaharta), and Thai Asset Management Company (TAMC) are examples of AMCs that have implemented loss- or gain- sharing mechanisms in their operations. For more details, see Fung et al. (2004).
[112] The Mongolian Asset Realization Agency is widely regarded as a financial failure due to poor governance, weak capacity, and political interference. It was established to resolve NPLs of Mongolian banks during the 1996 banking crisis. However, political influence distorted asset sales and borrower treatment, making it a vehicle for non-transparent asset transfers. Weak oversight further allowed inefficiencies and possible corruption. As a result, it failed to recover significant value from distressed assets while fiscal costs were high. For more details, see Enoch et al. (2002).
[113] An open-ended mandate may create disincentives for staff to complete operations efficiently, especially if job security is linked to the AMC's continued existence.
[114] Baudino and Yun (2017).

8. **Following the establishment of the AMC, effective implementation and operation will remain complex.** As a first step, asset transfers should be conducted on a comprehensive basis to avoid "cherry-picking" by banks and support system-wide cleanup. While voluntary transfers offer a market-oriented approach, mandatory schemes are often more effective in overcoming banks' reluctance to recognize losses. Post acquisition, the AMC should prioritize active asset resolution[115] to maximize recovery values, with time-bound strategies tailored to the underlying NPL profile and debtor viability. To expedite resolution, the AMC could be granted special legal powers—such as to seize assets or force debtor negotiations without court approvals—as seen in other countries' experiences (Table A4.4). However, such powers should be subject to strong oversight to prevent misuse and safeguard due process. Robust governance, regular independent audits, and public disclosure of financial and operational performance are essential to ensure transparency and accountability.

Table A4.4. Selected AMC Cases in ASEAN+3

Country	AMC	Resolution Method[1]		Recovery Rate[2] (%)	Special Power	Lifespan
		Restructuring	Disposal			
Indonesia	IBRA	25	75	36	Transfer assets without borrowers' permission or seize assets without court approval	6 years (1998-2004)
Malaysia	Danaharta	54	46	60	Seize assets or appoint special administrator for borrowers without court approval	7 years (1998-2005)
Thailand	TAMC	64	36	19	Special out of court restructuring power without debtor's consent	12 years (2001-2013)
Korea	KAMCO	48	52	43	No, but it had special privileges such as tax exemption on financial transactions	Not applicable, but the recovery period is 15 years (1997-2012)

Source: Fung et al. (2004); Otero-Fernández et al. (2024); AMRO staff calculations.
Note: 1) As a percentage of resolved asset book values as of the year 2002; 2) Recovery rate = total recovery / total assets resolved at closing.

Policy Implication for Cambodia

9. **A thorough pre-establishment assessment is critical before launching an AMC.** Given the legal, institutional, and operational complexities of establishing an AMC, the authorities should conduct a comprehensive feasibility study to assess funding options, legal readiness, and institutional capacity. In parallel, granular diagnostics of the NPL stock and borrower profiles are necessary to formulate an appropriate mandate design. As emphasized by other international financial institutions,[116] the use of public AMCs should be limited to instances where systemic financial stability risks are present. In jurisdictions where such preconditions for AMC were absent—such as in Greece[117]—strong supervisory tools proved effective in reducing NPLs. Measures such as higher capital charges on NPLs and time-bound write-off requirements can incentivize banks to resolve distressed assets proactively.

10. **The successful implementation of AMC requires sustained efforts to build institutional capacity.** Over the short to medium term, a centralized, commercially oriented, hybrid-funded AMC with a clear mandate and strong governance framework can offer an

[115] AMCs are more effective when assets are actively resolved and sold without delay (Baudino and Yun, 2017).
[116] See Cerruti et al. (2019) and Otero-Fernández et al. (2024).
[117] See Cerruti et al. (2019).

effective solution for Cambodia. While such a model balances policy objectives with fiscal prudence well, early and sustained capacity building will be critical for Cambodia. In 2024, the NBC signed a Memorandum of Understanding with the KAMCO to facilitate the exchange of practical knowledge and experience in NPL resolution, providing an opportunity for relevant staff to build technical proficiency in AMC design and operations. Moving forward, the authorities should continue to engage with regional partners like KAMCO and participate in multilateral initiatives like the International Public AMC Forum (IPAF), along with technical assistance from development partners, to further strengthen institutional capacity and support the effective implementation of AMC.

11. More fundamentally, the creation of an AMC must be complemented by broader structural, legal, and regulatory reforms. The experience of successful AMCs highlights the importance of supporting reforms.[118] In Cambodia, overbanking has led to intensified competition and weaker margins, underscoring the need for policies to promote voluntary consolidation. Legal bottlenecks—including weak insolvency regimes, inefficient collateral enforcement, and unregulated asset transfers—must be addressed to support effective resolution. While building court capacity is a longer-term goal, introducing out-of-court workout mechanisms could provide a more immediate and flexible solution. Strengthening supervisory frameworks—through improved asset valuation standards, development of NPL market infrastructure,[119] and clear procedural guidance—will help underpin AMC operations and support broader market-based resolution efforts.

12. Strengthening long-term financial system resilience requires a holistic NPL management approach that integrates public and private responsibilities. While a public-led AMC can alleviate systemic pressures, banks remain responsible for early credit risk identification and timely resolution. Continued efforts to strengthen credit discipline and risk management are essential. Public policy can reinforce a conducive environment through robust prudential regulations and supervisory oversight. The NBC's plan to adopt the Cambodian International Financial Reporting Standards 9 (CIFRS 9) by end-2025—introducing forward-looking expected credit loss provisioning—marks an important step forward. Additional measures may include the stricter enforcement of NPL recognition, extensive on-site examinations, and heavier penalties for misreporting. The authorities should also collaborate to improve the legal, tax, and accounting frameworks for NPL resolution. In the longer term, as capital markets deepen, mechanisms such as securitization vehicles and electronic NPL trading platforms[120] could be considered to enhance market-based resolution.

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[118] Asian countries' success in managing NPLs cannot be ascribed to the establishment of AMCs alone. Accompanying measures have included legal and institutional arrangements and reforms to help NPL resolutions, the facilitation of NPL resolution measures such as securitization and corporate restructuring, and bank recapitalization programs. See Fell et al. (2021) and Khor et al. (2022) for country case studies on Thailand, Malaysia, Korea, Indonesia, China, and Vietnam.
[119] According to Cerruti et al. (2019) and YCP and Confluences (2024), a functional NPL ecosystem should comprise debt servicers, asset appraisers, legal advisors, credit rating agencies and institutional investors or AMCs.
[120] Such as European Data Warehouse GmbH, which is the first centralized data repository in Europe for collecting, validating, and making accessible specific loan-level data for asset-backed securities transactions.

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Appendix A4.1 AMC Landscape in Selected ASEAN+3 Economies

Economy	Asset Management Companies / Special Purpose Vehicles
Indonesia	1) The first public centralized AMC, the **Indonesian Bank Restructuring Agency (IBRA)**, was established in 1998 and dissolved in 2004. 2) The state-owned **PT Perusahaan Pengelola Aset (PPA)** was established in 2004 to manage NPLs from IBRA. PPA was transformed into Indonesia's National AMC in 2022, with a broader mandate including SOE restructuring and distressed asset management. 3) **Private AMCs** also actively participate in the NPL market in Indonesia, such as **PT Apollo Asset Management**—established in 2023 by the Heung Chang Group—as well as **foreign banks' asset management units (AMUs)**, which serve as NPL warehousing entities.
Korea	1) **Korea Asset Management Corporation (KAMCO)**, established in 1962 and restructured in 1997 to manage and resolve NPLs from Korean financial institutions, is South Korea's first and only permanent public AMC responsible for managing NPLs and distressed assets. 2) **Private AMCs** like **KOREIT Asset Management** (established in 1987), actively manage NPLs, particularly in the real estate sector. Major banks also have set up their own AMUs, such as **United Asset Management Corporation (UAMCO)**, **Daishin F&I, Hana F&I** and **Kiwoom F&I Co**, to manage NPLs. 3) **Special Purpose Vehicles**, such as the **Korea 1st International ABS Specialty Co., Ltd**, are utilized for the securitization and management of NPLs, with KAMCO serving as the master servicer.
Malaysia	1) **Danaharta**, a fully state-owned AMC, was established in 1998 during the Asian Financial Crisis to purchase NPLs from banks, manage the restructuring of distressed assets and resolve corporate debt problems. It was dissolved in 2005. 2) **Private AMCs** also actively participate in the NPL market in Malaysia. These include the likes of **Aiqon Capital** and **Southeast Asia Special Asset Management Berhad (SEASAM).**
Thailand	1) Four public AMCs—**Bangkok Commerce AMC**, **Sukhumvit AMC**, **Petchburi AMC** and **Radhanasin AMC**—were first established in 1998 during the Asian Financial Crisis to remove NPLs from state-owned commercial banks. They functioned as temporary crisis-response institutions and were dissolved in 2003. 2) **Thai Asset Management Corporation (TAMC)**, a public AMC, was established in 2001 via an emergency decree to acquire distressed assets from both public and private FIs. It ceased new acquisitions in 2003, and officially wound down operations in 2011, with full closure by 2013. 3) Since TAMC's last acquisition in 2003, two large AMCs—**Bangkok Commercial Asset Management Public Company Limited (BAM)** and **Sukhumvit Asset Management Company Limited (SAM)**—have dominated Thailand's NPL market. BAM is a listed private company with public origins, while SAM is wholly state-owned under the Bank of Thailand. 4) In addition, **several private AMCs** also actively participate in the NPL market in Thailand, such as **Alpha Capital Partners Group**, **Prime Zone Asset Management Co., Ltd**. and **Oxygen Asset Management Co., Ltd.**.
China	1) Four major public AMCs were established in 1999 to address the NPL problems of the four largest state-owned banks——**China Cinda AMC** (for the China Construction Bank), **China Huarong AMC** (for the Industrial and Commercial Bank of China), **China Great Wall AMC** (for the Agricultural Bank of China) and **China Orient AMC** (for the Bank of China). The "Big Four" state-owned AMCs dominate the NPL resolution space in China. 2) Many **local and provincial AMCs** operate too. Several **private AMCs**, such as **Fosun Asset Management** and **CITIC Asset Management Co., Ltd.**, are active players in the distressed asset market as well.
Japan	1) **Resolution and Collection Corporation (RCC)** was established in 1999 as a public AMC, succeeding the earlier Housing Loan Administration Corporation during Japan's banking crisis in the 1990s. It operated under the Deposit Insurance Corporation and acquired NPLs from both failed and solvent financial institutions. 2) **Industrial Revitalization Corporation of Japan (IRCJ)** was established in 2003. It focused on revitalizing distressed corporations by managing and restructuring NPL portfolios. IRCJ was dissolved in 2007, and its role was revived in the **Enterprise Turnaround Initiative Corporation of Japan (ETIC)** and the **Regional Economy Vitalization Corporation of Japan (REVIC)** after reorganization, which focus on SME and regional turnarounds. 3) The 1998 Servicer Law opened Japan's NPL market to licensed private "servicers". **Private AMCs** such as **ORIX Asset Management & Loan Services**, **Nomura Group**, **Fortress Investment Group**, **Lone Star Funds**, **Cerberus Capital Management**, and **Strategic Value Partners**, are active in Japan's distressed asset market.
Vietnam	1) **Debt and Asset Trading Corporation (DATC)**, a state-owned enterprise, was established in 2003 as part of Vietnam's broader strategy to restructure SOEs and resolve bad debts. DATC purchases NPLs and non-core assets from SOEs and financial institutions with a long-term debt restructuring strategy. 2) **Vietnam Asset Management Company (VAMC)** was established in 2013 as a central public AMC to offload bad debts from Vietnamese commercial banks. 3) **Bank AMCs** and **private debt trading companies** also participate in the NPL market. These include the likes of **Agribank AMC, BIDV AMC**, **VietinBank AMC, Vietcombank AMC** and **Welcome Debt Trading Company**.
Philippines	1) The Philippines does not have a single, centralized public AMC dedicated solely to NPL resolution. 2) Instead, it relies mainly on the private sector. The **SPV Act (Republic Act No. 9182)** was enacted in 2002 and expired in 2009 to help banks offload NPLs and foreclosed assets by transferring them to SPVs. Currently, active private players in the Philippines' NPL market include **local private AMCs** such as **Rizal Commercial Banking Corporation**, **BDO Unibank Asset Management and Servicing Group**, **Metrobank Asset Management Group**, **Bank of the Philippine Islands (BPI) Asset Management and Recovery Group**, **RCBC NPL SPV,** and **Metrobank SPV,** as well as global AMCs such as **Cerberus Capital Management**.
Lao PDR	The **Debt and Asset Administration Company Limited**, a state-owned entity under the supervision of the Bank of the Lao PDR, was launched in September 2023.