

NPL and distressed asset market in Vietnam

Regional foreign investors' views

November 2021

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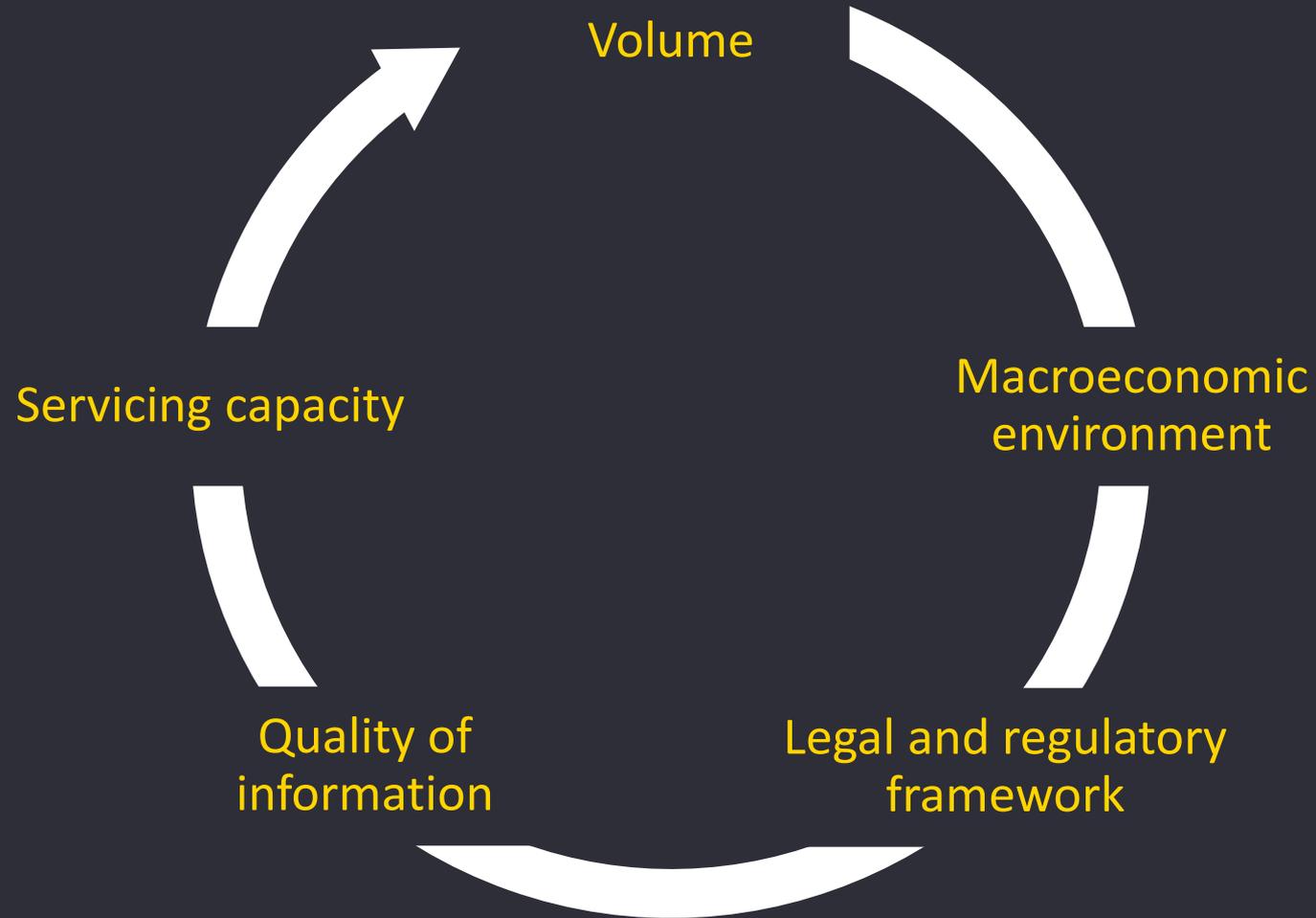
Investors' view on the Vietnam NPL market

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Pre-requisites to attract foreign investors

Attractive Markets for Investing



The experience of Korea

01 Strong Political Will to deal with the NPL issue

02 Velocity – process was established and executed upon

03 Open market transactions, foreign capital welcome (essential in reality), and rules adjusted to enable

04 Market Clearing Prices, at volume and with enough frequency to create business opportunity

05 No cherry picking of assets so only bad assets sold

06 Central AMC (KAMCO), that was fully empowered

The experience of Thailand

01 Strong Political Will to deal with the NPL issue

02 Focused on biggest challenges first. Market clearing sales of assets

03 Retail assets sold in large volume (eg vehicle loans), allowing building of servicers at scale

04 Encourage foreign participation through rules

05 Foreign Exchange access

06 Multi model approach, but all enabled

The experience of China

01 Political influence over banks' practices, including credit lending and NPL write-offs

02 Lack of an effective bankruptcy regime where the PBOC acted as a savior for troubled banks

03 Banks lacks capability to transfer assets, making it difficult to consolidate assets and stop process being disrupted by smaller lenders

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01 Issuing the discrete law that gives powers to the AMCs when appropriately licensed

02 Tightening monetary discipline, and also listing SOE banks to introduce more independent governance

03 Empowering the national AMCs to initiate NPL bulk purchases and consolidate transfers

The experience of China

01 Diversified regulatory mechanism for the AMCs, the AMCs lack capacity for DPOs

02 Lack of an unified and consistent legal framework, lack of an effective judicial system

03 Restrictions against foreign ownership of immovable properties

04 Transfer taxes disincentivized the transfer of assets to consolidate holdings or to specialist resolution vehicles

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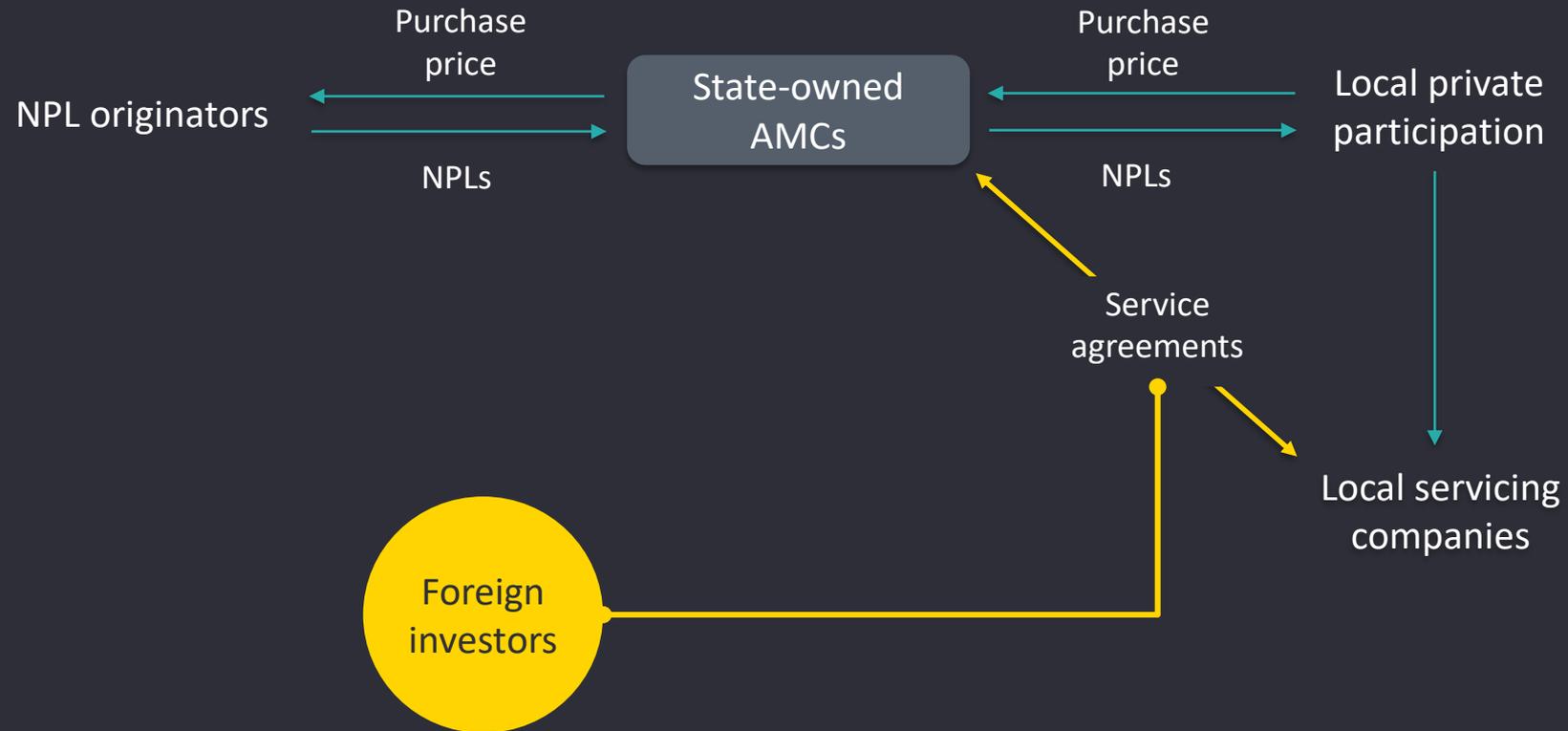
01 Issuing the discrete law that gives powers to the AMCs when appropriately licensed to negotiate DPOs and other resolution strategies

02 Introduction of bankruptcy capabilities for the AMCs to utilize to create an orderly exit for failed businesses, as well as allowing debt-for-equity swap arrangements

03 Allow foreign investors to partner with local servicing companies and having waterfall participation through the servicing arrangement

04 Issuing the discrete law that removes transfer taxes for the AMCs when appropriately licensed

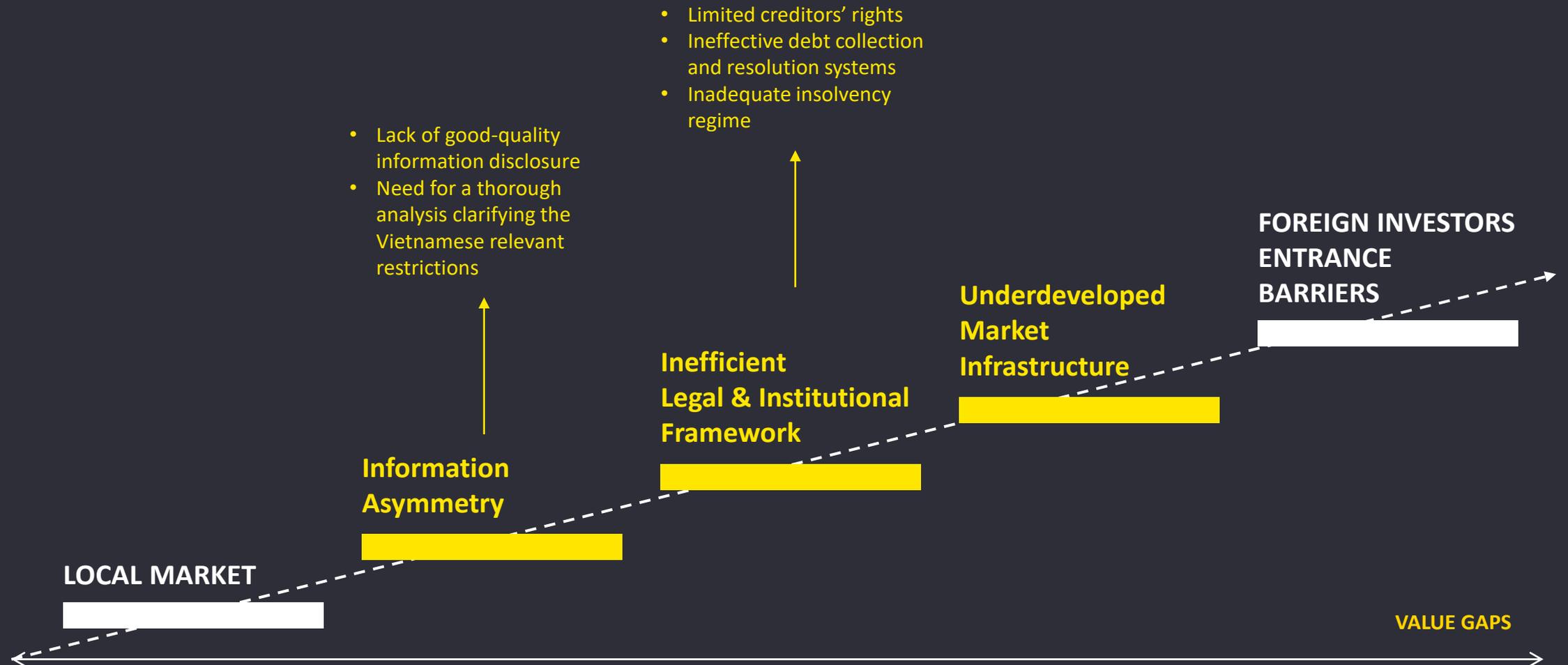
Initial foreign participation in China NPL market



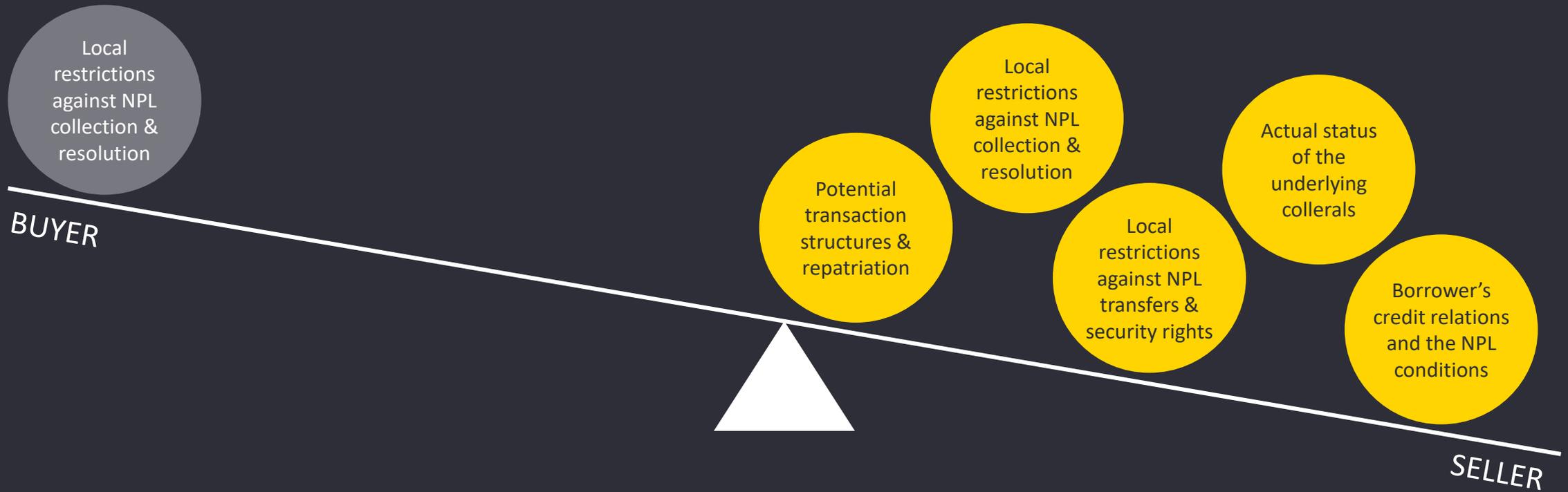


Investors' view on the Vietnam NPL market

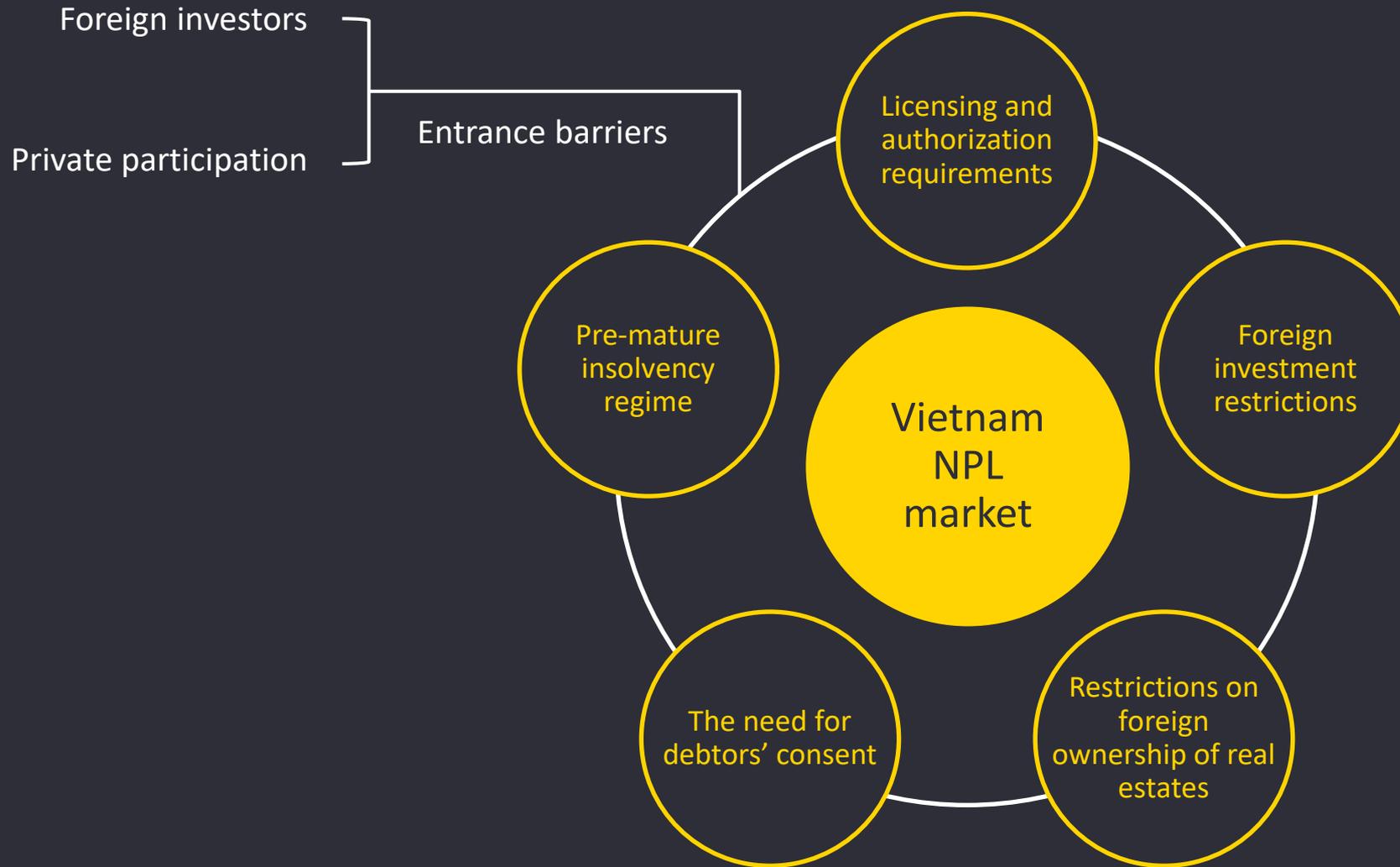
MARKET IMPEDIMENTS



Information Asymmetry



Inefficient Legal & Institutional Framework



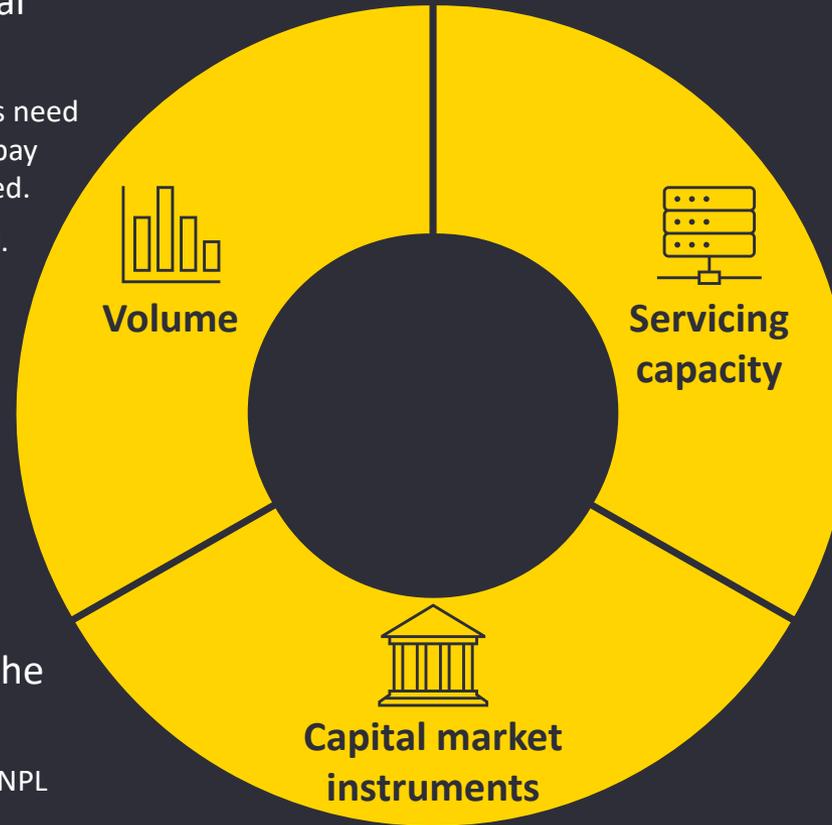
Underdeveloped Market Infrastructure

Volume is an important factor for international investors

- ▶ Foreign investors need to access a large enough market as need to invest in the infrastructure to resolve assets as well as pay for due diligence costs across multiple portfolios purchased.
- ▶ A small market volume might not meet the scale required.

Lack of capital market instruments dampens the market efficiency

- ▶ Capital market instruments enable an efficient secondary NPL market.
- ▶ Investors request clarifications on the flow of capital, potential investment structures and profit repatriation.



A robust servicing infrastructure is necessary to attract leading investors

- ▶ A track record of trades supported by sufficient data that can be used to assess investments.
- ▶ Corporate or SME distressed loans are usually a periodic event, following a prolonged and/or severe economic or financial distress in a country.

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