

Private credit in Singapore: from alternative to institutional cornerstone



Takeaways

01

Singapore private credit is now mainstream, with Singapore operating as a regional hub for cross-border origination, underwriting, documentation and enforcement planning.

02

The market is evolving through coordinated specialisation between banks and private credit, with banks optimising balance sheet capacity and distribution, while private credit providers increasingly take on more complex underwriting with risk adjusted returns, active covenant management, funding transition and leading special situation workouts.

03

Singapore's advantage is not only its credibility with robust regulatory and legal frameworks in place, but also its progressiveness in enhancing prudential standards, fund regimes and policy signals to support scale while maintaining system stability.

04

Differentiation is shifting to execution on the ground in Singapore, specifically monitoring discipline and use of AI tools, valuation governance, and downside mitigation capability across restructurings and special situations.

Introduction

Private credit is no longer peripheral in Singapore. It has become a structural feature of the financing ecosystem working alongside banks, shaped by regulation, and increasingly institutional in form.

Private credit in Singapore has moved from alternative to institutional cornerstone and positioning Singapore as a regional hub.

Singapore's private credit market has matured faster than regional peers not because banks retreated faster, but because regulation, policy and institutional capital moved in coordination rather than in sequence.

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“Singapore is becoming Asia’s risk management hub for private credit - the place where origination, underwriting, documentation, monitoring and workouts are designed to operate across borders.”

– Adrian Chan, Partner KPMG

The changing bank/private credit dynamic

Private credit is often framed as a competitor to banks, but Singapore's experience is more precise: risk is being reallocated rather than eliminated. As banks optimise balance-sheet efficiency, private credit is increasingly inheriting earlier cycle risk, covenant governance complexity and workout responsibility. This has shifted the private capital centre of gravity from capital provision to execution, monitoring and loss management. In practice, this has pushed private credit from a supplementary financing role into a system-relevant role, where outcomes are defined less by access to capital and more by the ability to govern through transition or stress.



Banks continue to anchor:



- Relationship-based senior lending.
- Transaction banking and working capital.
- Regulated, balance-sheet efficient exposures.

Private credit has expanded into:



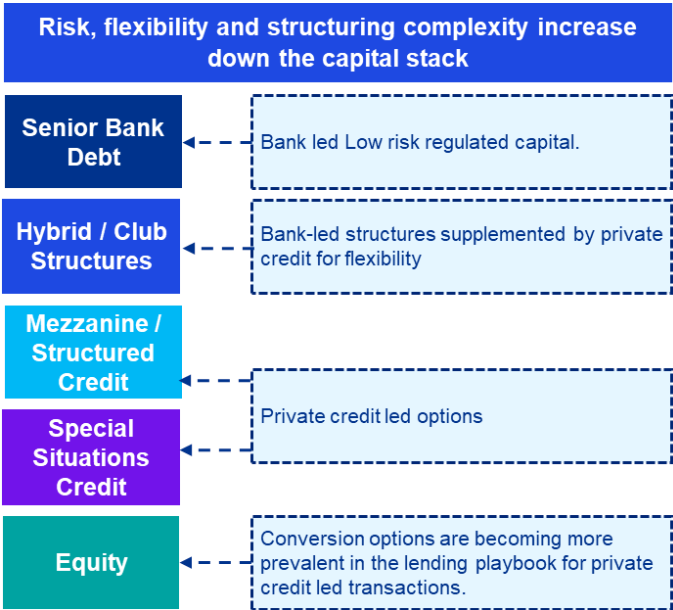
- Bespoke and structured financings.
- Higher-leverage or transitional risk.
- Non-standard collateral and covenant packages.
- Special situations and stressed capital

The shift from bank balance sheets to private credit is not risk-neutral. While banks improve capital efficiency, private credit providers increasingly inherit earlier cycle risk, governance complexity and workout responsibility, reshaping how ultimately downside outcomes are managed.

How banks and private credit interact today

In Singapore, private credit has not displaced bank lending; it has provided an alternative and absorbed risk that banks are less willing to hold, improving capital efficiency across the system. As a result, private credit is an active lending option, and providers are securing stronger positions in the capital stack, enhancing both security outcomes and borrower positioning.

The growing prevalence of conversion and equity-linked features reflects longer underwriting horizons and fewer refinancing exit options in APAC for equity exposure.



Regulation: enabler, not obstacle



Singapore's regulatory framework is central to private credit's success. The Singapore government has taken a calibrated approach, supporting private market development while reinforcing governance and system stability. The Singapore government has treated private credit as a system-relevant asset class, sequencing prudential bank tightening alongside fund-level governance and transparency reforms, rather than allowing unregulated displacement of bank balance sheets.

Strong governance is linked to stronger outcomes by supporting earlier control, more cooperative borrower behaviour and cleaner workout processes, while preserving reputation with regulators and stakeholders when credits move into stress.



Growth drivers: why the market keeps expanding

Private credit growth is being driven by structural forces, not cyclical arbitrage.

Borrower demand



- Need for certainty of execution in volatile markets
- Non-dilutive capital preferences among founders and families
- Cross-border complexity across Southeast Asia
- Mismatch between project risk and bank lending frameworks

Investor demand



- Floating-rate private-market exposure
- Lower correlation to public markets
- Reallocation of capital from US and Middle East investors seeking stability amid geopolitical and political uncertainty.
- Portfolio diversification
- Increasing sophistication of Asian institutional and private wealth

While these growth drivers are common across APAC, Singapore stands out for its connectivity as a hub for managing complex cross-border transactions. This is evidenced by the increasing number and scale of funds with their APAC headquarters based in Singapore.

As private credit institutionalises, barriers to entry rise and market concentration increases favouring managers with governance, tracking and resolution capabilities over those competing primarily on pricing.



Key trends shaping the next phase

01

Institutionalisation of the market

Private credit is shifting from opportunistic deal-by-deal capital to repeatable, programmatic strategies, with sharper underwriting discipline and governance expectations.



02

Expansion beyond sponsor-led transactions

APAC remains sponsor-light. Singapore-based private credit is increasingly funding family-owned groups, mid-market corporates and growth companies outside traditional private equity models



03

Growth in special situations capital

Delayed refinancings, stressed balance sheets, and regional fragmentation are increasing demand for bridge and rescue financing, net asset value (NAV), hybrid capital and capital supporting restructuring processes



04

AI-enabled portfolio management

Live analysis of downside risk and scenario modelling leading to more timely decision-making. This is not about automated credit decisions. It is about **augmenting judgment** in environments where information asymmetry, legal fragmentation and execution risk are elevated. AI-supported analysis is improving the ability to:

- Detect early covenant drift and cash flow pressure before formal default triggers
- Model downside scenarios across intercompany structures, jurisdictions and capital layers
- Prioritise intervention, restructurings or exits in portfolios with limited refinancing pathways



Key trends shaping the next phase:

What this means for:

Banks



- Private credit is a strategic partner, not a competitor
- Opportunity to optimise capital, distribute risk and co-originate
- Increased focus on structuring, distribution and advisory capability
- Partnership reduces balance-sheet risk but risks long-term relevance in complex credits
- Increased reliance on private credit partners with monitoring, value creation, stress-testing and workout capability, not just distribution capacity

Private credit funds



- Scale demands stronger governance and transparency
- Competitive advantage comes from local execution, not pricing
- Specialist strategies may be better positioned where managers combine sector expertise, value creation, governance discipline and workout capability
- Growth attracts capital, but weakens differentiation without execution depth
- AI-enabled monitoring will become an expectation, not a differentiator
- Competitive advantage will sit with managers who can convert early warning signals into decisive action through restructurings, amendments or exits

Corporates and sponsors



- Wider capital toolkit across the lifecycle
- More bespoke financing solutions but greater scrutiny on fundamentals
- Increased importance of lender alignment and covenant discipline
- Flexibility comes with tighter covenants and earlier scrutiny
- Greater transparency requirements and earlier lender engagement as monitoring becomes more continuous rather than event-driven

Regulators and policymakers



- Private credit is system-relevant
- Ongoing balance required between innovation and prudence
- Transparency and risk management will remain focal points
- System relevance increases without the same visibility as banks
- Increased confidence in market resilience where enhanced monitoring supports earlier intervention, without requiring bank-style supervision

Conclusion: Singapore private credit is moving up the maturity curve

- Private credit in Singapore has moved from alternative to institutional cornerstone, embedded across origination, underwriting, monitoring and workouts.
- The next phase will be defined by execution across the lifecycle, as managers take on more complex cross-border transactions and earlier-cycle risk.
- Singapore's advantage lies in its coordination across banks, private credit, regulators and institutional capital, enabling scale while maintaining system stability.
- Differentiation is shifting to monitoring discipline, covenant governance and downside mitigation capability, particularly as special situations and hybrid structures remain prominent.

Singapore will continue to operate as the regional hub for cross-border origination, structuring, documentation and enforcement — but outcomes will increasingly be determined by the ability to act early and manage downside risk at scale.

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