

IPC in China

Cooperating with Financial Institutions
for over Ten Years



Introducing Internationale Projekt Consult (IPC)



Our corporate philosophy

Focusing on the economic and environmental sustainability of projects

Supporting the development of organizational structures

Ensuring a deep and full transfer of knowledge and skills

Systematically and diligently approaching all projects

Over 35 years of project experience

IPC, a German consulting company based in Frankfurt, was founded in 1980. For over 35 years, IPC has been breaking new ground in the fields of finance and development.

Today IPC is a leading provider of advisory services to financial institutions concentrated in the fields of: micro, small, and medium-sized enterprise (MSME) finance; environmental management and energy finance; and training and skill development.

Local understanding, global impact

In all projects, IPC recognizes the importance of a deep understanding of the unique characteristics and development path of the local market.

IPC has more than 90 employees globally, all with many years of international project experience. Most live in the countries in which we implement projects and most speak the languages of those countries.

IPC technology: MSME lending that works

IPC is well-known for its MSME credit technology, which has been implemented successfully in projects around the world. MSMEs globally often lack formal documentation or collateral, making it challenging for financial institutions to assess credit risk. IPC's MSME lending technology is primarily focused on knowing your client, enabling financial institutions to collect and verify MSME client information.

IPC's MSME approach focuses on standardization, staff training, and regular client communication to reduce cost and manage operational risk, giving financial institutions the key to unlock a new and profitable client segment.



IPC presentation on green finance in China



Signing ceremony at Ma'anshan, Anhui

Previous IPC partner institutions

IPC has engaged in partnerships with a variety of leading multilateral and development institutions, including:

- China Development Bank (CDB)
- World Bank Group
- European Bank for Reconstruction and Development (EBRD)
- European Investment Bank
- KfW Development Bank (Germany)
- French Development Bank (Afd)
- Inter-American Development Bank (IDB)
- Bill and Melinda Gates Foundation (US)
- Green for Growth Fund (Luxembourg)
- Development Bank of Austria (OeEB)

IPC's global impact and strategic partners

IPC played a founding role and continues to have a strategic partnership with the following companies:



ProCredit
HOLDING

ProCredit Holding is the parent company of the ProCredit group, consisting of 13 banks in Eastern Europe, Latin America, and Germany. The group's goal is to be the "house bank" to MSMEs. IPC was the principal founder of ProCredit Holding and has played a management role in the development of all ProCredit banks. This relationship has allowed IPC's technology to be applied and continually refined in ProCredit banks around the world. IPC and ProCredit continue to benefit from the sharing of knowledge today.



ProCredit

A C A D E M Y

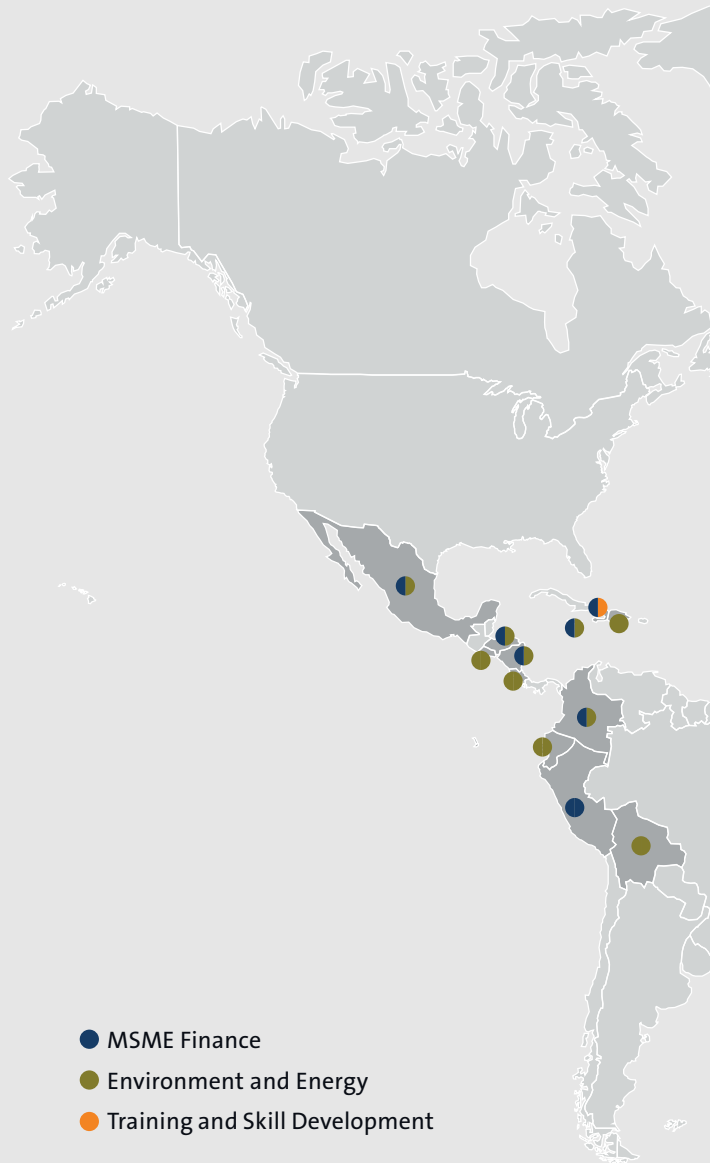
The ProCredit Academy in Germany offers professional training for managers of ProCredit banks in the areas of banking, financial analysis, business development, ethics, humanities, and environmental issues. The program also includes courses on staff management and communication skills.

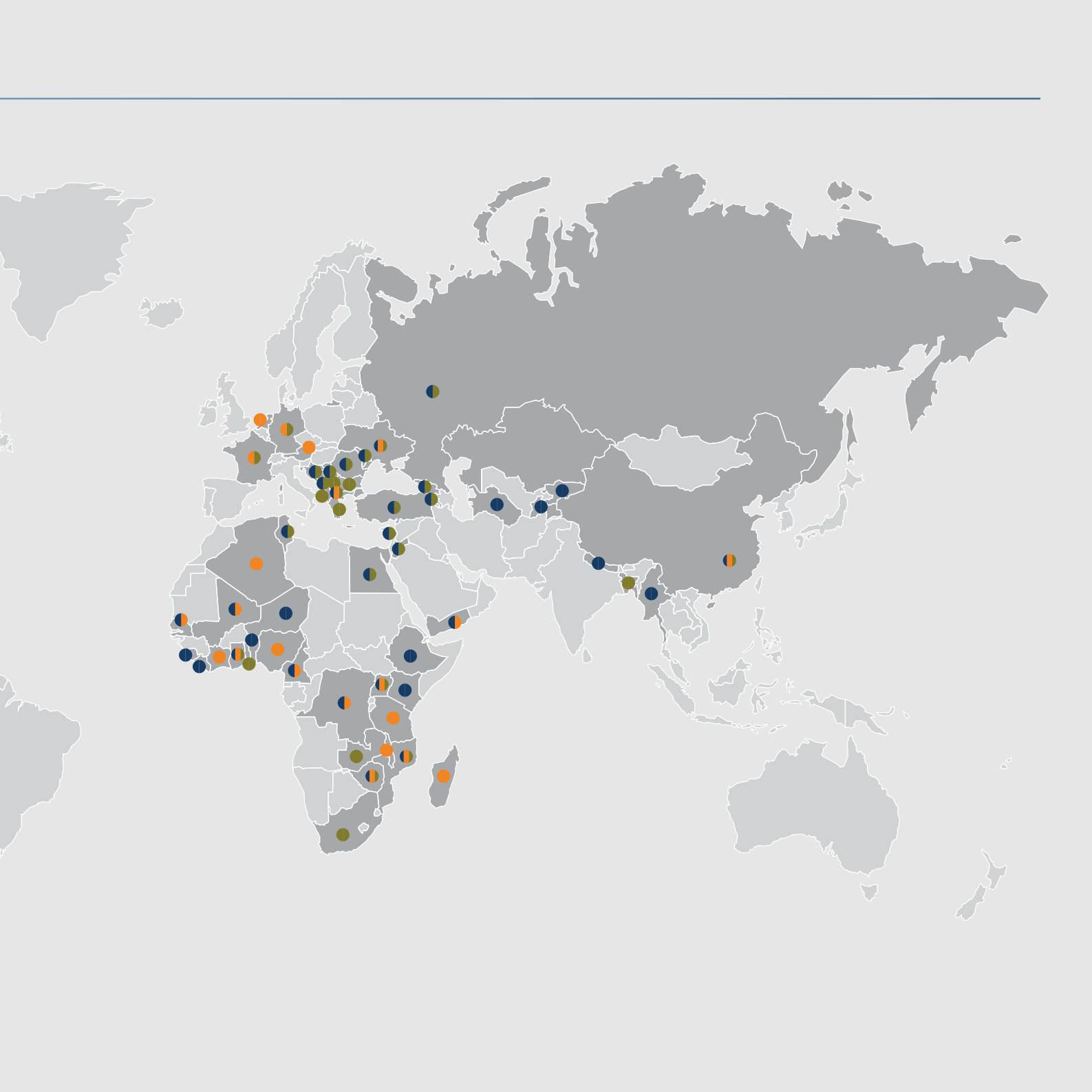


Quipu

Part of the ProCredit Group

Quipu, a subsidiary of ProCredit Holding, is an IT consultancy and software development company providing customized support services to the ProCredit group and other financial institutions.





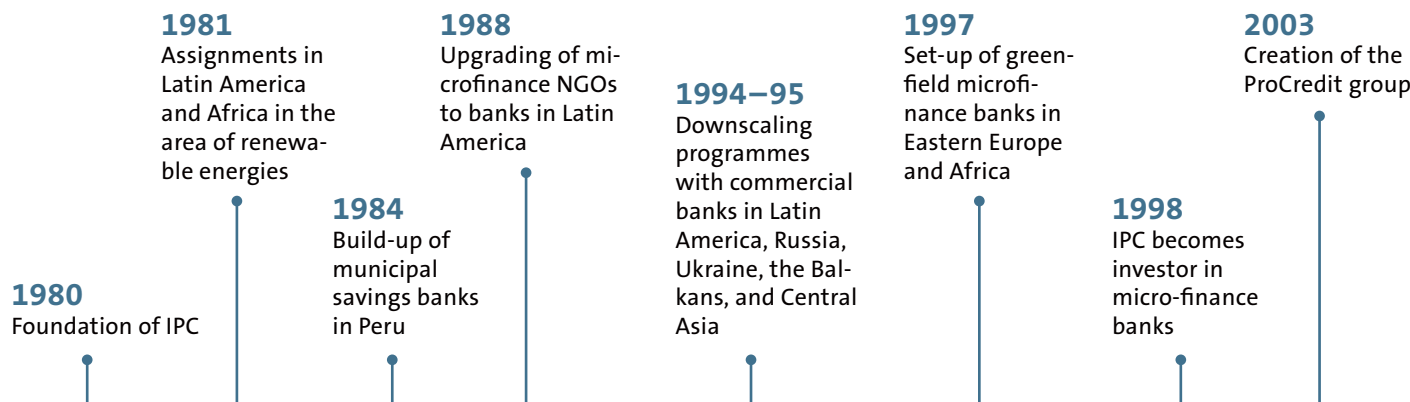
Over 35 years of consulting to financial institutions...



MSME and Agricultural Finance

We advise institutions that offer financial services to micro, small and medium-sized enterprises and agricultural businesses in a reliable and responsible manner, and on fair, affordable terms and conditions. Our primary objective is to provide these institutions with the knowledge they need to serve MSMEs in a commercially successful and responsible way.

IPC provides advisory support in the establishment of dedicated MSME lending departments, the integration of MSME lending with branch networks, the training of staff in IPC credit technology, the development of standardized products, the establishment of efficient front-office structures, risk management, and the financing of agricultural value chains.





Environment and Energy

In cooperation with financial institutions, we formulate strategies to redesign their infrastructure, business processes and services in an environmentally sound manner.

We develop instruments for private and business clients which can be used to finance measures aimed at raising energy efficiency, enabling the use of renewable energy resources and protecting the environment.

Training and Skill Development

We advise financial institutions and educational institutions on the development and implementation of vocational training programmes.

We also support financial institutions planning to offer education finance products (e.g. educational loans) as a means of diversifying into new market segments.

2004

Management services agreements with the ProCredit group

2005

Downscaling programme in China with 12 partner banks

2008

Support in build-up of ProCredit academies, continuous teaching
Introduction of energy efficiency and renewable energy finance projects
Direct consultancy to Chinese commercial banks

2011

Implementation of EMS and green lending at ProCredit banks worldwide
Creation of IPC subsidiary in Beijing

2013

Implementation of education finance concepts
Set-up, management and support to education providers

2015

Co-founding of a training centre for financial inclusion in Anhui province, China
Implementation of first green finance project at rural commercial bank in China

Over ten years of project experience throughout China...

2004 - 2005

IPC explores possibility to enter China with two feasibility studies about commercial cash-flow based lending operations in Chinese commercial banks.

2005 - 2008

On behalf of the China Development Bank, IPC implements the China Development Bank Microfinance Project (CMFP) sponsored by the World Bank and KfW.

During this time, IPC implements cash-flow based MSE lending in 12 city commercial banks and rural financial institutions.

2009 - Today

From 2009 until today, IPC continually engages in long-term projects and studies in China, working with 20 small- and medium-sized commercial banks and 3 non-bank financial institutions.

In 2011, IPC registers a wholly-owned foreign enterprise (WOFE) in Beijing.

In 2015, IPC co-founds a training centre for inclusive finance in Anhui province focused on providing vocational trainings to financial institution management, cashiers, and client relationship managers.

Also in 2015, IPC implements the first green finance project at a rural commercial bank in China.

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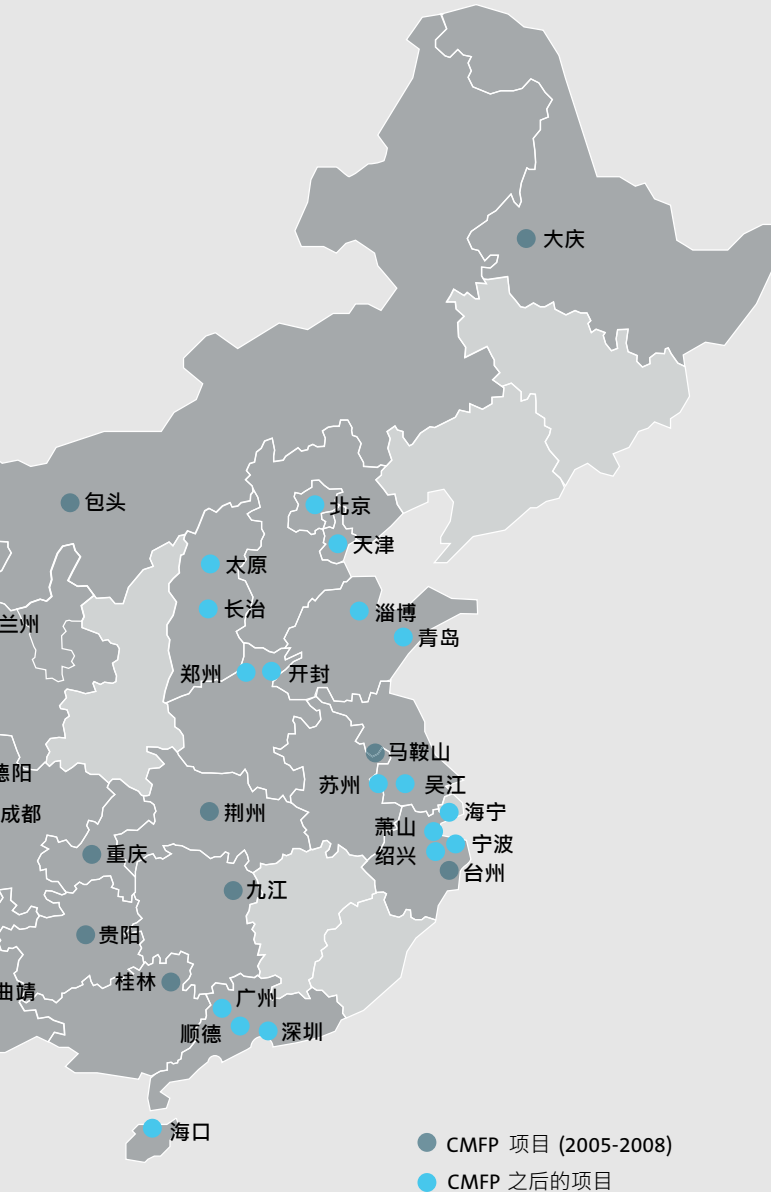
Chinese financial institutions have established MSME lending with IPC support

50

projects implemented by IPC since 2005 in China

...with a variety of financial institutions

Some previous partners include:



What IPC offers in China today...



MSME and Agricultural Finance Projects

MSE Technology Implementation Project

Introduces IPC credit technology at a financial institution:

- Building a framework within in the institution (often a department or profit centre)
- Market research to better understand current demand and supply for MSE finance
- Designing standardized products and procedures best balancing the financial needs of MSEs with the risk management principles of the financial institution
- Diagnostics of financial institution's IT system Objective
- Unbiased recruitment of personnel
- Intensive theoretical and on-the-job training of MSE personnel
- Development of a healthy and sustainable MSE loan portfolio
- Active operational and credit risk management
- Establishing internal control/audit functionality
- Coaching in preventing and managing arrears

Typical Project Duration: 6-18 months

Number of On-site Experts: 2-4

Building SME Capacity

Two approaches depending on financial institution client:

- Building a sustainable SME department with dedicated SME account managers and risk analysts

- Improving credit risk management within the existing business structure by building up centralised SME-specific risk analyst capacities, while utilizing the existing capacities of the institution's client managers

Regardless of approach, each SME project includes:

- Implementation of a loan application categorisation system to determine financial analysis approach
- Construction of tailored lending products including credit lines, overdrafts, and credit frameworks
- Training of SME risk analysts and account managers
- Provision of SME-related strategic and management consulting to financial institutions during project

Typical Project Duration: 12-24 months

Number of On-site Experts: 3

Targeting Agricultural Lending

- Generally a similar approach to MSME lending, including analysis of agricultural value chains; development of sector-specific maps; and agro risk mitigation measures.

Typical Project Duration: 4-12 months

Number of On-site Experts: 1-3



Green Finance Projects

Green Finance Projects

With over eight years of practical experience in green finance, engaging in over 80 green finance-related projects with financial institutions around the world, IPC empowers Chinese financial institutions to take advantage of China's rapidly changing green regulatory and policy framework.

The following activities are included in any IPC standard green finance project:

- Developing green loans and building a green loan portfolio
- Helping financial institutions manage the risks in their portfolios via environmental and social risk assessment tools
- Working with financial institutions to build a strong internal environmental management system
- Training and increasing the environmental awareness of financial institution staff
- Preparing financial institutions to achieve international and domestic recognition through certification by external parties (such as ISO 14001:2015 certification)

Typical Project Duration: 12 months

Number of On-site Experts: 3

At the same time, IPC may implement individual or selected activities listed above with a financial institution based on the specific and actual needs of that institution.



Training and Skills Development Services

Building Knowledge and Developing Skills

Well-trained staff members are key for the success of every company and institution. IPC has amassed extensive experience in the transfer of technical expertise and interpersonal skills through the training of a large number of financial institution employees at all levels within the framework of our consulting assignments worldwide.

Based on this experience, in China, IPC facilitates knowledge and skills development by offering the following services or project types:

- Building and managing financial training centres
- Organising international learning trips for financial institution management
- Providing customised training courses to financial institutions
- Advisory on HR and staff development for financial institutions

Previous IPC international learning trips have focused on topics such as: building and managing a financial training centre, best practices in MSME lending, middle management training, and using technology and automation to improve service provision at financial institutions. Learning trip visits may include: IPC's German headquarters, ProCredit banks and academies, the European Central Bank, vocational training institutions, leading business schools, and cultural sites.



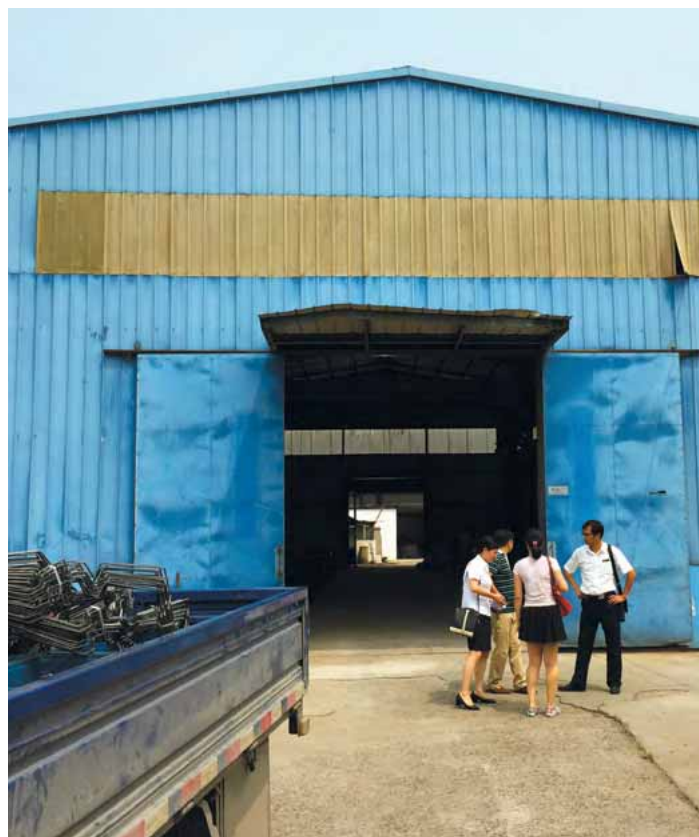
What does IPC offer?

A typical IPC MSE lending project contains the following components:

- Strategy and management consulting
- MSME-lending policy and procedure
- Market research
- Product design
- IT diagnostics and development
- Selection and (re)training of staff
- MSME portfolio development and growth
- Handling arrears
- Internal control training

How does it benefit financial institutions?

- Builds a functional MSE finance head office and branch structure, which enables **standardised and systematic management**
- Develops a healthy and diversified MSE **loan portfolio**
- Trains a team of **specialised, well-trained lending staff** with strong financial analysis skills and risk awareness
- Implements risk assessment techniques targeted at MSE clients, who lack adequate security or documentation, thus expanding **market opportunities**



FOCUS: The IPC Financial Analysis

Most MSE clients do not have complete, systematic records.

The IPC approach uses financial institution staff and IT solutions to collect, verify, and analyse information about MSE clients.

After a complete financial analysis that cross-checks clients' data, financial institutions are able to gain clearer insight (including financial statements) on this opaque client segment.



What does IPC offer?

A typical IPC green finance lending project contains the following components:

- Green product and procedure design
- Energy usage monitoring platform
- Green client assessment tool
- Environmental and social risk tools
- Staff awareness building and training
- Green loan portfolio development
- Preparation for external certification (ISO 14001)

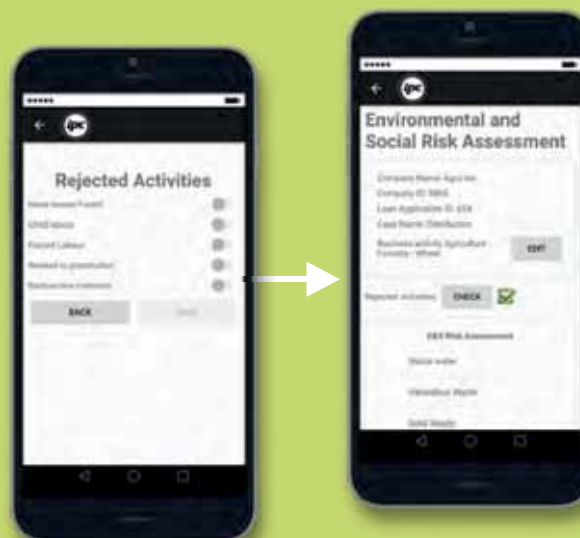
How does it benefit financial institutions?

- Enables institutions to open up **new markets and clients by identifying and targeting green loans** in different sectors
- Enables institutions to monitor and **lower internal costs and wastage** through the introduction of an internal environmental management system
- Enables institutions to **assess potential environmental and social risks** of client businesses through the construction of a risk appraisal application and system
- Enables institutions to **receive international and domestic recognition** through external party certification and being a trendsetter in green finance



FOCUS: E&S Risk Assessment App

IPC offers a mobile solution to help assess and monitor environmental and social risks





What does IPC offer?

More and more training institutions have begun to realise that investing in training and skill development has a significant impact on their competitiveness in the market.

Based on its experiences with the ProCredit Academies and in building training centres worldwide, IPC works with partners each step of the way to ensure the development of an international-standard training center.

Steps for setting up and managing training centres:

1. Analysing training needs
2. Designing a targeted business plan
3. Assessing and selecting training partners
4. Designing all necessary systems and setting high training standards
5. Selecting and training staff, including a qualified pool of trainers
6. Developing curricula, training programs and contents
7. Setting up best-practice quality management systems

Customised training courses for financial institutions

In addition to building training centres, IPC provides customised training courses to financial institution staff either at training centres or on-site. Trainings vary from those focused on core banking skills to those focused on soft or management-related skills.

Selected training areas include:

- Credit cycle training for credit staff (marketing, financial analysis, credit decision-making, handling arrears)



- Cashier training
- Agricultural lending trainings
- Internal control/risk management
- Communication skills
- Management skills training for future managers or middle managers (includes an objective evaluation and assessment of the abilities of managers)

FOCUS: Ma'anshan Chinese-German Vocational Training School for Inclusive Finance (CGSIF)

IPC co-founded and co-invested in the CGSIF in 2015. The CGSIF is a licensed training entity, providing high-quality training courses to the middle management, loan officers, and cashiers of Chinese banks.

CGSIF curriculum combines the best of local Chinese banking knowledge with IPC technology, with a heavy focus on “learning by doing.” In 2016, over 1,600 participants were trained at CGSIF through more than 60 trainings.

What makes IPC unique?



1. Global Experience and Learning

- IPC's 35 years of experience globally and over ten years of experience in China, as well as its partnerships with ProCredit and Quipu, give it global experience and local market knowledge
- IPC clients benefit from experienced staff that have worked in a variety of international contexts
- IPC clients benefit from the potential for international learning trips and knowledge sharing



2. Deep Understanding of Banking Business and Risk Control

- Based on successful implementation and suitability for the market, IPC's cash flow-based lending technology approach is today regarded as the standard MSME technology in China
- Although IPC technology is well-known for its focus on understanding MSME client cash flows, the core of IPC technology is focused on understanding banking clients businesses in a deeper way, allowing financial institutions to better serve clients and better manage risk



3. Emphasis on Meeting Financial Institutions' Long-Term Needs

- IPC judges the success of a project not only on financial results or the loan portfolio generated at a financial institution, but also on the institutional capacity developed with its partners
- In its projects, IPC emphasises the training of staff, recognizing that the motivation and skills of people are a critical differentiator and competitive advantage at stronger financial institutions
- IPC projects help to build a platform for financial institutions to develop in a variety of directions



4. Focus on Economic and Environmental Sustainability

- Through all of its projects IPC focuses on long-term economic and environmental sustainability
- IPC's leadership in the field of green finance allows financial institutions to take a leading role today in a rapidly developing field

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