



COVID-19 crisis management support

IPC's services to financial institutions
addressing the COVID-19 pandemic

www.ipcgmbh.com

COVID-19 and the financial sector

The global COVID-19 pandemic is **ravaging economies and societies** across the globe, having a **multifaceted impact**. The global financial sector **will be severely affected** by the COVID-19 pandemic, facing a variety of **challenges and risks**:



Health and safety

Ensuring the health and safety of clients and staff is paramount but challenging in ever-changing contexts and limited information



Portfolio quality deterioration

Clients are increasingly unable to repay and NPLs rise due to economic slowdowns / shutdowns which impact supply and demand



Digital system strain

Financial institutions must rely on digital systems more for info and communication, creating strain and exposing weaknesses



Operational challenges

Closures, movement restrictions, and distancing create significant operational challenges and increase operational risk



Liquidity

Falling revenues, increased provisioning, stagnant expenses, and refinancing challenges make liquidity a KEY risk



Staff role changes

Ill or unavailable staff, as well as priority changes (e.g., from sales to restructuring), mean staff must take on less-familiar roles



Communications

Proactive, targeted, and on-key communication with both internal and external stakeholders is critical



Currency risk

Many financial institutions (and clients) in emerging markets face significant currency mismatches and are exposed to volatility



Third party reliance

Financial institutions are increasingly reliant on third parties (e.g., IT, security, health supplies, logistics) with less option to switch



Forecasting uncertainty

Conducting scenario analyses and forecasting becomes next-to-impossible due to the “fog of war” or incredible uncertainty



Interest rates and easing

Interest rates have fallen significantly, creating potential interest rate risk (and future inflation risk)



Regulatory changes

Regulatory and policy changes are incredibly rapid (e.g., repayment holidays, tax changes, withdrawal limits, reserve requirements, etc.)

Financial institutions must adapt and plan ahead

Financial institutions **must proactively prepare for the potentially protracted nature of the crisis**, safeguarding themselves by identifying, prioritising, and addressing immediate, but also longer-term, challenges.

Financial institutions “behind the curve” risk losing **liquidity, reputation, market share, and—ultimately—solvency**.

Financial institution needs by crisis phase



In order to support financial institutions during the ongoing crisis, IPC offers **targeted technical assistance delivered by local and international experts**, assisting financial institutions in managing the COVID-19 crisis.

IPC at a glance



Year of establishment: 1980
Domicile: Frankfurt, Germany
Managing directors: Dirk Haböck, Dörte Weidig, Ulrich Weber

<u>Staff</u>	<u>Local presence</u>	<u>Projects (2019)</u>	<u>Training centres</u>
80	19 countries	105 projects	3 centres

IPC is a **financial sector consulting firm** that works for a more inclusive and sustainable world by ensuring that businesses and individuals have access to fitting financial services.

We partner with development banks, financial institutions, impact investors, investment funds, and multinational companies, providing **cutting-edge advisory and analytical services** tailored to local contexts and the specific needs of our clients.

IPC's team of managers and experts have extensive experience in **managing banks and MSME finance projects during times of crisis.**

Current and previous IPC clients

World Bank Group (WBG)

European Bank for Reconstruction and Development (EBRD)

European Investment Bank (EIB)

KfW

Agence Française de Développement (AFD)

Global Climate Partnership Fund (GCPF)

Green for Growth Fund (GGF)

Mastercard Foundation

Equity Bank

Organisation for Economic Co-operation and Development (OECD)

African Development Bank (ADB)

SANAD

Baobab

Neumann Kaffee Gruppe

East African Development Bank (EADB)

IPC strengths as a crisis management partner

Hands-on crisis management experience at banks

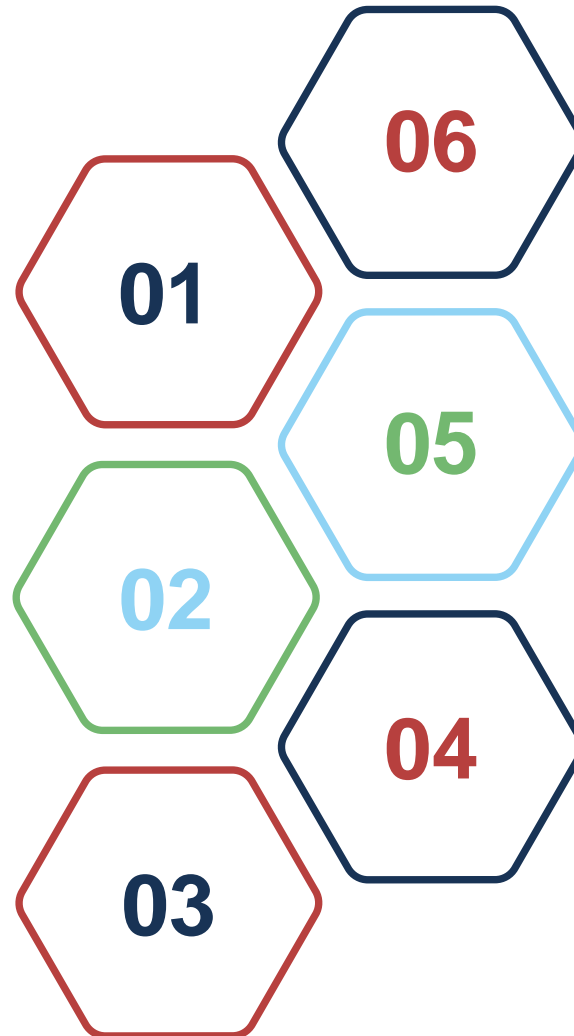
IPC's team of experts have hands-on and practical experience in managing financial institutions through crises, forged in part from founding and managing ProCredit banks in challenging markets across the globe

Effective crisis management methodology

IPC has developed an effective and proven crisis management approach that is relevant and adaptable for the COVID-19 crisis

On-the-ground capacity

IPC has a global team of local staff and expert networks that are available to provide in-country support to financial institutions—all of whom are supported remotely by international technical experts



Focus on MSME clientele

IPC's background with and focus on the MSME segment position it uniquely to provide targeted advice about working with and collecting from MSME businesses during crisis

Experience working with diversity of financial institutions

IPC has targeted crisis management approaches based on the type of financial institution, recognising that the needs of regulated commercial banks, microfinance institutions, and asset finance companies significantly differ

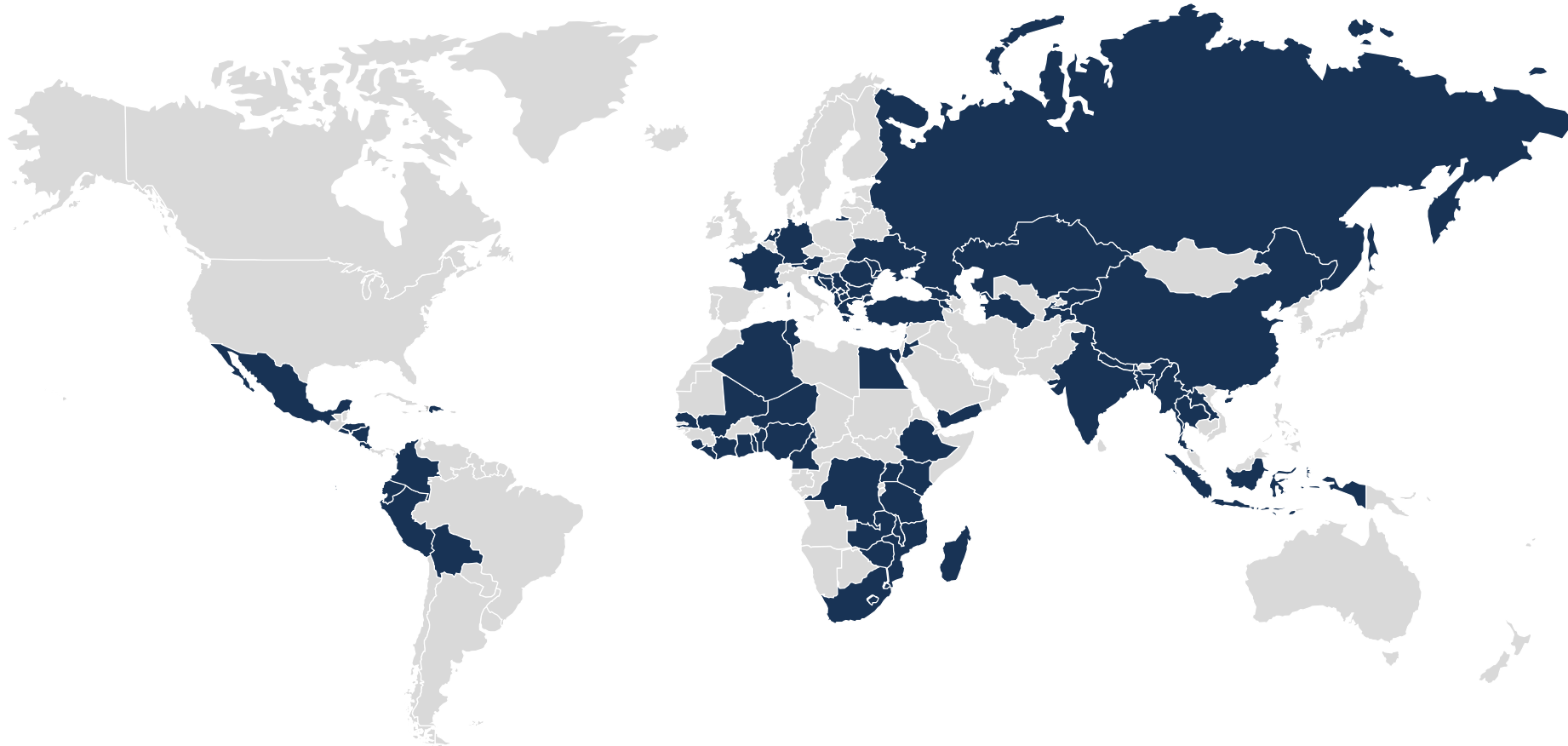
Practical and actionable advice

During times of crisis, time and bandwidth are limited, and IPC's consulting is focused on providing clear, tangible, and actionable advice to financial institutions steering their way through the pandemic

IPC's global presence

With 80 full-time staff in 19 countries (and strong local networks in others), IPC has a local presence across the globe.

IPC project countries



IPC has full-time experts in the following cities:

FRANKFURT | SARAJEVO | KYIV | MOSCOW | YEREVAN | TBLISI | TASHKENT | ULANBAATAR | BEIJING | YANGON | BANGALORE
NAIROBI | KIGALI | ENTEBBE | KINSHASA | ACCRA | MAPUTO | CASABLANCA | TUNIS

Providing both on-the-ground and remote solutions

IPC recognises that current **travel restrictions and health guidelines** makes the traditional (on-site) provision of technical support challenging.

IPC is **well-prepared** to meet the needs of financial institutions during the COVID-19 crisis by both providing **on-ground expertise and remote technical support**.



Providing technical support remotely

IPC experts use various digital technologies to **provide coaching and consulting remotely**, particularly as financial institutions in many markets are already employing “distancing” approaches during the pandemic.

For more centralised approaches, tools such as handbooks, webinars, online resources, exchange platforms, etc. can be easily developed/customised in the provision of technical support.

IPC also has experience in establishing **knowledge sharing platforms** that serve as hubs for learning, communication, and exchange.



Maximising local, on-the-ground expertise

IPC has a deep roster of local experts that can **support local financial institutions in-country**, on-site, in (potentially smaller) meetings with financial institution staff, or through local communication networks, as conditions allow.

IPC has **permanent local staff** in the following regions and countries that are ready to be deployed to support crisis management projects.

Central Asia: Kazakhstan, Kyrgyzstan, Uzbekistan

East / Southeast Asia: China, India, Mongolia, Myanmar

Eastern Europe / Caucasus: Armenia, Georgia, Ukraine, Western Balkans

Middle East / North Africa: Lebanon, Morocco, Tunisia

Sub-Saharan Africa: DR Congo, Ghana, Kenya, Uganda, Others

Note IPC can **quickly mobilise expertise in the above locations** depending on specified needs. Senior international experts in the specific fields of expertise required will further support all local experts as necessary (e.g., communications, portfolio management, NPL resolution, MIS).

A customised approach based on financial institution needs

IPC has targeted crisis management approaches based on the type of financial institution, recognising their unique needs differ.



Commercial banks

Regulated commercial banks with MSME lending as a significant part of the portfolio



MSME banks and large-scale MFIs

Banks and large-scale microfinance institutions (e.g., deposit-taking or regulated MFIs) with a core focus on MSMEs



MFIs

Microfinance companies or institutions that have a strong social focus as a core component of their mission



Asset finance or management companies

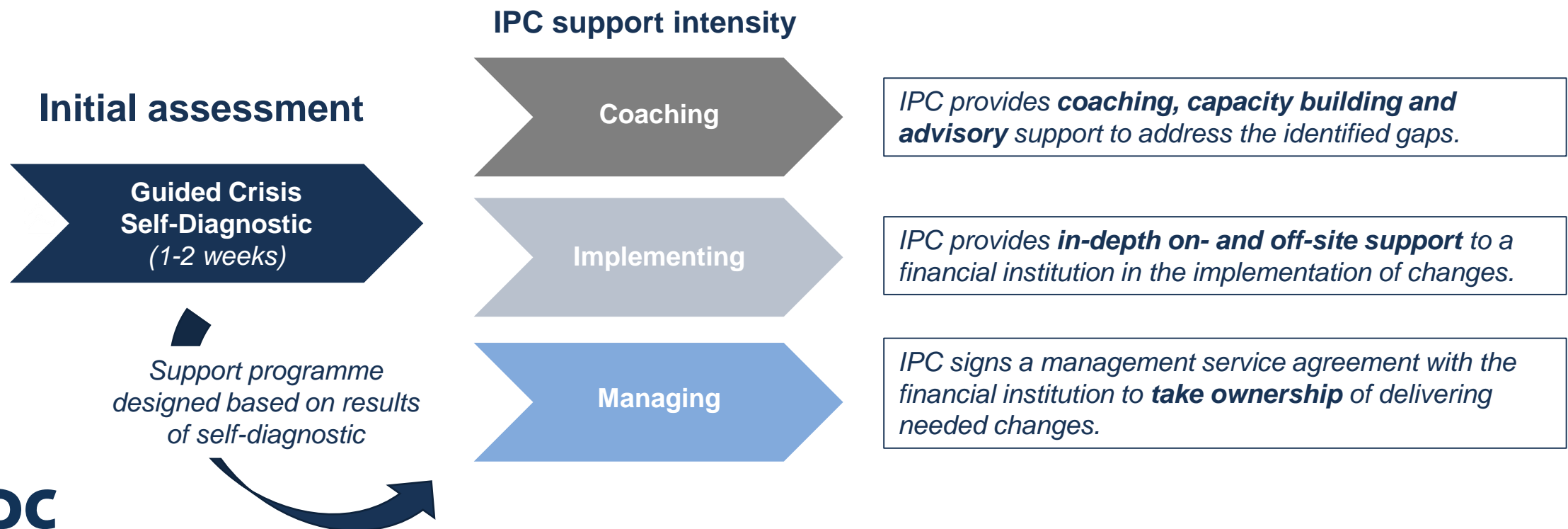
Companies engaged in the financing (and sometimes production) of assets geared towards MSME or households (e.g., PAYGo companies)

Targeted solutions based on identified needs

In order to fully target any support to the actual needs of a financial institution, IPC first proposes conducting a **crisis management self-diagnostic**. The self-assessment tool is completed by a financial institution, under the guidance of IPC experts as needed, typically over a period of 1-2 weeks (depending on the complexity of the institution).

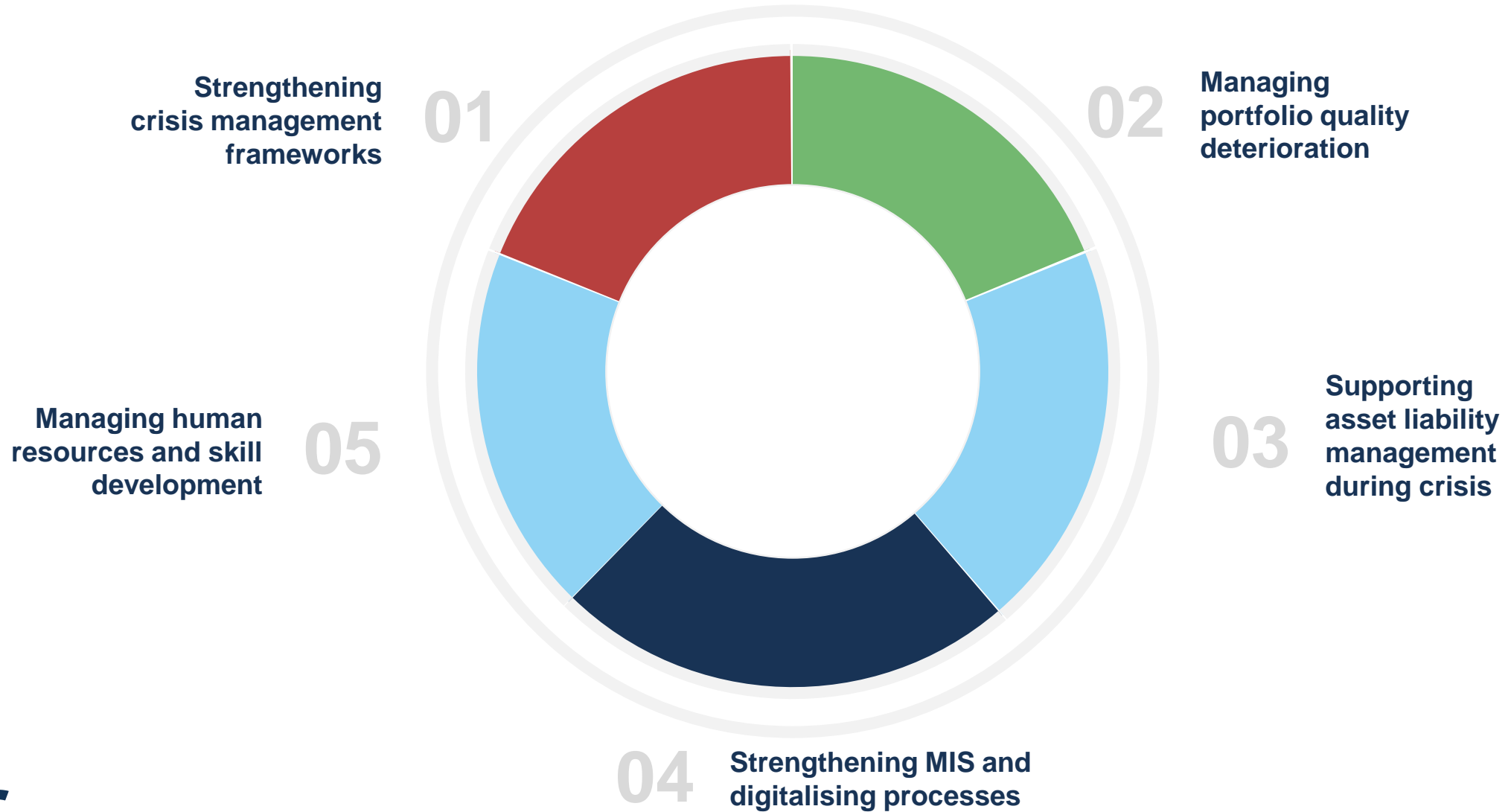
Following the self-assessment, a support programme will be designed to **quickly and pragmatically address the issues** self-identified.

IPC provides **three levels of support** to institutions, based on the level of effort required.



Areas of support

IPC helps financial institutions identify vulnerabilities and take appropriate measures in the following technical support areas.



IPC areas of technical support

Crisis management frameworks

IPC works with financial institutions to **create or enhance crisis management teams (CMT)** comprising a broad cross-section of staff with vital expertise to manage the adverse effects of the pandemic. The CMT serves as a “nerve centre” and steers the financial institution through the pandemic, monitoring and adapting the approach as necessary.

01

Portfolio quality management

IPC helps financial institutions manage the inevitable deterioration in portfolio quality resulting from the COVID-19 crisis. IPC’s work includes defining warning indicators, **segmenting the portfolio by repayment risk, setting up active client management strategies**, improving restructuring and collections, providing staff training, and adapting incentive schemes.

02

Asset liability management

IPC works with financial institutions to manage the liquidity squeeze and currency issues arising from the crisis. IPC **provides tools that enable financial institutions to better monitor and stress test potential scenarios**—as well as coaching to Finance and Treasury staff at financial institutions throughout the crisis.

03

MIS and digitalisation

IPC works with financial institutions to ensure that their MIS systems are **secure and providing the mission-critical data** necessary to steer the institution through the COVID-19 pandemic. IPC can also assist in mapping current operational processes, exploring potential to increase efficiency and reduce risk by **digitalisation**.

04

HR and skill development

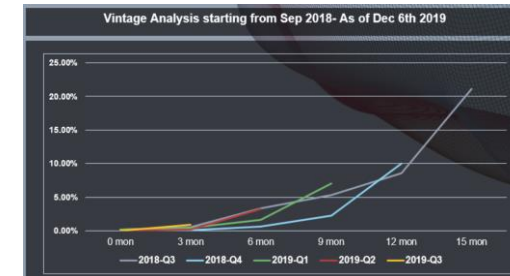
IPC works with financial institutions to address **personnel management challenges**, including: reorganising staffing structures, adapting staff profiles, adjusting incentive schemes, institutionalising digital communication and training channels, and retraining staff to take on new functions or back up critical functions.

05

Spotlight on: IPC’s credit monitoring toolkit

IPC offers a credit monitoring toolkit to financial institutions that allows them to generate insights into their portfolios:

- Portfolio quality dashboards
- Key risk indicator / early warning indicator tracking
- Credit vintage analysis graphs
- Migration analysis
- Liquidity projections
- Basic scenario analysis



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