Consulting is our art...
Since its inception in 2003, BFC has successfully implemented over 120 projects in 60 countries throughout Eastern Europe; Central, South and Southeast Asia; Middle East and North Africa.

Driven by the ambition to be a leader in delivering successful development banking consulting services, BFC adheres to the following principles:

1. Effective project management
2. Highly qualified consultants
3. Leading partnerships

BFC combines international consulting talent with first-rate local expertise and a passion to meet and exceed the expectations of our clients. Our hard-working team is dedicated to excellence and to making financial markets work, which has been proven by our outstanding track record.

With a head office based in Zurich, Switzerland, and additional branch offices located in Georgia and Moldova, BFC currently employs over 70 full-time professionals.
Management Consulting

Microfinance
Agricultural Finance
SME Banking
Strategy Development

PROJECT REFERENCE

MFI Strategic Planning and Exchange Programme

CLIENTS: Two leading MFIs
COUNTRIES: Georgia, Azerbaijan
FINANCING INSTITUTION: European Bank for Reconstruction and Development (EBRD)
DATES: 01—10/2012

HIGHLIGHTS:
Guided the MFIs through the strategic process:
• Conducted interactive, client-centric strategic planning workshops and coaching sessions
• Facilitated the production of comprehensive strategic planning pitchbooks
• Provided strategy implementation and risk management support and guidance

In addition to the specific assignment tasks, BFC were invited, alongside the two MFI CEOs, to present the programme as a showcase of a contemporary best practice example of strategy development, at the EBRD’s 2012 MFI Forum in Vienna.

BFC has implemented 54 management consulting projects in 20 countries to date:
Microfinance

Seeing each project as unique – while using its vast expertise, BFC adapts its methodology to the needs of each individual client so as to consistently exceed expectations and provide effective solutions.

Primary Microfinance Lending Success Factors

- **Profitability and Operations Efficiency**
- **Customer Orientation**
- **Effective Risk Management**

Success in these three interconnected areas is indispensable for the competitiveness of an institution’s microfinance lending operations.

BFC endorses the SMART campaign, promoting the application of its client protection and transparency principles.

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**Establishing Centralised MSE Lending Operations**

**CLIENT & FINANCING INSTITUTION:** Leading national bank

**COUNTRY:** Georgia

**DATES:** 02—09/2011

**HIGHLIGHTS:**

- BFC’s successful implementation of this project enabled the bank to set up competitive microfinance lending operations, utilising:
  - innovative approaches in organisational structure
  - risk management
  - staff capacity-building

Tatyana Dolgaya, BFC Product Development Manager and Michael Kortenbusch, BFC Managing Director at the Cracking the Nut 2014 Conference in Kigali, Rwanda
Agricultural Finance

Working with lenders to positively develop the way in which finance and agriculture interact

Despite its enormous potential, agriculture is often underserved, with poor access to appropriate finance. However, developing and delivering well-tailored financial products can break this cycle.

**BFC’s Approach:**
Agricultural lending is a specialised line of business, requiring trained credit personnel and committed management dedicated to fully understanding its characteristics, mitigating the risks, and sustainably meeting the needs of the sector.

Farmers are often trapped in a cycle of low investment and low return, unable to improve their livelihoods

**BFC’s Agricultural Finance Expertise:**
- Product design and marketing
- Due diligence
- Credit procedures and analytical tools
- Sector-wide investment potential and access to finance studies
- Capacity-building of loan officers
- Developing strategic options
- Adapting MIS for agricultural loans
- Developing innovative delivery channels and cost saving mechanisms
- Targeted assistance to regional lenders.

With the right strategic approach, agricultural lending can effectively contribute to portfolio growth and income diversification

*BFC produces the Georgian Agricultural Finance Bulletin, which presents a round-up of the most up-to-date headlines from one of the economy’s most important sectors.*

*Available online at: www.bfconsulting.com

**PROJECT REFERENCE**

<table>
<thead>
<tr>
<th>Agricultural Lending Programme</th>
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<tbody>
<tr>
<td><strong>CLIENTS:</strong></td>
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<td><strong>COUNTRY:</strong></td>
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<td><strong>FINANCING INSTITUTION:</strong></td>
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<td><strong>DATES:</strong></td>
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<tr>
<td><strong>HIGHLIGHTS:</strong></td>
</tr>
<tr>
<td>› Institution building in the</td>
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<td>field of agricultural</td>
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<td>finance</td>
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<tr>
<td>› Strengthening agricultural</td>
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<tr>
<td>credit risk management</td>
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<tr>
<td>› Supporting client segmentation and the development of targeted agricultural MSME products</td>
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<tr>
<td>› Improving MIS and facilitating partnerships</td>
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<tr>
<td>› Assessing the feasibility of mobile banking</td>
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</table>
SME Banking

For us, any competitive SME Banking strategy embarks from a clear understanding of clients’ specific financial service needs—the result is comprehensive and flexible BFC product bundles.

Building and strengthening effective and sustainable SME Banking operations requires:

- A clear strategic direction that adheres to a client’s specific needs and development targets
- Differentiated solutions in addressing varying finance needs of key SME clusters
- Flexible implementation patterns

There is no perfect fit for all customers—clear but differentiated product offerings, with appropriately tailored services, leads to greater results.

PROJECT REFERENCE

SME Lending and Medium-Sized Co-Financing Facility (MCFF) Advisory Services

CLIENTS: Three partner financial institutions
COUNTRY: Tajikistan
FINANCING INSTITUTION: EBRD
DATES: 05/2009—12/2011
HIGHLIGHTS:
Working closely with partner institutions, BFC supported the strengthening of SME lending operations. As a result:
› significant expansion of the SME loan portfolios of all three partner banks
› capacity-building training of loan officers
› an effective marketing strategy to support the expansion of lending operations was developed

BFC’s SME Lending Consulting Modules

1. GREEN-FIELDING
   Setting up new SME lending operations in a newly-established institution

2. DOWNSCALING
   Implementing SME lending operations in a commercial bank which has previous experience in corporate lending only

3. STRENGTHENING COMPETITIVENESS
   Supporting banks engaged in SME lending to identify potential, and providing recommendations and implementation guidance

Consulting components

- PRODUCT DEVELOPMENT
- REPORTING SYSTEMS
- ORGANISATIONAL SETUP
- SME BANKING
- HR MANAGEMENT
- BUSINESS PROCESSES
- LENDING PROCEDURES
Strategy Development

Facilitating a client’s successful journey towards fully understanding itself, the environment within which it exists, and its long-term aims (and importantly, how these can be achieved)

Maturing markets force financial institutions to periodically reassess their position, direction and capacity, and to decide on how to build the future for their clients, employees and shareholders. Strategy development, implemented as a structured exercise, is an effective tool for building business models for the future.

BFC’s Strategy Development Aims:
- Facilitate clients in developing positive development strategies for their institutions
- Transfer knowledge regarding a successful strategy development framework
- Enable clients to enhance their institutional development and support the achievement of their long-term goals.

“The strategy development process succinctly communicated and experienced in the four-step BFC Strategy Development Process Framework:

1. UNDERSTAND
   - a. Values
   - b. Mission
   - c. Vision
   - d. SWOT

2. DECIDE
   - a. Global Aim
   - b. Strategic Goals
   - c. Assumptions
   - d. Board Review

3. PLAN
   - a. Strategic Initiatives
   - b. KPIs
   - c. Projections & Action Plan

4. IMPLEMENT
   - d. Board Approval
   - d. SWOT

“In strategy it is important to see distant things as if they were close and to take a distanced view of close things”

Miyamoto Musashi

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“An excellent example of how theoretical knowledge and practical experience can be combined effectively to achieve impressive outcomes. As a result, we now have a professional, high quality strategy document alongside a relevant action plan for the next five years.”

Client Chief Executive Officer
Analytics

Institutional Due Diligence
Portfolio Audit
Risk Management
Data-driven Solutions
Risk-based Internal Audit

PROJECT REFERENCE

Bank Due Diligence in Asia

CLIENT & FINANCING INSTITUTION: Leading IFI in Asia
COUNTRIES: Afghanistan, Armenia, Azerbaijan, Bangladesh, Bhutan, Cambodia, Georgia, Indonesia, Kazakhstan, Kyrgyzstan, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Sri Lanka, Tajikistan, Turkmenistan, Uzbekistan, Vietnam
DATES: 08/2009—present
ACHIEVEMENTS: Conducted due diligence of 173 banks in 20 client target countries since 2009.

*BFC has implemented 34 analytics projects in 24 countries to date:*
Institutional Due Diligence

Allowing our clients to make efficient and informed decisions on debt and equity transactions

BFC’s specialised, comprehensive due diligence allows our clients to:
- Benefit from BFC’s up-to-date, detailed market knowledge, and analysis
- Improve time and cost efficiency
- Maintain focus on core business activities, while receiving the highest quality due diligence service

Ideal for:
- first screening of potential investors
- post investment monitoring
- analysis for follow up investment

1. An Insightful Research Platform
2. Detailed Creditworthiness Analysis
   - Ownership and Governance
   - Management and Strategy
   - Organisational Structure
   - Asset Quality
   - Risk Management
   - Financial Performance
   Complementary services:
   - Portfolio Audit
   - Company Valuation
   - Legal Due Diligence
3. “Monitoring Updates Bulletin”
   - Weekly financial news and updates
   - Three months free-of-charge

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“BFC’s contribution to the success of TFP [Trade Finance Programme], which has grown exponentially and won two industry awards in 2010, including “Best Development Bank in Trade”, has been important. We have found BFC professional, reliable, and flexible when required.”

Steven Beck,
Head of Trade Finance,
Asian Development Bank (ADB),
Philippines
Portfolio Audit

Providing effective evaluation and understanding of portfolio quality and identifying specific risks

Experienced BFC consultants use structured questionnaires and detailed upfront analyses to ensure maximum efficiency during onsite visits. Summarised findings are prioritised by importance so as to inform targeted conclusions and recommendations.

Portfolio audits are of particular worth when conducted as part of the valuation of a financial institution

Loan portfolio audit components:

1. REVIEW OF EXISTING CREDIT POLICIES & PRACTICES
2. PORTFOLIO REPORTS ANALYSES
3. IN-DEPTH REVIEW OF SAMPLED LOANS

Audit scenario sample

Programme

Planning preparation

Initial meeting

Working papers

Final meeting

Due Diligence and Portfolio Audit for Credit Line Renewal

CLIENT: Local commercial bank
COUNTRY: Azerbaijan
FINANCING INSTITUTION: responsAbility
DATES: 08—09/2010

HIGHLIGHTS:
BFC conducted an in-depth institutional assessment of the partner institution that included:
› social performance assessment
› financial performance review
› risk exposure

Evgeni Siachin, BFC Marketing Manager and Andreas Raithelhuber, BFC Analytics Expert
Risk Management

Improving risk management capacity across all aspects is fundamental to strengthening the operations of financial institutions.

BFC’s client-centric services

**ESTABLISHMENT**

- Full setup of new risk management function

**PRODUCT COMPONENT SELECTION**

- Introducing and integrating the most relevant risk management components to suit client needs

**CAPACITY-BUILDING**

- Conducting onsite risk management training

Implementation efficiency and accuracy is ensured with upfront detailed diagnostics of existing client capacity and approach.

BFC’s risk management services fully incorporate the Committee of Sponsoring Organisations (COSO) Enterprise Risk Management Framework (ERM) standards.

**PROJECT REFERENCE**

**Strengthening Institutional Microlending Capacity**

- **CLIENT:** Leading MFI
- **COUNTRY:** Kazakhstan
- **FINANCING INSTITUTION:** EBRD
- **DATES:** 05/2011—03/2012

**HIGHLIGHTS:**

- In its advisory role, BFC reviewed and developed the client’s risk management department and its policies.
- Integral to this programme was the implementation of credit scoring, a loan application processing system, and capacity-building for departmental staff.
- BFC provided recommendations on targeted methods of hedging financial risks.
Data-driven Solutions

BFC combines an outstanding track record in setting up effective MSE operations with extensive data analysis experience, including credit scoring.

Increasing implementation of data-driven methods by microfinance and small business lenders has followed successful use in commercial and consumer credit, and the insurance industry.

Benefits of data-driven solutions:
- Standardised and streamlined credit approval processes
- Increased staff efficiency
- Reduced loan disbursal time
- Clearly defined and managed optimal default rates

BFC’s Approach

Future borrower payment behaviour is estimated based on an analysis of the payment behaviour of similar clients in the past. BFC take into account a client’s pre-existing business processes, lending product design, and human resource management, alongside providing hands-on advice to clients in these areas. This comprehensive approach maximises potential benefits for clients.

BFC’s self-developed Master APS (Application Processing System) serves as an effective tool for credit approval in lending institutions.

Data-driven solutions hold huge potential, especially when processing a high volume of credit applications.

BFC’s approach includes three phases:

1. Collecting borrower data and repayment behaviour
2. Using statistical methods to analyse clients’ actual payment behaviour
3. Providing advice on improving business processes, products, lending policies, and MIS
Although an internal audit verifies compliance of processes and practices with internal and external regulations, **only a targeted risk-based internal audit analysis can assess whether an institution’s internal controls and risk management systems can effectively measure and manage specific risks**.

BFC offers three types of assistance to MFIs and banks:
- **ESTABLISHMENT** of new risk-based internal audit systems
- **UPGRADE** of existing internal audit to risk-based internal audit
- **INVESTIGATION** of fraud cases

BFC offers the following services:
- **Internal audit field work and portfolio audit**
- **Design of bespoke risk-based internal audit procedures**
- **Institution capacity-building - classroom training for internal auditors and managers, and on-the-job training for internal auditors**

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## Sample Risk Scoring Matrix

<table>
<thead>
<tr>
<th>IMPACT</th>
<th>FREQUENCY</th>
<th>Category</th>
<th>Risk Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>low</td>
<td>low</td>
<td>Low risk</td>
<td>Loan officer signature absent on application</td>
</tr>
<tr>
<td>medium</td>
<td>medium</td>
<td>Medium risk</td>
<td>Deficient financial analysis</td>
</tr>
<tr>
<td>high</td>
<td>high</td>
<td>High risk</td>
<td>Inadequate monitoring procedures; loans approved to relatives of credit committee members; weak separation of duties</td>
</tr>
<tr>
<td>low</td>
<td>low</td>
<td>Low risk</td>
<td>Incorrect data entered into the system</td>
</tr>
<tr>
<td>medium</td>
<td>medium</td>
<td>Medium risk</td>
<td>Insufficient collateral</td>
</tr>
<tr>
<td>high</td>
<td>high</td>
<td>High risk</td>
<td>No copy of client identification in loan records</td>
</tr>
<tr>
<td>low</td>
<td>low</td>
<td>Low risk</td>
<td>Client name absent in records</td>
</tr>
<tr>
<td>medium</td>
<td>medium</td>
<td>Medium risk</td>
<td>Errors in the loan contract</td>
</tr>
<tr>
<td>high</td>
<td>high</td>
<td>High risk</td>
<td>Client signature absent on loan contract</td>
</tr>
</tbody>
</table>

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**PROJECT REFERENCE**

**Institutionalisation of Internal Control System**

**CLIENTS:** Nine local MFIs  
**COUNTRY:** Tajikistan  
**FINANCING INSTITUTION:** German Technical Cooperation Agency (GTZ)  
**DATES:** 05/2011—03/2012  
**HIGHLIGHTS:**
- BFC consultants reviewed and improved existing internal control policies and internal audit statements.  
- Advanced training for internal auditors of all nine client MFIs and GTZ auditors.
Access to Finance
Investment Feasibility

PROJECT REFERENCE

Banking Environment and Performance Survey (BEPS) II

CLIENT & FINANCING INSTITUTION: EBRD
COUNTRIES: Afghanistan, Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Egypt, Estonia, FYR Macedonia, Georgia, Hungary, Jordan, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Mongolia, Montenegro, Myanmar, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Tunisia, Turkey, Ukraine
DATES: 04—12/2012
HIGHLIGHTS:
Involving approximately 872 banks in 31 countries, the survey provides a detailed snapshot of the region’s banking sectors before and after the crisis, and makes it now possible to analyse changes in the sector over time. The project has specifically led to:
› Detailed feedback from banks on the state of the sector in EBRD countries of operation
› Increased understanding of constraints to bank lending growth and performance
› Developed banking sector indicators that are comparable across countries
› Compiled a comprehensive dataset of geo-coordinates of all bank branches and subsidiaries in the target countries

BFC has implemented 24 research projects regarding 44 countries to date:
Access to Finance

Exploratory assessments that provide original analytical insights and recommendations based on client objectives

Accurate predictions of overall demand and an understanding of potential risks are crucial for investors to make informed decisions.

Developing understanding is vital to designing ways in which to unlock economic potential and reduce poverty in emerging markets and developing countries.

BFC offers comprehensive financial sector studies, utilising our extensive experience of working in various market and regional contexts.

BFC’s methodology includes the following components:

<table>
<thead>
<tr>
<th>IDENTIFICATION</th>
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<tbody>
<tr>
<td>• Relevant sources and contacts</td>
</tr>
<tr>
<td>• Potential issues</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relevant regulatory and legal frameworks</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSESSMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Infrastructure analysis</td>
</tr>
<tr>
<td>• Gap analysis</td>
</tr>
<tr>
<td>• Assessment of supply and demand in target areas</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>EVALUATION &amp; CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Relevant and actionable insights and recommendations</td>
</tr>
</tbody>
</table>

BFC offers both remote, desk-based services, and onsite, face-to-face interviews with financial sector professionals to ensure comprehensive, in-depth conclusions.

PROJECT REFERENCE

Study: Potential for Agricultural Finance in Ukraine

CLIENT & FINANCING INSTITUTION:
European Fund for Southeast Europe (EFSE)
DATES: 05—11/2011
HIGHLIGHTS:
› BFC conducted a detailed assessment of agricultural finance supply, with specific attention given to the analysis of agricultural production systems and supply chains.
› Demand patterns were identified across a wide range of financial services and target groups.

The full report is available at http://goo.gl/1BK4J

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“OeEB has been very pleased with BFC’s performance on this project. Their research team led by Peter Hauser presented a thoroughly researched and comprehensive final report in time with clear conclusions and reasonable recommendations which have helped us to define OeEB’s future strategy for the Caucasus. We look forward to continue working with BFC again in the future.”

Susanne Wegl
Manager Advisory Programmes
Oesterreichische Entwicklungsbank
Investment Feasibility

Assessing the economic feasibility and sustainability of potential projects

Investors rely on BFC’s studies to guide their entry or expansion into international markets and new business activities.

Our methodology is tailored to client needs and the specifics of a given region. Clients can benefit from BFC’s in-depth local knowledge, which is gained through a vast network of highly-informed and qualified contacts and consultants, and an extensive project history.

Providing clients with timely and objective high quality results, and informed conclusions and recommendations.

Based on the established structure of desk research, onsite fieldwork and reporting, BFC’s research assignments consist of the following main elements:

- Development of research concept
- Country overview
- Analysis of demand
- Design of assignment to be implemented
- Analysis of supply
- Gap analysis
- Investigation into current relevant programmes
- Assessment of potential partner institutions

**RESEARCH ASSIGNMENT STRUCTURE**

**PROJECT REFERENCE**

**Sector Study: Agricultural Finance Programme in Georgia**

**CLIENT & FINANCING INSTITUTION:** KfW

**DATES:** 06—07/2011

**HIGHLIGHTS:** BFC conducted a sector study in preparation for the Agricultural Finance Programme in Georgia, a joint initiative of KfW and EBRD, aiming to support financial institutions’ provision of finance to agricultural MSMEs. BFC consultants’ most notable activities included:

- An assessment of demand for and supply of agricultural finance throughout the country
- An informed agricultural finance programme design proposal to close the observed existing demand-supply gap
Let’s talk!

Michael Kortenbusch
Managing Director / Senior MSME Lending and Strategy Expert
Phone: +41 44 784 27 27
Skype: michael.kortenbusch
E-mail: info@bfconsulting.com

Peter Hauser
Partner / Senior Bank Advisor and Analytics Expert
Phone: +41 44 784 22 22 ext. 303
Skype: petehauser
E-mail: hauser@bfconsulting.com

Marina Kortenbusch
Managing Partner
Phone: +41 44 784 21 21
Skype: marina.kortenbusch
E-mail: marina.kortenbusch@bfconsulting.com

Aliona Bevziuc
Senior Bank Advisor / Trainer
Phone: +41 44 784 22 22 ext. 310
Skype: bfc.aliona.bevziuc
E-mail: bevziuc@bfconsulting.com

Tatyana Dolgaya
Product Development Manager
Phone: +41 44 784 22 22 ext. 471
Skype: bfc.tatyana.dolgaya
E-mail: dolgaya@bfconsulting.com

Eugen Birca
Finance Manager / Project Manager
Phone: +41 44 784 22 22 ext. 105
Skype: eugen_birca
E-mail: birca@bfconsulting.com
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