

**LATIN AMERICA/CARIBBEAN MICROCREDIT SUMMIT
MEETING OF COUNCILS**

PANEL DISCUSSION

ON

**« MFIS AND THE FORMAL BANKING SECTOR:
DEVELOPING EFFECTIVE LINKAGES »**

Slide Presentation

of

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Santiago, Chile, Avril 21th, 2005

PRESENTATION OUTLINE

1. Institutional Background

About Sogebank
Why Sogesol

2. The Organizational Model

*Organization,, Mission, Positioning & Methodol.
Board, Managem't, Staff*

4. Performance to Date (4 years)

5. Future Challenges and Responses

About SOGEBANK

Haiti's largest commercial bank, created by acquiring Royal Bank of Canada's Haitian operation (2branches) in 1986.

- **Grew from \$60 to \$400 Mn. (17 to 30% mkt share), 34 brch inter-conn. Network, 6 affiliates (credit card, mortgage, consumer credit, microcredit., remittances & foundation)**
- **Introduced most banking innovations, including credit card, ATM, call center, phone payment services,...**
- **Enjoys strong image (competence, technology, service, 18 year non- stop profit & dividend (18% avg ROE)**

Why SOGESOL ?

- **As largest bank, SGBK = ideal candidate to seize opportunity offered by sizable mkt. & 1995 banking liberalization :**
 - a. 31% mkt share of small savers (of which 40% = micro-small enterprises)**
 - b. Large network + capacity to handle big trans. vol.**
 - c. Proven Management capacity**
- **\$70 Mn. new loan fds (Lower res. req.)**
- **Demonstration effect of successful MFIs (Bancosol, Caja Los Andes, BRI...)**
- **Risk of losing microent. Clients**
- **Image Booster (Social Responsibility)**

THE ORGANIZATIONAL MODEL

1.- Independent Subsidiary

- **Staff motivation, commercial drive, sense of purpose and accountability**
- **Ability to manage cultural differences between banking and microfinance**
- **To attract separate investors, include technical & financial partners.**

=> Ownership : 35% SGB, 40% Accion-Profund, 25% local shareholders

2. *Sogesol* = Service Company originating and managing loans booked by Sogebank, w/ own staff in separate rented branches

THE ORGANIZAT. MODEL (Continued)

- **Sogebank = teller trans + support serv. (technol., infras, treasury, audit)**
 - **No need for separate license, nor worry about funding, trans. mg't or other services, out-sourced from SGB**
 - **Revenue = variable fee (credit rev. minus funding cost, trans. fee, loan loss expense and supp. service fee)**
 - **Similar arrang. possible for other products (cards, ATM, remmitt., etc)**
 - **Decentr. loan approval and brch mgt**
 - **Performance-based compensation**
- ⇒ **Commercial agility and fast growth**

THE ORGANIZAT. MODEL (Continued)

3. *Mission Statement*

« To promote Haitian entrepreneurship by adapting the traditional ways of banking to respond to the needs of microentrepreneurs »

and

« focus on clients' satisfaction while always aiming to achieve the levels of efficiency and profitability required to ensure the continuity of its services »

4. *Market Positioning*

- **Clients are micro and small enterprises, w/credit needs \$100-10,000, engaged in retail trade and urban services**
- **Current Products= Wkg cap'l, 3-12 month maturity, but future = full range, incl fixed asset, housing improv't, credit lines, debit and credit cards & insurance**

THE ORGANIZAT. MODEL (Continued)

5. *Methodology*

- **Individual loans, owner 21 year old min., in current location for 1 year min., absent from competition delinquent list & having stable business & good cash flow.**
- **Charact. loan, w/non tradit. collater. (pers. goods, inventory, co-signers), detailed evaluation & close L.O-client relation.**
- **Step lending**
- **Loan process : inform. sessions, visit to busin.+residence, eval. presented at daily credit committee headed by br. Mger or sen. LO,**
- **Approv. Time = 5 day (new loans), 1-2 days (renewals)**
- **Penalty to both client and L-O for delinquent loan**

THE ORGANIZAT. MODEL (Continued)

6. *Board, Management and Staff*

- **Board membership = 5, soon 7, headed by SGBK, incl. Accion & Profund, meets monthly to discuss perfor. and policy decisions, but Chairman holds weekly staff meetings**
- **Management = 4 exper. Bankers**
- **Cred-Oper. Officer= young prof., min. univ. educ, Sogesol= 1st employer.**
- **Brch. mgers = exp. LO or exter. hires**
- **Generalized perfor-based compens, include generous bonuses linked with portfolio size, quality, growth and profitability targets (for mgers).**

PERFORMANCE TO DATE

Performance to date (4 years)

- **1st loan disbursed on August 9th, 2000**
- **4 years later, 15,000 clients served, with US\$ 35 millions disbursed**
- **PAR-30 days increased to 13% in FY-04 due to Haiti's severe crisis;**
- **Staff: 115, LO: 40, Avg productiv.: 180, could be much higher, if not for crisis**
- **7/10 branches profitable, overall monthly breakeven in August 2002, only two years after start-up**

PERFORMANCE TO DATE (Continued)

	2001	2002	2003	2004
Clients	2,200	6,049	7,534	8,208
Portfolio US\$	610,803	2,651,213	4,283,254	5,491,420
Efficiency	268.9%	77.3%	40.5%	39.6%
PAR 30 days	2.0%	4.2%	4.4%	13.1%
ROA	-29.3%	-8.8%	5.1%	6.6%
ROE	-98.1%	-57.9%	67.5%	60.7%

FUTURE CHALLENGES

Key Challenges

- **Dependency from Sogebank**

Int'l rivalry + competition for common services

- **Enhanced Competition**

More demanding clients, desertion, lower loan quality, over-indebtedness and reduced profitability

- **Adverse regulations**

FUTURE CHALLENGES (Continued)

Key Corresponding Strategies

1st Challenge

- **Sogesol's lead = Sogebank's executive**
- **Clear Contract terms**

2nd Challenge

- **Good service & Product offering**
- **Staff Motivation & Good Leadership**

3rd Challenges

- **Regulatory Framework**
- **Cooperation with authorities,
enhanced by industry development**