

**OPPORTUNITIES FOR THE MAJORITY
CARIBBEAN SEMINAR**

BUSINESS ROUNDTABLE ON FINANCIAL DEMOCRACY

THE SOGESOL CASE

By

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PRESENTATION OUTLINE

- 1. Institutional Background**
- 2. Mission Statement**
- 3. Performance to Date**
- 4. The Organizational Model**
- 5. Future Challenges**

About SOGEBANK

Haiti's largest commercial bank, created in 1986 by acquiring Royal Bank of Canada

- **Grew \$60-600 Mn, 17-35% market share, 2-44 brch network, 6 affiliates: credit card, mortgage, consumer, micro credit, remittances & foundation**
- **Introduced most banking innovations (card, ATM, call center, phone banking)**
- **Enjoys strong image, 20 year non-stop profit & dividend (18% ROE)**

Why SOGESOL ?

The Market Rationale

- **America's poorest country, with 76% living < \$2/day, 60% self-employed**
- * **Service Sector = 49% of GDP, fueled by remittances & transfers**
- ⇒ **Estimated SME mkt : 700,000 households**
- **Credit deeply repressed (22% int. rate ceiling) up to 1995 financial liberalization**
- ⇒ **Microfinance boom (80 formal providers)**

Why SOGESOL ?

The Business Rationale

- **As largest bank, Sogebank = ideal candidate to seize opportunity offered by sizable mkt. & 1995 banking liberalization :**
 - a. **31% mkt share of small savers**
 - b. **Large network & big trans. vol.**
 - c. **Proven Management capacity**
- **Industry's growing success (LA, Asia)**
- **Risk of losing microenterprise clients**
- **Community Involvement and Image Booster**

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 »

Our First Client

- **A street vendor woman, received a US\$400 loan in Aug. 2000 to increase her used cloth business**
- **Six years and 11 loans after, she is the proud owner of a cloth, shoes and glasses shop, with a recent US\$5,000 loan from Sogesol**

CORPORATE PERFORMANCE

- **1st loan disbursed on Aug. 9th, 2000**
- **6 years later, 23,000 clients served in 13 branches, with US\$ 60 millions disbursed**
- **Staff: 188, Loan officers (active): 57**
Productivity: 178 loans per loan officer
- **Breakeven 2 years after start, 10/13 branches profitable**

CORPORATE PERFORMANCE

(Continued)

	2002	2003	2004	2005	2006
Clients	6,049	7,534	8,208	6,896	10,164
Portfolio U\$ '000	2,700	4,283	5,491	4,747	9,356
Efficiency	78.8%	39.9%	40.6%	46.4%	45.3%
PAR 30 days	3.5%	4.4%	13.1%	9.5%	4.5%
ROA	-9.2%	5.1%	6.6%	2.0%	6.2%
ROE	-33.8%	67.5%	60.7%	11.5%	55.2%

THE ORGANIZATIONAL MODEL

1. Independent Subsidiary

- **Staff motivation, commercial drive, accountability & ability to handle cultural differences**
- **To attract separate investors**
- **Owners: Bank 45%, Accion-Antares 20%, Local Invest. 35%**

THE ORGANIZATIONAL MODEL

(Continued)

2. *Service Company*

- **Originating and managing Sogebank loans, with our own staff in separate branches**
- **Sogebank -> transactions & support services**
- **Sogesol revenue = variable fee (net fin. margin)**

=> no need for separate license, nor funding

=> commercial agility and fast growth

THE ORGANIZATIONAL MODEL

(Continued)

3. *Market Positioning*

- **Clients : SMEs (small, micros), salaried workers**
- **Products: individual working capital loans, salaried workers' loans, savings; major attribute: fast & personal service**
- **Recent Innovation = Fast Cash (scoring), devoted to poorest clients (\$170 average, 1,500 clients after 1 year)**
- **Future : housing, fixed assets, insurance, credit cards, remittance-based products**

THE ORGANIZATIONAL MODEL

(Continued)

4. *Governance & Management*

- **Board of 5, headed by Sogebank, includes Accion & Profund, Soon : 7**
- **Management = 3 experienced bankers**
- **Staff: Young college-trained officers, whose Sogesol is the 1st employer**
- **Performance-based compensation (Portf. Size @ quality, Productivity, Efficiency, Profitability)**

FUTURE CHALLENGES

1. Continued Growth

Finance, Organization/HR, Technology

2. Competition

Over-indebtedness, Client desertion, lower quality

3. Political Risks

Instability & Violence

Return to the Past

Interest Rate Ceiling

State Direct Competition

Adverse Regulations

FACING THE CHALLENGES

Some thoughts

Growth

- *Diversify our funding sources*
- *Focus on Staff Develop't , retention*
- *Technology*

Competition

- *Service & Product offering*
- *Help with proper regulations*

Political Risks

- *Industry Develop't*
=>Lobby power
- *Cooperation with Int'l Community*

Thank you for your attention