

CONFIDENTIAL



ACCION

ACCION CAMEL

Program:

**Société Générale Haitienne de
Solidarité, S.A. (SOGESOL)**

Date of Assessment:

July 28 – August 8, 2003

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ACCION CAMEL™ FINANCIAL ASSESSMENT INSTRUMENT

Name of Organization:	Société Générale Haitienne de Solidarité, S.A. (SOGESOL)
Type of Organization:	Société Anonyme
Address:	Angle Darguin et Geffrard Petion Ville Haiti
General Manager:	Martine Jean-Claude
Date of Inception:	November 24, 2000
Active Borrowers (June 2003):	6,893
Adjusted Loan Portfolio US\$ (June 2003):	3,509,888
Total Personnel:	91
Total Credit Officers:	42

RATING TEAM:

Lynne Curran	ACCION International
Victoria White	ACCION International
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NOTE

The ACCION CAMEL Financial Assessment Instrument for microfinance institutions is a tool for the management of such programs, and its objective is to prepare microfinance institutions for full integration in national financial markets. The lack of accumulated experience with hundreds of credit entities makes it difficult to apply traditional analyses used in the banking system. Nevertheless, this document illustrates the overall, especially financial, situation of the program analyzed according to formal and well-known standards. The ACCION CAMEL is neither an audit nor a certification of results of the program.

**ACCION CAMEL Quantitative and Qualitative Indicators
(Weighting by Category)**

QUANTITATIVE INDICATORS	QUALITATIVE INDICATORS
CAPITAL ADEQUACY (%) (16%) Capital Adequacy 5 Adequacy of Reserves 6	Ability to Raise Equity 5
ASSET QUALITY (21%) Portfolio at Risk 8 Write-offs/Write-off Policy 7	Portfolio Classification System 3 Productivity of Long-Term Assets 3
MANAGEMENT (23%)	Governance 4 Management 4 Human Resources 4 Processes, Controls and Audit 4 Information System 4 Strategic Planning and Budgeting 3
EARNINGS (24%) Return on Equity 5 Operational Efficiency 8 Return on Assets 7	Interest Rate Policy 4
LIQUIDITY MANAGEMENT (16%)	Liability Structure 8 Cash Flow Projections 4 Productivity of Liquid Assets 4
TOTAL (100%)	54%
46%	

SCOPE OF WORK

This ACCION CAMEL assessment was conducted at Sogesol's premises in Petion-Ville, Haiti, during the period of July 28 – August 8, 2003. Information for this assessment was provided by Sogesol and supplemented with numerous staff and board member interviews. Some important aspects to mention are:

1. The institutional rating is based on the institutional situation at June 30, 2003. Financial indicators were calculated based on annualized financial statements for the twelve-month period ended June 30, 2003, and portfolio indicators were based on portfolio reports provided by the institution for the same period.
2. Analysis of trends was based on audited financial statements for the twelve-month periods ended September 30, 2002 and September 30, 2001¹, and annualized financial statements for the twelve-month period ended June 30, 2003. Portfolio information was analyzed for the periods ended June 30, 2003 and September 30, 2002.
3. The portfolio has been classified by product and by ranges of days past-due, in order to better evaluate the quality of the portfolio.
4. Write-offs were effected for the periods ended June 30, 2003 and September 30, 2002, of loans more than 180 days past-due, in order to determine the loan loss rate for each year.
5. The following adjustments were made to the financial statements, in accordance with the ACCION CAMEL:
 - * Removal of loans over 180 days past-due from the portfolio
 - * Inflation Adjustments
 - * Shadow Costs. The value of implicit subsidies has been included as an expense on the adjusted financial statements. Such implicit subsidies include:
 - * Technical Assistance provided by ACCION International
 - o Other Shadow Costs were not included, as it was not possible to quantify the value of these costs. Such costs include:
 - * Services provided by the chairman of the board, who dedicates at least 20% of his time to the institution.
 - * Reclassification of interest income. The interest income received by Sogesol is net of a number of different fees paid to Sogebank, including loan loss provision expense, cost of funds, and fees for teller services. In order to accurately analyze Sogesol's financial situation, such fees have been added back to the interest income and classified as expenses on their respective line items.

¹ Sogesol's Fiscal Year is October 1 – September 30.

ACCION CAMEL RATING
SOGESOL
(Summary and Global Rating)

<u>CAPITAL ADEQUACY</u>	<u>RATING</u>	<u>WEIGHT</u>	<u>RESULT</u>
Capital Adequacy	3.00 *	5.0%	= <u>0.15</u>
Ability to Raise Equity	4.50 *	5.0%	= <u>0.23</u>
Adequacy of Reserves	4.50 *	6.0%	= <u>0.27</u>
 <u>ASSET QUALITY</u>			
Portfolio at Risk	4.50 *	8.0%	= <u>0.36</u>
Loan Loss Rate	2.00 *	7.0%	= <u>0.14</u>
Portfolio Classification System	2.50 *	3.0%	= <u>0.08</u>
Productivity of Long-Term Assets	4.00 *	3.0%	= <u>0.12</u>
 <u>MANAGEMENT</u>			
Governance	3.50 *	4.0%	= <u>0.14</u>
Management	3.00 *	4.0%	= <u>0.12</u>
Human Resources	2.50 *	4.0%	= <u>0.10</u>
Processes, Controls and Audit	2.50 *	4.0%	= <u>0.10</u>
Information Systems	2.50 *	4.0%	= <u>0.10</u>
Strategic Planning and Budgeting	3.00 *	3.0%	= <u>0.09</u>
 <u>EARNINGS</u>			
Return on Equity (ROE)	0.00 *	5.0%	= <u>0.00</u>
Operating Efficiency	0.00 *	8.0%	= <u>0.00</u>
Return on Assets (ROA)	0.00 *	7.0%	= <u>0.00</u>
Interest Rate Policy	5.00 *	4.0%	= <u>0.20</u>
 <u>LIQUIDITY</u>			
Liability Structure	5.00 *	8.0%	= <u>0.40</u>
Cash Flow Projections	3.50 *	4.0%	= <u>0.14</u>
Productivity of Liquid Assets	4.00 *	4.0%	= <u>0.16</u>
		<u>100%</u>	2.89

ACCION CAMEL™ Score. The overall ACCION CAMEL score of Société Générale Haitienne de Solidarité, S.A. (Sogesol) as of June 30, 2003 is 2.89, reflecting some basic weaknesses in the program. This score places Sogesol around the median ACCION CAMEL score in terms of CAMELs performed in the past five years. Institutions which have scored in this range have gone on to demonstrate high success with focused attention to those areas of weakness identified by the CAMEL analysis.

CAMEL RATING (EXECUTIVE SUMMARY)

Société Générale Haitienne de Solidarité, S.A. (Sogesol) is a service company created in late 2000, to administer the microloan portfolio maintained on the balance sheet of Sogebank, a commercial banking institution with its head office based in Delmas, Haiti. The head office of Sogesol is located in Petion Ville, Haiti.

The service company model is an innovative model developed to be able to reach low-income microentrepreneurs in a more efficient manner. Sogesol is able to take advantage of much of the infrastructure which Sogebank has in place – the financial arrangement the two institutions have for the use of infrastructure and administration (including identifying clients and disbursing loans) of the loan portfolio is that while Sogesol receives the interest revenue from clients, a management fee is deducted from the fees (for use of tellers and creation of loan loss reserves), and there is a separate fee charged to Sogesol for services provided including Information Technology (IT) support, and human resources administration.

It would appear that the service company model is proving to be a successful one, as Sogesol reached breakeven before CAMEL adjustments for the first time in the twelve month period ended June 30, 2003, with an ROE of 12.60%. Many full service microfinance institutions do not reach breakeven for at least three to five years.

At June 30, 2003, Sogesol was serving 6,893 borrowers, with 42 loan officers located in six different branches throughout Haiti. To date, most branches are located in the Port-au-Prince area, but expansion beyond the metropolitan area began in 2002, with the opening of branches in two provinces – Cap Haitien and Gonaives. It is expected that additional provincial branches will be opened in 2003. With an active portfolio of G150,424,313 (US\$3.5 million) at June 30, 2003, after CAMEL adjustments, the outstanding average loan balance was G21,823 (US\$520).

Sogesol's adjusted portfolio at risk over thirty days at June 30, 2003 represented 2.93% of the total outstanding loan portfolio. However, the unadjusted portfolio at risk over thirty days is high – 6.12% at June 30, 2003. This illustrates that the majority of the past-due portfolio is concentrated in the range over 180 days past due, or is in legal recovery (which the ACCION CAMEL removes from the loan portfolio, recommending that institutions write off such loans). In fact, Sogesol has recognized the need to write-off most of these loans, having already removed them from the portfolio management system and creating an additional loan

loss reserve in order to be able to fully remove them from the balance sheet by September 30, 2003.

Financial self-sufficiency is defined by the ACCION CAMEL as the ability to cover all costs, including subsidies and shadow costs, with an institution's own operating revenue. Sogesol has not yet reached financial self-sufficiency, showing an operating loss after CAMEL adjustments are applied to the financial statements. However, Sogesol is almost at its breakeven point after adjustments as well, with a Financial Self-Sufficiency ratio for the twelve month period ended June 30, 2003 of 99%, as compared to 71% for FY01-02. This improved performance is due mainly to improved operating efficiency related to increased loan portfolio.

In order for Sogesol to reach financial self-sufficiency and cover all costs, it will be important for the institution to continue to improve its operating efficiency. In FY02-03, Sogesol's ratio of operating expenses to average portfolio was 58.13%, a significant improvement over the FY01-02 ratio of 95.44%. Sogesol achieved this improvement in operating efficiency mainly by increasing the loan portfolio at a greater rate than operating expenses. In terms of international standards, however, the optimal range for this indicator for microfinance institutions worldwide is less than or equal 20%, and Sogesol still has a way to go before reaching that standard. It is expected however, as the loan portfolio continues to grow at a rapid pace (loan portfolio increased 89% from September 30, 2002 to June 30, 2003), Sogesol will be able to take advantage of economies of scale and further improve its operating efficiency ratio.

It is important to note that external, macroeconomic factors have had a big impact on the operations of Sogesol. In a country where the dollar is highly watched and in fact utilized in many transactions, devaluations of the local currency greatly affect microentrepreneurs' funding needs. Over the past year, the exchange rate has passed from US\$1/G27.28 at June 30, 2002 to US\$1/G42.86 at June 30, 2003, a 57% devaluation, with much fluctuation in between. In addition, the inflation rate was also very high for the twelve-month period – 39.8% from June 30, 2002 to June 30, 2003. In addition, the institution's cost of funds increased at a pace faster than expected during the period, as Prime lending rate experienced a sharp increase, from 20% p.a. at September 30, 2002 to 34% p.a. by June 30, 2003.

Overall, Sogesol is a stable institution with strong market position in Haiti. The service company model is proving to be an efficient one, although the institution still faces some key challenges. Specifically, improved coordination with Sogebank will allow Sogesol to focus staff efforts more on operational issues and less on issues of reconciling transactions recorded at the level of Sogebank.

CAPITAL ADEQUACY
Quantitative Indicator

CAPITAL ADEQUACY

	<u>Optimal Range</u>	<u>06/03</u>	<u>9/02</u>
Equity/Risk-Weighted Assets (including loan portfolio)	>16.7%	7.0%	9.2%
Equity / Loan Portfolio		8.8%	12.6%
Equity / Risk-Weighted Assets (w/o portfolio)		34.8%	34.2%

Sogesol's own Capital Adequacy Ratio, measured as adjusted equity/risk-weighted assets was 34.8% at June 30, 2003 and 34.2% at September 30, 2002. These ratios do not include Sogesol's loan portfolio in risk-weighted assets as the portfolio resides on the Sogebank balance sheet. When the loan portfolio is included in Sogesol's risk-weighted assets (as the risk lies with Sogesol), the Capital Adequacy Ratio is 7.0% at June 30, 2003 and 9.2% at September 30, 2003.

The increased leverage reflected in the declining capital adequacy ratio is due to an increasing loan portfolio (G155.6 million at June 30, 2003 compare to G79 million at September 30, 2002) and a correspondingly smaller percentage increase in equity.

According to the Service Agreement between Sogesol and Sogebank, Sogesol should maintain a capital adequacy ratio (including the loan portfolio) of at least 12%. Chapter 2, Point 3c. of the Agreement states:

“In addition, SOGESOL is bound to absorb, as a whole, the costs linked with the management of the portfolio, including the provision expenses for doubtful accounts and the eventual losses inherent to the activity. **It will maintain, at all times, with regards to the credit portfolio it manages, the amount of minimum capital required by the capital adequacy norms imposed by the Central Bank to the banks and credit institution, amounting to date to 12% of the weighted assets.** If, due to losses, the capital ratio is inferior to the required rate, SOGESOL's Executive Board will convoke an Extraordinary General Assembly in order to decide the liquidation of the Company, or the increase of the capital, or, being the case, the dissolution of the Company. In case of dissolution, the existing portfolio management will be the responsibility of SOGEBANK.”

The ACCION CAMEL has determined that traditional, stand-alone microfinance institutions should maintain Capital Adequacy Ratios greater than or equal to 16.7%, which is above the recommended level for commercial banks (greater than 8%, according to the Basel Accord). This is due to various characteristics of the microfinance sector, including higher volatility of loan delinquency, high operating expenses, and restricted access to additional funding from

shareholders or donors which would allow for a quick response in recapitalizing an institution in times of crisis. However, given the service company structure at Sogesol, and the stable capital adequacy position of Sogebank,² it would appear that the capital adequacy levels set by the institution are adequate.

As evident in the above table, Sogesol is currently well below its own minimum range for capital adequacy. In order to maintain a 12.0% ratio at June 30, 2003, Sogesol would have had to increase its equity base by approximately G9.5 million. The senior management team is aware of this situation, expects to meet the requirement by 2004. In addition, Sogesol's board of directors has indicated an interest in maintaining an even more conservative capital adequacy ratio, with a minimum range similar to the minimum CAMEL range of 16.7%.

Sogesol's capital adequacy ratio will continue to decline as the loan portfolio grows at a more rapid rate than the equity base. With continued support from Sogebank this does not pose a substantial risk to the liquidity of the institution, however, it is recommended that Sogesol expand and diversify its equity base in order to maintain an optimal level of equity to risk-adjusted assets.

RATING: 3.0

Although the Capital Adequacy indicator could technically translate to a "0.0" rating for a traditional microfinance institution, it has been raised to 3.0, using the minimum range of 12.0% as set by Sogesol as the optimal range, as illustrated below:

Scale	Range
5	Greater than or equal to 12.0%
4	9.0% - 12.0%
3	6.0% - 9.0%
2	3.0% - 6.0%
1	> 0%
0	Less than 0%

² Sogebank is required to comply with the Central Bank requirement of a minimum capital adequacy ratio of 12.0%. At September 30, 2002, Sogebank was in compliance with a 13.2% ratio.

CAPITAL ADEQUACY

Qualitative Indicator

ABILITY TO RAISE EQUITY

With an adjusted capital adequacy ratio of 7.0% at June 30, 2003, Sogesol is already below the organization's minimum guideline of 12%. While retained earnings should be sufficient to augment the capital base to support short term growth, new capital will be needed to support Sogesol's longer term growth projections. Assuming that Sogesol is able to maintain its profitable trends, the organization should have the capacity to raise future equity from both its current investor group and new external investors without having to limit the organization's growth plans.

Sogesol's capital base is composed of private share capital, netted against the cumulative losses of the organization since inception. For its first two years of operations, Sogesol's losses contributed to an initial erosion of the organization's capital base. Since breaking even in August 2002, Sogesol has generated net profits (on an unadjusted basis) on a monthly basis, with the exception of June 2003 when a loss of G3.8 million was recorded due to the posting of a foreign exchange loss. These recent monthly profits have led to a 14% increase in the organization's capital base between September 2002 and June 2003. At June 30, 2003, Sogesol had an unadjusted equity base of G10.7 million. On an adjusted basis, this increases to G13.3 million, primarily due to the capitalization of the gain from the revaluation of Sogesol's fixed assets due to the inflation adjustment. This capital base includes G26.6 million in shareholder capital, netted against the organization's net losses.

At June 2003, approximately half of Sogesol's G50 million in authorized capital had been distributed to a mix of 35 international and local investors. Over 70% of the organization is held by three primary investors, including Sogebank (35.18%), Profund International (20.60%) and ACCION Gateway Fund (19.60%). Other investors include three institutional investors and 29 Haitian individual investors, including the three Haitian board members, their various relations, and individuals associated with Sogebank. Excluding the founding investors, most of these investors paid a 30% premium on their shares. Of the remaining 50,000 authorized but unsubscribed shares, 20,000 can be allocated as determined by the board for strategic purposes to either staff members or external partners and 30,000 are to be released to all shareholders proportionally.

As mentioned above, Sogesol is already below its minimum capital adequacy guideline of 12%. With the achievement of unadjusted operational cost recovery in August 2002, retained earnings have started to contribute to the necessary capital augmentation, and estimates indicate that this trend will continue at a pace fast enough to support Sogesol's short term growth plans. With the institution's aggressive long term growth plans, however, it is expected that new capital will be necessary in order to maintain the 12% benchmark. Current projections target a loan portfolio of US\$15 million, or G643 million, by September 2005, implying the need for an equity base of US\$1.8 million, or G77 million, six times the equity base at June 2003.

The board is cognizant of this need and has a general plan for mobilizing additional capital. Sogebank itself has already expressed an interest in purchasing additional shares. In addition, the board feels confident that various other individual investors could be easily identified, an assumption that seems realistic given the organization's success in mobilizing the initial group of private individual investors.

RATING: 4.5

CAPITAL ADEQUACY
Quantitative Indicator

ADEQUACY OF RESERVES

	<u>Optimal Range</u>	<u>6/03</u>	<u>9/03</u>
Institution's Reserves/CAMEL Reserves	>80%	165.89%	168.11%

As the loan portfolio managed by Sogesol is maintained on the balance sheet of the parent company, Sogebank, the corresponding loan loss reserves are also maintained on the Sogebank balance sheet. The reserves are created by Sogesol, however: a loan loss provision expense is incurred every month by Sogesol and passed to Sogebank³. The loan loss reserve policy followed by the institution is to maintain a loan loss reserve equal to 3.5 percent of the outstanding loan portfolio on Sogebank's balance sheet. As a result, the loan loss reserve maintained on Sogebank's balance sheet at June 30, 2003 was G5.0 million (3.23% of the total outstanding portfolio registered on the Sogebank balance sheet of G156,013,343⁴).

Early in FY02-03, Sogesol management identified loans of approximately G5.0 million to be written off. Recognizing that the loan loss reserves on the Sogebank balance sheet would be insufficient to be able to write off the loans, the decision was made to gradually create reserves during the course of FY02-03 to be able to write off the loans, while continuing to maintain the 3.5% loan loss reserves at Sogebank. This decision led to Sogesol created additional reserves on its own balance sheet of G4.4 million by June 30, 2003. As a result, total loan loss reserves maintained on the Sogebank and Sogesol balance sheets at June 30, 2003 equaled G9.5 million.

The Adequacy of Reserves indicator is measured as the comparison between the loan loss reserves created by the institution (after CAMEL adjusted loan write-offs), and the required reserves calculated by the CAMEL (after CAMEL adjusted loan write-offs). Before the CAMEL write-off adjustment, Sogesol had the above-mentioned loan loss reserves of G9.5 million at June 30, 2003. The CAMEL adjusted for G5.1 million in loan write-offs (portfolio past-due over 180 days and in legal recovery), resulting in a balance of institutional reserves after CAMEL write-offs of G4.3 million. The recommended loan loss reserves calculated according to the recommended CAMEL percentages described below are G7.8 million before

³ The actual accounting movement for the loan loss provision expense is that the amount of the expense is reduced from the interest income that Sogebank receives from Sogesol clients and passes to Sogesol. The value of interest income that Sogesol reflects on its income statement is the net value (fee for teller services is also reduced from the interest revenue). For purposes of the ACCION CAMEL analysis, the value of the loan loss provision expense (and fee for teller services) has been reclassified to reflect the actual expense on the income statement.

⁴ Includes transit account of G6,597,130. The transit account is explained in further detail in *Portfolio Classification System*.

the write-off adjustment, and G2.6 million after adjusting for the write-off of loans over 180 days past due.

2003 Loan Loss Reserves

	Before Write-off Adjustment	Write-off Adjustment	After Write-off Adjustment
SOGESOL/SOGE BANK	G9,483,056	G5,135,470	G4,347,585
CAMEL	G7,756,253	G5,135,470	G2,620,782

When the above loan loss reserve levels are compared, it is observed that Sogesol has an Adequacy of Reserves indicator of 165.89% at June 30, 2003, well within the optimal CAMEL range. However, if Sogesol had not created additional reserves to cover the loans to be written off, the loan loss reserves on the Sogebank balance sheet would not have been sufficient in comparison with the ACCION CAMEL recommended reserves.

	Before Write-off Adjustment	Write-off Adjustment	After Write-off Adjustment
SOGE BANK	G5,044,671	G5,135,470	(G90,799)
CAMEL	G7,756,253	G5,135,470	G2,620,782

It is recommended that Sogesol review its loan loss reserve policy to ensure the creation of appropriate levels of loan loss reserves in relation to the portfolio quality. While the actual loan loss reserve policy of a flat 3.5% of the total outstanding portfolio was adequate for a newly created microfinance institution with very little portfolio at risk, the decision to gradually create loan loss provisions for loans to be written off illustrates the need to develop a more appropriate reserve policy at Sogesol.

The following table illustrates the ACCION CAMEL recommendations for loan loss reserves for microcredit portfolios, based on the amounts and aging of the past-due portfolio. These recommendations are based on a study of the portfolios at risk of microloan portfolios, as well as provisioning requirements for such portfolios established by banking superintendencies of many different countries.

Days Past Due	Regular Microloan Portfolio	Rescheduled Loan Portfolio
0	0%	10%
1-30	10%	50%
31-90	30%	75%
91-120	60%	100%
120-180	60%	100%
> 180	100%	100%
Legal Recovery	100%	100%

Note: "Regular" portfolio is defined here as portfolio that has not been rescheduled.

It is important for microfinance institutions to create reserves not only for potential loan losses, but also for other purposes, including foreign exchange fluctuations. In the case of Sogesol, the institution experienced a loss of G6 million in May 2003, due to an ill-timed foreign exchange transaction. It would be advisable for Sogesol to create a policy regarding the creation of reserves for foreign exchange transactions, in order to avoid the significant impact of such a transaction on the institution's earnings.

RATING: 4.5

Although the Adequacy of Reserves indicator at Sogesol could technically translate to a "5.0" rating, it has been lowered to 4.5, taking into account the need for the creation of appropriate reserves for foreign exchange transactions.

ASSET QUALITY
Quantitative Indicator

PORTFOLIO AT RISK

	<u>Optimal Range</u>	6/03	9/02
Portfolio at Risk > 30 Days/ Total Portfolio	< 3.0%	2.93%	3.69%

The Portfolio at Risk indicator is calculated as the total balance of loans with payments past due over thirty days, plus all rescheduled portfolio divided by the total portfolio. Sogesol's portfolio at risk over thirty days was 2.93% at June 30, 2003, after CAMEL adjusted loan write-offs (portfolio past due over 180 days and loans in legal recovery). The write-off adjustment had a significant impact on this indicator, which before write-offs was 6.12%.

Sogesol's adjusted portfolio at risk has improved slightly from September 30, 2002 to June 30, 2003. The portfolio at risk over thirty days (after the write-off adjustment) has decreased from 3.69% at September 30, 2002, to 2.93% at June 30, 2003. However, the unadjusted indicator has actually worsened during the same period, from 4.33% at September 30, 2002 to 6.12% at September 30, 2003. This indicates that the amount of loans over 180 days past due and in legal recovery has increased during the period, while the value of loans past due between 30 and 180 days has decreased in relation to the total outstanding portfolio.

As a young institution with a relatively small number of clients and small loan portfolio, Sogesol has been able to maintain a healthy portfolio quality mainly due to its strict lending methodology. Sogesol follows a policy of stepped lending, and clients are required to provide collateral worth at least 100% of the original loan amount (clients are often required to provide collateral worth 150% of the original loan amount). All clients are also required to have a cosignor, or guarantor, who may also provide collateral if the client does not have collateral worth the full amount of the loan.

Sogesol has seized collateral goods from clients, although management has recognized that the seizing of collateral goods is more of a pressure tactic to coerce clients to pay than a means to recover the delinquent loan. At June 30, 2003, Sogesol was holding seized collateral goods from approximately twenty-five clients, but had not yet sold off any of the goods.

In recognition of the worsening quality of the portfolio past due over 180 days, Sogesol has recently formed a collections department, comprised of a manager, and two full time recovery agents. This is also in recognition of the poor recovery efforts on the part of law firms to which Sogesol had previously transferred loan portfolio. This has been an important step for Sogesol, as this increased focus on recovery of past due loans will continue to increase in importance as the loan portfolio continues to grow at a fast pace.

The absolute value of loans past due between 30 and 180 days actually increased significantly from September 30, 2002 to June 30, 2003, and the decrease in the indicator is also a reflection

of the large increase in outstanding portfolio. The absolute value of all loans past due over 30 days (before write-off adjustment) increased 175% between September 30, 2002 and June 30, 2003. This represents an alarming trend, and it is urgent that Sogesol quickly take action to improve the quality of the portfolio, not only through increased collections efforts, but also through improved portfolio tracking and monitoring, as explained in *Portfolio Classification System*.

	9/02	6/03	% increase
Adjusted Portfolio at Risk > 30 days	G2,935,912	G4,407,084	50%
Adjusted Outstanding Portfolio	G79,642,688	G150,424,313	89%
Adjusted Portfolio at Risk Indicator	3.69%	2.93%	
Unadjusted Portfolio at Risk > 30 days	G3,470,618	G9,542,555	175%
Unadjusted Outstanding Portfolio	G80,177,394	G155,559,784	94%
Unadjusted Portfolio at Risk Indicator	4.33%	6.13%	

RATING: 4.5

Although the Portfolio at Risk indicator at Sogesol could technically translate to a "5.0" rating, it has been lowered to 4.5 given that there is not complete certainty or reliability in the portfolio classification by risk, given lack of precision in the calculation from the available information.

ASSET QUALITY
Quantitative Indicator

LOAN LOSS RATE

	Optimal Range	6/03	9/02
Adj. Write-Offs/Adj. Average Portfolio	<2.0%	5.25%	2.54%

The loan loss rate is measured as adjusted loan write-offs for the period, divided by the average portfolio for the period. Sogesol's loan loss rate indicator was 5.25% for the twelve-month period ended June 30, 2003, up sharply from the FY01-02 loan loss rate of 2.54%.

In the case of Sogesol, the calculated loan loss rate includes loans being "amortized" by the institution, which are loans that have been removed from the Sogesol portfolio classification system but not the Sogebank balance sheet. A provision is being created on the Sogesol balance sheet for these loans, which will be removed from the Sogesol balance sheet at the end of the 2003 Fiscal Year (September 30th). In addition, the loan loss rate calculation includes those loans in the portfolio that were over 180 days past due, but were not being amortized by Sogesol,⁵ and loans in legal recovery.

June 30, 2003 Write-Offs

Total Loans to be written off by Sogesol by 30/9/03 ("amortizing")	G4,932,616
Portfolio past due over 180 days	G278,040
Loans in legal recovery	G23,375
Loans to be written off (Sogesol & CAMEL)	5,234,032

According to Sogesol's policies and procedures manual, the loan write-off policy is to write off loans past due over 180 days, subject to the joint approval of the boards of directors of Sogesol and Sogebank. It has been observed, however, that the loans which will be removed from the balance sheet loan portfolio by September 30, 2003, have already been removed from the portfolio management system, and were not presented to the board of directors for approval. Although the loans have not been technically written off because they have not yet been removed from the balance sheet, all portfolio quality reports that are presented to the board are net of these loans. It is recommended that Sogesol present the removal of loans from the portfolio management system to the board of directors for approval, in order to ensure the board's full awareness of the true risk situation of the loan portfolio.

It is recommended that Sogesol put in place the following accounting measures, to ensure that the Balance Sheet portfolio more accurately reflects the true portfolio in terms of size and probability of collection:

⁵ It has been calculated that all loans being amortized by Sogesol and those which were over 180 days past due at June 30, 2003 but were not yet being amortized, had completed 180 days past due between July 1, 2002 and June 30, 2003.

- * Remove write-offs from the gross portfolio and from the loan loss reserve on the Balance Sheet in a timely manner
- * Create the loan loss reserve according to the provisioning policy, without incurring additional provision expenses for the value of write-offs that are performed during the same period.

RATING: 2.0

ASSET QUALITY
Qualitative Indicator

PORTFOLIO CLASSIFICATION SYSTEM

The portfolio of Sogesol is classified by branch, by product (working capital, fixed assets and small business) and by aging. In addition, the portfolio classification system tracks loans according to cycle (first loan, second loan, etc.). However, the portfolio classification reports issued by SiCrédito, the portfolio management system is considered to be inexact due to errors in postings of payments and disbursements (described in further detail below) and each month, the portfolio classification is finalized manually⁶.

There are many problems in the coordination between Sogesol and Sogebank, specifically in the misposting of payments and disbursements. If the Sogebank teller does not input exact information regarding the client's account (loan number and name), the transaction does not get posted to Sogesol's ban tracking system, SiCrédito. There is a transit account on the Sogebank balance sheet which contains all unidentified disbursements and payments (principal and interest) related to the Sogesol portfolio. At June 30, 2003, the transit account held a total of G6,597,130. Sogesol currently has a team working full-time on reconciling the portfolio amounts listed in SiCrédito, with the values recorded in the portfolio and transit accounts at Sogebank. The differences in the portfolios and the transit account are illustrated in the following table.

	SiCrédito	Sogebank	Net Difference
Total Active Portfolio	G150,725,729	G149,416,213	
Write-offs	G4,834,055	N/A	
Total Active & Written Off	G155,559,784	G149,416,213	
Transit Account*	N/A	G6,597,130	
Total Portfolio, Write-offs, Transit Account	G155,559,784	G156,013,343	(G453,559)

**Transit Account includes principal disbursements, plus repayments of principal and interest.*

Due to the various errors and the use of the transit account, the delinquency reports produced by SiCrédito at the end of each month are not precise. For example, clients who may have made payments appear as past due because errors have led to the posting of the payment to the transit account. Therefore, branch managers and loan officers must spend the first few days of every month confirming payments received from clients and correcting the past due reports. However, it has been determined that the corrected portfolio quality reports (*Tableau du Bord*) which are utilized by staff, management and the board of directors are also imprecise, as there are errors made when the reports are being corrected. Rather than reducing the amount of the outstanding loan portfolio by the value of payments that have been identified as received and posted to the transit account, those payments are instead shifted to the

⁶ Until recently, the manual calculation of the portfolio classification was done twice a month. The decision was made in FY02-03 to perform the calculation on a monthly basis, due to the large increase in portfolio size.

classification of “current portfolio”. As a result, the total outstanding portfolio is slightly overstated each month, and related percentages of portfolio at risk are slightly understated.

Other glitches in the portfolio management system have also been identified, which also may result in the slight overstatement of the total outstanding portfolio, and therefore the slight understatement of portfolio at risk percentages. A few loans which have been removed from SiCrédito as write-offs have been reactivated by the system as current loans. According to Sogesol management, it is estimated that at June 30, 2003, there were approximately 50 loans which had been removed from the system which were then automatically reactivated.

The aging schedule used by Sogesol does not include ranges beyond 90 days past due. It is recommended that such ranges be added to the system, especially if Sogesol is going to implement its policy of writing off loans over 180 days past due. Finally, it is recommended that Sogesol evaluate and classify its portfolio by levels of risk, in addition to the actual system of classification by aging of past due balances. Various risk factors could include region or geographic zone, type of guarantee, etc., which would allow SOGESOL to better gauge risk and focus on potentially risky credits.

RATING: 2.5

ASSET QUALITY
Qualitative Indicator

PRODUCTIVITY OF LONG-TERM ASSETS

	<u>06/03</u>	<u>06/03</u> <u>Excl. Cash</u>	<u>9/02</u>
Long-Term Assets/Total Assets	17.6%	43.4%	53.7%
Long-Term Assets/Total Assets (w/ portfolio)	6.7%	8.7%	14.7%

Sogesol has made few investments in long-term assets since its inception, with the exception of a large investment in start-up technical assistance in 2001, expenses which are being deferred and amortized over five years. At June 30, 2003, adjusted long-term assets represented 17.6% of total assets, as compared to 53.7% at September 30, 2002. Long-term assets accounted for a smaller percentage of total assets in June 2003 because of the large increase in total assets, which grew 209% from G30 million at September 30, 2002 to G92.9 million at June 30, 2003. This increase is due to an additional G55 million that Sogesol was carrying in its cash account at June 30, 2003. Adjusting for the cash account, total fixed assets would account for 43.4% of total assets.

Adjusted fixed assets represented 9.8% of total assets at Sogesol at June 30, 2003, and 21.2% at September 30, 2002. Currently, the fixed assets of the institution include primarily office furniture, computer and related equipment, and one vehicle. Sogesol does not own any buildings and currently leases its office space from Sogebank. It is recommended that in the future, Sogesol conduct a comprehensive cost-benefit analysis of renting versus owning the physical facilities housing its head office and branch offices. This will be especially useful in the current high inflationary environment in Haiti, as the purchase of a building or other fixed assets could act as a hedge against future inflation.

The long-term and fixed assets account for a relatively higher percentage of total assets than is seen in other microfinance institutions, because Sogesol's loan portfolio is not reflected on the Sogesol balance sheet. If the loan portfolio were on the Sogesol balance sheet, adjusted long-term assets would represent 6.7% and 14.7% of total assets at June 30, 2003 and September 30, 2002 respectively. Similarly, fixed assets would represent 3.7% and 5.8% of total assets at June 30, 2003 and September 30, 2002, respectively.

The purchase of fixed assets for new branches is included in the budget and approved by the board of directors. The finance manager maintains a detailed list of start-up equipment required for new branches and follows these specifications for all new branches. During the year the purchase of additional fixed assets is approved and ordered by the finance manager, who retains relationships with local vendors for the majority of the organization's fixed asset needs. For equipment that is only available overseas, Sogebank makes the purchase on behalf of Sogesol, which proves convenient due to existing relationships Sogebank has with foreign vendors.

The finance manager maintains a detailed registry of all fixed assets, which is updated annually following an inventory count. In addition, all fixed assets are physically labeled during the annual inventory. Due to the short existence of the organization most of the equipment is new and in good condition. Sogesol has incurred minimal losses due to theft and damage.

Sogesol also possesses a warehouse of fixed asset goods that have been repossessed from delinquent clients. These assets have not been valued and are not accounted for on the balance sheet. In addition the registry of these items is incomplete and there exists no formal policy for asset disposal. To date the cost of warehousing these goods has been minimal, however as more space is required a material storage fee will be incurred. It is recommended that senior management formulate a policy for these assets, and conduct an analysis of long-term storage versus immediate disposal.

RATING: 4.0

MANAGEMENT

Qualitative Indicator

GOVERNANCE

The board of directors of Sogesol is comprised of five members. Of these five members, three represent the parent company/major shareholder, Sogebank, and two represent the other two main shareholders: ACCION Gateway Fund, and PROFUND International. Shareholders with less than ten percent participation do not have direct representation on the board of directors.

The board members are committed to the sector and the institution itself, and there is a diversity of experience in banking, business and international microfinance on the board. Some members are more active than others – specifically, the chair of the board (who is the senior economist of Sogebank) provides continual guidance to the general manager of Sogesol. Management meetings are held once a week between the chair of the board and the senior management team of Sogesol, and the chair dedicates at least one full day a week to Sogesol-related issues, working out of the Sogesol head office. Although it is important that the board of directors to provide strategic guidance, best practices in microfinance recommend that management be independent from the board of directors, to avoid any potential conflict of interest between the strategic and operational leadership of the institution. In Sogesol, the level of involvement of the board chair, who has an office in the institution, could present a future risk to the institution.

Sogesol's board meets on a monthly basis, and during the meetings key points are discussed and reviewed, including budget versus actual, information on operations by branch and monthly income. Unfortunately, the two outside board members, who represent international organizations and are not based in Haiti, are not always able to be present and it has been expressed by other board members that their presence is missed.

It is contemplated that in the future, the board of Sogesol may be expanded to include up to seven members. Such an expansion would be beneficial to the institution, as it would allow for the creation of a variety of board committees, such as an audit committee, a finance committee, and others.

Although the information that the board members receive on a monthly basis is quite detailed, including breakdown of expenses, credit operations and other information by branch, the level of analytical information could be expanded. For example, it would be useful for the board to review and analyze other key information on a regular basis, including indicators and trends related to capital adequacy, profitability, and operating efficiency. Additionally, other aspects that the board should review and approve in a timely manner include: internal controls and audit, portfolio write-offs, and provisioning policies.

RATING: 3.5

MANAGEMENT

Qualitative Indicator

MANAGEMENT

Sogesol's senior management team consists of the general manager, commercial manager and finance manager. All three managers hold graduate degrees and have varied professional experience. The general manager is well aware of the daily operations of the organization and its short and longer-term goals. The finance manager is highly competent and holds a detailed knowledge of the organization's financial operations and financial position.

The commercial manager position joined Sogesol in May 2003; previously, the general manager had taken on the role of acting commercial manager for approximately six months. Prior turnover in the position and weakness in the management style of the former commercial manager resulted in a lapse in communication between senior management and middle management. Senior management is currently in the process of strengthening the relationship with middle managers through quarterly management meetings and more frequent branch visits by the commercial manager.

There also exists strained relations and poor communication between senior management and lower level staff. The division between senior management and lower level staff manifested itself in a strike in August 2002, which had the potential to fully halt the operations of Sogesol. The strike was initiated by loan officers and lasted less than a week. Due to Haiti's high unemployment rate and a promise by senior management to maintain the new incentive structure over the next five years, the strike was resolved. Senior management plans to begin meeting with loan officers from different branches every month in an effort to improve communication with lower level staff.

Currently, the general manager performs many of the human resources duties, including training, recruiting and staffing. This structure is inefficient and distracts the general manager from her primary duties. Sogesol experiences difficulty in recruiting branch managers for provincial offices. In addition, no strategy is in place to manage branch offices when branch managers are on vacation and no senior loan officer is present. This has resulted in increased delinquency rates as evidenced most recently in the Carrefour branch. These recruiting and staffing challenges must be addressed without delay by the creation of a dedicated and qualified human resource function within the organization.

Communication among the senior management team is good. The management team meets weekly to discuss current and upcoming activities and challenges. The meetings are well documented and are attended by the chairman of the board. When making important operational decisions the senior management team looks toward the board of directors, and the chairman of the board in particular, for guidance and supervision. Although the role of the board of directors is to provide general strategic guidance, the management team should feel confident in its own operational decision-making.

There seems to be a degree of miscommunication between senior management and the external auditors regarding the existence of management letters and verbal recommendations

of the auditors that may not be followed by Sogesol. As Sogesol continues to grow and manage a larger loan portfolio, it will be critical that there are clear lines of communication between the institution and the external auditors. Communication regarding audit recommendations should be documented in management letters to the senior management team, who will need to respond to the recommendations in a timely manner.

Looking forward, the senior management team has the potential to be a strong and cohesive unit. With the rapid integration of the commercial manager, and if the general manager is unburdened by the human resources responsibilities, the team will be able to focus on managing the institution and staff, and making critical decisions to move the organization forward.

RATING: 3.0

MANAGEMENT

Qualitative Indicator

HUMAN RESOURCES

The human resource function at Sogesol is carried out jointly by Sogesol and Sogebank. As part of the service agreement between Sogebank and Sogesol, Sogebank is responsible for some of the key administrative elements of human resource management. This primarily includes payroll management and managing the employee benefits (vacation, medical, dental and life insurance and staff loans). All other human resource functions, such as development of job descriptions, staff recruitment, staff training, incentive scheme design, and salary decisions are the responsibility of Sogesol. ACCION International, Sogesol's technical assistance provider, has also played an active role in a number of these areas.

Since the resignation of the organizational development manager in October 2002, there has been no specific human resource department at Sogesol, though an administrative supervisor was recently hired to assist the general manager with some of the administrative functions. The general manager has primary responsibility for developing job descriptions, recruiting and interviewing staff, and developing and managing staff compensation and incentive scheme policies. In addition, a training officer was recently appointed to coordinate and teach some of the new staff orientation training. For an organization with a current staff complement of 91 and plans to open a number of new branches before the end of the year, this structure places an unusually large amount of responsibility for managing the organization's most important asset on an individual with an already very full plate. While Sogesol has been able to rely on Sogebank for some administrative support in this area, the significant expansion planned for the next few years suggests the need for an independent human resource manager at Sogesol.

Job descriptions have been developed for key branch positions, but not for the senior management staff (general manager, finance manager, commercial manager), and a number of other senior staff members, including the internal control officer, the training coordinator or the administrative supervisor. While a few of these positions are relatively new, job descriptions that clearly define responsibilities and expectations are important institutional building blocks.

Personnel policies have been developed by Sogebank for the Group. The manual is relatively comprehensive, providing key information on staff benefits and operating expectations. In 2003, Sogebank's Human Resource group also developed a new performance evaluation framework for all members of the Sogebank Group, and as such, took responsibility for training Sogesol staff on the new forms and procedures. While a useful tool for encouraging greater feedback between supervisors and their staff, the current framework is lengthy and time consuming.

Staff training on Sogesol methodology for new hires is comprehensive and well developed. The training consists of a five-week classroom orientation program, followed by two to three weeks of field work. In addition, Sogesol sends some of its staff to courses offered locally by DAI/FINNET on various technical topics, and following the CAMEL evaluation, the general

manager was scheduled to participate in a three-week training course offered by Bacacademie in Germany. Sogesol has recently appointed a former loans monitor as the new training coordinator, with primarily responsibility for organizing, coordinating and conducting some of the orientation program training. This new staff training program was initially developed by ACCION International consultants, and is currently being redesigned by ACCION to reduce the time required.

Sogesol currently does not have any structured plan for middle management training. Management realizes the importance of such training, particularly in an increasingly decentralized operating environment, and has contracted ACCION to undertake the development of a middle management training program in 2003 and 2004. Management has recognized that while branch managers may have the technical experience needed to run their branches, they often lack key management experience, and that such training provides a crucial link between field staff and management.

The basic compensation package for branch staff includes a base salary and a performance based incentive scheme. Base salaries appear to be competitive and are revised from time to time to address the impact of inflation. Salaries, however, are not based on any clearly defined salary grid. Management recognizes the importance of such a grid for purposes of ensuring a transparent and fair compensation system. The incentive scheme, initially developed with input from ACCION International, has been a source of tension between management and staff. Presented to staff in August 2002, the key elements of the current incentive scheme include: number of active clients, amount of portfolio, net increase in number of clients, amount of portfolio that is late and number of clients that are late. The prior incentive scheme did not include a disincentive for the amount of portfolio late, only for the number of delinquent clients. While straight forward and relatively easy for staff to calculate, staff feared the new scheme would ultimately reduce their income. During the third week of August 2002, branch staff from all branches with the exception of Cap Haitien initiated a three day strike. Faced with the threat of losing their jobs and promised that the incentive scheme variables would not be changed for another five years, staff ultimately returned to work.

Despite the divisions that led to the August 2002 strike, employee morale appears positive at June 2003. A number of staff members have expressed pride in working with Sogesol and especially appreciate the connection with the broader Sogebank Group. There continues to be, however, a clear division between management and lower level staff, which management has recognized and is taking steps to encourage a more open environment.

RATING: 2.5

MANAGEMENT

Qualitative Indicator

PROCESSES, CONTROLS AND AUDIT

Sogesol does not have a dedicated internal audit department, but rather the functions of internal audit have been performed to date by the internal audit department of Sogebank. In addition, there is an annual external audit of financial statements, but there was no official management letter produced by the external auditors available for review.

Given the small portion of group activities that Sogesol represents to Sogebank⁷, the internal audit of Sogesol and strengthening of internal controls has not been a priority for the bank. However, as Sogesol's activities continue to increase, the internal audit department has planned to increase its audit activities of Sogesol. It is expected that this planned increase in internal audit tasks will allow the institution to improve controls in all areas, including administrative and financial areas.

The members of the Sogebank's audit department who have been responsible for the internal audits of Sogesol have received training in microfinance, and have developed a manual for the audit of Sogesol as a microfinance institution. The team has recognized that the audit tools used in traditional evaluations need to be adapted to the needs of a microfinance institution, and have sought to increase their own understanding of the field.

Additionally, although the internal audit department has a complete workplan of activities for internal audits of Sogebank activities, it is recommended that such a workplan be developed for the audit of Sogesol activities. The internal auditor responsible for the Sogesol audit is aware of the specific areas to be audited within the institution, but the use of a formal workplan would ensure that no areas were omitted. One specific area that is critical to include in the internal audit plan is the management and controls of accounts between Sogebank and Sogesol. While both the internal audit department and the external auditors have recognized that differences exist between the portfolio balances on the Sogebank balance sheet and SiCrédito, it is recommended that the board of directors of Sogesol request the increased involvement of the audit department in determining the reasons behind the differences and reconciling the portfolio balances. In addition, it will be important to include an audit of systems, including aspects of the institution's hardware and software.

Sogesol has recently hired a staff member to be responsible for the internal controls of the institution. It is expected that this position will be responsible for the oversight and review of controls, ensuring that proper controls are in place and followed by staff members. It is expected that an internal control department will be created within Sogesol, with additional staff members. Going forward, it will be important that there be close coordination between the internal control department and the internal audit department of Sogebank, to ensure that

⁷ The Sogesol portfolio represented less than 1% of Sogebank's net portfolio at September 30, 2001.

the functions of the two departments are complementary and that there is no duplication of efforts.

Regarding the formalization of processes at Sogesol, it was observed that while there are manuals in use for most areas, one key manual, for use of SiCrédito, has not been updated and disseminated to staff members. It is expected that when the latest round of changes and updates to the system occur later in 2003, the manual will be updated and shared with all staff members.

Sogesol hasn't experienced any frauds to date, which implies that the various controls included in different procedures manuals and the controls carried out by the commercial area of verifying methodology and existence of clients, have been adequate. However, it is important that management and the board of directors receive information on a more continual basis regarding the controls of different areas. The internal audit department currently reports to the board of Sogebank. The level of awareness and involvement of the Sogesol board regarding control and audit issues could improve if the members of the internal audit department responsible for the audit of Sogesol were to report to the Sogesol board of directors, or an internal audit committee of that board, on a regular basis.

RATING: 2.5

MANAGEMENT

Qualitative Indicator

MANAGEMENT INFORMATION SYSTEMS

There exist some major deficiencies in Sogesol's current software and significant challenges to automated processes. While the loan tracking system, SiCrédito, and the accounting software utilized by both Sogesol and Sogebank, ICBS are not fully integrated, information is updated by batch on a daily basis. However, the success of the update process has been impeded by inaccuracies in data input by Sogebank tellers. This has resulted in significant differences in portfolio balances between the accounting and loan tracking systems, and the need for manual reconciliation of the balances.

ICBS is used to register all daily accounting transactions of Sogesol, as well as the loan disbursements and repayments transacted by Sogebank tellers. ICBS includes a report-writing feature that allows the generation of monthly, quarterly and end-of-year consolidated statements. The system's main weakness lies in its lack of a fixed asset tracking system. Sogesol has purchased an independent fixed asset tracking system, PeachTree, to monitor fixed assets and to calculate depreciation and amortization. These amounts are then manually entered into the ICBS system.

Sogesol's loan tracking system, SiCrédito, is a Windows-based program created for microfinance institutions. While Sogesol owns the program and source code, Enlace, the developer of the software, has occasionally been contracted to further customize the system to meet Sogesol's needs. However, the system was made unstable by these modifications resulting in operating bugs. One such bug, the "day bug" caused the system to jump forward one day every month in January, February and March 2003 resulting in inaccurate delinquency data. This bug was resolved in April, but the underlying cause is still unknown. Another bug that still remains unsolved causes the reactivation of written-off loans for no apparent reason.

In addition to the operating bugs, SiCrédito is deficient in the areas of report writing, delinquency management, recovery management and the management of restructured loans. While SiCrédito is capable of generating some of the key reports, these reports are not always accurate. As mentioned above, the "day bug" and reactivation of written-off loans has resulted in skewed data. The continuing reconciliation problem between Sogebank and Sogesol also results in inaccurate reporting. SiCrédito does not allow the separate tracking of clients that have been transferred to recovery agents, or rescheduled loans. This negatively impacts the ability of recovery agents to efficiently pursue delinquent clients.

Senior management is aware of these weaknesses and has contracted Enlace to return to address these issues and train a dedicated IT staff member on the system. These enhancements will hopefully improve Sogesol's information systems but there is also a risk that these enhancements will further destabilize the system and result in additional bugs.

SiCrédito seems to be a good fit for the organization for completing and processing loan applications. The online credit committee is used by loan officers and branch managers and

allows for good communication. In addition the system includes various permission levels that are set by the finance manager and are used to manage security.

At the end of every business day Sogebank sends an electronic batch to SiCrédito to update the system with the day's transactions. The day's transactions have been stored in a Sogebank transit account. Transactions are matched to SiCrédito by loan account number and are posted to the corresponding account. SiCrédito then sends a batch back to Sogebank to close the transit account. However, if any transaction cannot be matched by account number it is not posted to SiCrédito and remains in the transit account. The matching problem is a result of Sogesol clients not completing deposit forms and poor data entry by Sogebank tellers. This transit account continues to grow resulting in unreliable portfolio and client data. The finance department has three contract employees dedicated to manually reconciling this account, as well as additional permanent employees spending part of their time reconciling the account.

Currently, all branch offices complete systems back-up twice daily. Metro branches share servers and backed-up information is stored at Sogebank headquarters. Branches in the provinces each have their own server and also back-up information twice daily. However, the back-up is stored on-site without any security or disaster prevention precautions. In addition there is no formal disaster recovery plan for any branch offices or the organization as a whole.

Certain branch offices have suffered from power outages and communications malfunctions in the past. In such cases operations in these offices have been disrupted and/or halted. In cases with long-term communications failures branch managers have utilized neighboring branches as back-up locations until generators and new servers were purchased. Management has upgraded communication cables and routers in various branches in an attempt to offset the malfunctions.

RATING: 2.5

MANAGEMENT
Qualitative Indicator

STRATEGIC PLANNING AND BUDGETING

An initial five year strategic plan (2000-2005) was developed for Sogesol by Bannock Consulting with funding from IFC/MIF. This plan includes a comprehensive market assessment, lays out a recommended methodology and operational structure for the organization and includes detailed financial projections for the institution. While comprehensive, the strategic plan has not been updated since Sogesol started operations. As such, it is no longer a useful guide for the institution's long term planning and is not actively used by management. It is expected that a new five year strategic plan will be created in 2004. It is strongly recommended that this exercise be prioritized, as a long-term financial projection model is an important tool for management when setting the institution's strategic direction and defining realistic targets for the future.

As a member of the Sogebank Group, Sogesol also contributes to the Sogebank strategic plan. The latest version of the plan covers the period 2002-2005, and includes general portfolio and income projections for Sogesol. While useful for the broader group, this plan does not provide sufficient detail to serve as a detailed strategic plan for Sogesol.

Sogesol produces a detailed annual budget on a branch by branch basis. The budgeting process typically starts in August, with the goal of having the budget approved by the board in early October, the start of Sogesol's fiscal year. (The 2003 budget was approved in November 2002.) At this stage, the budgeting process is primarily driven by senior management at head office, including the General Manager, the Director of Finance and Administration and the Commercial Director. To date, branch staff have not been very involved in the goal setting, though Sogesol management plans to involve them more this year in estimating projections for portfolio size and client volume, a move which the CAMEL team strongly supports. Branch level involvement is important to obtaining realistic projections, as well as ensuring a broader level of buy-in for the institution's strategic direction. The Finance Director has primary responsibility for building the budget with input on the portfolio growth by the Commercial Director.

Once approved by the board, the annual budget is used as a critical management tool. Actual results are compared to the budget on a monthly basis, and variations are noted and discussed in the monthly board meetings. Budget revisions are conducted as needed. For fiscal year 2003, Sogesol's actual returns have consistently fallen below budgeted profits, despite numerous budget revisions carried out during the year. Year to date net profits for the first nine months of fiscal year 2003 were 86% below target (net profit of G1.1 million, vs. budget of G 7.8 million). This is largely due to an unexpected increase in financing costs (October 2002 banking system crisis), as well as a loss incurred in June 2003 from an ill-timed interest rate arbitrage transaction that resulted in a foreign exchange loss.

RATING: 3.0

EARNINGS

Quantitative Indicator

RETURN ON EQUITY

	<u>Optimal Range</u>	<u>06/03</u>	<u>9/02</u>
Net Operating Income/Average Equity	> 15.0%	-24.6%	-196.10%

At June 2003, Sogesol had a net operating loss after CAMEL adjustments of G2,865,632 with a ROE of -24.6%. These returns represent a significant improvement over fiscal year 2002's net operating loss after CAMEL adjustments of G15,251,143 for an ROE of -196.10%.

The following CAMEL adjustments were made to the Sogesol financial statements: inflation adjustments (to both the equity and fixed assets of the institution), and shadow costs (for subsidized ACCION technical assistance).

ACCION CAMEL Expense Adjustments, Sogesol (Gourds)

	<u>6/03</u>	<u>9/02</u>
Net Operating Income, Before Adjustments	1,269,749	(10,539,005)
Net Inflation Adjustment	(366,426)	(1,694,333)
Shadow Costs (ACCION TA)	(3,768,955)	(3,017,805)
TOTAL	(4,135,381)	(4,712,138)
Net Operating Income, After Adjustments	(2,865,632)	(15,251,143)

It is important to note, that although June's adjusted ROE was negative, Sogesol reached breakeven before CAMEL adjustments for the first time in the twelve month period ended June 30, 2003, with an ROE of 12.60%. The ROE reflects an upward trend from year to year both before and after adjustments.

Sogesol is almost at its breakeven point after adjustments as well, with a Financial Self-Sufficiency ratio for the twelve month period ended June 30, 2003 of 97%, as compared to 71% for FY01-02. This improved performance is due mainly to improved operating efficiency related to increased loan portfolio.

As a result of the increased loan portfolio (the average loan portfolio increased 124% from FY01-02 to the twelve-month period ended June 30, 2003), and the recent increase in the interest rate⁸ Sogesol's interest revenue increased 133% from FY01-02 to the twelve month period ended June 30, 2003. In comparison, Sogesol's operating expenses increased by only 37% over the same period.

⁸ Sogesol raised its interest rate from 3.5% per month, flat to 4.5% per month, flat in March 2003. See *Interest Rate Policy* for further explanation on the decision to increase the rate.

Unfortunately, Sogesol's financial expenses rose by 244% during the period, resulting in an increase in total expenses of 79%. The considerable increase in financial expenses is due largely to the macroeconomic situation, which resulted in an increased cost of funds. Financial expenses were further increased by an exchange rate loss of G6 million (without this loss financial expense would have increased by 184%).

The G6 million exchange rate loss was a result of a board initiative to reduce cost of funds. The initiative was to borrow US\$3 million, and place the funds into a Haitian Gourde denominated interest-bearing account. The board hoped to recognize a higher return on these funds from interest rate earnings (20.58% on the Gourde account) and exchange rate gains when the Gourde eventually strengthened against the US dollar. The plan was contingent upon the approval of an additional US\$1.5 million line of credit from Sogebank to Sogesol. Sogebank declined the request to increase Sogesol's line of credit by an additional US\$1.5 million. Due to the decline, Sogesol was forced to cancel half the transaction, resulting in an exchange rate loss and a penalty fee for overdrawing their account. Although a strategy to reduce cost of funds is crucial to Sogesol, lower risk methods should be pursued to achieve this.

RATING: 0.0

EARNINGS

Quantitative Indicator

OPERATING EFFICIENCY

	<u>Optimal Range</u>	<u>6/03</u>	<u>9/02</u>	<u>9/01</u>
Total Operating Expenses/Average Portfolio	< 20%	58%	95%	241%

For the twelve months ending June 2003, Sogesol's operating efficiency ratio (adjusted operating expenses/average outstanding portfolio) was 58%.⁹ This ratio has consistently fallen since Sogesol first started operations in August 2000. Fiscal year 2002's operating efficiency ratio was 95%, significantly down from fiscal year 2001's ratio of 241%, indicating a proportionally greater increase in the average portfolio (411% over 12 months between September 2001 and September 2002) than in operating costs (operating costs in fiscal year 2002 were 126% higher than operating costs in fiscal year 2001) - a positive trend in increasing efficiencies. Similarly, the significant improvement in operating efficiency at June 2003 is a reflection of the 89% increase in portfolio, accompanied by operating expenses which only increased 37% from September 30, 2002 to June 30, 2003.

Given Sogesol's structure as a service company, a certain percentage of Sogesol's operating costs are fixed in the annual service agreement between Sogebank and Sogesol. For the 12 months ending June 2003, 17% of Sogesol's adjusted operating costs reflected the administration fee paid to Sogebank for services rendered in various capacities. For fiscal year 2002, this figure was 12%. This includes compensation for teller services (fee currently set at 9% per annum of the monthly average outstanding portfolio) and a fixed fee for general Sogebank Group services, such as information technology, internal audit and some human resource support (fee currently set at G168,000 per month).

Sogesol salaries as a percentage of total operating expenses was 35%. This relatively low ratio, when compared with the average 50-60% for other microfinance institutions, reflects the service company model, where various personnel activities have been outsourced to the bank (tellers, information technology, internal audit, etc). When the administration fee paid to Sogebank is included in salary expenses, this ratio jumps to 47%. With the recent surge in inflation, Sogesol's board has recently approved a 31% increase in salary levels for branch staff.

Of its current staff complement of 91, 42, or 46%, are loan officers. Given the fact that Sogesol relies on Sogebank staff for teller support, this ratio appears relatively low. While it is recognized that the recent and planned increase in head office staff is important in order to adequately support future growth plans for the organization, the team does feel that current branch staffing can be structured more efficiently. This is highlighted by the relatively high ratio of administrative staff to loan officers (30:42) in the branches. It is recommended that

⁹ For just the month of June 2003, this ratio falls to 49%.

Sogesol conduct a more in-depth analysis of the branch workflow process, with the goal of streamlining back office administrative duties.

RATING: 0.0

EARNINGS
SPECIFIC DESCRIPTION OF INSTITUTIONAL
POLICIES REFERRING TO EARNINGS

Quantitative Indicator

RETURN ON ASSETS

	<u>Optimal Range</u>	<u>6/03</u>	<u>9/02</u>
Net Operating Income/Average Assets	> 3.0%	-4.61%	-54.59%

Sogesol's operating return on assets for the twelve-month period ended June 30, 2003 was -4.61% after CAMEL adjustments, an improvement over FY01-02's ROA of -54.59%. Before adjustments, Sogesol's operating return on assets for the 12 months ended June 2003 was 2.09% compared to -38.12 % at September 2002¹⁰.

Although the loan portfolio is not reflected on Sogesol's balance sheet, all income and expenses related to the portfolio are reflected on the income statement, and therefore the analysis of financial and operating margins in relation to the average loan portfolio is still a valuable analysis. As illustrated in the following table, Sogesol has shown improvement in its operating margin but has seen a decline in its financial margin. The decline in the financial margin is predominantly due to the increase in cost of funds during the year, with interest expense increasing from 13% of the average portfolio in FY01-02 to 19% for the twelve-month period ended June 30, 2003. The improvement in operating margin reflects improvements in operating efficiency.

	<u>6/03</u>	<u>FY 01-02</u>
Adjusted Financial Margin: (Operating Revenue-Financial Expenses)/Average Portfolio	55.25%	61.13%
Adjusted Operating Margin: Net Operating Income/Average Portfolio	-2.88%	-34.31%

As evidenced in the following table Sogesol is very close to matching its interest and fee revenue with the yield required to break-even. Sogesol would have needed an effective yield of 91% to cover total expenses and break even in the twelve-month period ended June 30, 2003. With the recent increase in interest rates, it is expected that the effective yield will continue to increase, and with continued high portfolio quality, the yield could reach close to the effective annual interest rate being charged of approximately 89%. In order to reach break even point,

¹⁰ It is important to note that Sogesol's loan portfolio does not reside on its balance sheet. If the portfolio is included in the average asset base, Sogesol would report a ROA of 0.8 % for the twelve-month period ended June 30, 2003.

however, it will be necessary for Sogesol to continue make improvements in operating efficiency, especially if the cost of funds remain at current rates or increase even further.

Adjusted Income Statement/Average Portfolio

	6/02	FY01-02
Operating Revenue (1)	88.16%	85.45%
<i>Interest & Fee Revenue on Loan Portfolio (2)</i>	86.48%	85.44%
Total Adjusted Financial Expenses (Sogesol & CAMEL)	32.91%	24.32%
Financial Margin	55.25%	61.13%
Operating Expenses	58.13%	95.44%
Operating Margin	-2.88%	-34.31%
Yield required for covering total expenses: (3)	91.0%	119.8%
Difference between Operating Revenue and Yield required: (1) - (3)	-23.0%	-54.4%
Difference between Interest & Fee Revenue and Yield required: (2) - (3)	-2.9%	-34.3%

RATING: 0.0

EARNINGS

Qualitative Indicator

INTEREST RATE POLICY

Sogesol currently charges 4.5% flat interest rate on its working capital loans (microenterprise and small business), and 3% flat interest on its new fixed asset loans. In addition, 3.5% of the disbursed loan amount is deducted from the loan as a loan processing commission. For “good clients”, defined as clients whose number of days of delinquency have never exceeded the term of their loan, this fee can be reduced by 0.5% for each loan above the 4th, though cannot go below 1%.

In March 2003, Sogesol increased its interest rate on working capital loans from 3.5% to the current 4.5%. This increase was in response to a recent increase in Sogesol’s cost of funds, as well as a review of competitor pricing, most of whom also increased interest rates. The increased cost of funds was the result of a crisis in the Haitian banking system caused by rumors that the Government of Haiti was planning to convert all USD deposits to local currency.

The current interest rate results in an annual effective rate of 87% (interest only) for microenterprise and small business loans and 61% for the newly introduced fixed asset loan product. At 3.5%, the effective rate was approximately 69%. For the twelve months ending June 2003, the actual yield (interest only) on the portfolio was 68%. Unfortunately, it was not possible to determine the theoretical yield on the portfolio, as Sogesol’s loan tracking system is unable to generate a breakdown between loans priced at 3.5% and those at 4.5% and a number of clients prepay their loans, and thus do not pay the anticipated full amount of interest. Assuming, however, that for one out of the four quarters of this 12 month period, the loans were priced at 4.5%, this yield appears low, highlighting the impact of delinquency, mispostings and prepayments on the institution’s yield ratio. The portfolio yield for June 2003 was 78%, jumping to 90% with the inclusion of commissions.

Sogesol’s product pricing approach is influenced by both competitor analysis and various costing exercises. Separate product costing is not currently done. In addition, the lack of a long term financial projection model limits Sogesol’s ability to more accurately estimate the long term impact of different costing scenarios. MFIs need to closely examine all costs of service delivery in setting their interest rates. Delivery costs include: operating expenses, loan losses, cost of funds, and recapitalization costs. The following table illustrates Sogesol’s current adjusted cost structure, compared to its expressed targets, as a percentage of average portfolio:

<i>As percentage of average portfolio</i>	Current (12 months ending June 2003)	Target	Comment
Operating Costs	57%	20%	<i>As Sogesol increases its loan portfolio and achieves greater levels of efficiency, this will hopefully decrease.</i>
Loan Losses	5%	2%	<i>As Sogesol tightens delinquency control, this should hopefully come down.</i>
Costs of funds	19%	19%	<i>Target assumes cost of funds continues to remain at current level.</i>
Capitalization rate	5-10%	5-10%	<i>This represents the standard capitalization rate for MFIs (Exact figure depends on how aggressively board and management want to grow.)</i>
Break-even rate	86-91%	46%-51%	

As seen from the table above, Sogesol's actual yield (interest plus commissions) of 90%¹¹ places Sogesol at the minimal breakeven level. Assuming that Sogesol is able to greatly improve both operating efficiency and portfolio quality, it should be in a position to reassess its relatively high interest rates. With competition increasing in Haiti, this flexibility will be important to maintaining a strong market presence.

RATING: 5.0

¹¹ Based on June 2003 interest rate of 4.5%.

LIABILITY STRUCTURE

Sogesol's primary liability is a US\$ denominated overdraft account with Sogebank. The balance on the account at June 30, 2003 was G64 million (approximately US\$1.5 million), representing 80% of Sogesol's total liabilities. This account carries an interest rate of 5.35%, and is typically used to finance expenses priced in US\$, such as computer equipment or other overseas procurements.

The microfinance loan portfolio managed by Sogesol and maintained on Sogebank's balance sheet is funded directly by Sogebank. While Sogebank is currently a very liquid institution with a strong capital base and Sogesol's portfolio represents only a minimal percentage of the bank's total portfolio and capital base, this exclusive reliance on one source of funding does limit Sogesol's ability to negotiate with the bank and could pose problems for Sogesol in the future. Sogesol has recognized this potential problem and has begun to explore alternative sources of portfolio funding.

RATING: 5.0

Sogesol's position as a service company model makes it exempt from traditional requirements for a "5.0" rating of diversified funding base and ample credibility in the financial system.

CASH FLOW PROJECTIONS:

Although there are currently no formal documented procedures regarding the preparation of cash flow projections, annual projections are prepared by the finance manager, based on the annual budget. The cash flow is created by removing non cash line items (depreciation, amortization etc.) from expenses for each month.

The previous month's actual cash balances are input into the cash flow projections each month. The input flows through the projections model and adjusts the projected cash balances for the subsequent remaining months. In the case of an extraordinary event, or substantial increase in expenses (such as the opening of a new branch), the budget is adjusted and such adjustments to the budget will also will flow through the cash flow projection model.

Neither Sogesol nor Sogebank are currently projecting the disbursements and repayments for the Sogesol loan portfolio. This is due to the fact that Sogesol's loan portfolio represents a very small portion of Sogebank activities - at September 30, 2002, Sogesol's loan portfolio constituted less than 1% of Sogebank's net portfolio. As such, Sogesol disbursements and repayments do not pose any risk to Sogebank's liquidity position.

Due to the service company model of Sogesol, and their adequate line of credit with Sogebank, their projection method does not currently pose a risk to the organization. However, as Sogesol continues to grow and additional branches are opened more sophisticated and detailed cash flow projections will be required. Also, as the loan portfolio grows, it will be beneficial to both Sogesol and Sogebank if the institution begins to project disbursements and repayments. Finally, given that the current procedure is highly dependant on the presence of the finance manager, it is recommended that the procedures be formalized and documented.

RATING: 3.5

PRODUCTIVITY OF LIQUID ASSETS

Sogesol's primary short term asset at June 2003 was a G55 million investment with Sogebank. This account, which at June 2003 represented 60% of Sogesol's total assets, operates as both an investment account (as a debit) and as a short term overdraft account (as a credit). In either case, the rate on the account is 20.58%.

However, in May 2003, Sogesol effected an ill-timed interest rate arbitrage transaction that resulted in a significant loss to the organization. With support from the Sogesol board but without formal approval from Sogebank funds managers, Sogesol overextended its limit by USD 1.5 million on its USD overdraft with Sogebank (at the time limited to USD 1.5 million), planning to buy Gourdes that it could invest at 21%, compared to the 5% USD rate. Unfortunately, just after Sogesol had effected this transaction, in which it sold USD 1.5 million at a rate of G40.5 to the dollar, Sogebank insisted on immediate payment on the overdraft, forcing Sogesol to both absorb a penalty fee for exceeding its credit limit, and to buy back its dollars at a rate of G45 to the dollar. This resulted in a G6 million (approximately USD143,000) additional foreign exchange loss in June 2003. While the gains from interest rate earnings on the gourds investment may ultimately exceed the losses incurred in the ill-timed conversion, this transaction does raise questions about decision-making processes related to liquidity management at Sogesol.

RATING: 4.0

BALANCE SHEET
SOGESOL
Nominal Currency \$

	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
ASSETS				
Cash and Cash Equivalent	689,381	1,270,760	671,194	657,026
Short-Term Investments	55,129,072	0	0	1,334,254
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0	0	0	0
Portfolio Past-Due > 30 Days and Rescheduled Portfolio (Loan Loss Reserve)	0	0	0	0
Accounts Receivable	15,785,185	11,464,193	6,630,185	10,768,574
Accrued Interest Income Receivable	0	0	0	0
Other Current Assets	5,953,198	1,592,265	1,166,457	1,501,941
TOTAL CURRENT ASSETS	77,556,835	14,327,219	8,467,836	14,261,795
Equipment	10,457,549	8,121,720	8,106,520	6,423,891
Vehicles	614,292	614,292	614,292	614,292
Property	194,170	184,170	184,170	122,903
Accumulated Depreciation	(4,715,650)	(3,113,417)	(2,619,056)	(1,324,614)
TOTAL FIXED ASSETS	6,550,362	5,806,765	6,285,926	5,836,471
Revaluation Fixed Assets	2,552,024	586,002	0	0
Permanent Investments	0	0	0	0
Other Assets	7,287,903	9,784,441	10,616,621	13,142,985
TOTAL ASSETS	93,947,124	30,504,427	25,370,383	33,241,252
LIABILITIES				
Bank Overdrafts	64,306,061	16,251,884	11,619,415	7,670,763
Public Deposits	0	0	0	0
Short-Term Commercial Debt	0	0	0	0
Short-Term Subsidized Debt	0	0	0	0
Accounts Payable	6,002,729	3,201,007	3,481,758	6,444,538
Benefits Payable	3,320,581	173,281	2,123,083	1,099,405
Interest Payable	0	0	0	0
Deferred Liabilities	0	0	0	0
Other Current Liabilities	6,553,117	385,919	478,564	1,306,489
TOTAL CURRENT LIABILITIES	80,182,489	20,012,091	17,702,820	16,521,196
Long-Term Debt	0	0	0	0
Mortgages	0	0	0	0
Subsidized Debt	480,000	479,999	2,125,383	2,125,383
Bonds in Circulation	0	0	0	0
Funds in Administration	0	0	0	0
Reserve for Personnel Benefits	0	0	0	0
Other Long-Term Liabilities	0	0	0	0
TOTAL LONG-TERM LIABILITIES	480,000	479,999	2,125,383	2,125,383
TOTAL LIABILITIES	80,662,489	20,492,091	19,828,203	18,646,579
EQUITY				
Capital	26,559,500	26,314,500	26,314,500	24,527,000
Reserves	0	0	0	0
Reclassified Donations	0	0	4,155,310	4,155,310
Adjustments to Equity	2,918,450	2,280,335	0	0
Capitalization of Subsidized Debt	0	0	0	0
Capitalization of Shadow Costs	3,768,955	3,017,805	3,050,403	0
Prior Period Retained Earnings	(16,888,165)	(9,932,327)	(9,932,327)	(2,774,481)
Current Period Retained Earnings	(3,074,104)	(11,667,976)	(18,045,707)	(11,313,156)
TOTAL EQUITY	13,284,635	10,012,337	5,542,180	14,594,673
TOTAL LIABILITIES & EQUITY	93,947,124	30,504,427	25,370,383	33,241,252

**INCOME STATEMENT
SOGESOL
NOMINAL CURRENCY \$**

	Jun-02 Jun-03	Sep-01 Sep-02	Jun-01 Jun-02	Sep-00 Sep-01
OPERATING REVENUE				
Interest Revenue on Loan Portfolio	67,798,539	29,051,105	21,374,485	3,670,908
Interest Revenue on Short-Term Investments	1,673,373	2,475	2,476	1
Fee Revenue on Loans	18,397,362	8,928,621	5,722,319	331,854
Other Operating Revenue, Credit Program	0	0	0	0
Exchange Rate Adjustment	0	0	371,456	371,456
TOTAL OPERATING REVENUE, CREDIT PROGRAM	87,869,275	37,982,201	27,470,736	4,374,218
Accrued Interest Adjustment	0	0	0	0
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	87,869,275	37,982,201	27,470,736	4,374,218
FINANCIAL EXPENSES				
Interest Expense on Bank Loans	18,478,889	5,821,881	5,116,334	753,249
Commissions	0	0	0	0
Other Financial Expenses	0	0	0	0
Loan Loss Provision Expense	7,442,249	2,877,730	1,501,014	0
Exchange Rate Adjustment	6,515,120	416,495	26,370	0
TOTAL FINANCIAL EXPENSES	32,436,257	9,116,105	6,643,718	753,249
CAMEL Financial Adjustments				
Loan Loss Provision Adjustment	0	0	0	0
Inflation Adjustment, Fixed Assets	(2,552,024)	(586,002)	0	0
Inflation Adjustment, Equity	2,918,450	2,280,335	0	0
Adjustment for Subsidized Debt Interest	0	0	0	0
Total financial adjustments	366,426	1,694,333	0	0
ADJUSTED FINANCIAL EXPENSES	32,802,683	10,810,438	6,643,718	753,249
FINANCIAL INCOME/LOSS	55,066,591	27,171,763	20,827,018	3,620,970
OPERATING EXPENSES, CREDIT PROGRAM				
Salaries	28,986,550	20,057,780	21,713,284	8,073,842
External Advisors and Consultants	8,061,732	6,116,647	6,899,129	1,384,780
Personnel Training	162,785	262,337	801,186	541,149
Services	998,995	464,086	476,406	180,485
Materials	1,334,502	1,499,822	2,115,811	947,982
Rent	6,920,674	3,531,917	4,677,487	2,176,566
Maintenance and Repairs	613,741	347,900	372,132	0
Transportation	2,451,899	2,577,935	2,854,684	1,055,606
Legal Commissions and Fees	253,818	131,401	89,269	32,874
Publicity	256,878	257,348	468,193	236,200
Depreciation	2,096,594	1,843,032	2,464,172	1,115,502
Amortization	3,328,717	3,328,717	4,704,930	2,208,392
Insurance	53,132	23,232	2,600	500
Taxes	334,728	160,285	233,986	116,088
Other Operating Expenses	2,077,478	1,820,466	1,983,162	629,660
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	57,932,223	42,422,906	49,856,431	18,699,624
TOTAL EXPENSES, CREDIT PROGRAM	90,734,906	53,233,344	56,500,149	19,452,873
OPERATING INCOME/LOSS	(2,865,632)	(15,251,143)	(29,029,413)	(15,078,655)
Other Revenue not related to credit program	3,838,008	3,646,775	3,748,900	3,748,900
Donations, Credit Activities	0	0	0	0
Other Expenses not related to credit program	162,326	63,608	(76,960)	(133,948)
TOTAL NON-OPERATING REVENUE/EXPENSES	3,675,682	3,583,167	3,825,860	3,882,848
NET INCOME (LOSS)	810,050	(11,667,976)	(25,203,553)	(11,195,807)

ACCION INTERNATIONAL
CAMEL REPORT

STATISTICS AND PROGRAMMATIC INFORMATION

NAME OF INSTITUTION: SOGESOL

Number of Active Borrowers	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement (Microentreprise)	6,460	5,804	5,423	2,200
Fonds de Roulement (Petites Entreprise)	428	245	-	-
Actifs immobilisés (Microentreprise)	4	-	-	-
Actifs immobilisés (Petites Entreprise)	1	-	-	-
TOTAL	6,893	6,049	5,423	2,200

Number of Active Clients	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement (petites et micro-entreprises)	6,460	5,804	5,423	2,200
Fonds de Roulement (Petites Entreprise)	428	245	-	-
Actifs immobilisés (Microentreprise)	4	-	-	-
Actifs immobilisés (Petites Entreprise)	1	-	-	-
TOTAL	6,893	6,049	5,423	2,200

Amount (\$) of loans disbursed	Jun-03	Sep-02	Jun-02	Sep-01
Fonds de Roulement (petites et micro-entreprises)	249,402,969	207,373,203	125,838,366	43,142,828
Fonds de Roulement (Petites Entreprise)	59,290,000	-	-	-
Actifs immobilisés (Microentreprise)	322,463	-	-	-
Actifs immobilisés (Petites Entreprise)	37,500	-	-	-
TOTAL	309,052,932	207,373,203	125,838,366	43,142,828

Number of loans disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	9,623	12,978	9,181	4,288
Fonds de Roulement (Petites Entreprise)	663	-	-	-
Actifs immobilisés (Microentreprise)	4	-	-	-
Actifs immobilisés (Petites Entreprise)	1	-	-	-
TOTAL	10,291	12,978	9,181	4,288

Average Disbursement	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	25,917	15,979	13,706	10,061
Fonds de Roulement (Petites Entreprise)	89,427	-	-	-
Actifs immobilisés (Microentreprise)	80,616	-	-	-
Actifs immobilisés (Petites Entreprise)	37,500	-	-	-
TOTAL	30,031	15,979	13,706	10,061

Average Disbursement (US\$)	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement (Microentreprise)	739	579	497	365
Fonds de Roulement (Petites Entreprise)	2,550	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	2,299	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	1,069	N/A	N/A	N/A
TOTAL	856	579	497	365

Amount (\$) of Primary Loans Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	31,699,563	61,495,426	43,351,153	17,974,957
Fonds de Roulement (Petites Entreprise)	8,966,750	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	322,463	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	37,500	N/A	N/A	N/A
TOTAL	41,026,276	61,495,426	43,351,153	17,974,957

Number (clients) of Primary Loans Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	1,990	5,130	3,967	2,311
Fonds de Roulement (Petites Entreprise)	190	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	4	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	1	N/A	N/A	N/A
TOTAL	2,185	5,130	3,967	2,311

ACCION INTERNATIONAL
CAMEL REPORT

STATISTICS AND PROGRAMMATIC INFORMATION

NAME OF INSTITUTION: SOGESOL

Average Primary Loan Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement (Microentreprise)	15,929	11,987	10,928	7,778
Fonds de Roulement (Petites Entreprise)	47,193	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	80,616	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	37,500	N/A	N/A	N/A
TOTAL	18,776	11,987	10,928	7,778

Average Primary Loan Disbursed (US\$)	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement (Microentreprise)	454	434	396	282
Fonds de Roulement (Petites Entreprise)	1,346	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	2,299	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	1,069	N/A	N/A	N/A
TOTAL	535	434	396	282

Amount (\$) of Renewed Loans (Secondary Loans) Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	217,703,406	145,877,777	82,487,213	25,167,870
Fonds de Roulement (Petites Entreprise)	50,323,250	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	-	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	-	N/A	N/A	N/A
TOTAL	268,026,656	145,877,777	82,487,213	25,167,870

Number (clients) of Renewed Loans (Secondary Loans) Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	7,633	7,848	5,214	1,977
Fonds de Roulement (Petites Entreprise)	473	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	-	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	-	N/A	N/A	N/A
TOTAL	8,106	7,848	5,214	1,977

Average Renewal (Secondary Loan) Disbursed	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	28,521	18,588	15,820	12,730
Fonds de Roulement (Petites Entreprise)	106,392	N/A	N/A	N/A
Actifs immobilisés (Microentreprise)	-	N/A	N/A	N/A
Actifs immobilisés (Petites Entreprise)	-	N/A	N/A	N/A
TOTAL	33,065	18,588	15,820	12,730

Average Renewal (Secondary Loan) Disbursed (US\$)	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Fonds de Roulement	813	674	623	469
Fonds de Roulement (Petites Entreprise)	3,034	-	-	-
Actifs immobilisés (Microentreprise)	-	-	-	-
Actifs immobilisés (Petites Entreprise)	-	-	-	-
TOTAL	943	674	623	469

Number of Active Savers/Depositors	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
Product A: Compte d'épargne Sogesol/Sogebank	806	N/A	N/A	N/A
TOTAL	806	0	0	0

Total Value of Savings	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Product A: Compte d'épargne Sogesol/Sogebank	1,298,757	N/A	N/A	N/A
TOTAL	1,298,757	0	0	0

Average Savings	Jun-03	Sep-02	30-Jun-02	30-Sep-01
Product A: Compte d'épargne Sogesol/Sogebank	1,611	N/A	N/A	N/A
TOTAL	1,611	N/A	N/A	N/A

ACCION INTERNATIONAL
CAMEL REPORT

STATISTICS AND PROGRAMMATIC INFORMATION

NAME OF INSTITUTION: SOGESOL

Average Savings (US\$)	Jun-03	Sep-02	Jun-02	Sep-01
Product A: Compte d'épargne Sogesol/Sogebank	38	-	-	-
TOTAL	38	-	-	-

	Jun-03	Sep-02	Jun-02	Sep-01
Number of Headquarters (National Office)	1	1	1	1
Number of Branches	6	5	5	4

Borrower Desertion (%)	Jun-03	Sep-02	Jun-02	Sep-01
Fonds de Roulement (Microentreprise + PE)	9.4%	17.5%	N/A	N/A
TOTAL	9.4%	17.5%	N/A	N/A

Total Active Portfolio	Jun-03	Sep-02	Jun-02	Sep-01
Total Portfolio after adjustments, by program				
Fonds de Roulement (Microentreprise)	120,265,767	79,642,688	59,220,168	15,571,019
Fonds de Roulement (Petites Entreprise)	29,848,958			
Actifs immobilisés (Microentreprise)	309,589			
Actifs immobilisés (Petites Entreprise)				
TOTAL	150,424,313	79,642,688	59,220,168	15,571,019

Rotation and Average Term	Jun-03	Sep-02	Jun-02	Sep-01
Fonds de Roulement (Microentreprise)				
Rotation of Capital (# times)	2.07	2.60	2.12	2.77
Average Term (months)	5.79	4.61	5.65	4.33
Fonds de Roulement (Petites Entreprise)				
Rotation of Capital (# times)	1.99	-	-	-
Average Term (months)	6.04	-	-	-
Total				
Rotation of Capital (# times)	2.05	2.60	2.12	2.77
Average Term (months)	5.84	4.61	5.65	4.33

Institutional Personnel	Jun-03	Sep-02	Jun-02	Sep-01
Number of New Hires:	15	N/A	N/A	N/A
Number of Staff that left:	6	N/A	N/A	N/A
Number of Personnel:				
Number of Administrative Personnel (General Management):	16	15	16	N/A
Number of Loan Officers:	42	38	38	N/A
Number of Administrative Personnel in Branches (including Coordinators):	30	25	24	N/A
Relief officers	3			
TOTAL STAFF	91	78	78	N/A

Macroeconomic Indicators:	Jun-03	Sep-02	Jun-02	Sep-01
Price Index, period-end (national):	261.44	193.54	187.06	175.84
Exchange Rate (period-end):	42.8573	29.6984	27.2819	25.4927
Average Exchange Rate:	35.07	27.60	25.39	27.12
Average Savings Market Interest Rate:	N/A	7.60%	7.60%	13.50%
Average Time Deposits:	22.74%	N/A	6.80%	15.35%
BRH Bond 91 day	27.80%	10.20%	10.00%	26.70%
Average Lending Market Interest Rate:	N/A	25.00%	26%	25.3%
Average Prime Lending Rate:	34.00%	20.00%	24%	25.2%
Annual (or Annualized) Inflation Rate:	39.8%	10.1%	N/A	N/A
Annual (or Annualized) Devaluation Rate:	57.1%	16.5%	16.1%	-11.3%
Deflator Factor	1.0000	0.7403	0.7155	0.6726

ACCION INTERNATIONAL
CAMEL REPORT

SUMMARY
KEY AND SUPPORTING FINANCIAL INDICATORS

NAME OF INSTITUTION SOGESOL

	154%							
Active Portfolio same period previous year	\$90,177,394	\$79,642,688	\$59,220,168	\$59,220,168	\$15,571,019	\$15,571,019	\$1,439,149	\$1,439,149
Total Assets same period previous year	\$29,918,425	\$30,504,427	\$25,370,383	\$25,370,383	\$33,241,252	\$33,241,252	\$16,933,370	\$16,933,370
Total Equity same period previous year	\$9,426,335	\$10,012,337	\$5,542,180	\$5,542,180	\$14,594,673	\$14,594,673	\$5,995,519	\$5,995,519
	Jun-03	Jun-03	Sep-02	Sep-02	Jun-02	Jun-02	Sep-01	Sep-01
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Active Portfolio	\$155,559,784	\$150,424,313	\$80,177,394	\$79,642,688	\$59,220,168	\$59,220,168	\$15,571,019	\$15,571,019
(Loan Loss Reserve)	(\$9,483,056)	(\$4,347,585)	(\$3,249,882)	(\$2,715,176)	(\$2,005,222)	(\$2,005,222)	N/A	N/A
Total Assets	\$91,395,100	\$93,947,124	\$29,918,425	\$30,504,427	\$25,370,383	\$25,370,383	\$33,241,252	\$33,241,252
Total Liabilities	\$80,662,489	\$90,662,489	\$20,492,091	\$20,492,091	\$19,828,203	\$19,828,203	\$18,646,579	\$18,646,579
Total Operating Expenses, Credit Program	\$54,163,268	\$57,932,223	\$39,405,101	\$42,422,906	\$46,806,027	\$49,856,431	\$18,699,624	\$18,699,624
Net Income, Credit Program	\$1,269,749	(\$2,865,632)	(\$10,539,005)	(\$15,251,143)	(\$25,979,009)	(\$29,029,413)	(\$15,078,655)	(\$15,078,655)
Net Income, Institution	\$4,945,431	\$810,050	(\$6,955,838)	(\$11,667,976)	(\$17,997,839)	(\$25,203,553)	(\$7,040,497)	(\$11,195,807)
Average Portfolio	\$99,666,144	\$99,666,144	\$44,450,992	\$44,450,992	\$37,395,594	\$37,395,594	\$8,505,084	\$8,505,084
Average Assets	\$60,656,763	\$62,225,776	\$27,644,404	\$27,937,405	\$29,305,817	\$29,305,817	\$25,087,311	\$25,087,311
Average Equity	\$10,079,473	\$11,648,486	\$7,484,257	\$7,777,258	\$10,068,426	\$10,068,426	\$10,295,096	\$10,295,096
Current Rescheduled Portfolio	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio at Risk > 30 Days + Rescheduled Portfolio	\$9,519,180	\$4,407,084	\$3,470,618	\$2,935,912	\$1,371,211	\$1,371,211	N/A	N/A
Write-Offs year-to-date	\$0	\$5,234,032	660,861	\$594,365	364,310	364,310	81,414	81,414
Number of Active Clients	6,893	6,893	6,049	6,049	5,423	5,423	2,200	2,200
Total Staff of Institution	91	91	78	78	78	78	N/A	N/A
Total Loan Officers	42	42	38	38	38	38	N/A	N/A
Total Administrative Staff	49	49	40	40	40	40	N/A	N/A
Employees who have left the program	6	6	6	6	N/A	N/A	N/A	N/A
New Hires	15	15	15	15	N/A	N/A	N/A	N/A
Exchange Rate	43	43	30	30	27	27	25	25
Active Portfolio US\$	3,629,715	3,509,888	2,699,721	2,681,716	2,170,676	2,170,676	610,803	610,803

CAPITAL ADEQUACY

Key Indicators

Equity/Risk-Weighted Assets	Optimal Range ≥16.7%	5.6%	7.0%	8.7%	9.2%	9.4%	9.4%	N/A	N/A
Risk-Weighted Assets/Equity	Optimal Range ≤6.0X	17.80894032	14.19331327	11.54	10.87	10.69	10.69	1.07	1.07
Institutional Provision (after write-offs)/CAMEL Provision (after write-offs)			165.89%		168.11%		N/A		N/A

Supporting Indicators

Liabilities/Equity	7.52 X	6.07 X	2.17 X	2.05 X	3.58 X	3.58 X	1.28 X	1.28 X
Equity/Portfolio at Risk > 30 Days	1.13 X	3.01 X	2.72 X	3.41 X	4.04 X	4.04 X	N/A	N/A
Loan Loss Reserve/Portfolio at Risk > 30 Days	100%	99%	94%	92%	146%	146%	N/A	N/A
Equity + Loan Loss Reserves/PAR > 30 Days	212%	400%	365%	434%	550%	550%	N/A	N/A
Loan Loss Reserve/Total Portfolio	6.10%	2.89%	4.05%	3.41%	3.39%	3.39%	N/A	N/A

ASSET QUALITY

Key Indicators

Portfolio at Risk > 30 Days/Total Active Portfolio	Optimal Range ≤ 3.0%	6.12%	2.93%	4.33%	3.69%	2.32%	2.32%	N/A	N/A
Loan Loss Rate (Write-offs/Average Portfolio)	Optimal Range ≤ 2.0%	0.00%	5.25%	1.49%	1.34%	0.97%	0.97%	0.96%	0.96%

Supporting Indicators

Loan Loss Reserve/Portfolio at Risk > 30 Days	100%	99%	94%	92%	146%	146%	N/A	N/A
Loan Loss Reserve/Total Portfolio	6.10%	2.89%	4.05%	3.41%	3.39%	3.39%	N/A	N/A

MANAGEMENT

Supporting Indicators

- Total Clients/Total Staff	76	76	78	78	70	70	N/A	N/A
- Total Clients/Total Loan Officers	164	164	159	159	143	143	N/A	N/A
- Portfolio per Loan Officer (US\$)	86,422	83,569	71,045	70,571	57,123	57,123	N/A	N/A
- Total Loan Officers/Total Staff	46%	46%	49%	49%	49%	49%	N/A	N/A
- Total Administrative Staff/Total Loan Officers	1.17	1.17	1.05	1.05	1.05	1.05	N/A	N/A

EARNINGS

Key Indicators

Operating ROE (Adj. Operating Income/Average Total Portfolio)	Optimal Range > 15.0%	12.60%	-24.60%	-140.82%	-196.10%	-258.02%	-288.32%	-146.46%	-146.46%
Operating ROA (Adj. Operating Income/Average Total Portfolio)	Optimal Range > 3.0%	2.09%	-4.61%	-38.12%	-54.59%	-88.65%	-99.06%	-60.10%	-60.10%
Operating Efficiency (Total Operating Expenses/Operating Revenue)	Optimal Range ≤ 20%	54.34%	58.13%	88.65%	95.44%	125.16%	133.32%	219.86%	219.86%

Supporting Indicators

Earnings

- Financial Margin: (Operating Revenue - Financial Expenses)/Average Total Portfolio	55.62%	55.25%	64.94%	61.13%	0.00%	N/A	0.00%	0.00%
- Operating Margin: Net Operating Income/Average Total Portfolio	1.27%	-2.88%	-23.71%	-34.31%	0.00%	N/A	0.00%	0.00%
- Provision Expense/Average Total Portfolio	7.47%	7.47%	6.47%	6.47%	0.00%	N/A	0.00%	0.00%
- Total personnel expense/Average Total Portfolio	18.92%	29.06%	33.30%	45.12%	0.00%	N/A	0.00%	61.91%
- Operating Self-Sufficiency: Operating Revenue/(Unadjusted Financial + Operating Expenses)	101%		78%		N/A		N/A	
- Financial Self-Sufficiency: Operating Revenue/(Adjusted Financial + Operating Expenses)		97%		71%		N/A		N/A

BALANCE SHEET
SOGESOL
US\$

	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
ASSETS				
Cash and Cash Equivalent	16,085	42,789	22,600	22,123
Short-Term Investments	1,286,340	0	0	44,927
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0	0	0	0
Portfolio Past-Due > 30 Days and Rescheduled Portfolio (Loan Loss Reserve)	0	0	0	0
Accounts Receivable	368,320	386,021	223,251	362,598
Accrued Interest Income Receivable	0	0	0	0
Other Current Assets	138,907	53,615	39,277	50,573
TOTAL CURRENT ASSETS	1,809,653	482,424	285,128	480,221
Equipment	244,009	273,473	272,962	216,304
Vehicles	14,333	20,684	20,684	20,684
Property	4,531	6,201	6,201	4,138
Accumulated Depreciation	(110,031)	(104,835)	(88,188)	(44,602)
TOTAL FIXED ASSETS	152,841	195,525	211,659	196,525
Revaluation Fixed Assets	59,547	19,732	0	0
Permanent Investments	0	0	0	0
Other Assets	170,050	329,460	357,481	442,549
TOTAL ASSETS	2,192,092	1,027,140	854,268	1,119,294
LIABILITIES				
Bank Overdrafts	1,500,469	547,231	391,247	258,289
Public Deposits	0	0	0	0
Short-Term Commercial Debt	0	0	0	0
Short-Term Subsidized Debt	0	0	0	0
Accounts Payable	140,063	107,784	117,237	217,000
Benefits Payable	77,480	5,835	71,488	37,019
Interest Payable	0	0	0	0
Deferred Liabilities	0	0	0	0
Other Current Liabilities	152,906	12,995	16,114	43,992
TOTAL CURRENT LIABILITIES	1,870,918	673,844	596,087	556,299
Long-Term Debt	0	0	0	0
Mortgages	0	0	0	0
Subsidized Debt	11,200	16,162	71,566	71,566
Bonds in Circulation	0	0	0	0
Funds in Administration	0	0	0	0
Reserve for Personnel Benefits	0	0	0	0
Other Long-Term Liabilities	0	0	0	0
TOTAL LONG-TERM LIABILITIES	11,200	16,162	71,566	71,566
TOTAL LIABILITIES	1,882,118	690,007	667,652	627,865
EQUITY				
Capital	619,719	886,058	886,058	825,869
Reserves	0	0	0	0
Reclassified Donations	0	0	139,917	139,917
Adjustments to Equity	68,097	76,783	0	0
Capitalization of Subsidized Debt	0	0	0	0
Capitalization of Shadow Costs	87,942	101,615	102,713	0
Prior Period Retained Earnings	(394,056)	(334,440)	(334,440)	(93,422)
Current Period Retained Earnings	(71,729)	(392,882)	(607,632)	(380,935)
TOTAL EQUITY	309,974	337,134	186,615	491,430
TOTAL LIABILITIES & EQUITY	2,192,092	1,027,140	854,268	1,119,294

INCOME STATEMENT
SOGESOL
US\$

	Jun-02	Sep-01	Jun-01	Sep-00
	Jun-03	Sep-02	Jun-02	Sep-01
OPERATING REVENUE				
Interest Revenue on Loan Portfolio	1,581,960	978,204	719,718	123,606
Interest Revenue on Short-Term Investments	39,045	83	83	0
Fee Revenue on Loans	429,270	300,643	192,681	11,174
Exchange Rate Adjustment	0	0	12,508	12,508
TOTAL OPERATING REVENUE, CREDIT PROGRAM	2,050,276	1,278,931	924,990	147,288
Accrued Interest Adjustment	0	0	0	0
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	2,050,276	1,278,931	924,990	147,288
FINANCIAL EXPENSES				
Interest Expense on Bank Loans	431,172	196,033	172,276	25,363
Interest Expense on Subsidized Debt	0	0	0	0
Interest Expense on Savings/Deposits	0	0	0	0
Commissions	0	0	0	0
Other Financial Expenses	0	0	0	0
Loan Loss Provision Expense	173,652	96,898	50,542	0
Other Provisions Expense	0	0	0	0
Inflation Adjustment	0	0	0	0
Exchange Rate Adjustment	152,019	14,024	888	0
TOTAL FINANCIAL EXPENSES	756,843	306,956	223,706	25,363
CAMEL Financial Adjustments				
Loan Loss Provision Adjustment	0	0	0	0
Inflation Adjustment, Fixed Assets	(59,547)	(19,732)	0	0
Inflation Adjustment, Equity	68,097	76,783	0	0
<u>Adjustment for Subsidized Debt Interest</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total financial adjustments	8,550	57,051	0	0
ADJUSTED FINANCIAL EXPENSES	765,393	364,007	223,706	25,363
FINANCIAL INCOME/LOSS	1,284,882	914,923	701,284	121,925
OPERATING EXPENSES, CREDIT PROGRAM				
Salaries	676,350	675,383	731,126	271,861
External Advisors and Consultants	188,106	205,959	232,306	46,628
Personnel Training	3,798	8,833	26,977	18,221
Services	23,310	15,627	16,041	6,077
Materials	31,138	50,502	71,243	31,920
Rent	161,482	118,926	157,500	73,289
Maintenance and Repairs	14,321	11,714	12,530	0
Transportation	57,211	86,804	96,122	35,544
Legal Commissions and Fees	5,922	4,425	3,006	1,107
Publicity	5,994	8,665	15,765	7,953
Depreciation	48,920	62,058	82,973	37,561
Amortization	77,670	112,084	158,424	74,361
Insurance	1,240	782	88	17
Taxes	7,810	5,397	7,879	3,909
Other Operating Expenses	48,474	61,298	66,777	21,202
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	1,351,747	1,428,458	1,678,758	629,651
TOTAL EXPENSES, CREDIT PROGRAM	2,117,140	1,792,465	1,902,464	655,014
OPERATING INCOME/LOSS	(66,864)	(513,534)	(977,474)	(507,726)
Other Revenue not related to credit program	89,553	122,794	126,232	126,232
Donations, Credit Activities	0	0	0	0
Other Expenses not related to credit program	3,788	2,142	(2,591)	(4,510)
TOTAL NON-OPERATING REVENUE/EXPENSES	85,766	120,652	128,824	130,743
NET INCOME (LOSS)	18,901	(392,882)	(848,650)	(376,983)

BALANCE SHEET
SOGESOL
Constant Currency \$

	30-Jun-03	30-Sep-02	30-Jun-02	30-Sep-01
ASSETS				
Cash and Cash Equivalent	689,381	1,716,583	906,670	887,531
Short-Term Investments	55,129,072	0	0	1,802,353
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0	0	0	0
Portfolio Past-Due > 30 Days and Rescheduled Portfolio (Loan Loss Reserve)	0	0	0	0
Accounts Receivable	15,785,185	15,486,198	8,956,265	14,546,533
Accrued Interest Income Receivable	0	0	0	0
Other Current Assets	5,953,198	2,150,883	1,575,687	2,028,870
TOTAL CURRENT ASSETS	77,556,835	19,353,664	11,438,623	19,265,287
Equipment	10,457,549	10,971,078	10,950,545	8,677,596
Vehicles	614,292	829,805	829,805	829,805
Property	194,170	248,783	248,783	166,021
Accumulated Depreciation	(4,715,650)	(4,205,703)	(3,537,904)	(1,789,331)
TOTAL FIXED ASSETS	6,550,362	7,843,963	8,491,230	7,884,092
Revaluation Fixed Assets	2,552,024	791,591	0	0
Permanent Investments	0	0	0	0
Other Assets	7,287,903	13,217,135	14,341,270	17,753,963
TOTAL ASSETS	93,947,124	41,206,353	34,271,122	44,903,342
LIABILITIES				
Bank Overdrafts	64,306,061	21,953,563	15,695,876	10,361,911
Public Deposits	0	0	0	0
Short-Term Commercial Debt	0	0	0	0
Short-Term Subsidized Debt	0	0	0	0
Accounts Payable	6,002,729	4,324,023	4,703,269	8,705,488
Benefits Payable	3,320,581	234,073	2,867,929	1,485,112
Interest Payable	0	0	0	0
Deferred Liabilities	0	0	0	0
Other Current Liabilities	6,553,117	521,312	646,459	1,764,846
TOTAL CURRENT LIABILITIES	80,182,489	27,032,971	23,913,533	22,317,358
Long-Term Debt	0	0	0	0
Mortgages	0	0	0	0
Subsidized Debt	480,000	648,399	2,871,035	2,871,035
Bonds in Circulation	0	0	0	0
Funds in Administration	0	0	0	0
Reserve for Personnel Benefits	0	0	0	0
Other Long-Term Liabilities	0	0	0	0
TOTAL LONG-TERM LIABILITIES	480,000	648,399	2,871,035	2,871,035
TOTAL LIABILITIES	80,662,489	27,681,369	26,784,569	25,188,393
EQUITY				
Capital	26,559,500	35,546,465	35,546,465	33,131,853
Reserves	0	0	0	0
Reclassified Donations	0	0	5,613,125	5,613,125
Adjustments to Equity	2,918,450	3,080,349	0	0
Capitalization of Subsidized Debt	0	0	0	0
Capitalization of Shadow Costs	3,768,955	4,076,547	4,120,582	0
Prior Period Retained Earnings	(16,888,165)	(13,416,904)	(13,416,904)	(3,747,857)
Current Period Retained Earnings	(3,074,104)	(15,761,474)	(24,376,715)	(15,282,172)
TOTAL EQUITY	13,284,635	13,524,984	7,486,553	19,714,949
TOTAL LIABILITIES & EQUITY	93,947,124	41,206,353	34,271,122	44,903,342

INCOME STATEMENT
SOGESOL
Constant Currency \$

	Jun-02 Jun-03	Sep-01 Sep-02	Jun-01 Jun-02	Sep-00 Sep-01
OPERATING REVENUE				
Interest Revenue on Loan Portfolio	67,798,539	39,243,159	28,873,335	4,958,779
Interest Revenue on Short-Term Investments	1,673,373	3,343	3,344	1
Fee Revenue on Loans	18,397,362	12,061,066	7,729,891	448,279
Training Fee Revenue	0	0	0	0
Other Operating Revenue, Credit Program	0	0	0	0
Exchange Rate Adjustment	0	0	501,774	501,774
TOTAL OPERATING REVENUE, CREDIT PROGRAM	87,869,275	51,307,568	37,108,345	5,908,834
Accrued Interest Adjustment	0	0	0	0
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	87,869,275	51,307,568	37,108,345	5,908,834
FINANCIAL EXPENSES				
Interest Expense on Bank Loans	18,478,889	7,864,382	6,911,307	1,017,513
Interest Expense on Subsidized Debt	0	0	0	0
Interest Expense on Savings/Deposits	0	0	0	0
Commissions	0	0	0	0
Other Financial Expenses	0	0	0	0
Loan Loss Provision Expense	7,442,249	3,887,329	2,027,618	0
Other Provisions Expense	0	0	0	0
Inflation Adjustment	0	0	0	0
Exchange Rate Adjustment	6,515,120	562,614	35,622	0
TOTAL FINANCIAL EXPENSES	32,436,257	12,314,326	8,974,546	1,017,513
<u>CAMEL Financial Adjustments</u>				
Loan Loss Provision Adjustment	0	0	0	0
Inflation Adjustment, Fixed Assets	(2,552,024)	(791,591)	0	0
Inflation Adjustment, Equity	2,918,450	3,080,349	0	0
Adjustment for Subsidized Debt Interest	0	0	0	0
Total financial adjustments	366,426	2,288,759	0	0
ADJUSTED FINANCIAL EXPENSES	32,802,683	14,603,084	8,974,546	1,017,513
FINANCIAL INCOME/LOSS	55,066,591	36,704,484	28,133,800	4,891,321
OPERATING EXPENSES, CREDIT PROGRAM				
Salaries	28,986,550	27,094,689	29,330,996	10,906,403
External Advisors and Consultants	8,061,732	8,262,562	9,319,563	1,870,604
Personnel Training	162,785	354,373	1,082,267	731,001
Services	998,995	626,903	643,544	243,805
Materials	1,334,502	2,026,008	2,858,105	1,280,564
Rent	6,920,674	4,771,026	6,318,499	2,940,175
Maintenance and Repairs	613,741	469,955	502,688	0
Transportation	2,451,899	3,482,357	3,856,199	1,425,946
Legal Commissions and Fees	253,818	177,501	120,588	44,407
Publicity	256,878	347,635	632,450	319,066
Depreciation	2,096,594	2,489,626	3,328,682	1,506,855
Amortization	3,328,717	4,496,538	6,355,569	2,983,166
Insurance	53,132	31,382	3,512	675
Taxes	334,728	216,518	316,076	156,815
Other Operating Expenses	2,077,478	2,459,143	2,678,918	850,565
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	57,932,223	57,306,214	67,347,656	25,260,049
TOTAL EXPENSES, CREDIT PROGRAM	90,734,906	71,909,298	76,322,201	26,277,561
OPERATING INCOME/LOSS	(2,865,632)	(20,601,730)	(39,213,856)	(20,368,727)
Other Revenue not related to credit program	3,838,008	4,926,180	5,064,134	5,064,134
Donations, Credit Activities	0	0	0	0
Other Expenses not related to credit program	162,326	85,924	(103,960)	(180,941)
TOTAL NON-OPERATING REVENUE/EXPENSES	3,675,682	4,840,256	5,168,094	5,245,075
NET INCOME (LOSS)	810,050	(15,761,474)	(34,045,762)	(15,123,652)

APPENDICES

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 1

BALANCE SHEET AT

6/30/2003

NAME OF INSTITUTION

SOGESOL

ADJUSTMENTS

	SOGESOL	ADJUSTMENTS		Adjusted
		Debit	Credit	
ASSETS				
Cash and Cash Equivalent	689,381			689,381
Short-Term Investments	55,129,072			55,129,072
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0			0
Portfolio Past-Due > 30 Days and Rescheduled Portf	0			0
(Loan Loss Reserve)	0			0
Accounts Receivable	15,785,185			15,785,185
Accrued Interest Income Receivable	0			0
Other Current Assets	5,953,198			5,953,198
TOTAL CURRENT ASSETS	77,556,835			77,556,835
Equipment	10,457,549			10,457,549
Vehicles	614,292			614,292
Property	194,170			194,170
Accumulated Depreciation	(4,715,650)			(4,715,650)
TOTAL FIXED ASSETS	6,550,362			6,550,362
Revaluation Fixed Assets	0	2,552,024	1	2,552,024
Permanent Investments	0			0
Other Assets	7,287,903			7,287,903
TOTAL ASSETS	91,395,100			93,947,124
LIABILITIES				
Bank Overdrafts	64,306,061			64,306,061
Short-Term Commercial Debt	0			0
Short-Term Subsidized Debt	0			0
Accounts Payable	6,002,729			6,002,729
Benefits Payable	3,320,581			3,320,581
Interest Payable	0			0
Deferred Liabilities	0			0
Other Current Liabilities	6,553,117			6,553,117
TOTAL CURRENT LIABILITIES	80,182,489			80,182,489
Long-Term Debt	0			0
Subsidized Debt	480,000			480,000
Reserve for Personnel Benefits	0			0
Other Long-Term Liabilities	0			0
TOTAL LONG-TERM LIABILITIES	480,000			480,000
TOTAL LIABILITIES	80,662,489			80,662,489
EQUITY				
Capital	26,559,500			26,559,500
Reclassified Donations	0			0
Adjustments to Equity	0	2,918,450	2	2,918,450
Capitalization of Subsidized Debt	0			0
Capitalization of Shadow Costs	0	3,768,955	3	3,768,955
Prior Period Retained Earnings	(16,888,165)			(16,888,165)
Current Period Retained Earnings	1,061,277	6,687,405	2,552,024	(3,074,104)
TOTAL EQUITY	10,732,611			13,284,635
TOTAL LIABILITIES & EQUITY	91,395,100			93,947,124
		9,239,428	9,239,428	

1. Inflation Adjustment to fixed assets.
2. Inflation Adjustment to equity.
3. Capitalization of shadow costs.

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 2

BALANCE SHEET AT

9/30/2002

NAME OF INSTITUTION

SOGESOL

ADJUSTMENTS

		Debit	Credit	Adjusted
ASSETS				
Cash and Cash Equivalent	1,270,760			1,270,760
Short-Term Investments	0			0
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0			0
Portfolio Past-Due > 30 Days and Rescheduled	0			0
(Loan Loss Reserve)	0			0
Accounts Receivable	11,464,193			11,464,193
Accrued Interest Income Receivable	0			0
Other Current Assets	1,592,265			1,592,265
TOTAL CURRENT ASSETS	14,327,219			14,327,219
Equipment	8,121,720			8,121,720
Vehicles	614,292			614,292
Property	184,170			184,170
Accumulated Depreciation	(3,113,417)			(3,113,417)
TOTAL FIXED ASSETS	5,806,765			5,806,765
Revaluation Fixed Assets	0	586,002	1	586,002
Permanent Investments	0			0
Other Assets	9,784,441			9,784,441
TOTAL ASSETS	29,918,425			30,504,427
LIABILITIES				
Bank Overdrafts	16,251,884			16,251,884
Short-Term Commercial Debt	0			0
Short-Term Subsidized Debt	0			0
Accounts Payable	3,201,007			3,201,007
Benefits Payable	173,281			173,281
Interest Payable	0			0
Deferred Liabilities	0			0
Other Current Liabilities	385,919			385,919
TOTAL CURRENT LIABILITIES	20,012,091			20,012,091
Long-Term Debt	0			0
Subsidized Debt	479,999			479,999
Reserve for Personnel Benefits	0			0
Other Long-Term Liabilities	0			0
TOTAL LONG-TERM LIABILITIES	479,999			479,999
TOTAL LIABILITIES	20,492,091			20,492,091
EQUITY				
Capital	26,314,500			26,314,500
Reclassified Donations	0			0
Adjustments to Equity	0	2,280,335	2	2,280,335
Capitalization of Subsidized Debt	0			0
Capitalization of Shadow Costs	0	3,017,805	2	3,017,805
Prior Period Retained Earnings	(9,932,327)			(9,932,327)
Current Period Retained Earnings	(6,955,838)	5,298,140	586,002	(11,667,976)
TOTAL EQUITY	9,426,335			10,012,337
TOTAL LIABILITIES & EQUITY	29,918,425			30,504,427
		5,884,142	5,884,142	

1. Inflation Adjustment to fixed assets.
2. Inflation Adjustment to equity.
3. Capitalization of shadow costs.

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 3

BALANCE SHEET AT

6/30/2002

NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS		Adjusted
		Debit	Credit	
ASSETS				
Cash and Cash Equivalent	671,194			671,194
Short-Term Investments	0			0
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0			0
<i>Portfolio Past-Due > 30 Days and Rescheduled</i>	0			0
<i>(Loan Loss Reserve)</i>	0			0
Accounts Receivable	6,630,185			6,630,185
Accrued Interest Income Receivable	0			0
Other Current Assets	1,166,457			1,166,457
TOTAL CURRENT ASSETS	8,467,836			8,467,836
Equipment	8,106,520			8,106,520
Vehicles	614,292			614,292
Property	184,170			184,170
Accumulated Depreciation	(2,619,056)			(2,619,056)
TOTAL FIXED ASSETS	6,285,926			6,285,926
<i>Revaluation Fixed Assets</i>	0	0	1	0
Permanent Investments	0			0
Other Assets	10,616,621			10,616,621
TOTAL ASSETS	25,370,383			25,370,383
LIABILITIES				
Bank Overdrafts	11,619,415			11,619,415
Short-Term Commercial Debt	0			0
Short-Term Subsidized Debt	0			0
Accounts Payable	3,481,758			3,481,758
Benefits Payable	2,123,083			2,123,083
Interest Payable	0			0
Deferred Liabilities	0			0
Other Current Liabilities	478,564			478,564
TOTAL CURRENT LIABILITIES	17,702,820			17,702,820
Long-Term Debt	0			0
Subsidized Debt	2,125,383			2,125,383
Reserve for Personnel Benefits	0			0
Other Long-Term Liabilities	0			0
TOTAL LONG-TERM LIABILITIES	2,125,383			2,125,383
TOTAL LIABILITIES	19,828,203			19,828,203
EQUITY				
Capital	26,314,500			26,314,500
<i>Reclassified Donations</i>	0	4,155,310	4	4,155,310
<i>Adjustments to Equity</i>	0	0	2	0
<i>Capitalization of Subsidized Debt</i>	0			0
<i>Capitalization of Shadow Costs</i>	0	3,050,403	3	3,050,403
Prior Period Retained Earnings	(9,932,327)			(9,932,327)
Current Period Retained Earnings	(10,839,993)	7,205,714	0	(18,045,707)
TOTAL EQUITY	5,542,180			5,542,180
TOTAL LIABILITIES & EQUITY	25,370,383			25,370,383
		7,205,714	7,205,714	

1. Inflation Adjustment to fixed assets.
2. Inflation Adjustment to equity.
3. Capitalization of shadow costs.
4. Reclassification of donations to capitalization.

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 4

BALANCE SHEET AT

9/30/2001

NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS		Adjusted
		Debit	Credit	
ASSETS				
Cash and Cash Equivalent	657,026			657,026
Short-Term Investments	1,334,254			1,334,254
Current Portfolio and Portfolio Past-Due 1 - 30 Days	0			0
<i>Portfolio Past-Due > 30 Days and Rescheduled</i>	0			0
<i>(Loan Loss Reserve)</i>	0			0
Accounts Receivable	10,768,574			10,768,574
Accrued Interest Income Receivable	0			0
Other Current Assets	1,501,941			1,501,941
TOTAL CURRENT ASSETS	14,261,795			14,261,795
Equipment	6,423,891			6,423,891
Vehicles	614,292			614,292
Property	122,903			122,903
Accumulated Depreciation	(1,324,614)			(1,324,614)
TOTAL FIXED ASSETS	5,836,471			5,836,471
<i>Revaluation Fixed Assets</i>	0	0	1	0
Permanent Investments	0			0
Other Assets	13,142,985			13,142,985
TOTAL ASSETS	33,241,252			33,241,252
LIABILITIES				
Bank Overdrafts	7,670,763			7,670,763
Short-Term Commercial Debt	0			0
Short-Term Subsidized Debt	0			0
Accounts Payable	6,444,538			6,444,538
Benefits Payable	1,099,405			1,099,405
Interest Payable	0			0
Deferred Liabilities	0			0
Other Current Liabilities	1,306,489			1,306,489
TOTAL CURRENT LIABILITIES	16,521,196			16,521,196
Long-Term Debt	0			0
Subsidized Debt	2,125,383			2,125,383
Reserve for Personnel Benefits	0			0
Other Long-Term Liabilities	0			0
TOTAL LONG-TERM LIABILITIES	2,125,383			2,125,383
TOTAL LIABILITIES	18,646,579			18,646,579
EQUITY				
Capital	24,527,000			24,527,000
<i>Reclassified Donations</i>	0	4,155,310	4	4,155,310
<i>Adjustments to Equity</i>	0	0	2	0
<i>Capitalization of Subsidized Debt</i>	0	0	0	0
<i>Capitalization of Shadow Costs</i>	0	0	3	0
Prior Period Retained Earnings	(2,774,481)			(2,774,481)
Current Period Retained Earnings	(7,157,846)	4,155,310	0	(11,313,156)
TOTAL EQUITY	14,594,673			14,594,673
TOTAL LIABILITIES & EQUITY	33,241,252			33,241,252
		4,155,310	4,155,310	

1. Inflation Adjustment to fixed assets.
2. Inflation Adjustment to equity.
3. Capitalization of shadow costs.
4. Reclassification of donations to capitalization.

ACCION INTERNATIONAL CAMEL REPORT						
Appendix 5						
INCOME STATEMENT (CUMULATIVE) FROM		6/30/2002				
TO		6/30/2003				
NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS				
		Debit	Credit	Adjusted		
OPERATING REVENUE						
Interest Revenue on Loan Portfolio	67,798,539			67,798,539		
Interest Revenue on Short-Term Investments	1,673,373			1,673,373		
Fee Revenue on Loans	18,397,362			18,397,362		
Training Fee Revenue	0			0		
Other Operating Revenue, Credit Program	0			0		
Exchange Rate Adjustment	0			0		
TOTAL OPERATING REVENUE, CREDIT PROGRAM	87,869,275			87,869,275		
<i>Accrued Interest Adjustment</i>				0		
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	87,869,275			87,869,275		
FINANCIAL EXPENSES						
Interest Expense on Bank Loans	18,478,889			18,478,889		
Interest Expense on Subsidized Debt	0			0		
Interest Expense on Savings/Deposits	0			0		
Commissions	0			0		
Other Financial Expenses	0			0		
Loan Loss Provision Expense	7,442,249			7,442,249		
Other Provisions Expense	0			0		
Inflation Adjustment	0			0		
Exchange Rate Adjustment	6,515,120			6,515,120		
TOTAL FINANCIAL EXPENSES	32,436,257			32,436,257		
<i>CAMEL Financial Adjustments</i>						
<i>Loan Loss Provision Adjustment</i>				0		
<i>Inflation Adjustment, Fixed Assets</i>			2,552,024	1	(2,552,024)	
<i>Inflation Adjustment, Equity</i>		2,918,450	2		2,918,450	
<i>Adjustment for Subsidized Debt Interest</i>					0	
Total financial adjustments	0				366,426	
ADJUSTED FINANCIAL EXPENSES	32,436,257				32,802,683	
FINANCIAL INCOME/LOSS	55,433,017				55,066,591	
OPERATING EXPENSES, CREDIT PROGRAM						
Salaries	18,857,613	10,128,937	3		28,986,550	
External Advisors and Consultants	4,292,777	3,768,955	4		8,061,732	
Personnel Training	162,785				162,785	
Services	998,995				998,995	
Materials	1,334,502				1,334,502	
Rent	6,920,674				6,920,674	
Maintenance and Repairs	613,741				613,741	
Transportation	2,451,899				2,451,899	
Legal Commissions and Fees	253,818				253,818	
Publicity	256,878				256,878	
Depreciation	2,096,594				2,096,594	
Amortization	3,328,717				3,328,717	
Insurance	53,132				53,132	
Taxes	334,728				334,728	
Other Operating Expenses	12,206,415			10,128,937	3	2,077,478
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	54,163,268					57,932,223
TOTAL EXPENSES, CREDIT PROGRAM	86,599,525					90,734,906
OPERATING INCOME/LOSS	1,269,749					(2,865,632)
Other Revenue not related to credit program	3,838,008					3,838,008
Donations, Credit Activities	0					0
Other Expenses not related to credit program	162,326					162,326
TOTAL NON-OPERATING REVENUE/EXPENSES	3,675,682					3,675,682
NET INCOME (LOSS)	4,945,431					810,050
		16,816,342		12,680,961		

1. Inflation adjustment to fixed assets - corresponding entry in B/S
2. Inflation adjustment to equity - corresponding entry in B/S
3. Reclassification of administrative fee paid to Sogebank as salary expense.
4. Adjustment for shadow costs.

ACCION INTERNATIONAL CAMEL REPORT						
Appendix 6						
INCOME STATEMENT (CUMULATIVE) FROM						
TO						
9/30/2001						
9/30/2002						
NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS			Adjusted	
		Debit	Credit			
OPERATING REVENUE						
Interest Revenue on Loan Portfolio	29,051,105				29,051,105	
Interest Revenue on Short-Term Investments	2,475				2,475	
Fee Revenue on Loans	8,928,621				8,928,621	
Training Fee Revenue	0				0	
Other Operating Revenue, Credit Program	0				0	
Exchange Rate Adjustment	0				0	
TOTAL OPERATING REVENUE, CREDIT PROGRAM	37,982,201				37,982,201	
<i>Accrued Interest Adjustment</i>					0	
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	37,982,201				37,982,201	
FINANCIAL EXPENSES						
Interest Expense on Bank Loans	5,821,881				5,821,881	
Interest Expense on Subsidized Debt	0				0	
Interest Expense on Savings/Deposits	0				0	
Commissions	0				0	
Other Financial Expenses	0				0	
Loan Loss Provision Expense	2,877,730				2,877,730	
Other Provisions Expense	0				0	
Inflation Adjustment	0				0	
Exchange Rate Adjustment	416,495				416,495	
TOTAL FINANCIAL EXPENSES	9,116,105				9,116,105	
<i>CAMEL Financial Adjustments</i>						
<i>Loan Loss Provision Adjustment</i>					0	
<i>Inflation Adjustment, Fixed Assets</i>			586,002	1	(586,002)	
<i>Inflation Adjustment, Equity</i>		2,280,335	2		2,280,335	
<i>Adjustment for Subsidized Debt Interest</i>					0	
Total financial adjustments	0				1,694,333	
ADJUSTED FINANCIAL EXPENSES	9,116,105				10,810,438	
FINANCIAL INCOME/LOSS	28,866,096				27,171,763	
OPERATING EXPENSES, CREDIT PROGRAM						
Salaries	14,802,329	5,255,451	3		20,057,780	
External Advisors and Consultants	3,098,842	3,017,805	4		6,116,647	
Personnel Training	262,337				262,337	
Services	464,086				464,086	
Materials	1,499,822				1,499,822	
Rent	3,531,917				3,531,917	
Maintenance and Repairs	347,900				347,900	
Transportation	2,577,935				2,577,935	
Legal Commissions and Fees	131,401				131,401	
Publicity	257,348				257,348	
Depreciation	1,843,032				1,843,032	
Amortization	3,328,717				3,328,717	
Insurance	23,232				23,232	
Taxes	160,285				160,285	
Other Operating Expenses	7,075,917			5,255,451	3	
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	39,405,101				42,422,906	
TOTAL EXPENSES, CREDIT PROGRAM	48,521,207				53,233,344	
OPERATING INCOME/LOSS	(10,539,005)				(15,251,143)	
Other Revenue not related to credit program	3,646,775				3,646,775	
Donations, Credit Activities	0				0	
Other Expenses not related to credit program	63,608				63,608	
TOTAL NON-OPERATING REVENUE/EXPENSES	3,583,167				3,583,167	
NET INCOME (LOSS)	(6,955,838)				(11,667,976)	
		10,553,591		5,841,454		

1. Inflation adjustment to fixed assets - corresponding entry in B/S
2. Inflation adjustment to equity - corresponding entry in B/S
3. Reclassification of administrative fee paid to Sogebank as salary expense.
4. Adjustment for shadow costs.

ACCION INTERNATIONAL CAMEL REPORT					
Appendix 7					
INCOME STATEMENT (CUMULATIVE) FROM 6/30/2001 TO 6/30/2002					
NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS		Adjusted	
		Debit	Credit		
OPERATING REVENUE					
Interest Revenue on Loan Portfolio	21,374,485			21,374,485	
Interest Revenue on Short-Term Investments	2,476			2,476	
Fee Revenue on Loans	5,722,319			5,722,319	
Training Fee Revenue	0			0	
Other Operating Revenue, Credit Program	0			0	
Exchange Rate Adjustment	371,456			371,456	
TOTAL OPERATING REVENUE, CREDIT PROGRAM	27,470,736			27,470,736	
<i>Accrued Interest Adjustment</i>				0	
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	27,470,736			27,470,736	
FINANCIAL EXPENSES					
Interest Expense on Bank Loans	5,116,334			5,116,334	
Interest Expense on Subsidized Debt	0			0	
Interest Expense on Savings/Deposits	0			0	
Commissions	0			0	
Other Financial Expenses	0			0	
Loan Loss Provision Expense	1,501,014			1,501,014	
Other Provisions Expense	0			0	
Inflation Adjustment	0			0	
Exchange Rate Adjustment	26,370			26,370	
TOTAL FINANCIAL EXPENSES	6,643,718			6,643,718	
<i>CAMEL Financial Adjustments</i>					
<i>Loan Loss Provision Adjustment</i>				0	
<i>Inflation Adjustment, Fixed Assets</i>		0	1	0	
<i>Inflation Adjustment, Equity</i>		0	2	0	
<i>Adjustment for Subsidized Debt Interest</i>				0	
Total financial adjustments	0			0	
ADJUSTED FINANCIAL EXPENSES	6,643,718			6,643,718	
FINANCIAL INCOME/LOSS	20,827,018			20,827,018	
OPERATING EXPENSES, CREDIT PROGRAM					
Salaries	16,447,770	5,265,514	3	21,713,284	
External Advisors and Consultants	3,848,725	3,050,403	4	6,899,129	
Personnel Training	801,186			801,186	
Services	476,406			476,406	
Materials	2,115,811			2,115,811	
Rent	4,677,487			4,677,487	
Maintenance and Repairs	372,132			372,132	
Transportation	2,854,684			2,854,684	
Legal Commissions and Fees	89,269			89,269	
Publicity	468,193			468,193	
Depreciation	2,464,172			2,464,172	
Amortization	4,704,930			4,704,930	
Insurance	2,600			2,600	
Taxes	233,986			233,986	
Other Operating Expenses	7,248,676	5,265,514	3	1,983,162	
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	46,806,027			49,856,431	
TOTAL EXPENSES, CREDIT PROGRAM	53,449,745			56,500,149	
OPERATING INCOME/LOSS	(25,979,009)			(29,029,413)	
Other Revenue not related to credit program	3,748,900			3,748,900	
Donations, Credit Activities	4,155,310	4,155,310	5	0	
Other Expenses not related to credit program	(76,960)			(76,960)	
TOTAL NON-OPERATING REVENUE/EXPENSES	7,981,170			3,825,860	
NET INCOME (LOSS)	(17,997,839)			(25,203,553)	
		12,471,227		5,265,514	

1. Inflation adjustment to fixed assets - corresponding entry in B/S
2. Inflation adjustment to equity - corresponding entry in B/S
3. Reclassification of administrative fee paid to Sogebank as salary expense.
4. Adjustment for shadow costs.

ACCION INTERNATIONAL CAMEL REPORT						
Appendix 8						
INCOME STATEMENT (CUMULATIVE) FROM						
TO						
9/30/2000						
9/30/2001						
NAME OF INSTITUTION	SOGESOL	ADJUSTMENTS			Adjusted	
		Debit	Credit			
OPERATING REVENUE						
Interest Revenue on Loan Portfolio	3,670,908				3,670,908	
Interest Revenue on Short-Term Investments	1				1	
Fee Revenue on Loans	331,854				331,854	
Training Fee Revenue	0				0	
Other Operating Revenue, Credit Program	0				0	
Exchange Rate Adjustment	371,456				371,456	
TOTAL OPERATING REVENUE, CREDIT PROGRAM	4,374,218				4,374,218	
<i>Accrued Interest Adjustment</i>					0	
ADJUSTED OPERATING REVENUE, CREDIT PROGRAM	4,374,218				4,374,218	
FINANCIAL EXPENSES						
Interest Expense on Bank Loans	753,249				753,249	
Interest Expense on Subsidized Debt	0				0	
Interest Expense on Savings/Deposits	0				0	
Commissions	0				0	
Other Financial Expenses	0				0	
Loan Loss Provision Expense	0				0	
Other Provisions Expense	0				0	
Inflation Adjustment	0				0	
Exchange Rate Adjustment	0				0	
TOTAL FINANCIAL EXPENSES	753,249				753,249	
<i>CAMEL Financial Adjustments</i>						
<i>Loan Loss Provision Adjustment</i>					0	
<i>Inflation Adjustment, Fixed Assets</i>			0	1	0	
<i>Inflation Adjustment, Equity</i>		0	2		0	
<i>Adjustment for Subsidized Debt Interest</i>					0	
Total financial adjustments	0				0	
ADJUSTED FINANCIAL EXPENSES	753,249				753,249	
FINANCIAL INCOME/LOSS	3,620,970				3,620,970	
OPERATING EXPENSES, CREDIT PROGRAM						
Salaries	6,273,842	1,800,000	3		8,073,842	
External Advisors and Consultants	1,384,780				1,384,780	
Personnel Training	541,149				541,149	
Services	180,485				180,485	
Materials	947,982				947,982	
Rent	2,176,566				2,176,566	
Maintenance and Repairs	0				0	
Transportation	1,055,606				1,055,606	
Legal Commissions and Fees	32,874				32,874	
Publicity	236,200				236,200	
Depreciation	1,115,502				1,115,502	
Amortization	2,208,392				2,208,392	
Insurance	500				500	
Taxes	116,088				116,088	
Other Operating Expenses	2,429,660		1,800,000	3	629,660	
TOTAL OPERATING EXPENSES, CREDIT PROGRAM	18,699,624				18,699,624	
TOTAL EXPENSES, CREDIT PROGRAM	19,452,873				19,452,873	
OPERATING INCOME/LOSS	(15,078,655)				(15,078,655)	
Other Revenue not related to credit program	3,748,900				3,748,900	
Donations, Credit Activities	4,155,310	4,155,310	5		0	
Other Expenses not related to credit program	(133,948)				(133,948)	
TOTAL NON-OPERATING REVENUE/EXPENSES	8,038,158				3,882,848	
NET INCOME (LOSS)	(7,040,497)				(11,195,807)	
		5,955,310		1,800,000		

1. Inflation adjustment to fixed assets - corresponding entry in B/S
2. Inflation adjustment to equity - corresponding entry in B/S
3. Reclassification of administrative fee paid to Sogebank as salary expense.
5. Reclassification of donations to capitalization.

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 9

GLOBAL PORTFOLIO CLASSIFICATION, PROVISIONS AND WRITE-OFFS

NAME OF INSTITUTION

SOGESOL

ACCION CAMEL PROVISIONING POLICY						
	Normal					Rescheduled Portfolio
	Solidarity Groups Individual Clients Fixed Assets Rural/Agriculture Village Banking	Consumer Loans	Housing	Housing Improvement	Small Business Commercial Loans	
Days Past-Due						
0	0%	0%	0%	0%	0%	10%
1 - 30	10%	10%	1%	10%	10%	50%
31 - 60	30%	30%	5%	30%	20%	75%
61 - 90	30%	30%	5%	30%	20%	75%
91 - 120	60%	60%	20%	60%	50%	100%
121 - 180	60%	60%	30%	60%	50%	100%
181 - 360	100%	100%	50%	100%	85%	100%
> 360	100%	100%	100%	100%	100%	100%
Legal Recovery	100%	100%	100%	100%	100%	100%
Write-Offs Policy	> 180 days and legal recovery	> 360 days and legal recovery	> 360 days and legal recovery	> 180 days and legal recovery	> 360 days and legal recovery	

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 9

GLOBAL PORTFOLIO CLASSIFICATION, PROVISIONS AND WRITE-OFFS

NAME OF INSTITUTION

SOGESOL

TOTAL PROVISIONES INSTITUCION

TOTAL PORTFOLIO CLASSIFICATION

	30-Jun-03		CAMEL PROVISION	30-Sep-02		CAMEL PROVISION
Current Portfolio	138,548,415	89.06%	0	73,465,771	91.63%	0
Current Rescheduled Loan Portfolio	0	0.00%	0	0	0.00%	0
Portfolio Past-Due 1 - 30 Days	7,468,814	4.80%	746,881	3,241,006	4.04%	324,101
Portfolio Past-Due 31 - 60 Days	1,207,457	0.78%	362,237	1,003,203	1.25%	300,961
Portfolio Past-Due 61 - 90 Days	1,360,376	0.87%	408,113	565,293	0.71%	169,588
Portfolio Past-Due 91 - 120 Days	726,931	0.47%	436,159	541,022	0.67%	324,613
Portfolio Past-Due 121 - 180 Days	1,112,320	0.72%	667,392	826,394	1.03%	495,836
Portfolio Past-Due 181 - 360 Days	278,040	0.18%	278,040	534,706	0.67%	534,706
Portfolio being amortized	4,834,055	3.11%	4,834,055	0	0.00%	0
Portfolio in Legal Recovery	23,375	0.02%	23,375	0	0.00%	0
Rescheduled Portfolio Past-Due 1 - 30 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due 31 - 60 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due 61 - 90 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due 91 - 120 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due 121 - 180 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due 181 - 360 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio Past-Due > 360 Days	0	0.00%	0	0	0.00%	0
Rescheduled Portfolio in Legal Recovery	0	0.00%	0	0	0.00%	0
Total Portfolio	155,559,784	100.00%	7,756,253	80,177,394	100.00%	2,149,805
Balance Sheet Loan Loss Provision (1)	9,483,056			3,249,882		
CAMEL Loan Loss Provision (2)	7,756,253			2,149,805		
Difference to Adjust (2) - (1)	0			0		
Total Loans to Write-Off	5,135,470			534,706		
Balance Sheet Loan Loss provision, after write-offs	4,347,585			2,715,176		
CAMEL Loan Loss Provision, after write-offs	2,620,782			1,615,099		

ACCION INTERNATIONAL
CAMEL REPORT

Appendix 10

PORTFOLIO CLASSIFICATION BY PRODUCT AFTER WRITEOFFS

NAME OF INSTITUTION SOGESOL

30-Jun-03	PORTFOLIO AT RISK BEFORE WRITE-OFFS	
	> 1 DAY AND TOTAL RESCHEDULED	> 30 DAYS AND TOTAL RESCHEDULED
Portfolio at Risk before Write-Offs	12.6%	7.1%
Fonds de Roulement (Microentreprise)	4.0%	2.0%
Fonds de Roulement (Petites Entreprise)	0.0%	0.0%
Actifs immobilisés (Microentreprise)	0.0%	0.0%
Actifs immobilisés (Petites Entreprise)	0.0%	0.0%
TOTAL PORTFOLIO	10.9%	6.1%

NORMAL PORTFOLIO										RESCHEDULED PORTFOLIO							
Current Portfolio	Current Rescheduled Portfolio	Portfolio Past-Due 1 - 30 Days	Portfolio Past-Due 31 - 60 Days	Portfolio Past-Due 61 - 90 Days	Portfolio Past-Due 91 - 120 Days	Portfolio Past-Due 121 - 180 Days	Portfolio Past-Due 181 - 360 Days	Portfolio Past-Due > 361 Days	Portfolio in Legal Recovery	Rescheduled Portfolio Past-Due 1 - 30 Days	Rescheduled Portfolio Past-Due 31 - 60 Days	Rescheduled Portfolio Past-Due 61 - 90 Days	Rescheduled Portfolio Past-Due 91 - 120 Days	Rescheduled Portfolio Past-Due 121 - 180 Days	Rescheduled Portfolio Past-Due 181 - 360 Days	Rescheduled Portfolio Past-Due > 361 Days	Rescheduled Portfolio in Legal Recovery
87.40%	0.00%	5.47%	0.90%	0.87%	0.53%	0.74%	0.22%	3.85%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
95.96%	0.00%	2.02%	0.28%	0.89%	0.22%	0.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
89.06%	0.00%	4.80%	0.78%	0.87%	0.47%	0.72%	0.18%	3.11%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

30-Jun-03	PORTFOLIO AT RISK AFTER WRITE-OFFS	
	> 1 DAY AND TOTAL RESCHEDULED	> 30 DAYS AND TOTAL RESCHEDULED
Portfolio at Risk after Write-Offs	8.9%	3.2%
Fonds de Roulement (Microentreprise)	4.0%	2.0%
Fonds de Roulement (Petites Entreprise)	0.0%	0.0%
Actifs immobilisés (Microentreprise)	0.0%	0.0%
Actifs immobilisés (Petites Entreprise)	0.0%	0.0%
TOTAL PORTFOLIO	7.9%	2.9%

NORMAL PORTFOLIO										RESCHEDULED PORTFOLIO							
Current Portfolio	Current Rescheduled Portfolio	Portfolio Past-Due 1 - 30 Days	Portfolio Past-Due 31 - 60 Days	Portfolio Past-Due 61 - 90 Days	Portfolio Past-Due 91 - 120 Days	Portfolio Past-Due 121 - 180 Days	Portfolio Past-Due 181 - 360 Days	Portfolio Past-Due > 361 Days	Portfolio in Legal Recovery	Rescheduled Portfolio Past-Due 1 - 30 Days	Rescheduled Portfolio Past-Due 31 - 60 Days	Rescheduled Portfolio Past-Due 61 - 90 Days	Rescheduled Portfolio Past-Due 91 - 120 Days	Rescheduled Portfolio Past-Due 121 - 180 Days	Rescheduled Portfolio Past-Due 181 - 360 Days	Rescheduled Portfolio Past-Due > 361 Days	Rescheduled Portfolio in Legal Recovery
91.13%	0.00%	5.71%	0.93%	0.91%	0.55%	0.01	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
95.96%	0.00%	2.02%	0.28%	0.89%	0.22%	0.01	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
-	-	-	-	-	-	-	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
92.11%	0.00%	4.97%	0.80%	0.90%	0.48%	0.01	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%

30-Sep-02	PORTFOLIO AT RISK BEFORE WRITE-OFFS	
	> 1 DAY AND TOTAL RESCHEDULED	> 30 DAYS AND TOTAL RESCHEDULED
Portfolio at Risk before Write-Offs	9.0%	4.7%
Fonds de Roulement (Microentreprise)	4.0%	1.9%
Fonds de Roulement (Petites Entreprise)	0.0%	0.0%
Actifs immobilisés (Microentreprise)	0.0%	0.0%
Actifs immobilisés (Petites Entreprise)	0.0%	0.0%
TOTAL PORTFOLIO	8.4%	4.3%

NORMAL PORTFOLIO										RESCHEDULED PORTFOLIO							
Current Portfolio	Current Rescheduled Portfolio	Portfolio Past-Due 1 - 30 Days	Portfolio Past-Due 31 - 60 Days	Portfolio Past-Due 61 - 90 Days	Portfolio Past-Due 91 - 120 Days	Portfolio Past-Due 121 - 180 Days	Portfolio Past-Due 181 - 360 Days	Portfolio Past-Due > 361 Days	Portfolio in Legal Recovery	Rescheduled Portfolio Past-Due 1 - 30 Days	Rescheduled Portfolio Past-Due 31 - 60 Days	Rescheduled Portfolio Past-Due 61 - 90 Days	Rescheduled Portfolio Past-Due 91 - 120 Days	Rescheduled Portfolio Past-Due 121 - 180 Days	Rescheduled Portfolio Past-Due 181 - 360 Days	Rescheduled Portfolio Past-Due > 361 Days	Rescheduled Portfolio in Legal Recovery
90.95%	0.00%	4.35%	1.21%	0.75%	0.78%	1.19%	0.77%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
96.00%	0.00%	2.07%	1.55%	0.39%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	0.00%	0.00%	0.00%	-	-	-	-	-	-	-	-
91.63%	0.00%	4.04%	1.25%	0.71%	0.67%	1.03%	0.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

30-Sep-02	PORTFOLIO AT RISK AFTER WRITE-OFFS	
	> 1 DAY AND TOTAL RESCHEDULED	> 30 DAYS AND TOTAL RESCHEDULED
Portfolio at Risk after Write-Offs	8.3%	4.0%
Fonds de Roulement (Microentreprise)	4.0%	1.9%
Fonds de Roulement (Petites Entreprise)	0.0%	0.0%
Actifs immobilisés (Microentreprise)	0.0%	0.0%
Actifs immobilisés (Petites Entreprise)	0.0%	0.0%
TOTAL PORTFOLIO	7.8%	3.7%

NORMAL PORTFOLIO										RESCHEDULED PORTFOLIO							
Current Portfolio	Current Rescheduled Portfolio	Portfolio Past-Due 1 - 30 Days	Portfolio Past-Due 31 - 60 Days	Portfolio Past-Due 61 - 90 Days	Portfolio Past-Due 91 - 120 Days	Portfolio Past-Due 121 - 180 Days	Portfolio Past-Due 181 - 360 Days	Portfolio Past-Due > 361 Days	Portfolio in Legal Recovery	Rescheduled Portfolio Past-Due 1 - 30 Days	Rescheduled Portfolio Past-Due 31 - 60 Days	Rescheduled Portfolio Past-Due 61 - 90 Days	Rescheduled Portfolio Past-Due 91 - 120 Days	Rescheduled Portfolio Past-Due 121 - 180 Days	Rescheduled Portfolio Past-Due 181 - 360 Days	Rescheduled Portfolio Past-Due > 361 Days	Rescheduled Portfolio in Legal Recovery
91.66%	0.00%	4.38%	1.22%	0.76%	0.79%	1.20%	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
96.00%	0.00%	2.07%	1.55%	0.39%	0.00%	0.00%	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%
92.24%	0.00%	4.07%	1.26%	0.71%	0.68%	1.04%	0.00%	0.00%	0.00%	-	-	-	-	-	0.00%	0.00%	0.00%

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CAMEL REPORT

Appendix 11

INFLATION ADJUSTMENT FROM TO -	6/30/2002	9/30/2001	6/30/2001	9/30/2000
	6/30/2003	9/30/2002	6/30/2002	9/30/2001

Average Net Fixed Assets Before Current Period Inflation Adjustments	6,418,144	5,821,618	6,061,199	4,768,149
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Annual Inflation Rate	39.76%	10.07%	8.41%	12.34%
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Total Inflation Adjustment	2,552,024	586,002	509,696	588,555
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Amount of inflation adjustment accounted for by SOGESOL	0	0	0	0
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Difference - CAMEL Inflation Adjustment	2,552,024	586,002	509,696	588,555
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Average Equity Before Current Period Income and Inflation Adjustment	18,514,088	22,653,903	14,791,703	15,951,674
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Annual Inflation Rate	39.76%	10.07%	8.41%	12.34%
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Total Inflation Adjustment	7,361,691	2,280,335	1,243,857	1,968,990
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Amount of inflation adjustment accounted for by SOGESOL	4,443,241	0	0	0
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Difference - CAMEL Inflation Adjustment	2,918,450	2,280,335	1,243,857	1,968,990
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Appendix 12

SHADOW COSTS

NAME OF INSTITUTION

SOGESOL

Areas	Jun-03	Sep-02	Jun-02	Sep-01
ACCION TA	3,768,955	3,017,805	3,050,403	N/A
Total	3,768,955	3,017,805	3,050,403	N/A

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Appendix 13

CALCULATE LOAN LOSS RATE INDICATOR:

NAME OF INSTITUTION **SOGESOL**

WRITE-OFFS PROPOSED BY THE INSTITUTION

Year of Write-Off	Jun-02 Jun-03	Sep-01 Sep-02
Jun-02		
Sep-02		594,365
Jun-03	4,932,616	
Total Write-Offs of the Period	4,932,616	594,365

ADDITIONAL PROPOSED CAMEL WRITE-OFFS

Year of Write-Off	Jun-03	Sep-02
Jun-02		
Sep-02		534,706
Jun-03	301,416	
Total to Write-Off, Current Period	301,416	534,706
Total Write-Offs, Institution + CAMEL	5,234,032	1,129,071
Active Portfolio before Write-Offs Adjustr	155,559,784	80,177,394
Average Portfolio	99,666,144	44,450,992
Loan Loss Rate	5.25%	2.54%

Management Comments

Port-au-Prince, September 25th, 2003

Lynne Curran
Senior Director
Financial Analysis
ACCION International

Dear Lynne,

On behalf of SOGESOL's management team and on my own, I hereby acknowledge receipt of the report of the ACCION CAMEL evaluation of SOGESOL. I thank you for this report that we all found interesting and presenting a wealth of information about our company. We certainly share some of your observations and recommendations and will take advantage of them. We were, however, somewhat surprised by the overall rating and especially by what such a rating entails in your technical note. We do not believe this to reflect SOGESOL's current standing.

More specifically, this rating of 2.89 is clearly greatly influenced by the zero ratings assigned to three of the four parameters of the "Earnings" indicator which together amount to 20% of the CAMEL composite rating. We found this to be an inaccurate reflection of SOGESOL's performance, especially since SOGESOL is currently the most profitable affiliate of the SOGEBANK Group, with an expected ROE of about 34% in domestic currency and 15% in US dollar term (equity revaluation included) for fiscal year 2002-2003 as well as an ROA of 3.5% in US dollar term for the same period. Furthermore, the ratings on these parameters have been highly impacted by the adjustments made, among others, for the high inflation rate observed during the period analyzed, which is an extraordinary occurrence in Haiti's economic history and is independent from management effort.

This rating particularly shows that an ACCION CAMEL is hardly appropriate for a young institution and should only be undertaken for institutions that have at least completed the implementation of their first five years business plan. This remark is especially relevant since the ACCION CAMEL does not allow for analysis of the immediate future performance of a fast growing company based on its immediate past, for example a projection of performance based on the annualized figures of the last quarter.

The subjective nature of most of the six "Management" indicators makes it difficult to provide any feedback or comments. However, we do find surprising your negative assessment of the close interaction between the management team and the Chairman of the Board. We feel, on the contrary, that this collaboration has proven to be quite effective in that it allows for a quick decision-making process especially in the current phase of rapid expansion of SOGESOL. Also with regards to the following statement in the "Management" indicator: "Sogesol... struggles to find replacement staff for departing branch managers", we would like to point out that, as of June 30th, 2003, SOGESOL never found itself in a position to replace a branch manager.

When it comes to the transaction mentioned, among other places, in the "Productivity of Liquid Assets" indicator, and which was described in your report as being "ill-timed", we would like to point out that this transaction is in no way a foreign exchange transaction as you seem to consider it to be. It is instead an interest rate arbitrage transaction aimed at allowing SOGESOL

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to profit from a more interesting rate on a dollar denominated debt (5.35% per annum) as opposed a to gourde denominated one (20.86% per annum).

This transaction did not result, as stated in your report, in a 6 million gourdes loss to SOGESOL, as the short position was not reversed as of June 30th, 2003 and is still in SOGESOL's books. This means that the June revaluation loss was of temporary nature, was since greatly reduced and anyhow largely compensated by interest savings.

As a matter of fact, as of August 31st, 2003, this transaction has generated a net profit after covering all associated losses, i.e. revaluation and exchange rate loss as well as penalty loss, and continues to provide SOGESOL with financial revenues of about 800,000.00 gourdes a month. Furthermore, based on the recommendation made in the report on the "Liability Structure" indicator, SOGESOL should, in the future, undertake similar kinds of transactions in order to diversify its source of funding using dollar denominated international funds, even though, for the time being, we do not foresee any possibility of obtaining funding at interest rates that are comparable to what can be obtained from SOGEBANK whether it is for gourde or for dollar denominated debt. Finally, the management team would like to stress the fact that this transaction had the full support of SOGESOL's Board and not only "apparent" support as mentioned in the report.

In conclusion, I would like to point out that my colleagues and I truly enjoyed the opportunity to reflect with your team on SOGESOL's experience, as well as on its strengths, weaknesses and future challenges. We appreciate the time that you took to provide your opinions and recommendations, even though we might have strong reservations about some of them.

Sincerely,

Martine JEAN-CLAUDE
General Manager

**ACCION CAMEL EVALUATION
SOCIETE GENERAL HAITENNE DE SOLIDARITE, S.A. (SOGESOL)
MANAGEMENT COMMENTS**

1. The first paragraph of the Executive Summary mentioned that the portfolio is in Sogesol's balance sheet and not Sogebank's as it should be. The head office of Sogebank is in Delmas, Haiti.
2. In Portfolio at Risk, the amounts mentioned in third paragraph for the size of the loans are incorrect.
3. In Portfolio Classification System, I would like some more information on the first sentence of the last paragraph.
4. In Productivity of Long-Term Assets, the second paragraph mentioned that Sogesol will need a new headquarter in 12 to 18 months. This is absolutely not the case.
5. In Human Resources, the second paragraph states that an administrative officer was hired. It is an administrative supervisor that was hired.
6. Please find below the percentage of Sogesol held by the three entities at the beginning (1), as of June 30, 2003 (2) and as of September 30, 2003 (3).

SOGEBANK

- (1) 35%
- (2) 35.18%
- (3) 34.96%

Accion

- (1) 19.50%
- (2) 19.60%
- (3) 19.48%

Pro Fund

- (1) 20.50%
- (2) 20.60%
- (3) 20.48 %

Response to Management Comments

October 9, 2003

Martine Jean-Claude
General Manager
Sogesol

Dear Martine:

Thank you for your thoughtful review and comments regarding the ACCION CAMEL evaluation conducted of Sogesol. Please allow me to take this opportunity to respond to some of your key concerns and questions.

As you correctly note, the ACCION CAMEL rating is influenced by the scores assigned in the "Earnings" indicators. Please note that after careful consideration and analysis, the decision has been made to offset the inflation adjustment expense against the unrealized foreign exchange loss of G4,443,241 recognized by Sogesol in June 2003. This reclassification was made based on the assumption that Sogesol is recognizing the decreased purchasing power of its equity through the recognition of the foreign exchange loss, which ultimately has the same effect as the inflation adjustment to equity. As a result, the net inflation adjustment is G366,426. The text of the report has been amended accordingly.

It is also true that the ACCION CAMEL instrument is not a forward-looking assessment, but rather it is a snapshot in time of a microfinance institution. In this case, the evaluation and score is a reflection of Sogesol's status at June 30, 2003. It is not possible to take into account immediate future performance when evaluating an institution, as many factors could influence that performance.

Overall, the ACCION CAMEL has identified Sogesol as a strong institution with great potential. There are challenges, both internal and external (including macroeconomic factors), facing the institution, that affected the rating at June 30, 2003. However, the ACCION CAMEL evaluation is about more than just a score, and we hope that the evaluation will serve Sogesol's management team as an important tool in itself. Because of its objective nature, the ACCION CAMEL evaluation is able to identify strengths and challenges facing microfinance institutions that their management teams may not have recognized. In addition, by analyzing and presenting information in a detailed manner, it is setting a baseline for the management team, especially of a young, growing institution like Sogesol, against which progress can be compared going forward. Please keep in mind the possibility of performing an "Update" CAMEL evaluation at any time during the next 12 to 14 months.

Specific concerns that have been addressed or amended in the text are explained in further detail in the attached document.

Best regards,

Lynne Curran
Senior Director
Financial Analysis



ACCION CAMEL

SOCIETE GENERALE HAITENNE DE SOLIDARITE, S.A. (SOGESOL)

July 28 – August 8, 2003

Response to Management Comments

1. The first paragraph of the Executive Summary mentioned that the portfolio is in Sogesol's balance sheet and not Sogebank's as it should be. The head office of Sogebank is in Delmas, Haiti.

Corrections have been made.

2. In Portfolio at Risk, the amounts mentioned in third paragraph for the size of the loans are incorrect.

The amounts quoted in the draft had come from Sogesol documentation, and have since been removed.

3. In Portfolio Classification System, I would like some more information on the first sentence of the last paragraph.

The first sentence of the last paragraph: "The aging schedule used by Sogesol does not include ranges beyond 90 days past due" refers to the aging categories used on the Tableau du Bord. These categories are as follows:

- * *entre 1 et 30jrs*
- * *entre 31 et 60 jrs*
- * *entre 61 et 90 jrs*
- * *plus de 90 jrs*

To accurately monitor the risk in the portfolio, it would be more precise and useful if it were also classified according to additional aging categories, beyond 90 days past due. With the current classification, it is not possible to easily identify concentrations of past due portfolio (if there is more portfolio past due between 91 to 120 days, 120 to 180 days, or greater than 180 days, for example). The exact number of days past due is available in SiCrédito, and it would be beneficial for the credit department of Sogesol (including branch managers and loan officers) to have access to reports that include the additional aging categories to be able to more easily identify where to concentrate collection efforts.

4. In Productivity of Long-Term Assets, the second paragraph mentioned that Sogesol will need a new headquarter in 12 to 18 months. This is absolutely not the case.

This sentence has been removed.

5. In Human Resources, the second paragraph states that an administrative officer was hired. It is an administrative supervisor that was hired.

Correction has been made.

6. Please find below the percentage of Sogesol held by the three entities at the beginning (1), as of June 30, 2003 (2) and as of September 30, 2003 (3).

SOGEBANK

- (1) 35%
- (2) 35.18%
- (3) 34.96%

Accion

- (1) 19.50%
- (2) 19.60%
- (3) 19.48%

Pro Fund

- (1) 20.50%
- (2) 20.60%
- (3) 20.48 %

Correction has been made to the third paragraph of Return on Equity.

7. References to the foreign exchange loss have been clarified.

Strategic planning and budgeting: The final sentence has been amended to read as follows:

“This is largely due to an unexpected increase in financing costs (October 2002 banking system crisis), as well as a loss incurred in June 2003 from an ill-timed interest rate arbitrage transaction that resulted in a foreign exchange loss.”

Return on Equity: The final paragraph has been amended to read as follows:

“The G6 million exchange rate loss was a result of a board initiative to reduce cost of funds. The initiative was to borrow US\$3 million, and place the funds into a Haitian Gourde denominated interest-bearing account. The board hoped to recognize a higher return on these funds from interest rate earnings (20.58% on the Gourde account) and exchange rate gains when the Gourde eventually strengthened against the US dollar. The plan was contingent upon the approval of an additional US\$1.5 million line of credit from Sogebank to Sogesol. Sogebank declined the request to increase Sogesol’s line of credit by an additional US\$1.5 million. Due to the decline, Sogesol was forced to cancel half the transaction, resulting in an exchange rate loss and a penalty fee for overdrawing their account. Although a strategy to reduce cost of funds is crucial to Sogesol, lower risk methods should be pursued to achieve this.”

Productivity of Liquid Assets: The final paragraph has been amended to read as follows:

“However, in May 2003, Sogesol effected an ill-timed interest rate arbitrage transaction that resulted in a loss to the organization. With support from the Sogesol board but without formal approval from Sogebank funds managers, Sogesol overextended its limit by USD 1.5 million on its USD overdraft with Sogebank (at the time limited to USD 1.5 million), planning to buy Gourdes which it could invest at 21%, compared to the 5% USD rate. Unfortunately, just after Sogesol had effected this transaction, in which it sold USD 1.5 million at a rate of G40.5 to the dollar, Sogebank insisted on immediate payment on the overdraft, forcing Sogesol to both absorb a penalty fee for exceeding its credit limit, and to buy back its dollars at a rate of G45 to the dollar. This resulted in a G6 million (approximately USD143,000) additional foreign exchange loss in June 2003. While the gains from interest rate earnings on the gourds investment may ultimately exceed the losses incurred in the ill-timed conversion, this transaction does raise questions about decision-making processes related to liquidity management at Sogesol.”

8. In Management, “Sogesol...struggles to find replacement for departing branch managers.” As of June 30, 2003 Sogesol never found itself in the position to replace a branch manager.

This sentence has been removed.