

FINANCIAL

INCLUSION REPORT

2014



Superintendencia
Financiera
de Colombia



BANCA DE LAS
OPORTUNIDADES

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OVERALL FEATURES OF THE FINANCIAL ENTITIES CONSIDERED IN THE STUDY AND STRUCTURE OF THE REPORT

This Financial Inclusion Report contains data as of December 2014. It compiles and analyzes the financial inclusion statistics and indicators in Colombia during the last five years, 2010 to 2014, and is structured as follows:

This section on overall features

An introduction that highlights the main topics included in the chapters of the Report and that presents a summary of the main results in Colombia in terms of financial inclusion in view of certain international reports such as Microscope 2014 and the Global Findex 2014 demand survey.

The next chapter analyzes financial inclusion based on the number of adults and businesses with financial products in the country, taking into account socio-demographic variables such as gender and age, differentiating between persons with financial products and those with active or outstanding financial products, and segment information on adults and businesses with financial products by type of entity: credit institutions, cooperatives supervised by Supersolidaria (Superintendencia de Economía Solidaria): Superintendencia of Cooperative Economy (cooperative sector) and microcredit NGOs.

Another chapter analyzes the recent situation and evolution of the country's financial coverage, taking into account the main access points to the regulated and non-regulated financial system such as branches, agents, points of sale, and automatic teller machines.

Another analyzes the evolution of the amounts transacted and the number of transactions by type of channel.

Four chapters analyze financial products' holding including savings, credit, remittance, and insurance products.

The closing chapter discusses some consumer protection indicators based on the analysis of data on complaints and grievances managed by Superintendencia Financiera de Colombia: Financial Superintendence of Colombia.

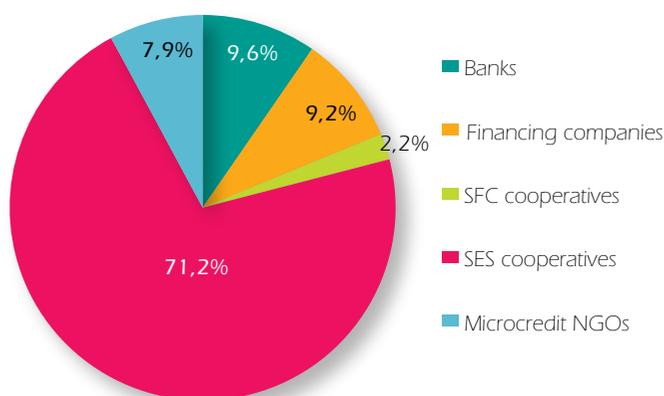
Below is a brief description of the group of financial institutions included in the analyses of this Report.

CHARACTERIZATION OF THE FINANCIAL INSTITUTIONS INCLUDED IN THE 2014 FINANCIAL INCLUSION REPORT

Three different groups of financial entities are taken into consideration in this Report:

- Credit institutions that include banks, financing companies, and financial cooperatives supervised by Superintendencia Financiera de Colombia¹.
- Cooperatives that carry out savings and credit activities, supervised by Superintendencia de Economía Solidaria, and
- Microcredit Non-Governmental Organizations (NGOs) that, though not supervised by any financial authority, provide microcredit and report to Consejo Superior de la Microempresa: Microbusiness High Council those microcredit transactions where they charge MIPYME (Micro, Small and Mid-Sized business, in Spanish) commissions authorized in Colombia pursuant to Resolution 001 of 2007².

CHART 1: SHARE ACCORDING TO NUMBER OF BRANCHES BY TYPE OF ENTITY



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

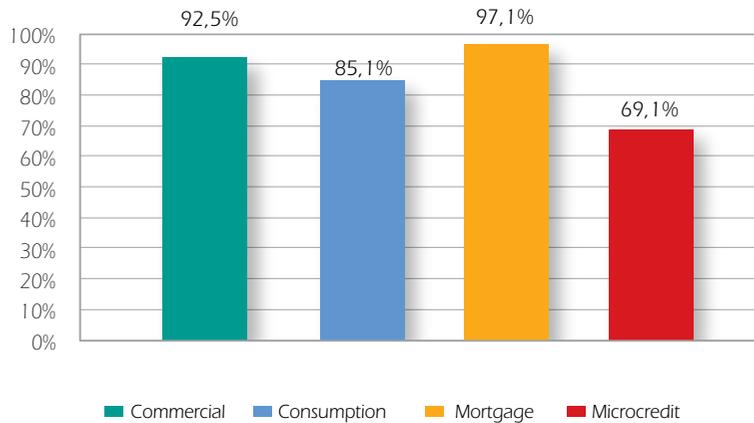
As of December 2014, the total number of entities included in this Report was 229, of which 163 are cooperatives with financial activities supervised by Superintendencia de Economía Solidaria. In order of importance and with similar shares, they are followed by banks (22 entities) and financing companies (21 entities). The least representative institutions based on the number of entities are microcredit NGOs (18 entities) and the group of financial cooperatives supervised by Superintendencia Financiera de Colombia (5 entities).

¹ Even though the group of credit institutions include five (5) Financial Corporations, these have not been included in many of the 2014 Financial Inclusion Report analyses because their business focus is on investment banking, which is actually not interesting within financial inclusion analyses.

² This Resolution authorizes financial intermediaries and organizations specialized in granting microbusiness credit to charge fees and commissions independently from the interest rate, at a rate that varies according to the following criteria: i) for microcredit for less than 4 Standing Legal Monthly Minimum Wage (SMMLV, in Spanish), fees and commission shall not be above 7,5% of the microcredit amount; ii) for microcredit for more than 4 SMMLV, fees and commissions shall not be above 4,5% of the microcredit amount.

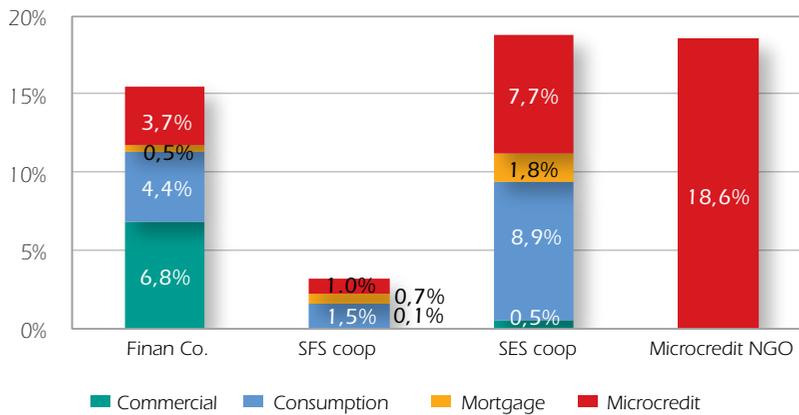
In the near future, this configuration is expected to change, with greater relative importance for banks due to the greater number of new entities and the recent transformation of some financing companies and microcredit NGOs into banks³.

CHART 2: SHARE OF BANKS ACCORDING TO AMOUNT BY PORTFOLIO TYPE



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades.

CHART 3: SHARE OF NON-BANKING ENTITIES ACCORDING TO AMOUNT BY PORTFOLIO TYPE



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

As of December 2014, the total amount of the credit portfolio provided by various types of entities considered herein increased to COP 338 billion, 58,5% of those (COP 197,7 billion) represent the commercial portfolio, 29% COP 98,1 billion) the consumption portfolio, 8,8% the mortgage portfolio (COP 29,8 billion), and 3,7% microcredit (COP 12,4 billion).

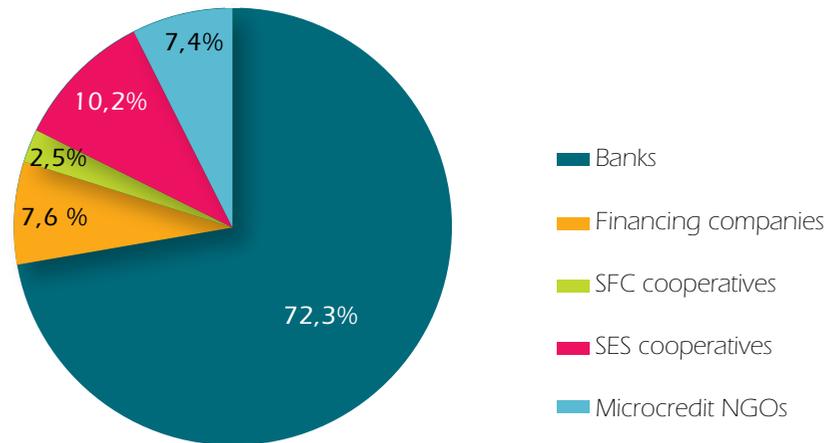
³ As of December 2014, two financing companies that turned into banks, but are not yet counted as such, are in the group of institutions that have already turned into banks: FC Compartir and FC Macrofinanciera, which will operate as Banco Compartir and Banco Multibank, respectively. Similarly, the NGO Mundo Mujer will operate as Banco Mundo Mujer. Within the group of financing companies, we have observed the arrival of new institutions such as Credifamilia, Ripley, and La Hipotecaria. Also Cooperativa Financiera Juriscoop (formerly a financial cooperative supervised by Superintendencia Financiera de Colombia) turned into FC Financiera Juriscoop.

Of the total portfolio amount, banks are the most representative in all credit types. In particular, they account for over 90% of the total balances in the case of commercial credit and mortgage credit.

In the case of consumption credit and microcredit, we observe a larger share for other types of financial entities. In the case of consumption credit, in addition to banks, that concentrate 85% of the portfolio amount, cooperatives with financial activity supervised by Superintendencia Financiera de Colombia have a substantial share, accounting for almost 9% of the amount. Financing companies account for 4,4% of this type of credit.

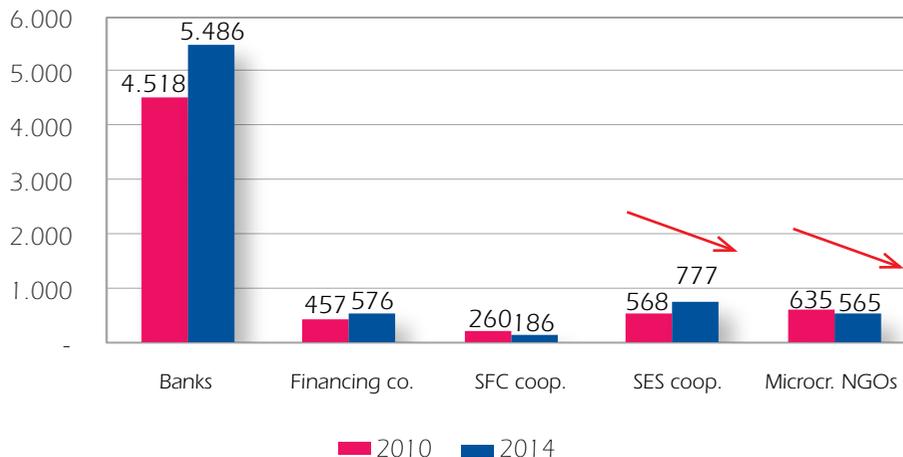
The microcredit portfolio displays the lowest concentration in terms of the types of entities that participate in this market. 69% of this type of credit is provided by banks, almost 19% is provided by microcredit NGOs, and, with smaller shares, cooperatives with financial activity supervised by Superintendencia de Economía Solidaria provide almost 8% and financing companies 3,7%.

CHART 4: SHARE ACCORDING TO NUMBER OF BRANCHES BY TYPE OF ENTITY



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

CHART 5: RECENT EVOLUTION IN THE NUMBER OF BRANCHES BY TYPE OF ENTITY



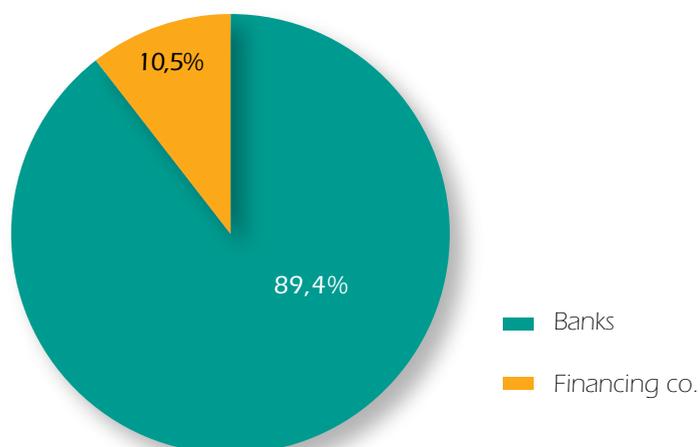
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

As of December 2014, the total number of branches was 7.590. The most representative entities in terms of this type of point of access are the banks, which account for almost 72% of the total.

Despite the higher cost associated to this type of point of access, the total number of financial branches increased by 1.152 in the last five years. The institutions that reported the greatest increase were banks, financial cooperatives supervised by Superintendencia de Economía Solidaria, and financing companies, which increased by 968, 209, and 119 new branches respectively. In contrast, the number of branches of financial cooperatives supervised by Superintendencia Financiera de Colombia and microcredit NGOs decreased by 74 and 70 branches, respectively.

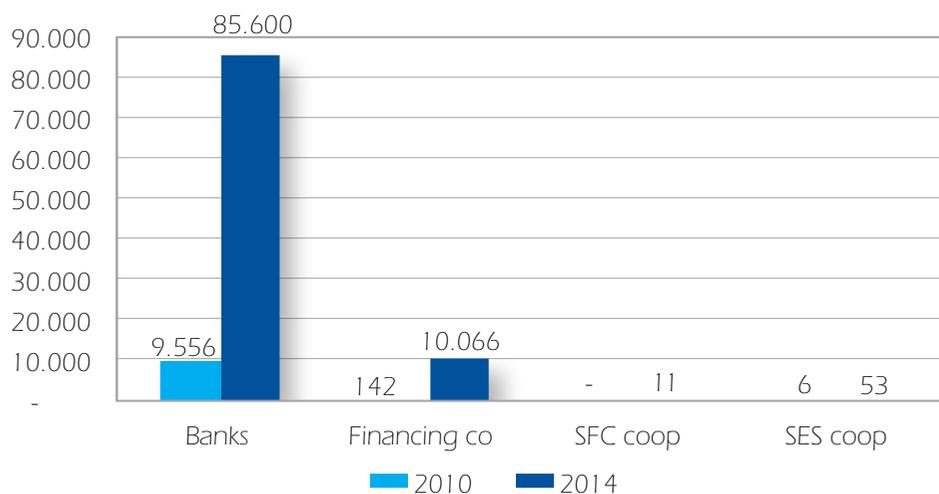
Some of these changes are related to the institutional transformations of several of the entities mentioned above.

CHART 6: SHARE ACCORDING TO NUMBER OF AGENTS BY TYPE OF ENTITY



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 7: RECENT EVOLUTION IN THE NUMBER OF AGENTS BY TYPE OF ENTITY



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

Even though the various types of financial institutions are authorized to operate through agents, except for microcredit NGOs, most of them, whose total number in December 2014 totaled 95.730, are affiliated with banks (89% of the total) and with the financing companies (10,5% of the total).

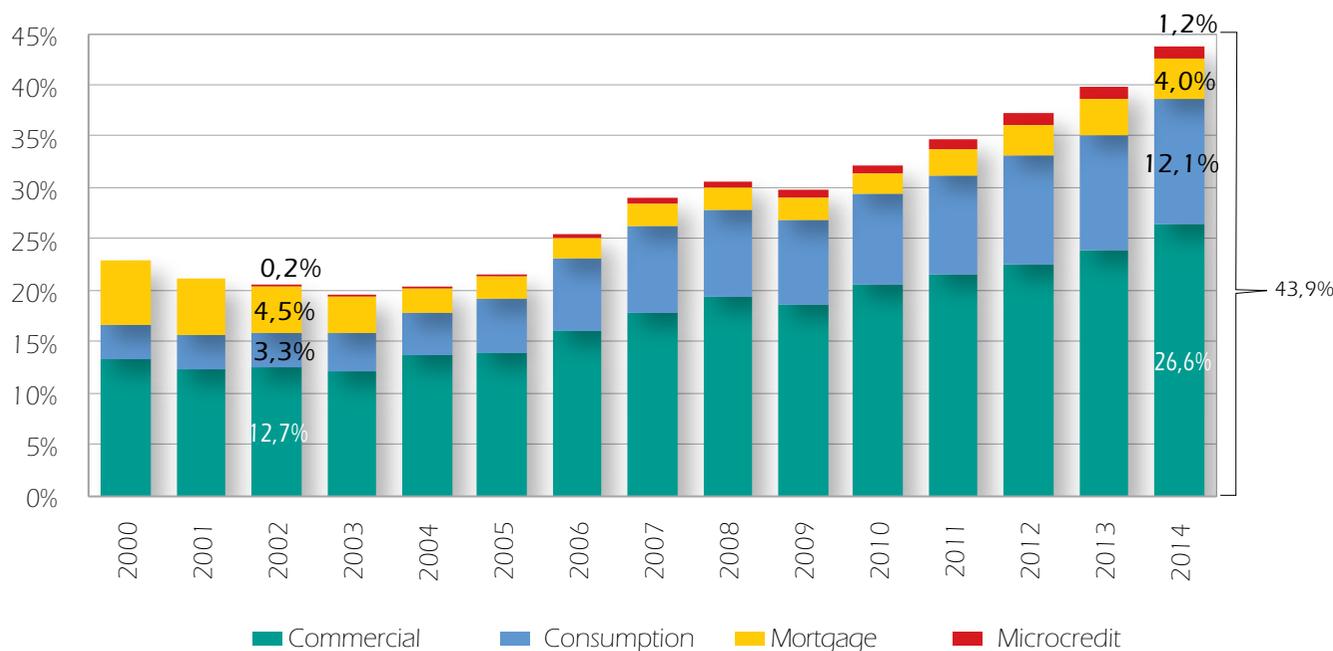
The other entities have a marginal share of the total number of agents in the system in Colombia⁴.

In the last five years, the increase in the total number of agents has been significant, growing from 9.704 in December 2010 to 95.730 in December 2014. Banks account for most of this increase, given that these institutions' agent points increased by 76.044, equivalent to 88% of the total increase. This performance is largely explained by the type of agency model that predominates in Colombia.

The agent channel has been basically developed through two models: i) directly managed by financial institutions, a model known as "one to one", and ii) managed by specialized networks which are characterized by their great capillarity in terms of the number of businesses or points of public access affiliated to these networks.

In Colombia, the most common agency model has been through agreements established between financial institutions and the so-called agent networks or administrators⁵. This model has favored the rapid growth in the number of agents.

CHART 8: FINANCIAL PENETRATION⁶ - TAKING INTO ACCOUNT CREDIT INSTITUTION PORTFOLIOS



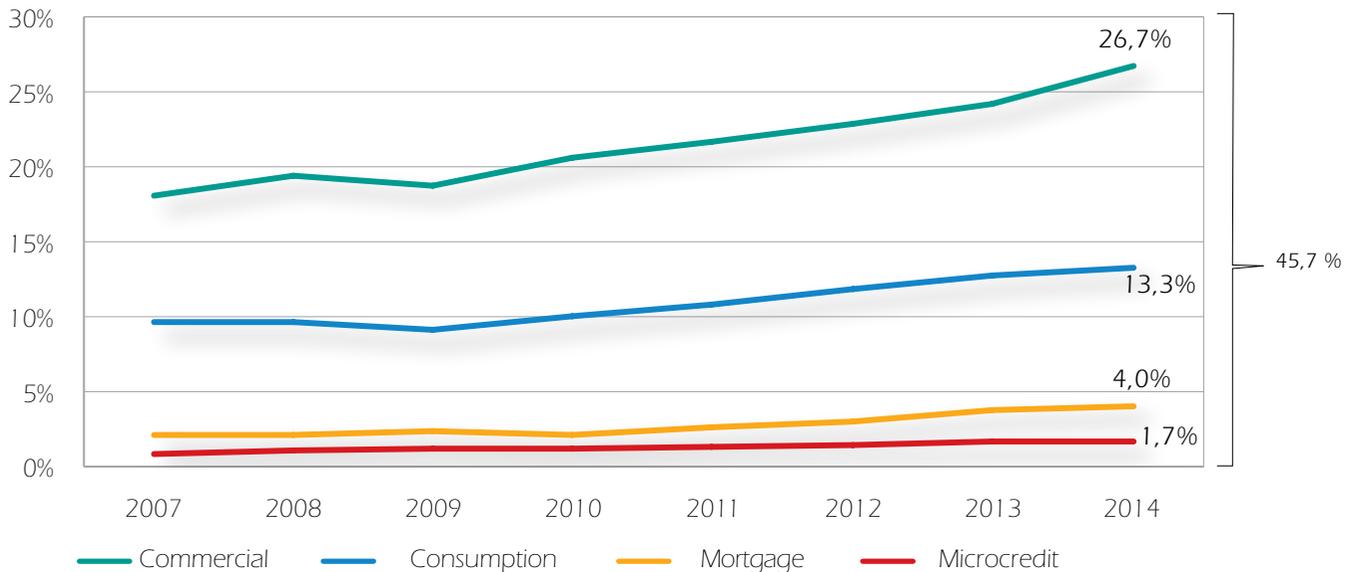
Source: Superintendencia Financiera de Colombia and DANE. Calculation by Banca de las Oportunidades.

⁴ It should be noted that the total number of agents registered in December 2014, 95.730 points, has been taken from Template 398 that the Superintendencia Financiera de Colombia compiles from the entities it supervises and from the reports submitted to Banca de las Oportunidades by cooperatives with financial activity supervised by Superintendencia de Economía Solidaria. It is important to emphasize that this number has not been adjusted for the effects of possible double counting, which may occur because many agents offer services to several financial institutions simultaneously, which makes it possible to count the same point more than once.

⁵ There are various types of agent networks or promoters, including cellphone minutes reload networks, postal service networks, gambling networks, and others.

⁶ Financial penetration is calculated as the ratio of Portfolio / GDP (Gross Domestic Product). This calculation did not include the portfolio provided by Fondo Nacional del Ahorro: National Savings Fund. The outstanding value of GDP as of year-end 2014 (COP 739.707 billion) was calculated based on a GDP growth rate of 4,6% compared to 2013, based on results published by DANE: National Administrative Department of Statistics (in Spanish) on March 17, 2015.

CHART 9: FINANCIAL PENETRATION - TAKING INTO ACCOUNT THE PORTFOLIO PROVIDED THROUGH CREDIT INSTITUTIONS, FINANCIAL COOPERATIVES SUPERVISED BY SUPERINTENDENCIA DE ECONOMÍA SOLIDARIA AND MICROCREDIT NGOS



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

On considering exclusively the portfolio intermediated by credit institutions, with a year-end 2014 balance of \$324,5 billion, the financial penetration indicator approaches a level of 43,9%. This indicates that approximately 43,9% of national product in 2014 was financed through portfolios managed by credit institutions. The level of financial penetration was greater by 11,6% in December 2010, when this indicator was 32,3%.

Naturally, given its greater relative importance in the total portfolio, the type of credit that most contributes to financial penetration is commercial credit, followed by consumption credit.

When, in addition to credit institutions' portfolio, we consider portfolio provided by other entities, the financial penetration level increases marginally by almost 2%, increasing from 43,9% to 45,7%.

This increase is essentially explained by the consumption credit provided by financial cooperatives supervised by Superintendencia de Economía Solidaria, whose consumption portfolio reached COP 8,7 billion and, in a smaller proportion, by microcredit provided by microcredit NGOs, whose balance totaled COP 949 million at the end of 2014.



INTRODUCTION

This year's Financial Inclusion Report includes a chapter that analyzes financial products' holding by individuals and businesses and presents the most relevant progress in terms of financial coverage and use of various financial products. We highlight some of the main legal adjustments carried out in the country in order to facilitate and promote financial inclusion. At the end, we included a summary of the main conclusions from the First Demand Study on Financial Inclusion in Colombia, which was developed during 2014 and the first months of 2015 and was promoted by Banca de las Oportunidades and Superintendencia Financiera de Colombia⁷.

In terms of financial products' holding, we highlight that, during 2014, 23,3 million adults had at least one financial product through credit institutions (72,7% of the country's adult population), and 19,4 million adults had at least one active or outstanding product at the end of the year (60,5% of the adult population).

⁷ This study's main results can be viewed at the following website: <http://bancadelasoportunidades.gov.co/contenido/contenido.aspx?conID=1322> or <https://www.superfinanciera.gov.co/jsp/loader.jsf?IServicio=Publicaciones&ITipo=publicaciones&IFuncion=loadContenidoPublicacion&id=10084717>

If, in addition to credit institutions, we consider cooperatives supervised by Superintendencia de Economía Solidaria (cooperative sector) and microcredit NGOs, these percentages increase to 73,9% adults with at least one financial product and 61,8% adults with active or outstanding products.

Also, it was found that 5,8 million adults had some financing mechanism other than credit, provided by the real sector.

On segmenting these indicators by gender, it was found that women hold a greater number of active or outstanding products than men. This outcome contrasts the findings from several demand studies.

The analysis by age range indicates that adults between the ages of 26 and 50 years old hold the largest percentage of active or outstanding products; this percentage decreases in individuals older than 50. We also found that 501.340 minors held active or outstanding financial products at the end of 2014.

As indicated in the 2013 Report, it was found that the main product of entry to the financial system through credit institutions, coinciding with the second most acquired product, was the savings account. It is interesting to find in this 2014 Report in which product segmentation is more detailed, that the second most significant product of entry to the financial system is the electronic deposit.

Of the 991.435 adults that joined the financial system for the first time in 2014 through credit institutions, 81,7% chose a savings account and 5,5% chose an electronic deposit.

In the case of cooperatives supervised by Superintendencia de Economía Solidaria, of the 15.342 adults that joined the financial system for the first time through these entities, 51,2% chose consumption credits, 22,7% chose microcredits, and 17,7% chose savings accounts.

In the case of microcredit NGOs, of the 46.359 adults that joined the system for the first time through these entities, the majority naturally used microcredits.

During 2014, 680.117 businesses reported having at least one financial product at credit institutions, and 505.731 of them ended the year with some active or outstanding product. Inclusion of businesses through the other two types of entities considered in the study was marginal. Cooperatives supervised by Superintendencia de Economía Solidaria reported 1.333 businesses with active or outstanding products by the end of the year, and microcredit NGOs reported 300 businesses with active or outstanding products.

As for businesses, the main products of entry to the financial system through credit institutions were also savings accounts (73,3%), followed by checking accounts (20,8%).

In terms of financial coverage, the Report underlines that, even though 2 municipalities of the country lacked the presence of financial institutions by the end of 2014, these were covered early in 2015 through agents. Although the country has 100% coverage in the national territory today, 67 municipalities have been identified with "fragile" coverage because they only have one or two agents. These municipalities are mostly rural or dispersed-rural and are located in the Central, Pacific, and Caribbean regions.

This strong coverage progress is associated to the strong expansion of agents, which increased at an average rate of 78,9% between 2010 and 2014 in comparison to an annual average rate of 25% for all the other financial points of access. The growth is largely explained by the agency model that predominates in Colombia, mostly through network promoters or managers.

The evolution of the financial coverage in the country is largely associated with the population concentration in the various types of municipalities. For example, 82,7% of the population is located in cities (66,7%) and in mid-size municipalities (16%). Consequently, most of the financial infrastructure and most of the growth in points of access has taken place in this type of municipalities.

In recent years, Colombia has evolved from having 62 access points to having 140 for each 10.000 adults and from 193 to 465,5 access points for each 1.000 Km².

Financial transactions display a positive trend. Between 2013 and 2014, they grew at a rate of 12% in the number of transactions and 7% in the amounts transacted. The channel that moves most funds is still financial branches (52% of the amount), while Internet is the channel used to perform the highest number of transactions (37%), particularly transactions of non-monetary nature such as balance inquiry.

The channel that has demonstrated the highest drive is the cellphone. In this case, as in the case of Internet, non-monetary transactions are very substantial; nevertheless, transactions such as obligation payments and transfers are also relevant.

After the cellphone channel, agents report the most significant growth both in numbers of transactions and transacted amount. In this case, the most representative transactions are collections, deposits, and withdrawals.

In line with the financial infrastructure trends, transacted volume and amount in the country depend on the population distribution. 88% of transactions and 80% of transacted amounts are performed in the cities and mid-size municipalities.

At the end of 2014, 55,9 million savings accounts were counted, 54% of which were inactive. This inactivity indicator has displayed an upward trend over time. Account activity is associated with municipality type. In rural and dispersed-rural municipalities, the number of active accounts for each 10.000 adults is lower than 5.000. In contrast, this indicator increases to 6.256 in mid-size municipalities and to 9.444 in cities.

94% of the savings accounts in the country have a balance below 5 SMMLV: Standing Legal Monthly Minimum Wage (in Spanish), equivalent to almost COP 3,2 million. Nevertheless, these accounts barely represent 4,8% of the funds obtained by the credit institutions.

The main barriers for saving identified in the recent financial inclusion demand study (2015) are: i) costs associated to formal saving, ii) products that do not meet the consumer's needs, iii) low profitability, and iv) insufficient income.

In terms of credit, the portfolio maintained its trend, growing at an annual real rate of almost 9%. In the case of commercial, consumption, and mortgage credit, we found that most of the portfolio has been provided in urban areas. This behavior is different in the case of microcredit, which has a broader geographic distribution.

Recently, various regulations aimed at promoting access to credit for the population have been enacted or are in the process of being enacted in the country. Some examples are Decree 2654 of 2014, which establishes the small-amount credit line whose interest rate is certified independently and that tries to facilitate access to credit for population of high implicit risk, under favorable conditions in comparison to the informal money lender, and Act 1731 of 2014, which created Fondo de Microfinanzas Rurales: Rural Microfinance Fund, to be managed by Finagro and which aims at promoting various rural economy sectors.

A regulatory decree for the Law of Chattel Guarantees is under way and will expedite this Act's provisions in order to facilitate the use of chattel assets as credit guarantee and would particularly benefit small and mid-size businesses.

Regarding remittances, between 2013 and 2014 inflows to Colombia decreased by 6,9% to US 4.093 million. The main reductions originated in Spain and Venezuela as a result of the global economic crisis.

Additionally, the cost of remittances from Spain and the United States increased, thus further discouraging the remittance of these funds.

As has been observed in prior years, the Colombian municipalities that receive most remittances are Valle del Cauca (29%) and Antioquia (16%). The challenge identified in previous Reports remains, and it is to develop mechanisms to receive and maintain part of the remittances in the financial system, since 75% of these funds are paid through cashier's window, while the percentage received as deposits into savings or checking accounts is 24,8%.

In terms of holding of insurance products, the Report highlights that the greatest expenditure in insurance is in the casualty lines in comparison to personal lines. Nevertheless, the greatest number of insured individuals is in personal lines, particularly debtor group life and personal accidents.

The main insurance distribution channel is through credit institutions, even in rural areas. The own sales force channel follows in importance.

The average value of insurance premiums is greater for the property and casualty insurance than for personal insurance lines. In the first case, the monthly average value of the premiums fluctuates between COP 9.200 and COP 62.894, while, in the second case, it fluctuates between COP 3.218 and COP 21.108. Individual life insurance and fire and earthquake insurance are the most expensive, and personal accident insurance and funeral services insurance are the most inexpensive.

It should be highlighted that the country's regions with the lowest income per capita are those with the least insurance penetration. For this reason, one of the challenges is to design "useful" insurance products that are appropriate for the risks faced by the population in these Regions.

This Report will show that during the last five years there has been substantial activity in terms of creating regulations that promote greater financial inclusion in Colombia. The most recent results of the Microscope 2014⁸ report reflect this fact.

This Report presents 12 indicators related to the favorability level of the countries for the promotion of financial inclusion⁹. According to these, Colombia comes in second place both in the world and in Latin America (with a score of 85 out of 100 possible points). Among the main aspects that are important for Colombia, the following stand out:

- Governmental commitment for the development of financial inclusion public policy
- Clear progress in financial coverage, increased largely thanks to agents
- Proportional and reasonable prudential regulation
- Clear rules in place for the acquisition of deposits and broad deposit insurance coverage
- Consumer protection regulations in place and clear rules about transparency in disclosure of information to the population
- Clear mechanisms in place for the resolution of complaints and disputes
- As an initiative from the insurance sector, an insurance market geared to low income populations and known as "mass insurance", and
- An Inter-Sector Commission was created for the promotion of economic and financial education¹⁰.

⁸ This report is published by The Economist - Intelligence Unit; traditionally it focused on the analysis of the countries' institutional environment in terms of Microfinance development. For the first time, in 2014, it developed an index to assess how favorable the countries' institutional environment is for the promotion of financial inclusion.

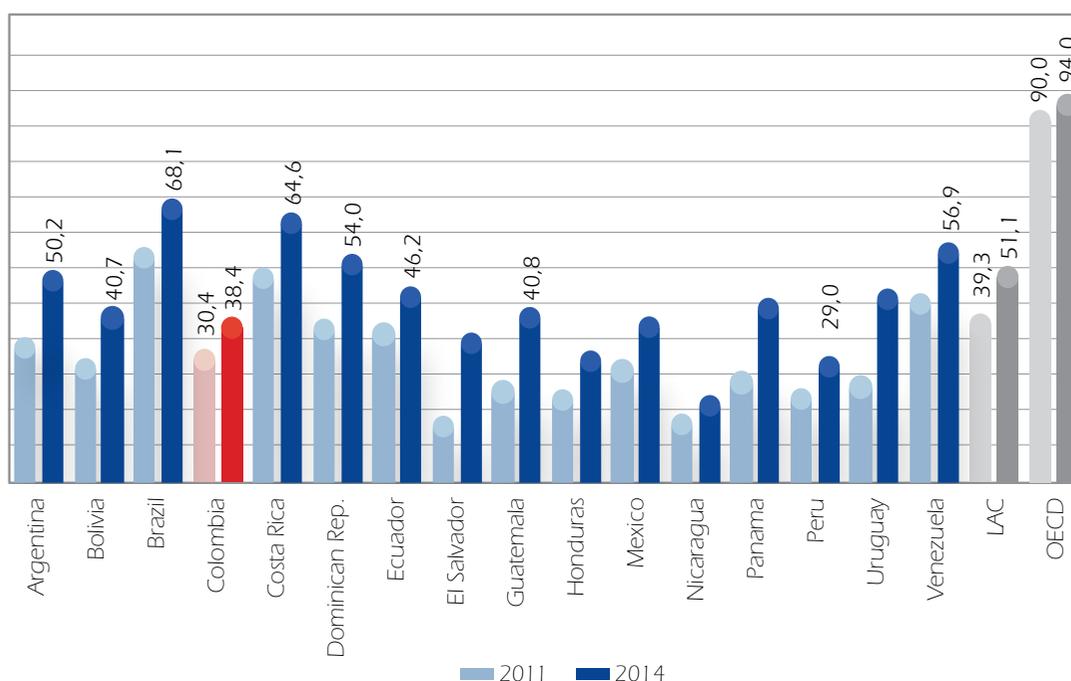
⁹ The indicators considered here include: i) Government support to financial inclusion, ii) regulation and supervision for financial inclusion, iii) reasonable regulation, iv) credit portfolio regulation and supervision, v) acquisition activity regulation and supervision, vi) insurance regulation for the pyramid base, vii) branch and agent regulation and supervision, viii) requirements for non-regulated credit entities, ix) electronic payment regulation, x) credit information systems, xi) market behavior rules and xii) complaints and redress mechanisms.

¹⁰ This Commission was created in February, 2014 through Decree 457.

Another international report that presents important benchmarks regarding the status and progress of financial inclusion in the country, from the demand perspective, is Global Findex 2014 (GF-2014) ¹¹. It is important to point out that many of this survey's findings and suggestions are in line with the outcomes of the first financial inclusion demand study for Colombia (2015).

According to GF-2014, at global level, 62% of adults have an account with the financial system, including mobile money accounts. This percentage reaches 94% in developed countries - OECD and is 51% in Latin America and the Caribbean (ALC, in Spanish).

CHART 10: PERCENTAGE OF ADULTS WITH ACCOUNTS WITH THE FINANCIAL SYSTEM: 2011 VERSUS 2014



Source: Global Findex 2014. Developed by Banca de las Oportunidades

Between 2011 and 2014, accounts' holding in ALC increased 12 pp, from 39,3% to 51,1%, such increase was 4 pp in high income countries where the indicator increased from 90% to 94%. In Colombia, accounts' holding with the financial system increased by almost 8 pp, from 30,4% to 38,4%, during the referred period ¹².

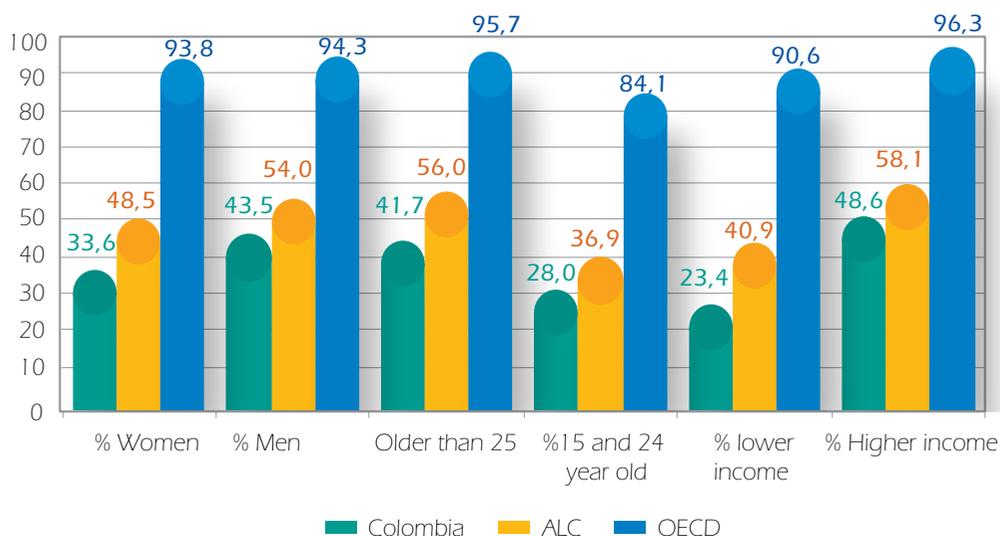
Several countries in the Region report more widespread holding of accounts with the financial system than in Colombia; they are Uruguay, Guatemala, Argentina, Panama, and Dominican Republic.

According to the results of GF-2014 and the demand study carried out in Colombia, we conclude that the holding of financial products varies in accordance to several socio-demographic variables such as gender, age, and income level. In general, women, young adults (between 15 and 24 years old), and people with low income characteristically hold less financial products.

¹¹ This report is published by the World Bank and has issued two editions (first in 2011 and second in 2014). It analyzes people's holding of various financial products and other indicators related to financial inclusion in over 140 countries. For the specific case of Colombia, the GF-2014 took 1.000 surveys from people older than 15 during August and September of 2014.

¹² The figures presented in this Report for Colombia on the holding of accounts with the financial system are below the supply data reported by the country (69,5%) and the estimation from the recent Financial Inclusion Demand Study developed by Banca de las Oportunidades and Superintendencia Financiera de Colombia in 2015, where the holding of accounts with the financial system is 28% and 43% for micro-entrepreneurs and individuals, respectively.

CHART 11: GAPS IN HOLDING OF ACCOUNTS AT FINANCIAL ENTITIES 2014 – BY VARIOUS SOCIO-DEMOGRAPHIC VARIABLES



Source: Global Findex 2014. Developed by Banca de las Oportunidades

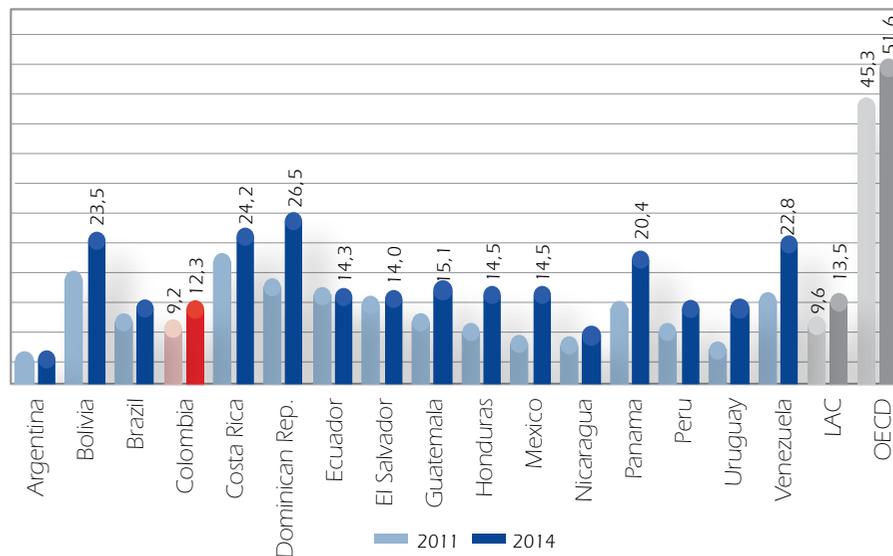
According to GF-2014 results, in high-income countries there is practically no gender gap associated to the holding of accounts. In contrast, in ALC this gap is 5,5 pp (54% of the men have accounts versus 48,5% of the women). In Colombia this difference is close to 10 pp (43,5% men versus 33,6% women). Other countries in the Region that present gender gaps similar to Colombia's are Peru, Guatemala, Ecuador, El Salvador, and Honduras.

In relation to age, in general, adults older than 25, who have some schooling and have steady employment, display higher percentages for the holding of accounts than young adults (between 15 and 24 years old) both in high income countries (11,6 pp gap) and in ALC (19,1 pp gap).

In Colombia, the age gap associated to the holding of accounts is 13,7 pp (41,7% of the adults older than 25 have accounts versus 28% of the adults who are between 15 and 24 years old). Other countries in the Region with age gaps even larger than Colombia's are Venezuela, Argentina, Dominican Republic, Uruguay, and Brazil.

In relation to income, the difference is larger in ALC (17 pp) than in high income countries (5,7 pp). In Colombia, the difference is 25,2 pp, the highest in the Region. While 48,6% of the high income population has accounts with the financial system, only 23,4% of the low income population has products of this type with the financial system.

CHART 12: PERCENTAGE OF ADULTS WITH SAVINGS AT FINANCIAL ENTITIES: 2011 VERSUS 2014



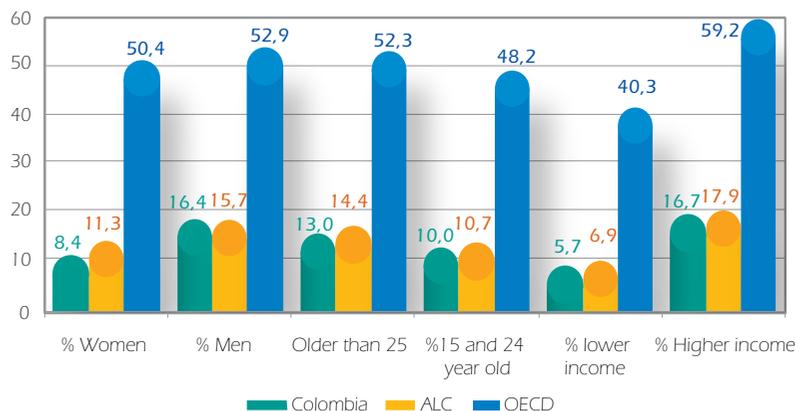
Source: Global Findex 2014. Developed by Banca de las Oportunidades

In terms of formal savings at financial entities, an estimated 51,6% of adults in high income countries formally save; that percentage grew by 6,3 pp in comparison to 2011. In ALC this percentage is 13,5%, a percentage that increased by 3,8 pp in comparison to 2011. In Colombia, the percentage of adults with formal savings is similar to that of the Region, 12,3%¹³, with an increase of 3 pp between 2011 and 2014.

Countries like Dominican Republic (26,5%), Costa Rica (24,2%), Bolivia (23,5%), Venezuela (22,8%), and Panama (20,4%) are at a higher level than the level reported by Colombia.

Similarly to what was described for the holding of accounts, the behavior of formal savings varies according to the population's socio-demographic characteristics.

CHART 13: GAPS IN THE HOLDING OF SAVINGS AT FINANCIAL ENTITIES 2014 - ACCORDING TO VARIOUS SOCIO-DEMOGRAPHIC VARIABLES



Source: Global Findex 2014. Developed by Banca de las Oportunidades

¹³ The level of formal savings reported by the Findex-2014 is similar to the one estimated in the Financial Inclusion Demand Study (2015), where 13% of micro-entrepreneurs and 16% of the individuals have savings with the financial system.

In the case of formal savings' holding, the most substantial gap is due to income level.

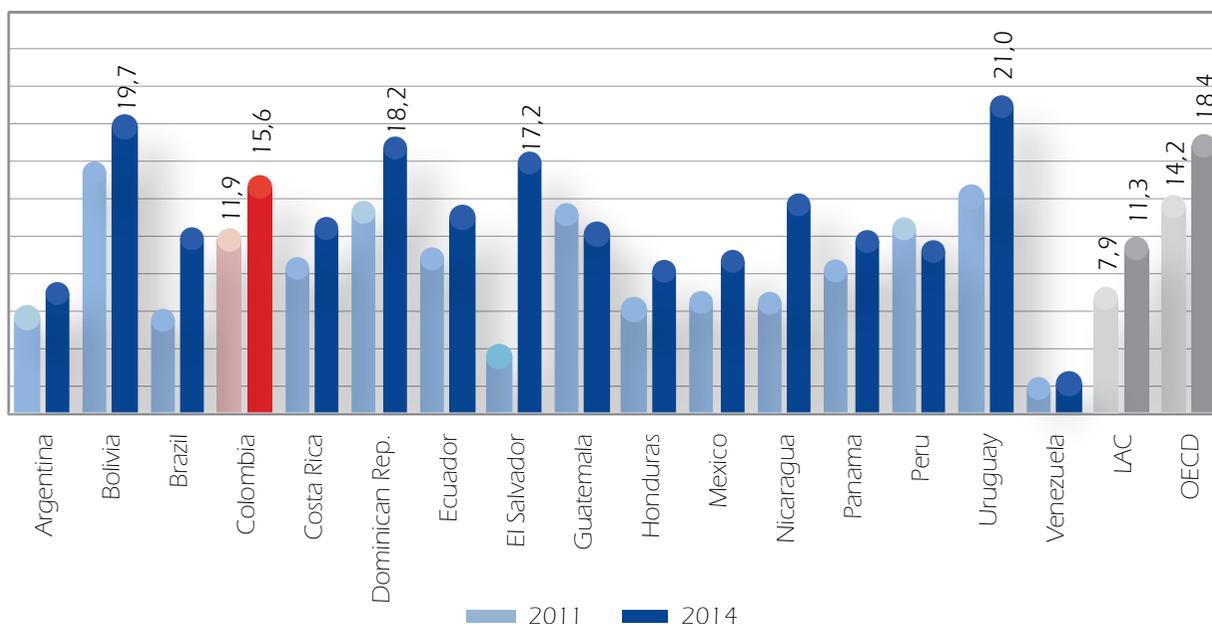
By gender, the difference in formal savings level for developed countries is 2,5 pp (52,9% men with formal savings versus 50,4% women) and 4,4 pp in ALC (15,7% men with formal savings versus 11,3% women). In the Colombian Case, this gender gap is almost double than the Region's 8,1 pp (16,4% men with formal savings versus 8,4% of the women).

The age gap associated to holding of formal savings is similar in developed countries, at 4,1 pp (52,3% adults older than 25 versus 48,2% young adults) and in ALC, at 3,7 pp (14,4% adults older than 25 versus 10,7% young adults). Although the age gap is similar, the savings level of developed countries is way higher than the ALC's.

While 13% of the adults older than 25 formally save in Colombia, 10% of young adults holds at least one formal saving products. Countries like Venezuela (17,8 pp), Bolivia (10,4 pp), Dominican Republic (9,6 pp), and Panama (7,5 pp) display savings gaps by age above Colombia's.

As we mentioned at the beginning of this savings section, the largest gap in this product is in terms of income level. In developed countries, the difference is 18,9 pp (59,2% of high income adults saves formally versus 40,3% of low income adults). In ALC this difference is 11 pp (17,9% of high income adults versus 6,9% of low income adults). Colombia has an 11 pp income gap associated to formal savings, the same as the region's (16,7% high income adults versus 5,7% low income adults).

CHART 14: PERCENTAGE OF ADULTS WITH CREDIT WITH FINANCIAL ENTITIES: 2011 - 2014

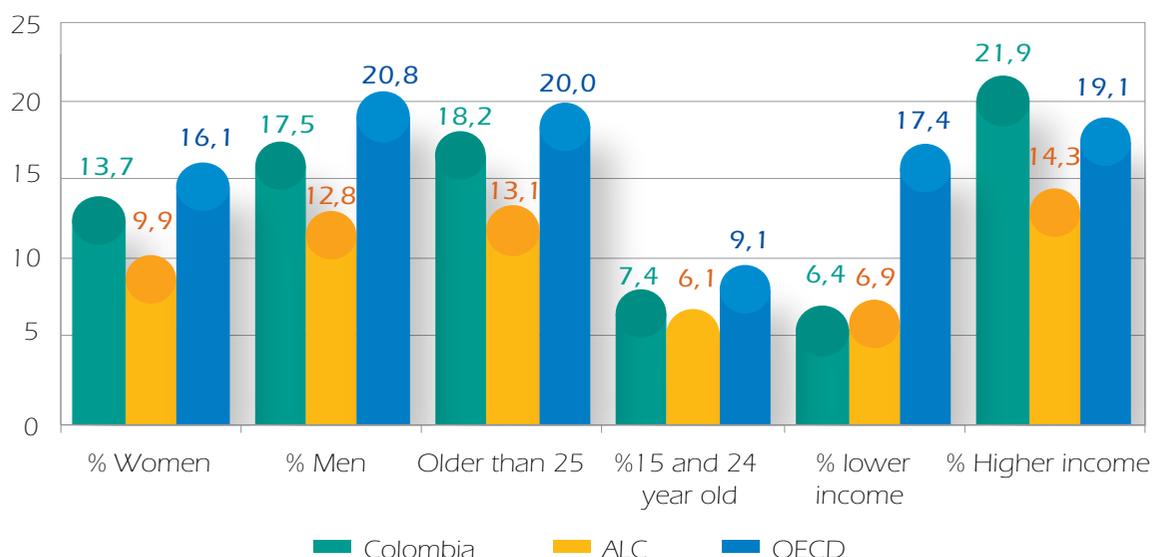


Source: Global Findex 2014. Developed by Banca de las Oportunidades

In relation to holding of credit with the financial system, it is estimated that 18,4% of adults in developed countries have formal credit (this indicator increased 4,2 pp in comparison to 2011) and 11,3% of adults in ALC have credit with credit entities (this indicator increased 3,4 pp compared to 2011).

Colombia displays an indicator of 15,6% of the adults with credit at financial entities (which increased 3,6 pp compared to 2011). Countries like Uruguay (21%), Bolivia (19,7%), Dominican Republic (18,2%), and El Salvador (17,2%) display credit levels with financial entities higher than Colombia's.

CHART 15: GAPS IN THE HOLDING OF CREDIT WITH FINANCIAL ENTITIES 2014 – BY VARIOUS SOCIO-DEMOGRAPHIC VARIABLES



Source: Global Findex 2014. Developed by Banca de las Oportunidades

In the case of formal credit, the most substantial gap lies in age.

At gender level, the difference in the holding of formal credit is 4,8 pp for developed countries (20,8% of the men have formal credit versus 16,1% of the women) and 2,8 pp in ALC (12,8% of men versus 9,9% of women). This difference is 3,8 pp for Colombia (17,5% of men versus 13,7% of the women).

By age, the holding of formal credit gap grows to 10,9 pp in OECD countries (20% of adults older than 25 with formal credit versus 9,1% of young adults) and 7 pp in ALC (13,1% of adults older than 25 versus 6,1% of young adults). Colombia displays a difference in holding of formal credit by age of 10,8 pp (18,2% of adults older than 25 versus 7,4% of young adults). The countries of the region with greater age differences associated to formal credit holding are Bolivia (19 pp), El Salvador (18,7 pp), Uruguay (18,6 pp), and Nicaragua (15,3 pp).

Regarding the gap by income level associated to formal credit, in OECD countries this gap is 1,7 pp (19,1% of high income adults versus 17,4% of low income adults) and 7,4 pp in ALC (14,3% of the high income adults versus 6,9% of the low income adults). In Colombia, the income gap associated to holding of credit is more than twice the region's, 15,5 pp (21,9% of high income adults versus 6,4% of low income adults). Colombia not only has the greatest income gap in the region but also one of the highest formal credit levels among the high income population along with Bolivia (25,6%) and Uruguay (22,5%).

Another interesting variable highlighted in the GF-2014 refers to the low dependence percentage the population has towards informal lenders, which is 6,5% ¹⁴. This percentage decreases to 2,6% for the ALC group and to 2,1% for high income countries.

This Report also emphasizes that, in Colombia, cash is the preferred payment method for daily transactions such payment of utilities (99%) and school tuition and expenses (93%) and payroll deposits 54,8% ¹⁵.

In parallel, the use of alternative payment channels, other than cash, such as electronic channels (cell-phones, Internet, and cards) is low in Colombia; these results coincide both with the GF-2014 and with the Financial Inclusion Demand Study (2015).

14 This indicator is consistent with statistics published by other sources. According to the Financial Inclusion Demand Study (2015), 9% of the microbusiness people and 6% of individuals use this financing source; and according to the Microbusiness Survey by DANE 2014, such indicator is 6,2%.

15 Data similar to these, related to the high use of cash in the country, were established in the Financial Inclusion Demand Study (2015) and in the Microbusiness Survey by DANE (2014).







ADULTS AND BUSINESSES WITH FINANCIAL PRODUCTS IN COLOMBIA

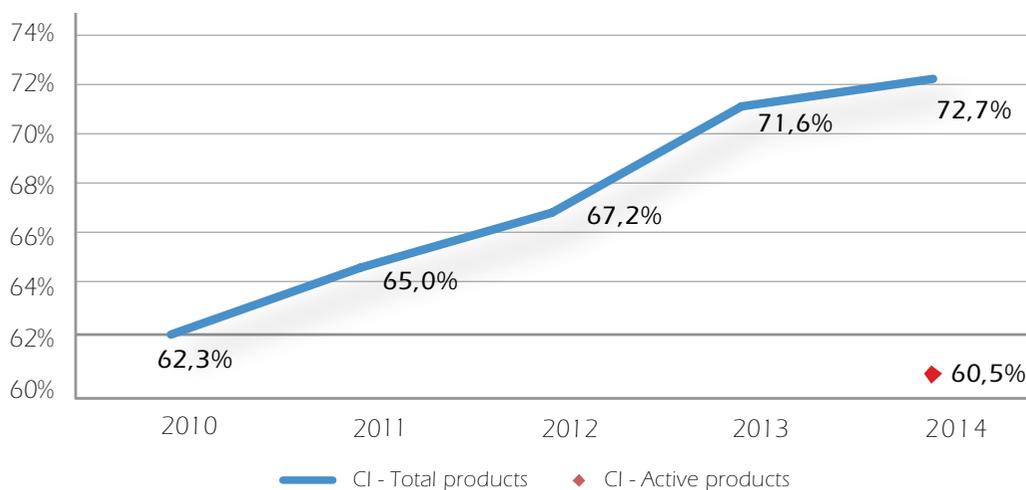
FINANCIAL INCLUSION ACCORDING TO THE NUMBER OF ADULTS AND BUSINESSES WITH FORMAL FINANCIAL PRODUCTS

This chapter presents the results of financial inclusion according to the number of adults and businesses that have formal financial products. We carry out the analysis based on data reported by financial entities and microcredit NGOs to one of the main information centers of the country (CIFIN).

We segment the information on the number of adults with financial products taking into account individuals' gender and age. Also, we consider two additional criteria:

1. We differentiate holding of total financial products from holding of active or outstanding products during the reference period that, for this Report, is 2014 ¹⁶.
2. We divide holding of products by entity type in three groups: entities supervised by Superintendencia Financiera de Colombia (credit institutions), cooperatives supervised by Superintendencia de Economía Solidaria (cooperative sector) and microcredit NGOs.

CHART 16: EVOLUTION OF THE PERCENTAGE OF ADULTS WITH AT LEAST ONE FINANCIAL PRODUCT WITH CREDIT INSTITUTIONS



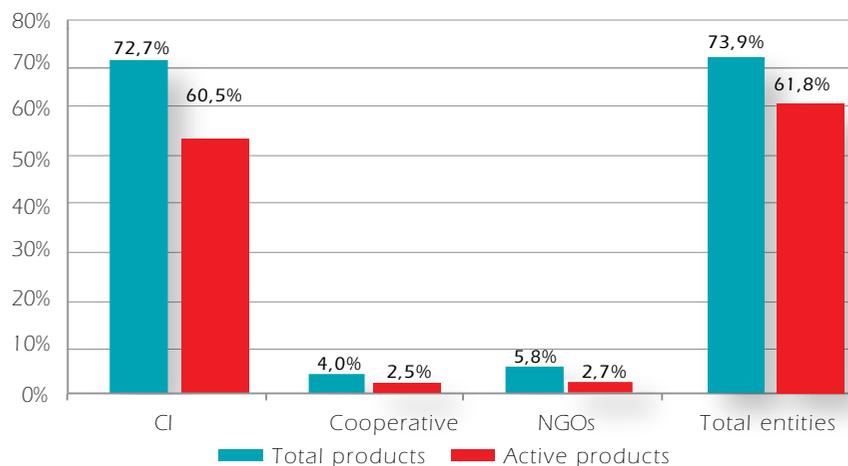
Source: Asobancaria 2010 – 2013 period, CIFIN 2014

During the 2010 – 2014 period, the percentage of adults with at least one financial product in Colombia increased from 62,3% to 72,7%. This means that, during this period, inclusion levels increased steadily reaching 23,3 million adults with at least one financial product at year-end 2014, which represents growth in absolute numbers of 4,8 million adults between 2010 and 2014.

For 2014, we differentiated the percentage of adults with active financial products from the percentage of adults with financial products. By establishing this distinction, the inclusion percentage according to active products decreases to 60,5%, which represents 19,4 million adults who, by the end of the year, had at least one active product. The reduction in the percentage of adults with at least one financial product is explained by the fact that some products present high inactivity levels, as is the case of savings accounts, and that some others, in the case of credit products, changed their status throughout the year because they were cancelled, paid off, or not renewed.

¹⁶ It is important to explain that in determining "active or outstanding" products (throughout the chapter we will call them active for convenience) we take into account two considerations: i) the definition of "active or outstanding" depends on a series of categories associated to financial products according to reports that financial entities submit to CIFIN and ii) that they are considered "active or outstanding" products provided that such products were not reported as paid-off, cancelled, not renewed, and dormant during the analysis period.

CHART 17: PERCENTAGE OF ADULTS WITH AT LEAST ONE FINANCIAL PRODUCT (TOTAL AND ACTIVE) BY ENTITY TYPE - 2014



Source: CIFIN 2014. Calculation by Banca de las Oportunidades.

When in addition to credit establishments we include entities of the cooperative sector, i.e. cooperatives supervised by Supersolidaria and microcredit NGOs as additional sources of inclusion, in addition to credit institutions, the percentage of adults with at least one financial product and the percentage of adults with at least one active financial product increases from 72,7% to 73,9% in the first case and from 60,5% to 61,8% in the second case.

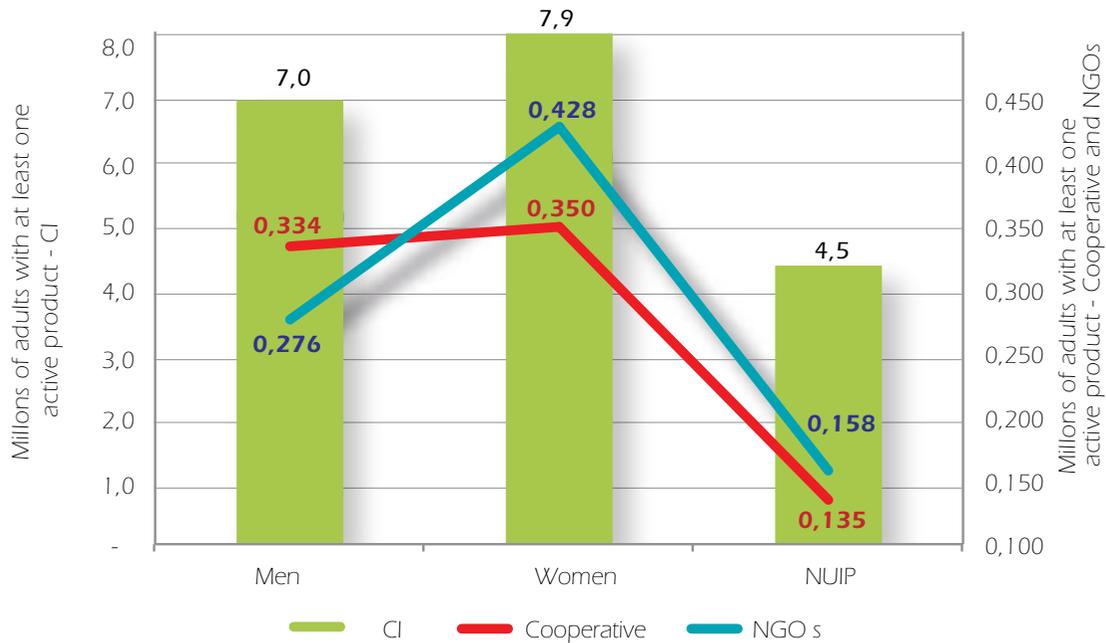
This means that, although the entities in the cooperative sector and microcredit NGOs independently offer financial products to 4% and 5,8% of adults (considering total products) or to 2,5% and to 2,7% of adults (considering only active products), the financial inclusion percentages considering the three types of entities together increase barely by 1,2% in each case in comparison to the credit institutions. Therefore, for total products the percentage increases from 72,7% to 73,9%, and for the active products it increases from 60,5% to 61,8%.

This happens because, even though an individual might have products with this type of entities, in the aggregate (credit institutions, cooperatives supervised by Superintendencia de la Economía Solidaria and microcredit NGOs) the inclusion levels increase only moderately when no double-counting is made based on citizenship IDs in the case of persons who carry products with different types of entities.

As expected, credit institutions account to a larger extent for holding of financial products in Colombia.

It is important to point out that, in addition to credit institutions, cooperatives supervised by Superintendencia de la Economía Solidaria and microcredit NGOs, there are entities in the real sector that offer other financing alternatives to people. According to estimates for 2014, almost 5,8 million adults use these alternatives that are not comparable to actual financial products.

CHART 18: NUMBER OF ADULTS (IN MILLIONS) WITH AT LEAST ONE ACTIVE FINANCIAL PRODUCT BY TYPE OF ENTITY AND BY GENDER – 2014



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

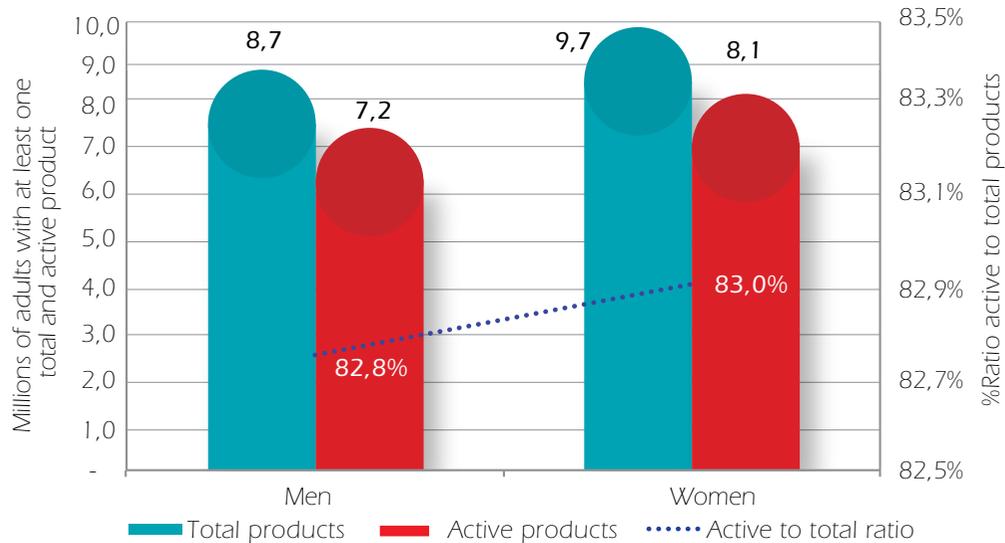
When the holding of financial products is segmented by gender, the first fact that stands out, in contrast with some outcomes derived from several demand studies, is that there is a larger number of women with active financial products in comparison to the number of men. This trend is common in the three types of entities involved: credit institutions, cooperative sector, and microcredit NGOs. The most marked difference in favor of women is observed in NGOs and in credit institutions.

It should be noted that almost 23% of the analyzed records have the NUIP¹⁷ (Personal Single Identification Number, in Spanish) for identification, where it is not possible to make gender differentiation.

Discounting the percentage of adults identified by NUIPs, we find that, at the end of 2014, 7,9 million women as compared to 7 million men had at least one active financial product in credit institutions. In the cooperative sector, the figures are 350.198 women as compared to 333.872 men, and in the NGOs, 428.399 women compared to 276.101 men.

¹⁷ The NUIP is a personal single identification number that was established in March, 2010. The objective of this number is to use the data in the Birth Certificate for identification during the individual's entire life.

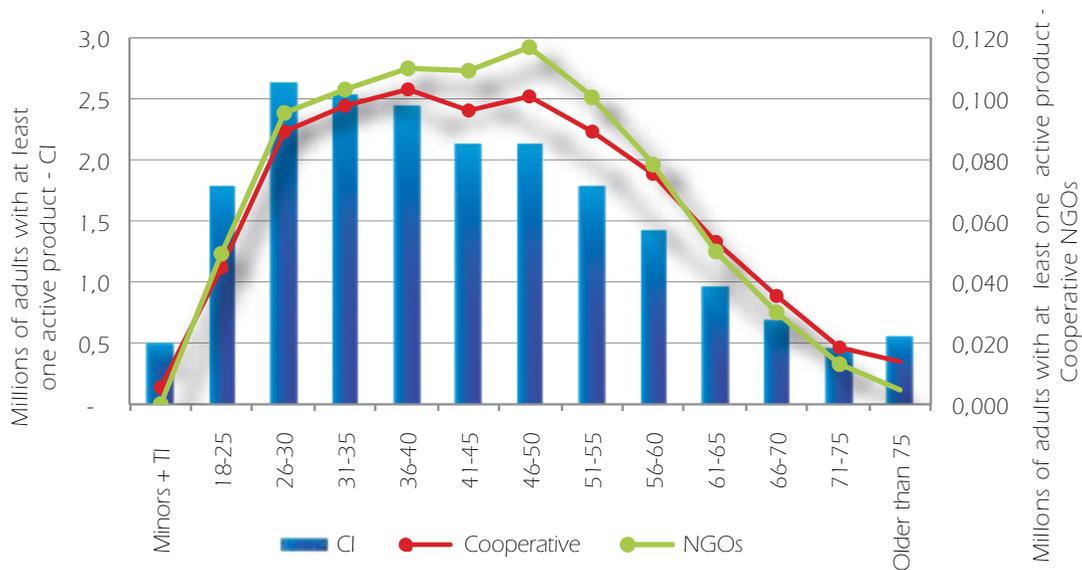
CHART 19: NUMBER OF ADULTS (IN MILLIONS) WITH AT LEAST ONE FINANCIAL PRODUCT AND RATIO OF ACTIVE PRODUCTS TO TOTAL PRODUCTS - ALL ENTITIES



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

Although the holding of at least one financial product or one active financial product is greater among women than within men, the ratio of active products to total products is practically the same, 83% in both cases. This means that in both segments, 83% of the total financial products were active at the end of 2014.

CHART 20: NUMBER OF ADULTS (IN MILLIONS) WITH AT LEAST ONE ACTIVE FINANCIAL PRODUCT BY TYPE OF ENTITY AND BY AGE RANGE - 2014



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

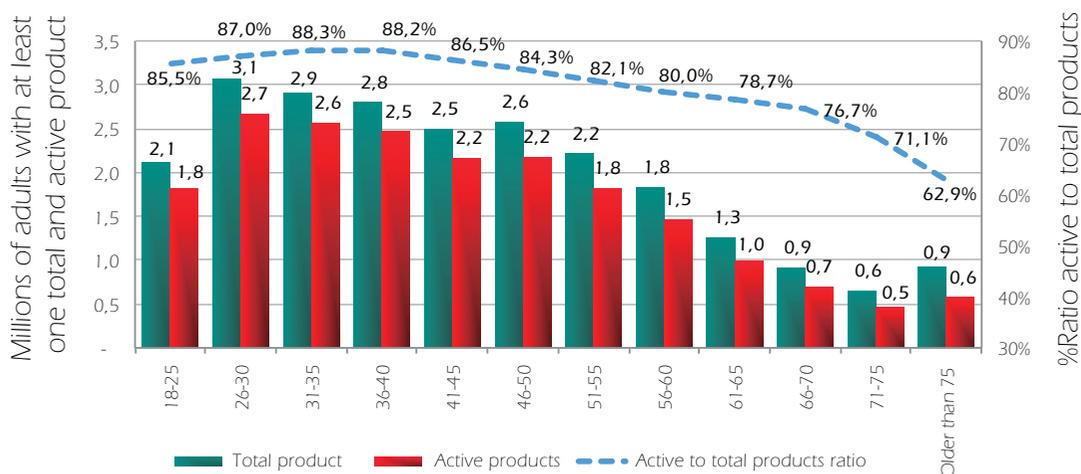
When segmenting the holding of active financial products is segmented by age range, we observe that, regardless of the entity type, the largest holding of active financial products lies in the age range between 26 and 50 years old. This is reasonable considering that this is the time of life when individuals tend to be most active economically and, therefore, have better possibilities of joining the financial system.

In contrast, holding financial products among young adults (18 to 25 years old) and adults older than 50 is lower in comparison to the age group mentioned before. After 50, the holding of active financial products displays a progressive downward trend.

Focusing on the age groups mentioned above, we determined that 11,8 million adults in the range between 26 and 50 years old have active financial products in credit institutions compared to 5,8 million adults older than 50. In the cooperative sector, the figures are 487.008 adults between 26 and 50 years old compared to 287.449 adults older than 50, and in microcredit NGOs, the proportion is 534.919 adults between 26 and 50 years old compared to 278.078 adults older than 50.

Additionally, it was found that 501.340 minors had active financial products during 2014.

CHART 21: NUMBER OF ADULTS (IN MILLIONS) WITH AT LEAST ONE FINANCIAL PRODUCT AND RATIO OF ACTIVE PRODUCTS TO TOTAL PRODUCTS - ALL ENTITIES



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

The ratio of active products to total products is larger among individuals who hold a greater number of products, i.e. those between 26 and 50 years old. Individuals younger than 26 and older than 50 tend to display smaller ratios of active products to total products or, in other words, higher levels of inactivity in their financial products¹⁸.

¹⁸ In addition to the analysis by gender and age range, we carried out an analysis according to the individual's socio-economic level using a social stratum variable. We generally concluded that stratum 3 and stratum 4, in that order, are the groups that concentrate the largest number of adults with financial products. These outcomes were not included in the Report because 44,5% of the records analyzed do not include social strata data, which limits the possibility of generalizing the trends observed.

CHART 22: FIRST PRODUCT OF ENTRY- CREDIT INSTITUTIONS

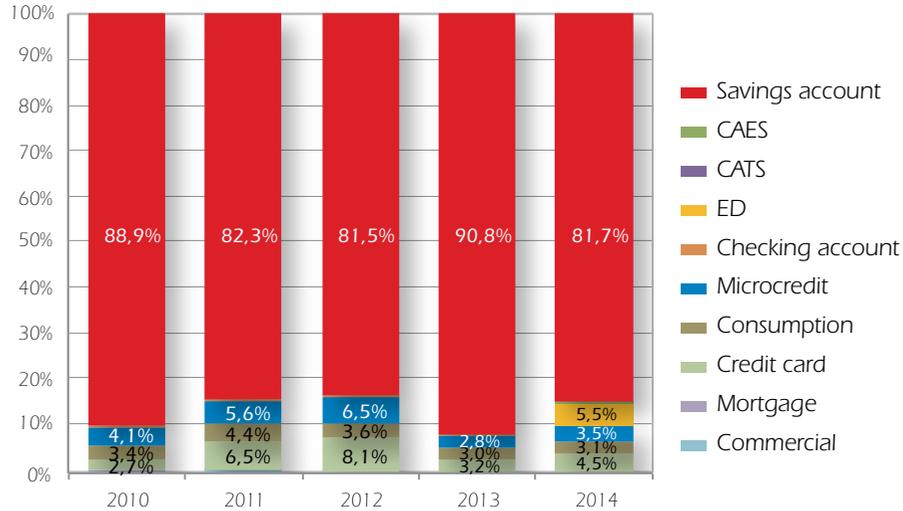
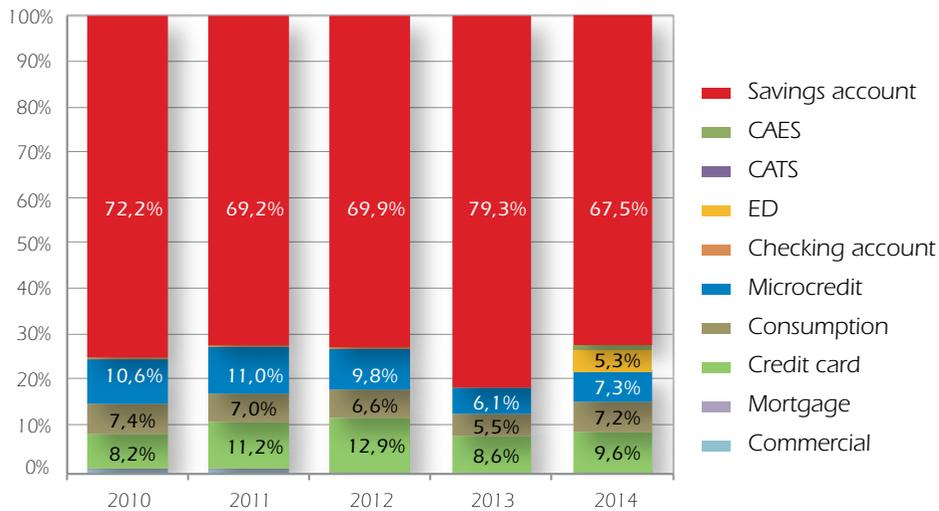


CHART 23: SECOND PRODUCT ACQUIRED - CREDIT INSTITUTIONS¹⁹



Source: Asobancaria (2010 - 2013 period) and CIFIN (2014) - Calculation by Banca de las Oportunidades

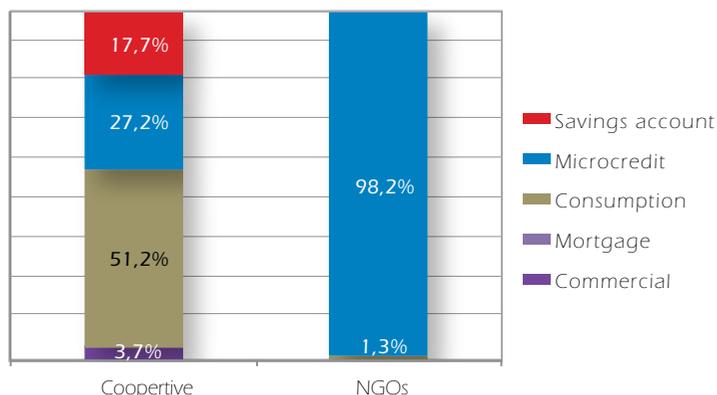
In the two prior charts, we can observe that the main product of entry, as well as the second financial product most commonly acquired by Colombians, is the savings account. Credit cards, microcredit, and consumption credit follow in order of importance both for the first and for the second product.

Even though this sequence is similar to recent years, in 2014, the first year in which greater segmentation was made based on type of product, it was found that of the 991.435 adults who joined the system for

¹⁹ CAES (Cuentas de Ahorro Electrónicas: Electronic Savings Account): aimed at persons in level socio-economic 1 of the SISBEN (Potential Beneficiaries for Social Programs System, in Spanish) and to displaced people registered in the Registro Único de Población Desplazada: Displaced Population Unified Registry to promote their access to financial services; their monthly debit limit is 2 SMMLV; CATS (Cuentas de Ahorro de Trámite Simplificado: Simplified Procedure Savings Accounts): they are on demand deposits, they can be activated through the cellphone with the citizenship ID number and its issue date. The limit for monthly debit is 3 SMMLV and the top balance is 8 SMMLV; DE (depósitos electrónicos: electronic deposits): on demand deposits of simplified procedure different from the checking and savings accounts, they can be opened through the cellphone with the citizenship ID number and its issue date, the limit for monthly debit and the maximum balance is 3 SMMLV.

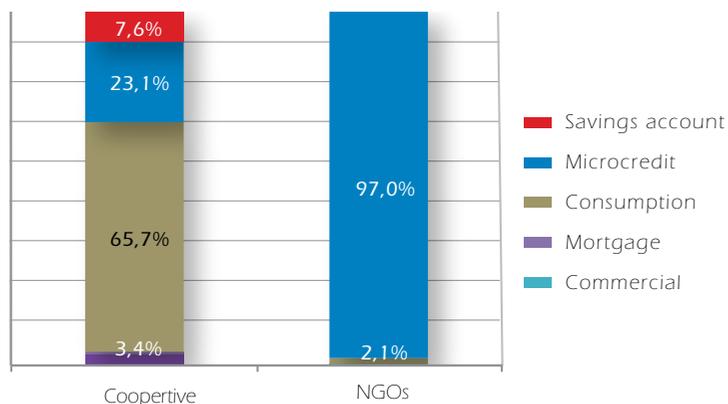
the first time in 2014, 5,5% entered through an electronic deposit; this was also the second most acquired product after savings accounts.

CHART 24: FIRST PRODUCT OF ENTRY TO THE COOPERATIVE SECTOR OR MICROCREDIT NGOS



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

CHART 25: SECOND PRODUCT ACQUIRED WITH THE COOPERATIVE SECTOR OR MICROCREDIT NGOS



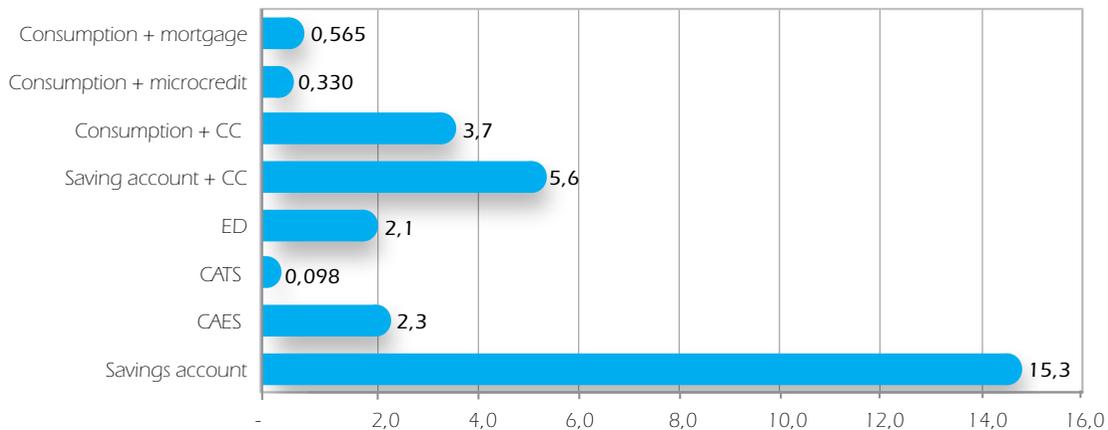
Source: CIFIN 2014. Calculation by Banca de las Oportunidades

On comparing microcredit NGOs to the cooperative sector, we found that the main inclusion products in these two types of entity are related to specific business niches in these entities.

Of the 15.342 adults that joined the financial system for the first time through the cooperative sector, most of them joined through consumption credit (51,2%), microcredit (22,7%), and savings accounts (17,7%). The same distribution remains when we analyze the second product acquired in these entities. Nevertheless, we observe that the relative importance of the savings accounts as second acquired product decreases.

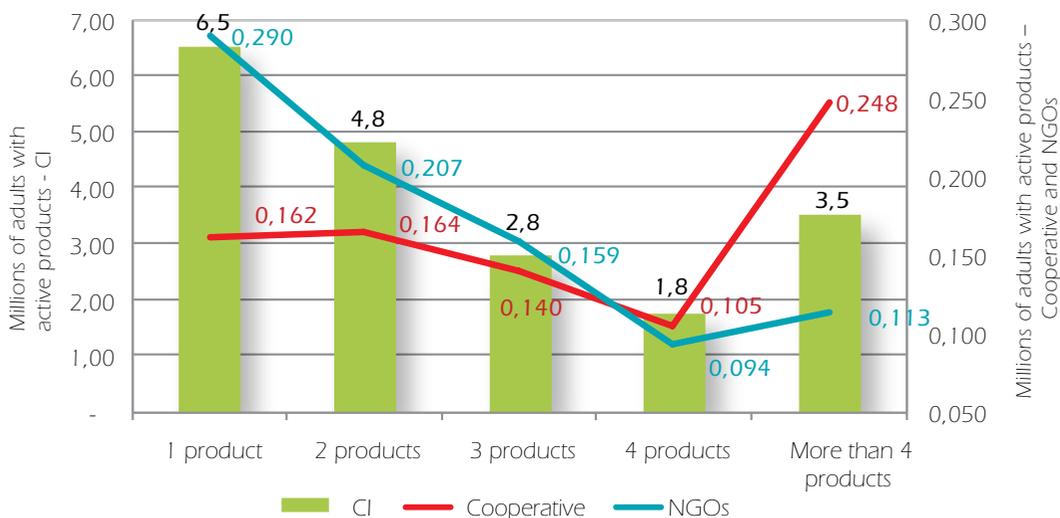
In 2014, 46.359 adults joined the financial system for the first time through NGOs, specifically through microcredit.

CHART 26: NUMBER ON ADULTS (IN MILLIONS) WITH THE FOLLOWING ACTIVE PRODUCTS AND PORTFOLIOS - 2014



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

CHART 27: NUMBER OF ADULTS (IN MILLIONS) BY NUMBER OF ACTIVE PRODUCTS - 2014



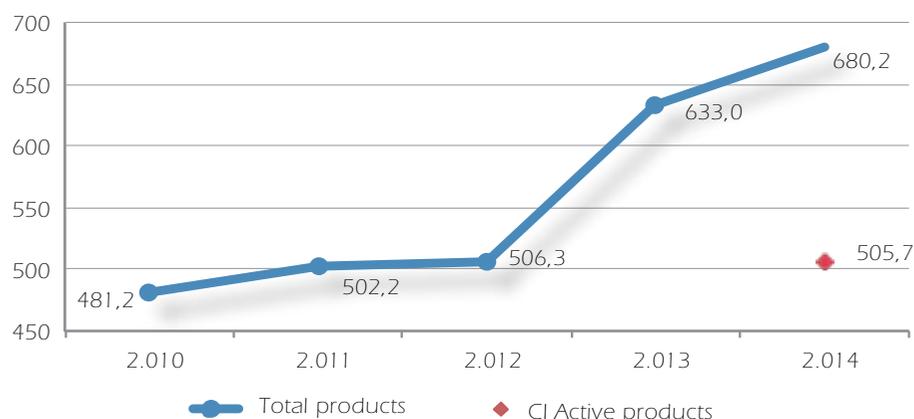
Source: CIFIN 2014. Calculation by Banca de las Oportunidades

Of the set of products and combination of products analyzed, it was found that the most common financial product among Colombians is the savings account. In 2014, 15,3 million people, 47,8% of adults, had an active savings account.

The next products in order of importance are a portfolio comprised by a savings account and a credit card (5,6 million adults – 17,3% of the adult population); a consumption portfolio and a credit card (3,7 million adults – 11,5% of the adult population); CAES (2,3 million adults – 7,3% of the adult population), and electronic deposits (2,1 million adults – 6,5% of the adult population).

In terms of the number of products that an average Colombian has in the financial system, the most usual is to have one (6,5 million adults) or two (4,8 million adults) financial products simultaneously. It should be pointed out that, in all the types of entities in the study, we observe an upward trend in the holding of four or more products.

CHART 28: NUMBER OF BUSINESSES (IN THOUSANDS) WITH AT LEAST ONE FINANCIAL PRODUCT WITH CREDIT INSTITUTIONS



Source: Asobancaria (período 2010 to 2013) and CIFIN (2014) Calculation by Banca de las Oportunidades

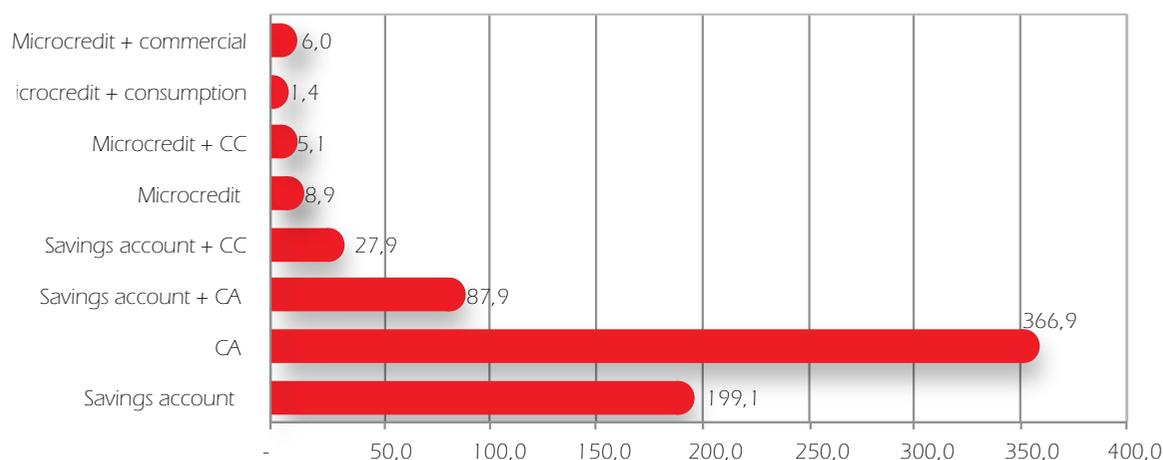
Regarding holding of financial products by businesses²⁰, a positive trend is observed in the last five years. Between 2013 and 2014, the number of businesses with at least one financial product increased from 632.962 to 680.117, equivalent to a growth of 7,5%.

Additionally, when we consider only those businesses with active products at the end of the year, this number decreases to 505.731 businesses.

A smaller number of businesses join through cooperatives supervised by Supersolidaria and through NGOs, 2.892 in the first case, of which 1.333 ended 2014 with active products; and 482 business through NGOs, 300 of which ended the year with active products.

In the case of businesses, the first and second product of entry to the financial system were also identified. Specifically in the credit institutions, we find that the main product of entry is the savings account (73,3%), followed by the checking account (20,8%). The second most common product is the checking account (35,3%), followed in order by the savings account (32,5%) and the commercial credit lines (20,7%).

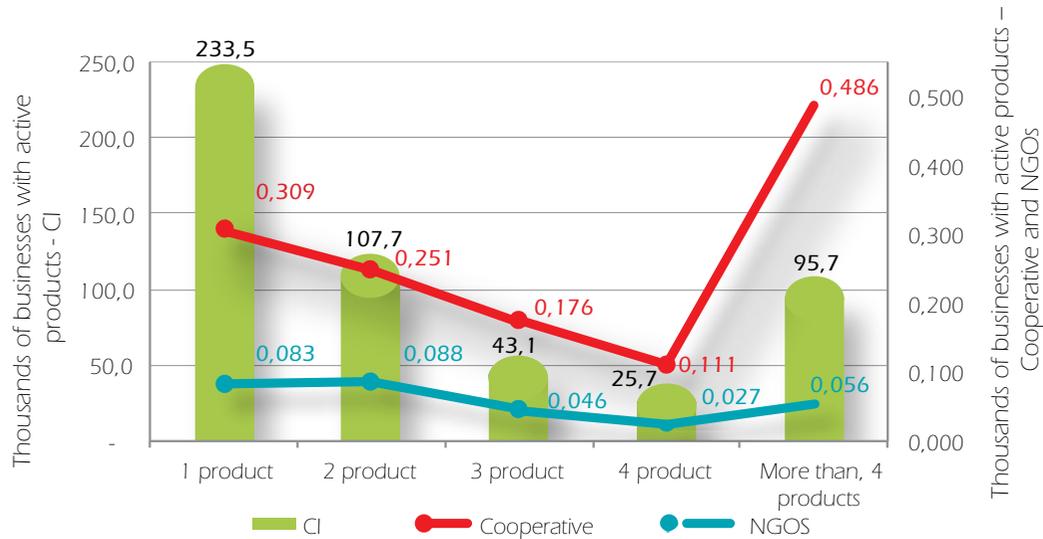
CHART 29: NUMBER OF BUSINESSES (IN THOUSANDS) WITH THE FOLLOWING ACTIVE PRODUCTS AND PORTFOLIOS - 2014



Source: CIFIN year 2014. Calculation by Banca de las Oportunidades

²⁰ We clarify that this is the sum of NITs (taxpayer identification numbers), with no breakdown by business size.

CHART 30: NUMBER OF BUSINESSES (IN THOUSANDS) BY NUMBER OF ACTIVE PRODUCTS - 2014



Source: CIFIN 2014. Calculation by Banca de las Oportunidades

For businesses, the most common product out of the set of products analyzed is the checking account; in 2014, 366.931 businesses reported having this product active. Next in order of relevance are the savings account (199.092), a portfolio comprised by a savings account and a checking account (87.855), and a portfolio comprised by a savings account and a credit card (27.917).

As observed in the case of the adults, the most common is for businesses to have one (233.547 businesses) or two (107.704 businesses) active products simultaneously. Again, we observe an increase in the number of businesses with more than four financial products.

CONCLUSIONS:

For the first time since the start of this publication, a chapter is included that discusses financial inclusion from the perspective of the number of adults and businesses with financial products. The chapter differentiates between total holding of products and holding of active or outstanding products; in addition to credit institutions, we consider cooperatives supervised by Supersolidaria (cooperative sector) and microcredit NGOs as additional sources of financial inclusion.

During 2014, 23,3 million adults had at least one financial product (72,7% of the adult population of the country), while 19,4 million adults ended the year with at least one active or outstanding financial product (60,5% of the adult population).

If we consider cooperatives supervised by Supersolidaria and microcredit NGOs in addition to credit institutions, these percentages increase to 73,9% for holding of total products and to 61,8% for holding of active or outstanding products.

Also, it was established that 5,8 million adults had some kind of financing different from credit provided by entities in the real sector in 2014.

On segmenting these indicators by gender, a significant finding was a greater holding of active or outstanding financial products by women in comparison to men. This result differs from findings of several demand studies where women display lower access and use indicators for formal financial products. According to the data reported by the entities in this study, active products' holding by women is 53% (credit institutions), 51% (cooperatives supervised by Supersolidaria), and 61% (microcredit NGOs).

In terms of holding of active or outstanding products by age range, greater holding of financial products among adults between 26 and 50 years old is evident. This percentage decreases among individuals older than 50. The percentages for adults between 26 and 50 with active or outstanding financial products are 67% (credit institutions), 63% (cooperatives supervised by Supersolidaria), and 66% (microcredit NGOs).

Additionally, it was found that 501.340 minors had active or outstanding financial products at the end of 2014.

This year, as was the case in the 2013 Report, the main product of entry to the financial system was through credit institutions, coinciding with the second product most commonly acquired, is the savings account. Nevertheless, it is interesting that in 2014, when segmentation of the products in the study is greater, the second most relevant product of entry to the financial system is the electronic deposit. Therefore, of the 991.435 adults that joined the financial system for the first time in 2014 through a credit institution, 81,7% chose a savings account and 5,5% chose an electronic deposit.

In the case of the cooperatives supervised by Supersolidaria, of the 15.342 adults that joined the financial system for the first time through these institutions, 51,2% chose consumption credit, 22,7% chose microcredit, and 17,7% chose savings accounts.

As for the microcredit NGOs, of the 46.359 adults that joined the financial system for the first time through these entities, the majority naturally joined through a microcredit given the business focus of the entities.

During 2014, 680.117 businesses reported having some financial product with credit institutions; 505.731 of them ended the year with some active or outstanding product. Inclusion of businesses through the other two types of entities considered here is marginal. Cooperatives supervised by Supersolidaria reported 1.333 businesses with active or outstanding products at the end of the year, and the microcredit NGOs reported 300 businesses with active or outstanding products.

In the case of businesses, the main products of entry to the financial system through credit institutions are, also, savings accounts (73,3%), followed by checking accounts (20,8%).



4

FINANCIAL COVERAGE IN COLOMBIA

FINANCIAL COVERAGE IN COLOMBIA

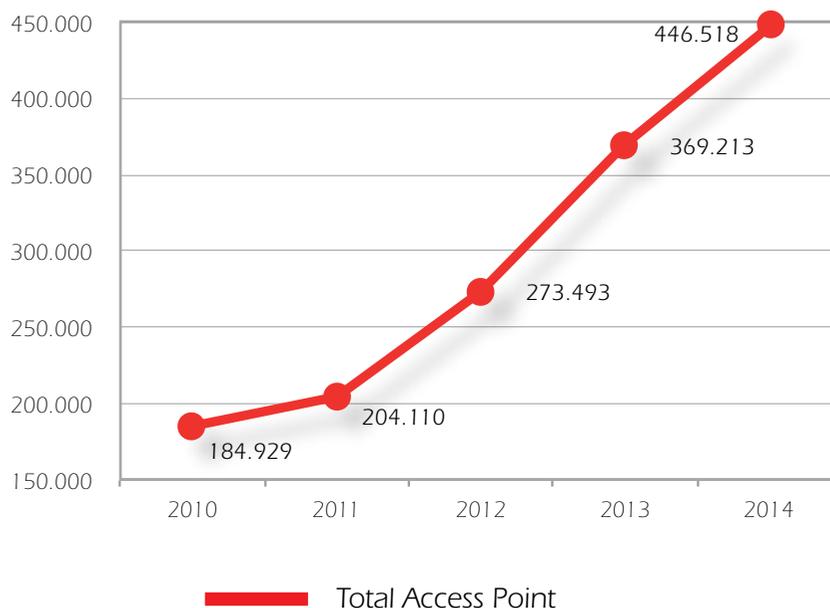
This chapter presents the main financial coverage statistics and indicators in Colombia as of December 2014. The coverage analysis takes into account the evolution of various points of access to the financial system, including financial offices or branches, agents, points of sale, and automatic teller machines (ATM).

TABLE 1: POINTS OF ACCESS (PDA, IN SPANISH): 2010 - 2014

Type of PoA	2010	2011	2012	2013	2014	Var. 2010/2014	% Tot var 2010/2014
Branches	6.438	6.488	7.096	7.602	7.590	1.152	0,4%
Agents	9.704	19.938	34.209	49.181	95.730	86.026	32,9%
Points of sale	157.291	166.795	219.907	298.751	328.774	171.483	65,6%
ATM	11.496	10.889	12.281	13.679	14.424	2.928	1,1%
TOTAL	184.929	204.110	273.493	369.213	446.518	261.589	100,0%
Low value networks (Points of sales)	144.270	153.783	205.566	284.622	314.479	170.209	
Low value networks (ATM)	1.477	1.681	1.899	2.148	2.185	708	

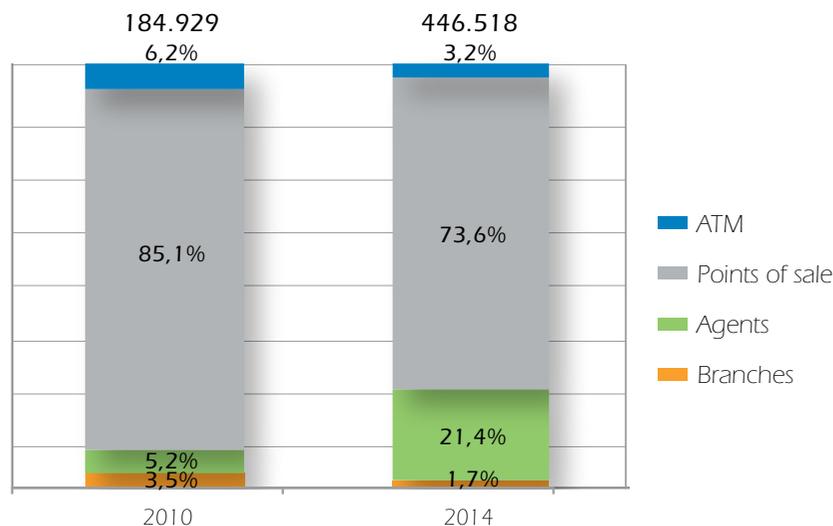
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

CHART 31: EVOLUTION OF THE TOTAL NUMBER OF THE POINTS OF ACCESS (PDA): 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 32: DISTRIBUTION OF PDAS BY TYPE OF POINT: 2010 VERSUS 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

The total number of points of access to the financial system in Colombia increased from 184.929 to 446.518 points between 2010 and 2014, equivalent to an average annual increase of 25%.

The greatest growth has been observed in the number of agents and points of sale. Agents increased from 9.704 to 95.730²¹ points, thus recording an average annual growth of almost 80%. The points of sale (which are the most representative points of access, accounting for 74% of the total points) increased from 157.291 to 328.774, thus reporting an annual average growth of 21%.

Due to the agents' strong growth, this type of point has evolved from accounting for 5,2% of the total in 2010 to 21,4% in 2014.

Other types of points of access, branches and automatic teller machines, report moderate average annual growth, from 4,3% and 6%, respectively.

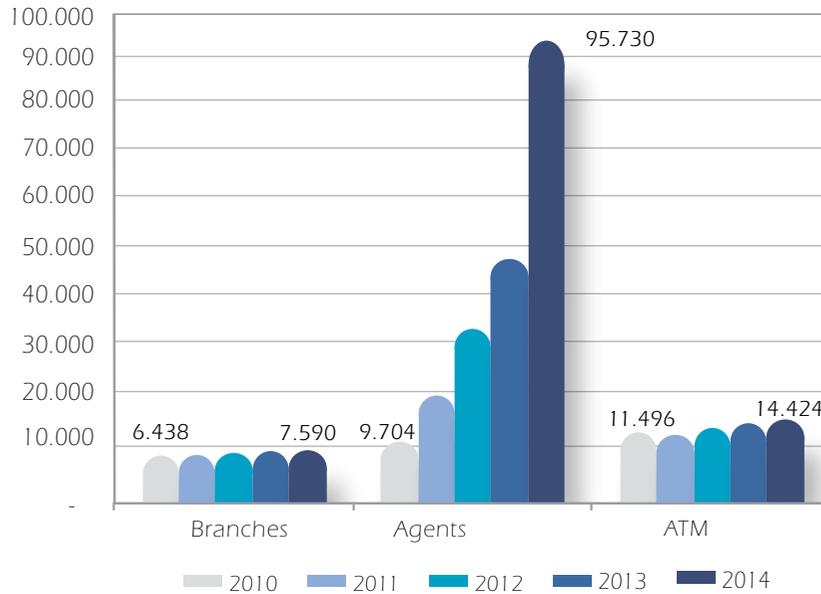
The small-amount payment networks²² own part of the points of access available to the population, particularly points of sale and automatic teller machines. 96% of the total points of sale and almost 15% of the automatic teller machines belong to these networks; the remaining percentage of automatic teller machines belongs to other financial entities, especially banks.

²¹ It should be noted that the number of agents as of December 2014 (95.730) may be subject to double-counting, which arises because some agents work for several financial entities simultaneously. This situation is very common in Colombia given that no exclusivity agreements are made between the financial entities and the entities that promote or manage the agent network.

²² Small-amount payment system networks or managers are legal entities whose main activity is the management or operation of one or several small-amount payments systems. A payment system is an organized set of policies, rules, agreements, payment instruments, entities, and technological components such as equipment, software, and communication systems that allow transfer of funds among users by receiving, processing, transferring, paying, and/or settling of transferal and collection orders.

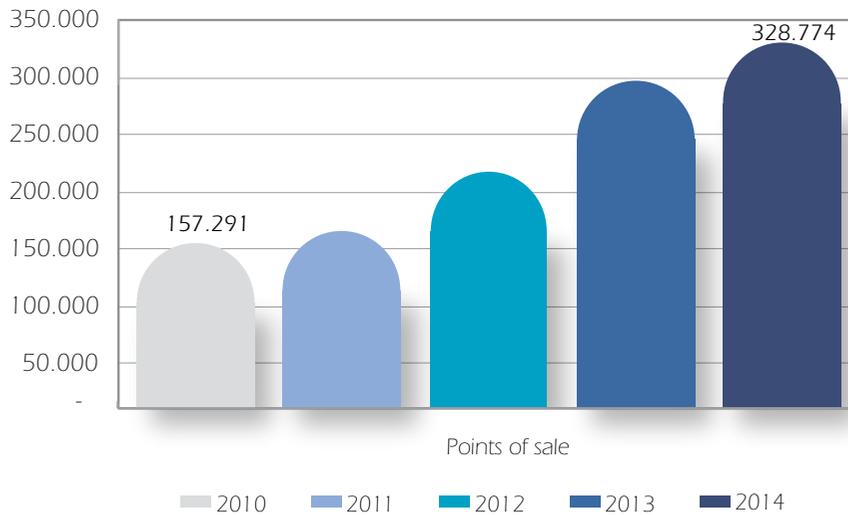
Small-amount payment systems, besides fulfilling the indicated standard features, process transfer or collection orders, including those derived from using credit or debit cards. In Colombia, the small-amount managers for automatic teller machines are Servibanca and ATH and for points of sale they are Redeban Multicolor, Credibanca, and Visionamos.

CHART 33: EVOLUTION OF POINTS OF ACCESS (EXCLUDING POINTS OF SALE): 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

CHART 34: EVOLUTION IN THE NUMBER OF POINTS OF SALE: 2010 - 2014



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades.

The increase in the number of agents is related to the type of agency model prevailing in the Colombian market, which is through network promoters. Under this model, network promoters operate agent points on behalf of financial entities under the terms stipulated in the agreements between these entities and the promoters and approved by Superintendencia Financiera de Colombia.

The financial entities' direct management model or one-to-one model versus the network promoters' model determine the trend of the agents in Colombia.

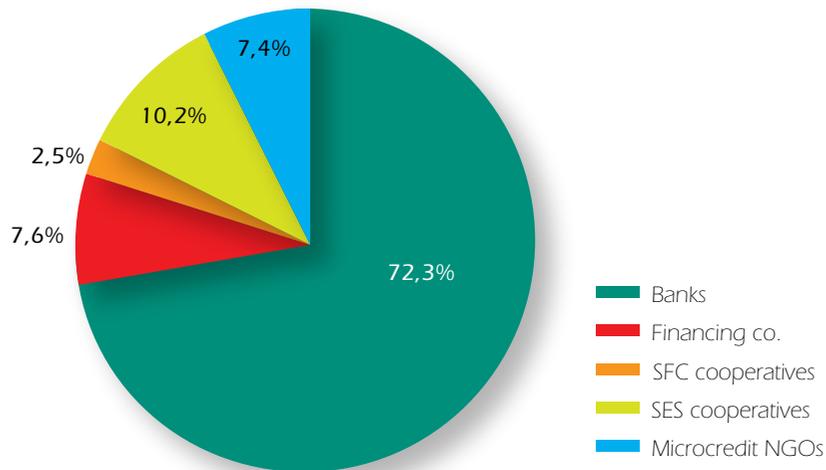
The direct management model implies a slower growth of the agent point network in the sense that each financial entity must identify and assess each point's risk profile, and manage the network directly. In contrast, the promoter model's growth tends to be faster, since these agents count on a large number of retailers and own retail points already affiliated to their networks; these promoters are responsible for prospecting and selecting the new points.

Under the network promoters' model, once the agency agreement has been established between the financial entity and the promoters, the agent points affiliated to the promoters are automatically available to the financial entities, and the latter define the points and the areas or municipalities where they are interested in activating determined financial services.

This means that the financial entities autonomously define the points they want to activate out of the points available through the networks and the type of services they wish to offer through such points²³.

The following charts display the distribution of the points of access by entity and the components within each type of institution.

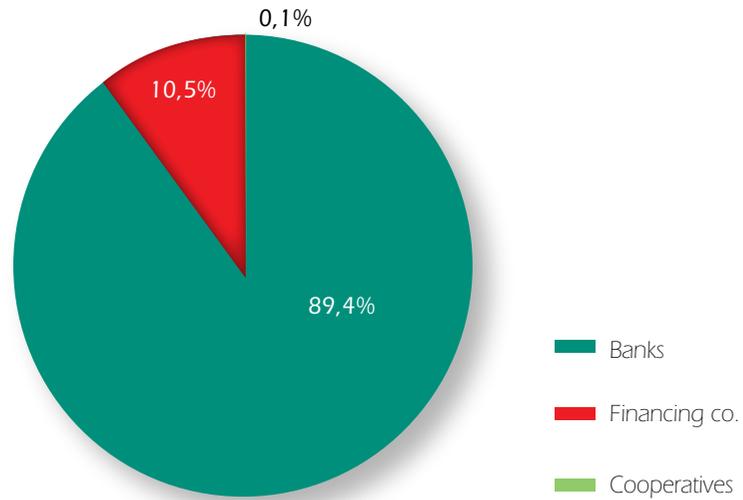
CHART 35: DISTRIBUTION OF BRANCHES BY TYPE OF ENTITY: 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

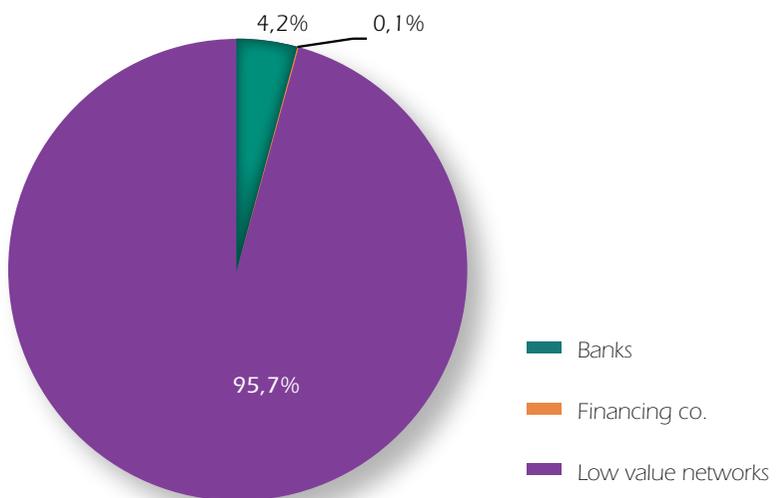
²³ Even though Colombian regulation defines a wide range of types of services that can be offered through the agents, such services vary greatly from one agent to the other, depending on the interests and objectives of each financial entity.

CHART 36: DISTRIBUTION OF AGENTS BY TYPE OF ENTITY: 2014



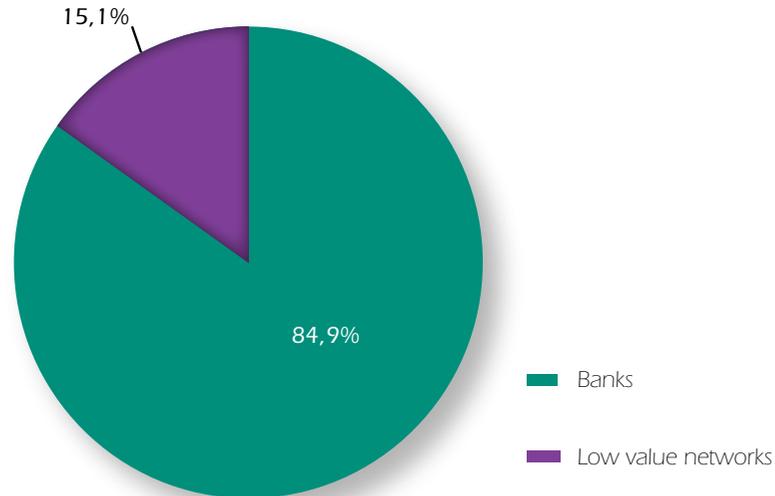
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 37: DISTRIBUTION OF POINTS OF SALE BY TYPE OF ENTITY: 2014



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades

CHART 38: DISTRIBUTION OF AUTOMATIC TELLER MACHINES BY TYPE OF ENTITY: 2014



Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades

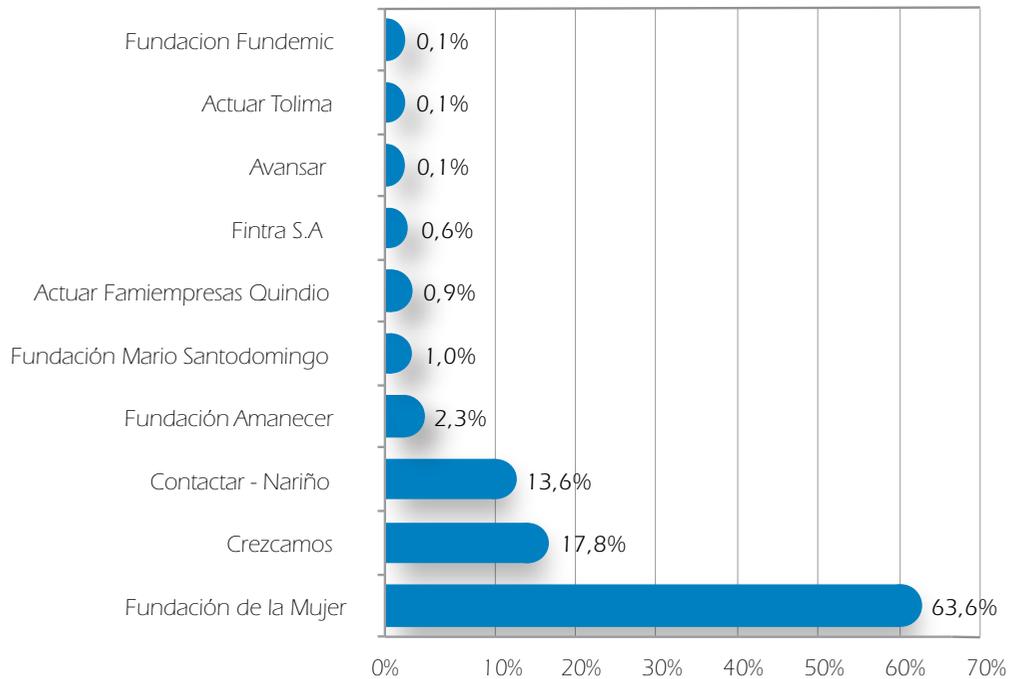
According to the charts above, most of the points of access are affiliated to banks.

Of the 7.590 available branches as of December 2014, 72% are bank branches. Branches of cooperatives supervised by Superintendencia de Economía Solidaria (10,2% of the total), financing companies (7,6%), microcredit NGOs (7,4%), and financial cooperatives supervised by Superintendencia Financiera de Colombia (2,5%) follow in order of relevance.

Another way for microcredit NGOs to offer financial coverage is the mobile consultants; they are micro-finance analysts that travel to the places where the population resides. By the end of 2014, the number of mobile consultants reached 1.850. Of this total, Fundación de la Mujer (63,6%), Crezcamos (17,8%), and Contactar-Nariño (13,6%) are the entities that offer greater coverage through this mechanism.

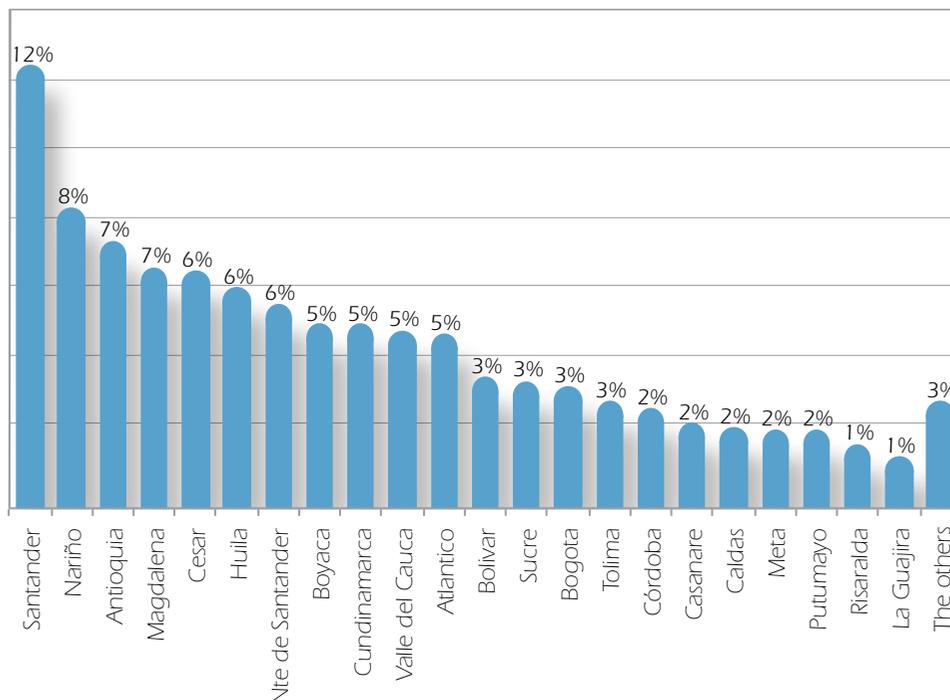
By department, slightly over 50% of the mobile consultants are located in the departments of Santander, Nariño, Antioquia, Magdalena, Cesar, Huila, and Norte de Santander.

CHART 39: NUMBER OF NGOs' MOBILE CONSULTANTS BY ENTITY - DECEMBER 2014



Source: Information reported by microcredit NGOs. Calculation by Banca de las Oportunidades

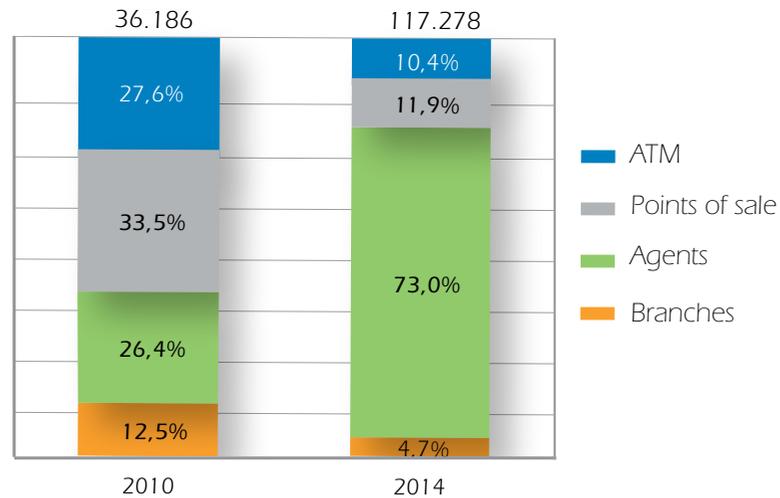
CHART 40: NUMBER OF NGOs' MOBILE CONSULTANTS BY DEPARTMENT - DECEMBER 2014



Source: Information reported by microcredit NGOs. Calculation by Banca de las Oportunidades

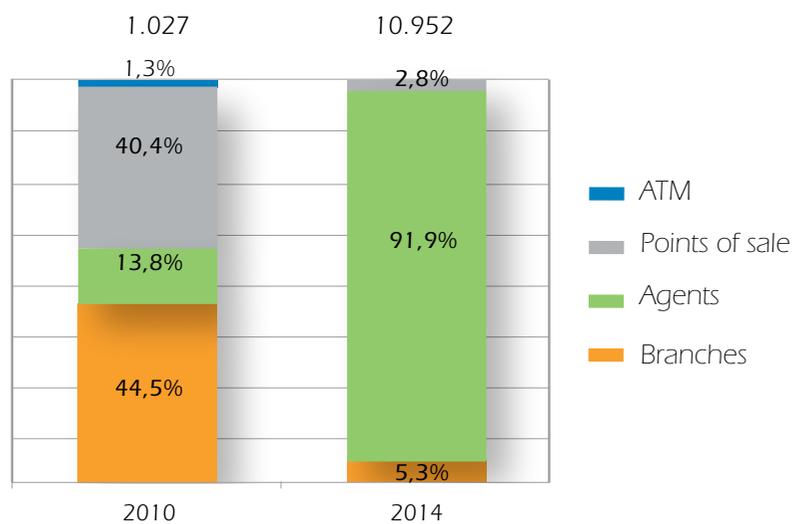
In the case of agents, of the 95.730 available points as of December 2014, 89,4% provide bank services and 10,5% are affiliated to financing companies. Financial cooperatives supervised by Superintendencia Financiera de Colombia and by Superintendencia de Economía Solidaria have a very small agent network (64 points total), which has a marginal representation in relation to the available total agent points.

CHART 41: DISTRIBUTION OF THE BANKS' PDAS: 2010 VERSUS 2014



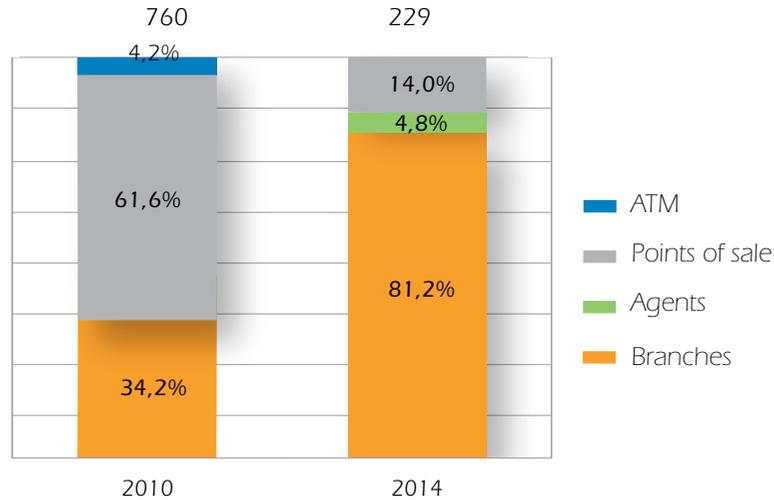
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 42: DISTRIBUTION OF FINANCING COMPANIES' PDAS: 2010 VERSUS 2014



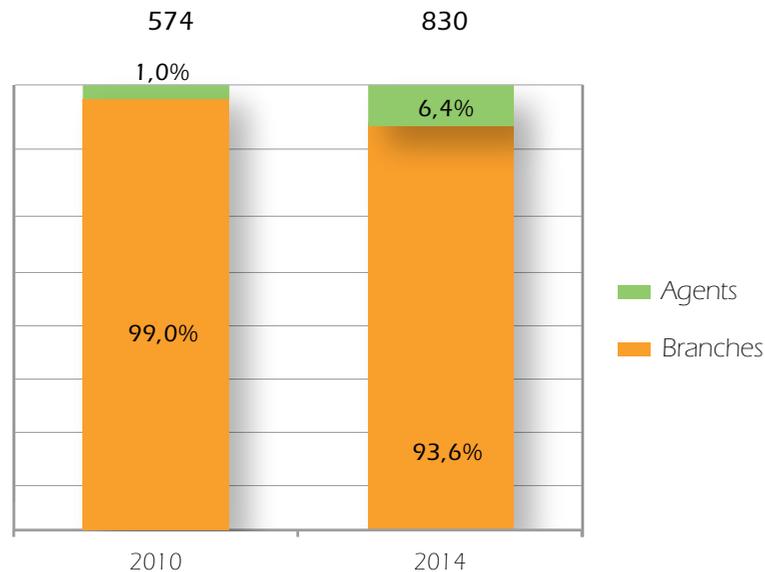
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 43: DISTRIBUTION OF SFC FINANCIAL COOPERATIVES' PDAS: 2010 VERSUS 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

CHART 44: DISTRIBUTION OF SES FINANCIAL COOPERATIVES' PDAS: 2010 VERSUS 2014



Source: Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades.

In observing the distribution of the points of access at the various entities, the following trends stand out:

- In all types of entities, except for microcredit NGOs that are not authorized to operate through agents ²⁴, a significant increase in the number of agent points is evident. This trend has caused

²⁴ The number of microcredit NGOs branches, which is the only point of access for this type of entity, decreased from 635 to 565 between 2010 and 2014.

an increase of the relative share that this type of points has in the various entities participating in the study.

The most evident increase can be observed in banks, where the agents increased from accounting for 26,4% to 73% of the total points of access between 2010 and 2014.

The banks that increased the number of agents the most are: Banco AV Villas (11.161 new), BBVA (10.987 new), Banco de Bogotá (10.054 new), BCSC (8.756 new), Banco de Occidente (8.208 new), and Banco Colpatría (8.074 new).

The growth of financing companies' agents is interesting because, in this type of entities, the agents increased from accounting for almost 14% to accounting for 92% of the total point of access between 2010 and 2014. Included in the group of financing companies that reported the greatest increase in their agent network are: Mi Plata (6.056 new), Giros y Finanzas (3.191 new), and Tuya (345 new).

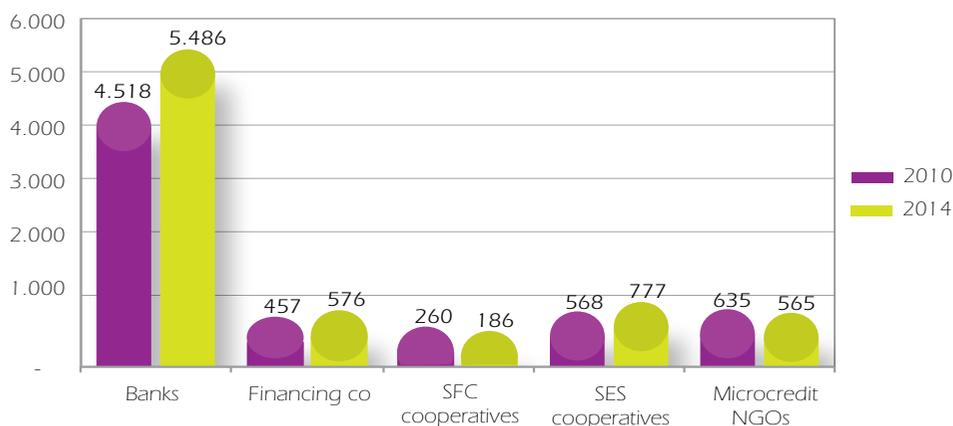
Among the reasons that explain the increase in the number of agents in the financing companies is the establishment of agreements with networks for the management of their agents (as is the case is at most banks). This has allowed them to grow faster in terms of the number of the agent points that available to the public as opposed to the direct management mechanism for the same purpose ²⁵.

- Another trend worth highlighting and that contrasts with the growth of agents is the reduction in the relative importance of the branches within the total points of access.

In the banks, for example, the relative importance of the number of branches decreased from 12,5% to 4,7% of the total, although the number of branches increased by 968 in the last five years.

Similarly, the number of the financing companies' branches increase by 119, but their share in the total points of access decreased from 44,5% to 5,3% of the total, which is explained by the strong growth of agents and the effect of the institutional transformation processes at some of these entities.

CHART 45: VARIATION IN THE NUMBER OF BRANCHES BY TYPE OF ENTITY: 2010 - 2014



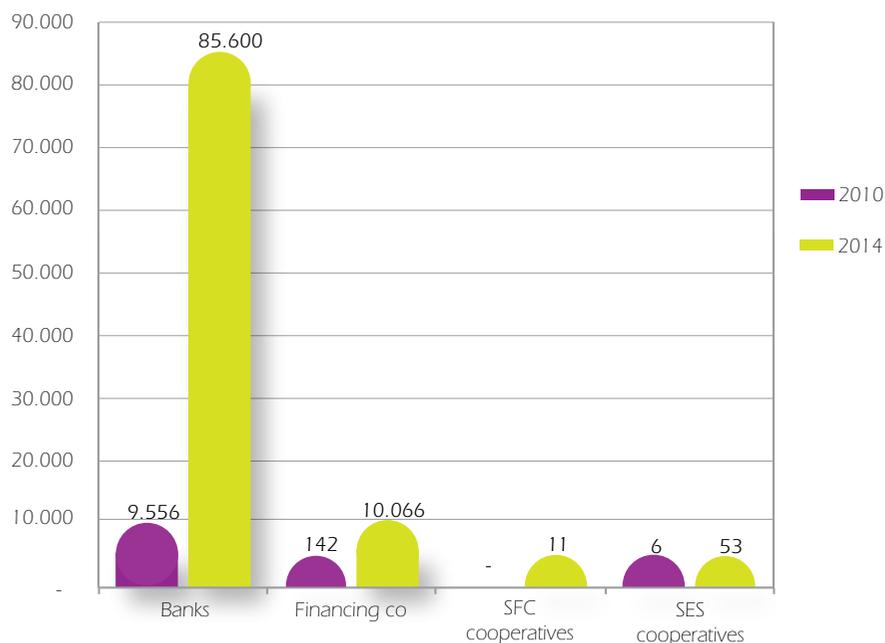
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

²⁵ An example of this trend is the financing company Mi Plata, which started an agency agreement with Móvilred (Tranza SAS) in mid-2013 and in May 2014 with Red Gana a Gana.

Between 2010 and 2014, the total number of financial branches increased by 1.152 new branches. Of this total, the greatest increase is reported by banks (84% of the total increase), and the cooperatives supervised by Superintendencia de Economía Solidaria (18% of the total increase).

In the case of financial cooperatives supervised by Superintendencia Financiera de Colombia and micro-credit NGOs, we observe a decrease in the number of branches; this trend might be influenced by some of these entities' transformation processes into banks during the study period²⁶.

CHART 46: VARIATION IN THE NUMBER OF AGENTS BY TYPE OF ENTITY: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades.

As for the number of agents, it increased by 86.026 points between 2010 and 2014. Banks account for the largest percentage of them (88,4%) followed by financing companies account for (11,5% of the total). The cooperative entities' percentage (both supervised by Superintendencia Financiera de Colombia and by Superintendencia de Economía Solidaria) is not significant as compared to the total, although they opened a few new agent points, 11 and 47 respectively. Even though there are few agents associated to cooperatives (supervised by Superintendencia Financiera de Colombia and by Superintendencia de Economía Solidaria), it is important to highlight that, through most of these agents, they provide various services to the public such as: collection, deposits, withdrawals, obligation payments, and, in some cases, credit procedures.

²⁶ Starting in 2010, numerous entities turned into banks, such as: Banco Falabella previously CF Falabella (May 2010), Banco WWB previously ONG WWB (June 2010), Banco Pichincha previously CF Pichincha (November 2010), Banco Finandina previously CF Finandina (November 2010), and Bancoomeva previously Cooperativa Coomeva (December 2010). In addition to these transformations, we forecast new changes associated to transformation processes that have already been approved by Superintendencia Financiera de Colombia.

The following analysis presents the status of financial coverage in Colombia, taking into account the rurality classification of the country's municipalities²⁷ and including two types of additional classifications related to the type of financial institution:

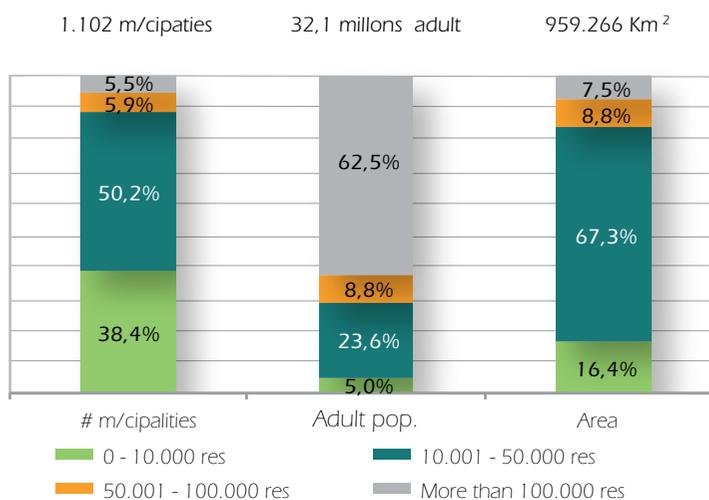
- Differentiation between coverage of bank entities and of non-bank entities, and
- Differentiation between bank coverage by private banks and by public banks (exclusive reference to Banco Agrario de Colombia).

TABLE 2: NATIONAL TERRITORY DISTRIBUTION (NUMBER OF MUNICIPALITIES, ADULT POPULATION, AND AREA) BY POPULATION SIZE: 2014

Population Size	Municipalities		Adult population		Area in KM ²	
	#	%	#	%	#	%
0 - 10.000 res	423	38,4%	1.614.335	5,0%	157.151	16,4%
10.001 - 50.000 res	553	50,2%	7.591.934	23,6%	645.390	67,3%
50.001 - 100.000 res	65	5,9%	2.844.104	8,8%	84.788	8,8%
More than 100.000 res	61	5,5%	20.092.655	62,5%	71.937	7,5%
Total	1.102	100,0%	32.143.028	100,0%	959.266	100,0%

Source: DANE – Calculation by Banca de las Oportunidades.

CHART 47: NATIONAL TERRITORY STANDARD FEATURES (NUMBER OF MUNICIPALITIES, ADULT POPULATION, AND AREA) BY POPULATION SIZE: 2014



Source: DANE – Calculation by Banca de las Oportunidades

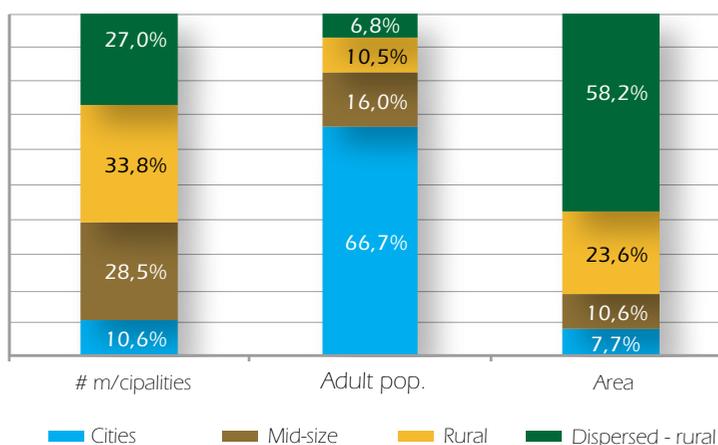
²⁷ The rurality classification in Colombia is defined through the application of a methodology defined by the Departamento Nacional de Planeación: Colombian Planning Department (DNP, in Spanish), where they divide the 1.102 municipalities of the country in four levels: i) cities and conglomerates, ii) mid-size municipalities, iii) rural municipalities, and iv) dispersed-rural municipalities. The criteria used for this division include the identification of big cities and their conglomerates as a starting point for definition of level 1 (the most urban level). Additionally, they consider a population density criterion as a proxy for variables related to basic service coverage, connectivity, and profitability of economic activities; and lastly they consider a population distribution criterion for the population located between the town center (municipalities that tend to be urban) versus population located in the area called "the rest" (municipalities that tend to be urban and have small town centers).

TABLE 3: NATIONAL TERRITORY DISTRIBUTION (NUMBER OF MUNICIPALITIES, ADULT POPULATION, AND AREA) BY RURALITY CLASSIFICATION: 2014

Rurality classification	Municipalities		Adult population		Area in KM ²	
	#	%	#	%	#	%
Cities	117	10,6%	21.449.885	66,7%	73.415	7,7%
Mid-size	314	28,5%	5.152.740	16,0%	101.445	10,6%
Rural	373	33,8%	3.359.277	10,5%	226.186	23,6%
Dispersed-rural	298	27,0%	2.181.126	6,8%	558.220	58,2%
Total	1.102	100,0%	32.143.028	100,0%	959.266	100,0%

Source: DANE and DNP. Calculation by Banca de las Oportunidades

CHART 48: NATIONAL TERRITORY DISTRIBUTION (NUMBER OF MUNICIPALITIES, ADULT POPULATION, AND AREA) BY RURALITY CLASSIFICATION: 2014



Source: DANE and DNP. Calculation by Banca de las Oportunidades

Prior to considering financial coverage indicators by the municipal population size and by rurality classification, it is necessary to know the national territory distribution taking into account the following variables: number of municipalities, adult population, and geographical area.

According to rurality classification, 33,8% of the country's municipalities are rural, 28,5% are mid-size, and 27% are dispersed-rural. This distribution is consistent with the distribution by population size, where 88,6% of the municipalities are classified as municipalities with a population of up to 50.000 residents.

Regarding the concentration of adult population in the country, most of the adults reside in the cities (66,7%) and in the mid-size municipalities (16%). This means that only 17,2% of the Colombian adult population resides in municipalities classified as rural or dispersed-rural. This fact will have important implications to understand the characteristic type of financial coverage in some municipalities, as well as the type of financial services available to their population. In rural and dispersed-rural municipalities, the market potential and the scalability of financial businesses tends to be lower.

The high concentration of adult population in the big cities and in the mid-size municipalities is confirmed when we look at the adult population distribution by population size. According to this classification, most adults (62,5%) resides in municipalities with more than 100.000 residents.

Lastly, distribution of the national territory's geographical area allows pointing out a trend that is completely opposed to the trend observed in the adult population.

In terms of territory, almost 82% of the country's area corresponds to rural municipalities, classified as either municipalities classified as dispersed-rural (58,2%) or as rural (23,6%). A similar distribution can be observed in the case of population size, where almost 84% of the country's area corresponds to municipalities with up to 50.000 residents.

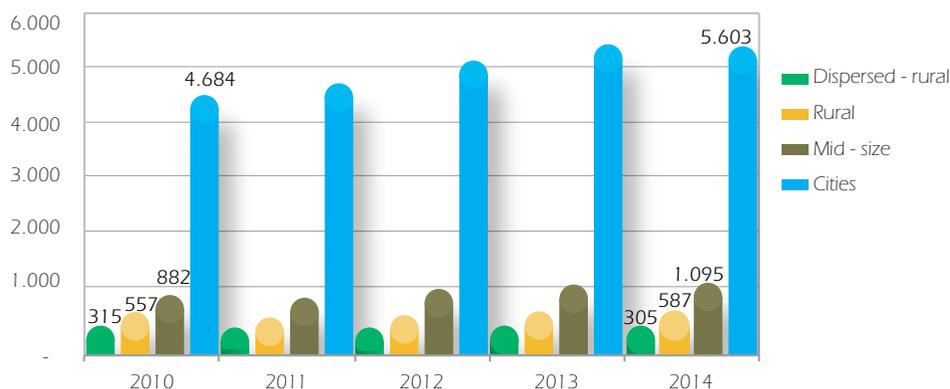
Accordingly, the two previous segmentations are similar basically because the rurality classification includes the population size concept. For this reason, the following analysis will concentrate on presenting financial coverage according to the rurality classification. Some relevant statistics by population size will be presented at the end of the chapter.

TABLE 4: EVOLUTION OF THE TOTAL NUMBER OF BRANCHES BY RURALITY CLASSIFICATION: 2010 - 2014

Rurality classification						Var 2010 / 2014	% Var 2010 / 2014
	2010	2011	2012	2013	2014		
Cities	4.684	4.904	5.345	5.636	5.603	919	79,8%
Mid -size	882	843	981	1.088	1.095	213	18,5%
Rural	557	465	493	576	587	30	2,6%
Dispersed -rural	315	276	277	302	305	(10)	-0,9 %
Total	6.438	6.488	7.096	7.602	7.590	1.152	100.0%

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades .

CHART 49: EVOLUTION OF THE TOTAL NUMBER OF BRANCHES BY RURALITY CLASSIFICATION: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades .

In the last five years, financial branches distribution by rurality level has been almost unaltered. At the end of 2014, almost 74% of all branches are located in cities, 14,4% in mid-sized municipalities, 7,7% in rural municipalities, and 4% in dispersed-rural municipalities.

In addition to the high concentration of branches in the cities and mi-sized municipalities, this type of municipalities in fact displays the greatest increase in the number of branches in recent years. Between 2010 and 2014, the total number of branches increased by 1.152; of which 918 branches were opened in cities (79,7% of the total) and 214 were opened in mid-size municipalities (18,6% of the total).

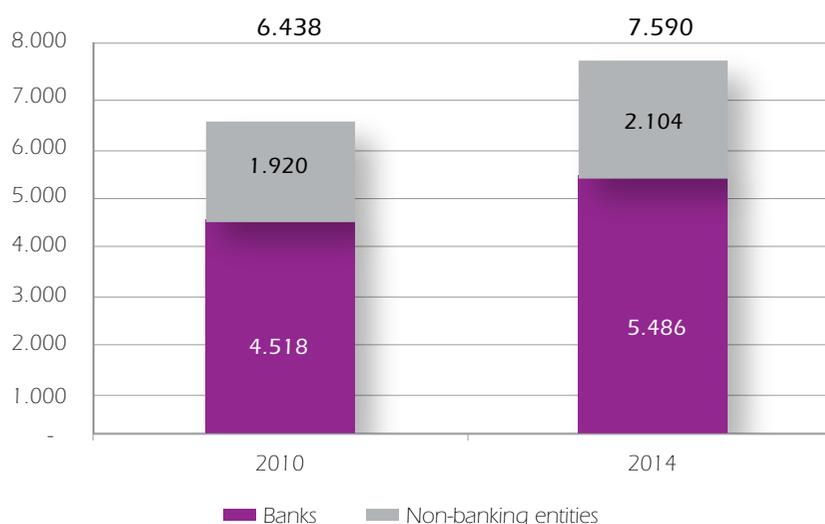
Even though rural and dispersed-rural municipalities have not shown the same trend as cities and mid-sized municipalities, there is a set of entities whose presence through branches in this type of municipalities has been strengthened, particularly some cooperatives supervised by Superintendencia de Economía Solidaria (for example: Coofisam, Coomuldesa, Financiera Comultrasan, Microempresas de Colombia, Servimcoop, Congente, among the main ones) and some banks (Bancamía, Bancolombia, and Banco Agrario, especially). The following chart displays the trend regarding branches between 2010 and 2014 by type of entity and by type of municipality.

TABLE 5: EVOLUTION IN THE NUMBER OF BRANCHES BY TYPE OF ENTITY AND BY RURALITY CLASSIFICATION: 2010 - 2014

Type of municipality	Financing companies		SES Cooperatives		SFC Cooperatives		Bank institutions		NGO		General total	
	2010	2014	2010	2014	2010	2014	2010	2014	2010	2014	2010	2014
Cities	439	551	364	450	217	130	3.409	4.184	256	288	4.685	5.603
Mid - size	10	23	89	162	31	38	558	687	193	185	881	1.095
Rural	5	2	77	116	9	14	329	384	137	71	557	587
Dispersed-rural	3		38	49	3	4	222	231	49	21	315	305
Total	457	576	568	777	260	186	4.518	5.486	635	565	6.438	7.590

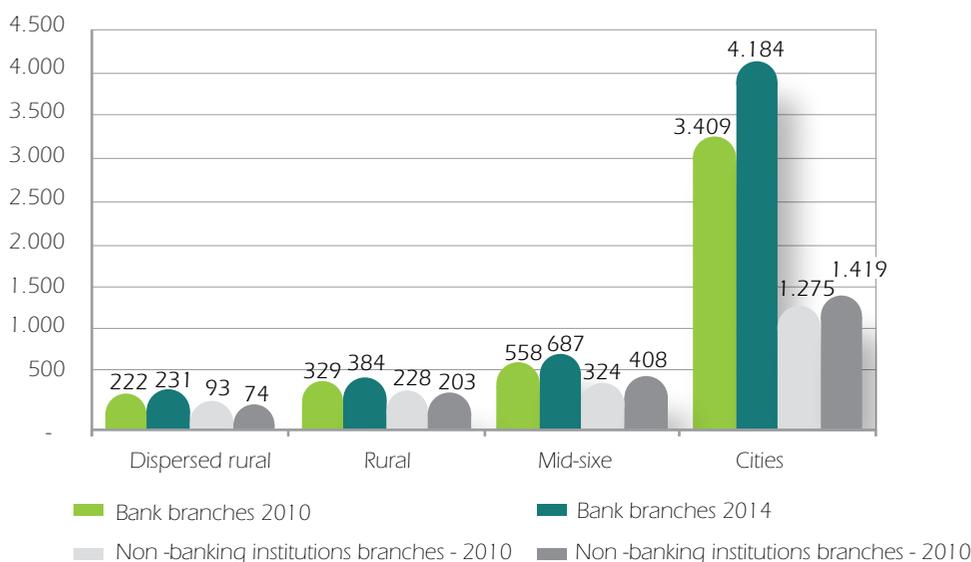
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

CHART 50: DISTRIBUTION OF TOTAL BRANCHES BROKEN DOWN INTO BANK BRANCHES AND NON-BANK BRANCHES: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades

CHART 51: EVOLUTION IN THE NUMBER OF BRANCHES BY RURALITY CLASSIFICATION (BROKEN DOWN INTO BANK ENTITIES AND NON-BANK BRANCHES): 2010 - 2014



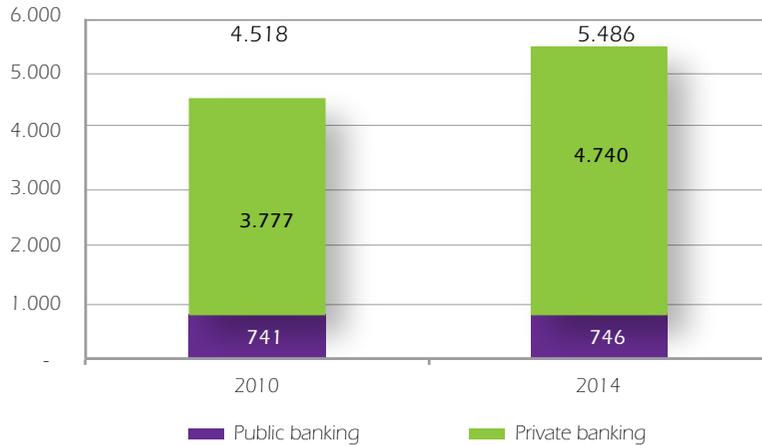
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and microcredit NGOs. Calculation by Banca de las Oportunidades.

On breaking down the total branches into bank branches and non-bank entity branches, the distribution has remained practically unchanged in recent years, about 70% of the total corresponds to bank branches and the remaining 30% to non-bank entity branches.

This same pattern, where bank branches predominate, is replicated in the various types of municipalities according to their rurality level. In all levels (cities, mid-size, rural, and dispersed-rural), the bank branches account for over 60% of the total financial branches available to the population. This distribution, favored by the presence of banks, is more evident in the dispersed-rural municipalities where bank branches account for 75,7% of the total branches (231) and in the cities where they account for 74,7% of the total available branches (4.184).

Another aspect worth emphasizing is that the number of bank branches has increased in all types of municipalities, particularly in cities and mid-sized municipalities. In contrast, the non-bank entity branches display a mixed evolution; they grow in cities and mid-size municipalities at the same time they decrease in rural and dispersed-rural municipalities.

CHART 52: DISTRIBUTION OF BANK BRANCHES BROKEN DOWN INTO PRIVATE BANK BRANCHES AND PUBLIC BANK BRANCHES: 2010 – 2014

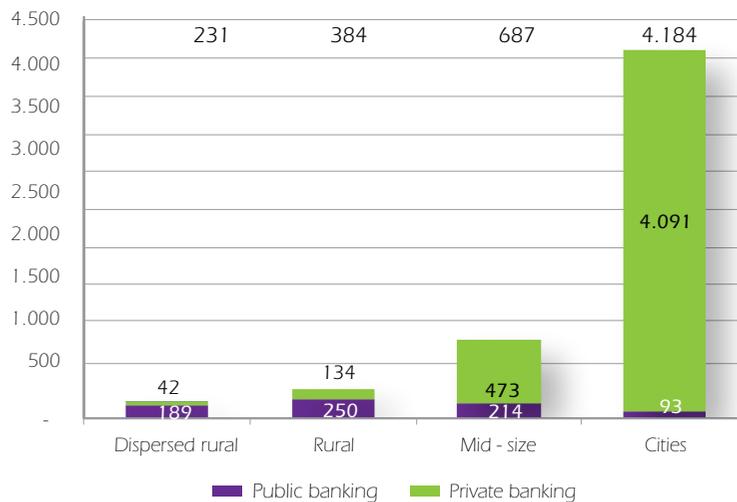


Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades

When focusing on bank entity branches and segmenting them between those affiliated to private banks and those affiliated to the public bank, the great majority belong to private bank branches (86% of the total).

This distribution has remained unchanged over the last five years; actually, we find that private banks have increased their share slightly in some municipalities where the relevance of Banco Agrario has decreased.

CHART 53: DISTRIBUTION OF BANK BRANCHES BY RURALITY CLASSIFICATION (BROKEN DOWN INTO PRIVATE BANK BRANCHES AND PUBLIC BANK BRANCHES): 2014



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades

Continuing with the analysis of branches and differentiating them between private banking and public banking and including rurality classification, the following aspects stand out:

- Traditionally the presence of the public bank branches has been more solid in rural and dispersed-rural municipalities, and this feature is still valid today. In rural municipalities, Banco Agrario accounts for 65% of the total branches and in the dispersed-rural municipalities for 82% of the branches that are available to the population.
- Regardless of the strength of the public bank in this type of municipalities, between 2010 and 2014, a reduction in the number of branches (11) in the dispersed-rural municipalities has taken place.
- Additionally, during the last five years, the relative importance of Banco Agrario branches has decreased in mid-sized, rural, and dispersed-rural municipalities.
- In contrast with the trend described for Banco Agrario, the presence of private banks branches has been strengthened. Private banks have increased the number of branches by 963; most of them opened in cities (81% of the total) and in mid-size municipalities (12,4% of the total).

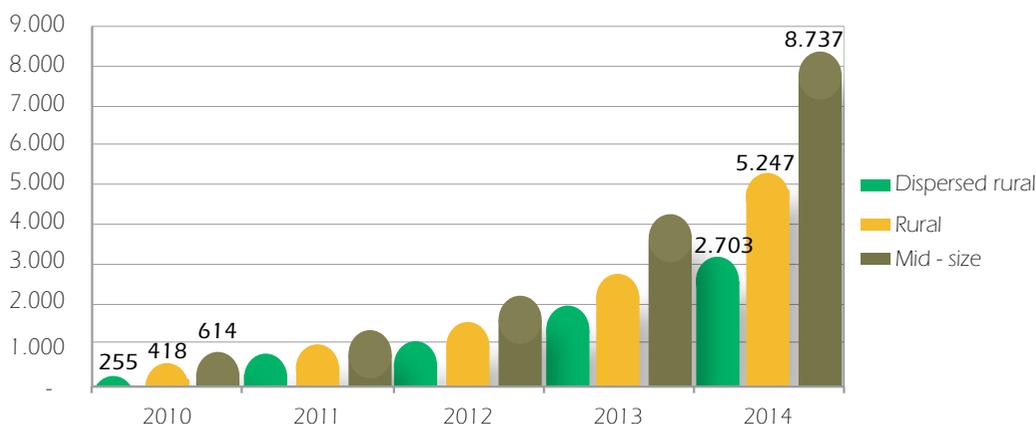
Similar to the above analysis of the branches, next we present an analysis of coverage through agents, taking into account the difference between bank and non-bank agents and the distinction between agents affiliated to private banks and those affiliated to the public bank.

TABLE 6: EVOLUTION IN THE NUMBER OF AGENTS BY RURALITY CLASSIFICATION: 2010 - 2014

Rurality classification	2010	2011	2012	2013	2014	Var 2010/2014	% tot var 2010/2014
Cities	8.417	17.986	30.600	41.135	79.043	70.626	82,1%
Mid-size	614	1.026	1.969	4.185	8.737	8.123	9,4%
Rural	418	609	1.082	2.416	5.247	4.829	5,6%
Dispersed-rural	255	317	558	1.445	2.703	2.448	2,8%
Total	9.704	19.938	34.209	49.181	95.730	86.026	100,0%

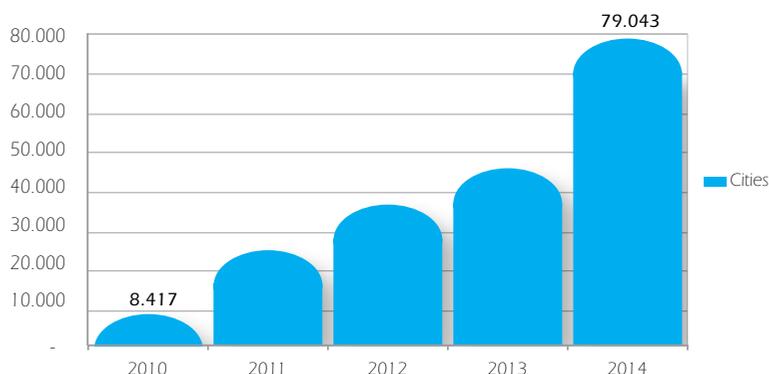
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

CHART 54: EVOLUTION IN THE NUMBER OF AGENTS BY RURALITY CLASSIFICATION (EXCLUDING CITIES): 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

CHART 55: EVOLUTION IN THE NUMBER OF AGENTS IN CITIES: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

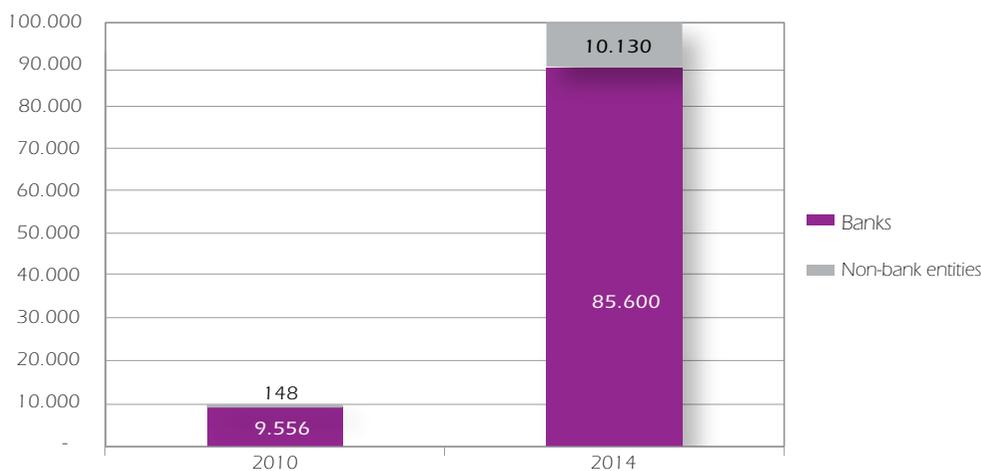
Financial coverage through agents maintains the same trend described in previous reports, where the greatest presence of agents is in cities (83% of the total as of December 2014).

The distribution as of December 2014, compared to the situation five years ago, confirms that the situation in cities and in dispersed-rural municipalities has not changed. As of year-end 2014, 82,6% of the agents were located in cities and 2,8% were located in dispersed-rural municipalities.

Nevertheless, in municipalities classified as mid-sized or rural, an increase in the relative importance of this point of access is evident. Between 2010 and 2014, the agents located in mid-size municipalities evolved from accounting for 6,3% to 9,1% of the total, while the agents located in rural municipalities evolved from accounting for 4,3% to 5,5% of the total.

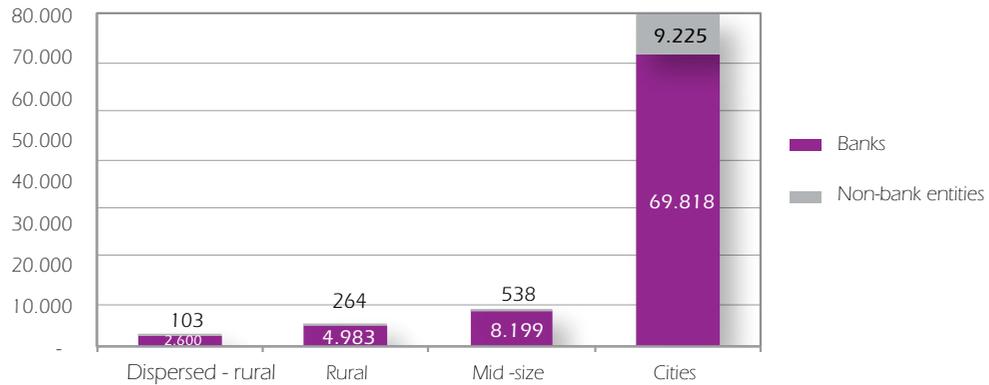
During this period, the total number of agents increased by 86.026 new points, 70.626 in cities (82% of the total), 8.123 in mid-size municipalities (9,4% of the total), 4.829 in rural municipalities (5,6% of the total), and 2.448 in dispersed-rural municipalities (2,8% of the total).

CHART 56: DISTRIBUTION OF TOTAL AGENTS BROKEN DOWN INTO BANK AGENTS AND NON-BANK ENTITY AGENTS: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

CHART 57: DISTRIBUTION OF AGENTS BY RURALITY CLASSIFICATION (BROKEN DOWN INTO BANK AGENT VERSUS NON-BANK ENTITY AGENTS): 2014



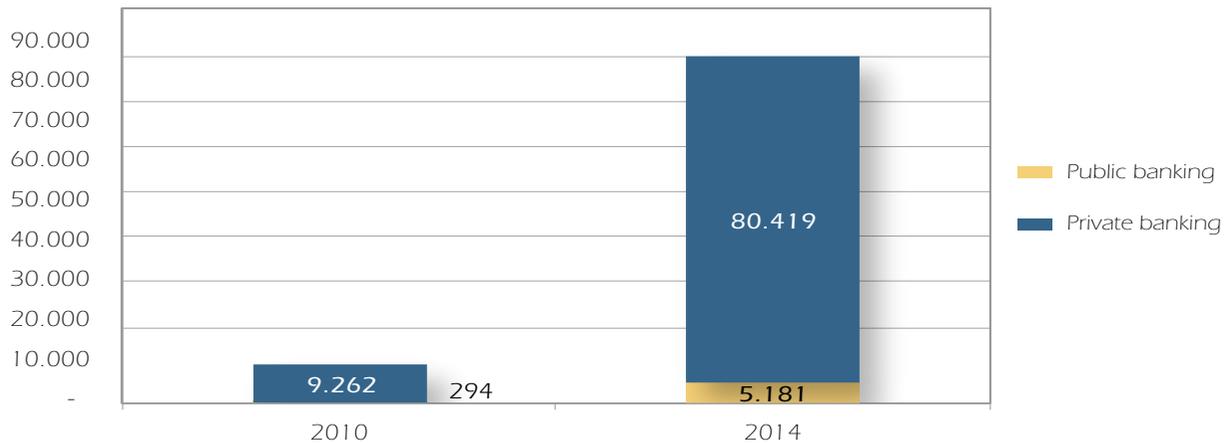
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

Most of the coverage through agents is provided by bank entities. By the end of 2014, almost 90% of the total agents were affiliated to bank entities. This proportion was 98,5% in 2010. This means that, although most of the agents are affiliated to bank entities, other types of entities have been making efforts to perform transactions through this channel.

On analyzing the same distribution by municipal rurality level, we observe that, in the smallest and most dispersed municipalities: rural and dispersed-rural, most of the agent points belong to banks, 95% of the total in rural municipalities and 96,2% in dispersed-rural municipalities.

The greatest presence of non-bank entity agents is observed in cities, where the relative importance of these entities' agents is almost 12%.

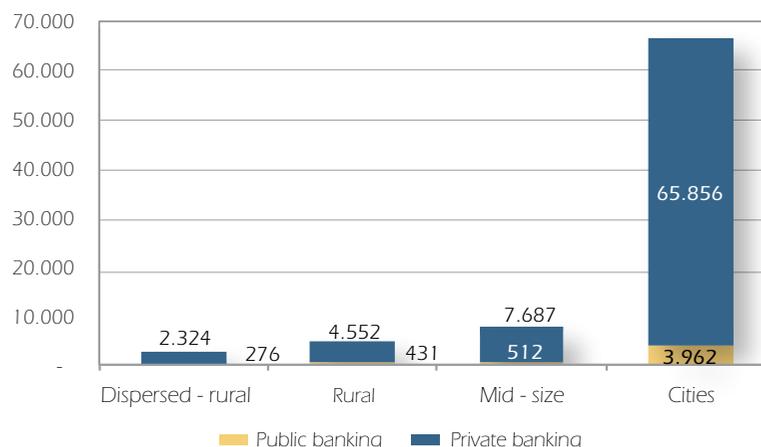
CHART 58: DISTRIBUTION OF BANK AGENTS BROKEN DOWN INTO PRIVATE BANK AGENTS AND BANCO AGRARIO AGENTS: 2010 - 2014



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades



CHART 59: DISTRIBUTION OF BANK AGENTS BY RURALITY CLASSIFICATION (BROKEN DOWN INTO PRIVATE BANK AGENTS AND BANCO AGRARIO AGENTS): 2014



Source: Superintendencia Financiera de Colombia. Calculation by Banca de las Oportunidades

Considering bank agents exclusively and differentiating between private bank agents and Banco Agrario agents, we find that, of the 85.600 agents affiliated to bank entities, 94% belong to private banks and the remaining 6% belong to Banco Agrario.

In the last five years, the expansion of the bank agent network has occurred throughout the country; nevertheless, the greatest increase has been reported in cities and in mid-size municipalities.

Also, it is noticeable that, although there is greater presence of the public banks in the smallest and most dispersed municipalities, private banking has reduced the difference in coverage in those municipalities through opening numerous agent points in recent years. While in 2010 Banco Agrario agents accounted for 22% and 43% of the total available agents in rural and dispersed-rural municipalities, in 2014 such percentages decreased to 8,6% and 10,6% respectively.

The following are the indicators for the total number of points of access, number of financial branches, and number of agents for each 10.000 adults and for each 1.000 KM² follow. As complement to these indicators at national level and by municipality type, we include a set of maps where we highlight the municipalities with the lowest coverage indicators.

TABLE 7: NUMBER OF POINTS OF ACCESS FOR EACH 10.000 ADULTS: 2010 - 2014

Points of access	2010	2011	2012	2013	2014
Branches	2,2	2,1	2,3	2,4	2,4
Agents	3,3	6,6	11,0	15,6	29,8
Points of sale	52,8	54,9	71,0	94,6	102,3
ATM	3,9	3,6	4,0	4,3	4,5
TOTAL	62,0	67,1	88,3	117,0	138,9

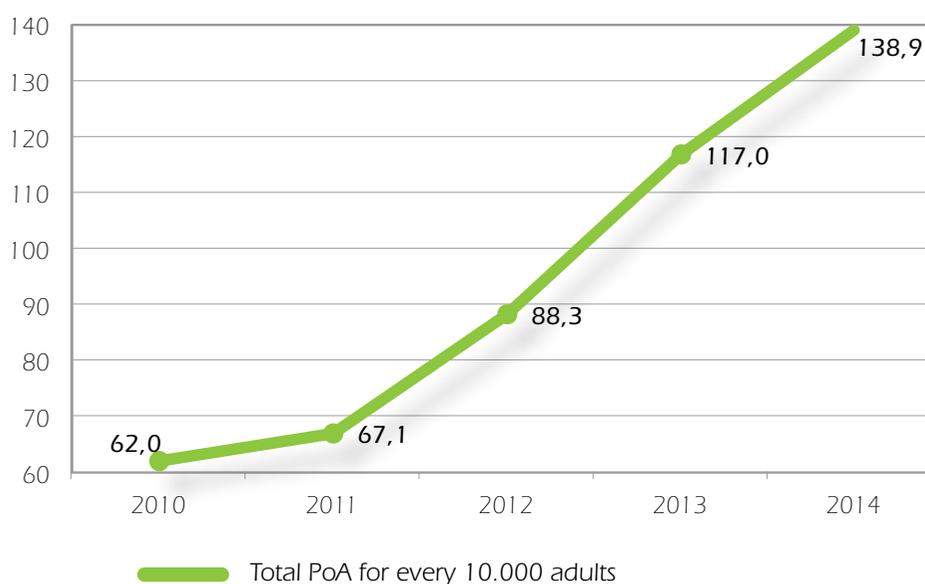
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

TABLE 8: NUMBER OF POINTS OF ACCESS FOR EACH 1.000 KM²: 2010 - 2014

Points of access	2010	2011	2012	2013	2014
Branches	6,7	6,8	7,4	7,9	7,9
Agents	10,1	20,8	35,7	51,3	99,8
Points of sale	164,0	173,9	229,2	311,4	342,7
ATM	12,0	11,4	12,8	14,3	15,0
TOTAL	192,8	212,8	285,1	384,9	465,5

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

CHART 60: TOTAL NUMBER OF POINTS OF ACCESS FOR EACH 10.000 ADULTS: 2010 - 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

Thanks to the growth reported for the various points of access, coverage, demographic (for every 10.000 adults), and geographic (for every 1.000 KM²) coverage indicators display a positive evolution in recent years.

Between 2010 and 2014, the total number of points of access for every 10.000 adults increased from 62 to almost 140. In a similar way, the number of points of access for every 1.000 KM² increased from 193 to 465,5. This increase is largely explained by the trend related to the number of points of sale and agents.

Below we present a table that summarizes financial coverage from lesser to greater complexity level. Such coverage data is related to the number of municipalities and to the adult population associated to each coverage level included.

TABLE 9: FINANCIAL COVERAGE BY COMPLEXITY LEVELS: 2014

	Without coverage	Presence of agents exclusively	presence of agents or private bank branches	Presence of agents or public bank branches	Presence of agents private branches or public bank branches or NGO mobile consultants
# of municipalities	2	244	367	579	1.100
% share of total municipalities	0,2%	22,1%	33,3%	52,5%	99,8%
Adult population	6.994	1.351.072	3.408.115	3.960.616	32.136.034
% Sabre of total population	0,02%	4,2%	10,6%	12,3%	100,0%

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

By the end of 2014, only two municipalities in the country (Jordán Sube - Santander and Concordia - Magdalena) lacked financial presence. These two municipalities account for 0,2% of the country's municipalities and concentrate 0,02% of the adult population. From this perspective, the absence of financial presence in the country is marginal.

There are 244 municipalities that have agents exclusively. They account for 22% of the municipalities and 4,2% of the adult population. This means that, in a substantial percentage of municipalities, agents are the exclusive access mechanism and, at the same time, concentrate a low percentage of the country's adult population.

On the other hand, there are 367 municipalities whose financial coverage is provided by agents or by private bank branches. This group accounts for 33% of the municipalities and concentrate 10,6% of the adults.

579 municipalities have Banco Agrario agents or branches; these account for 52,5% of the municipalities and concentrate 12% of the adults.

Lastly, 1.100 municipalities have either agents, bank branches (private or public), or microcredit NGOs mobile consultants, thus involving almost 100% of the national territory and of the adult population.

The following table displays the evolution of the number of municipalities without financial or bank coverage in the last five years by rurality classification.

TABLE 10: NUMBER OF MUNICIPALITIES WITHOUT FINANCIAL / BANK COVERAGE BY RURALITY CLASSIFICATION: 2010 - 2014

Rurality classification	Municipalities without financial coverage					Municipalities without bank coverage				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Cities and metropolitan areas	-	1	1	-	-	-	1	1	-	-
Mid-size	-	-	-	-	1	-	-	1	-	1
Rural	2	3	4	-	-	2	3	6	1	-
Dispersed rural	4	7	5	1	1	4	7	6	2	1
Total	6	11	10	1	2	6	11	14	3	2

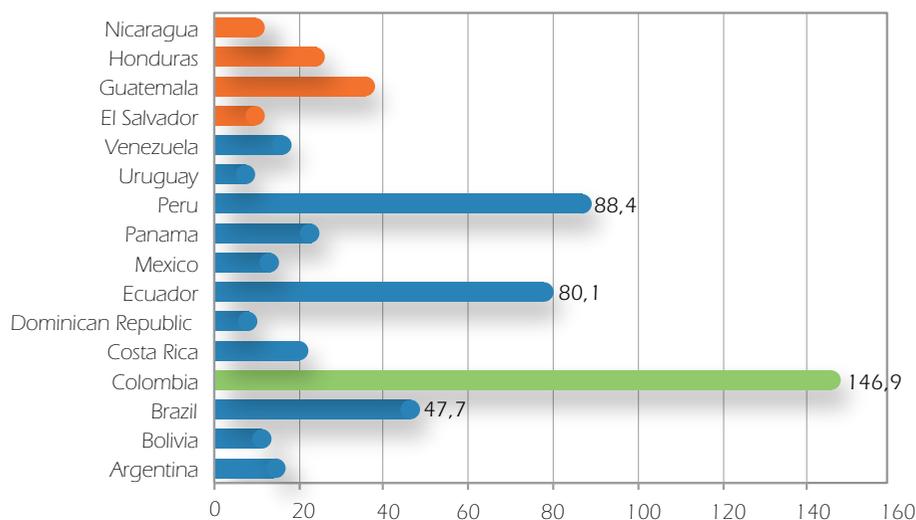
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

NOTES TO TABLE 10:

- In 2013, Banca de las Oportunidades carried out direct dealings with some financial entities in order to reach financial coverage for 9 municipalities of the country. This coverage is not reflected in the data reported in template 398. Thanks to these dealings, we succeeded in bringing financial presence to 6 municipalities, and the remaining 3 were left unattended.
- In 2013, the municipalities without bank coverage were: Imués (Nariño), Roberto Payán (Nariño), and Jordán Sube (Santander).
- In 2014, the municipalities without bank coverage were: Concordia (Magdalena) and Jordán Sube (Santander).

Having described financial coverage in the country, it is now appropriate to consider the situation of this country compared to other countries in Latin America and the Caribbean²⁸.

CHART 61: NUMBER OF BANK BRANCHES AND AGENTS FOR EVERY 100.000 ADULTS – SOME LATIN AMERICAN AND CARIBBEAN COUNTRIES: 2013

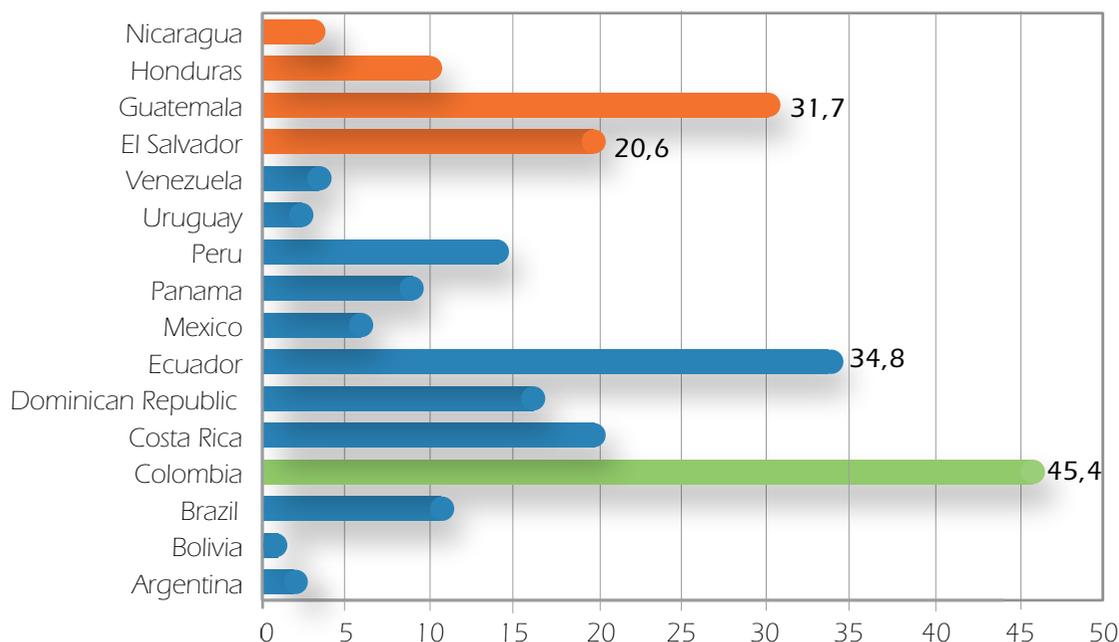


Source: Financial Access Survey (FAS) published by the International Monetary Fund. Most recent data available 2013. This indicator represents the sum of bank branches and agents for every 100.000 adults.

- Orange indicates mid-low income countries and blue indicates mid-high income countries.

²⁸ The data on the number of branches, bank agents, and ATMs for every 100.000 adults and for every 1.000 KM2 corresponds to December 2013 (the most recent available) and comes from the Financial Access Survey (FAS) published by the International Monetary Fund.

CHART 62: NUMBER OF BANK BRANCHES AND AGENTS FOR EVERY 1.000 KM² – SOME LATIN AMERICAN AND CARIBBEAN COUNTRIES: 2013



Source: Financial Access Survey (FAS) published by the International Monetary Fund, most recent data available 2013. This indicator represents the sum of bank branches and agents for every 1.000 Km².

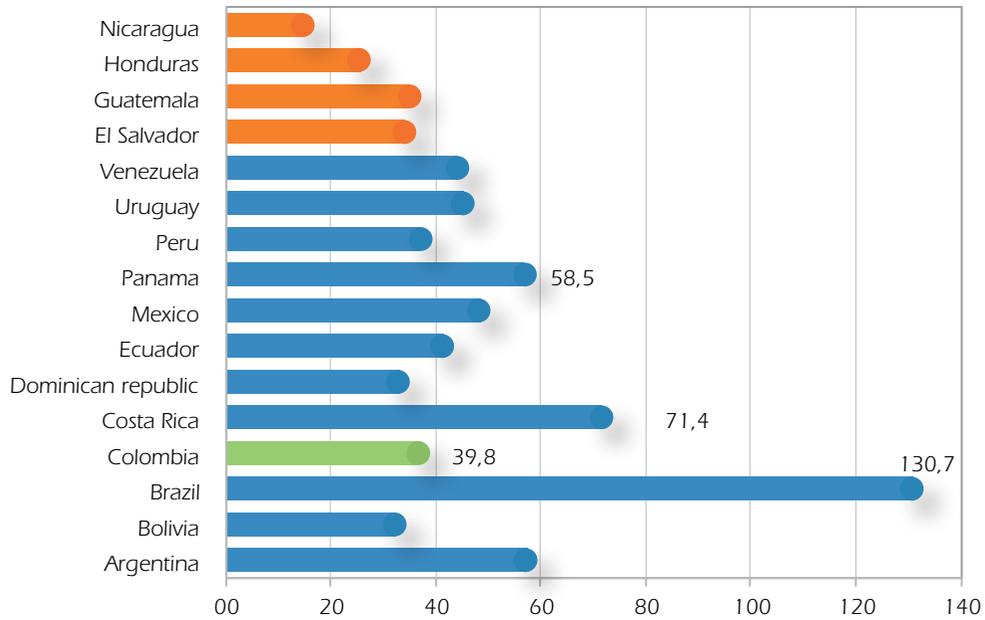
- Orange indicates mid-low income countries and blue indicates mid-high income countries.

Coverage through bank branch and agent indicators for Colombia, compared to other Latin American and Caribbean countries, display a similar development level.

According to the indicator for the number of bank branches and agents for every 100.000 adults, Colombia, Peru, Ecuador, and Brazil display the best indicators of the region with indicators of 146,9, 88,4, 80,1, and 47,7 respectively.

In a similar way, the indicator for the number of bank branches and agents for every 1.000 Km² reflects Colombia's leadership, with an indicator of 45,4. In this case, where the indicator's value is influenced by the geographical area of each country, countries like Ecuador (34,8), Guatemala (31,7), and El Salvador (20,6) stand out with high indicators.

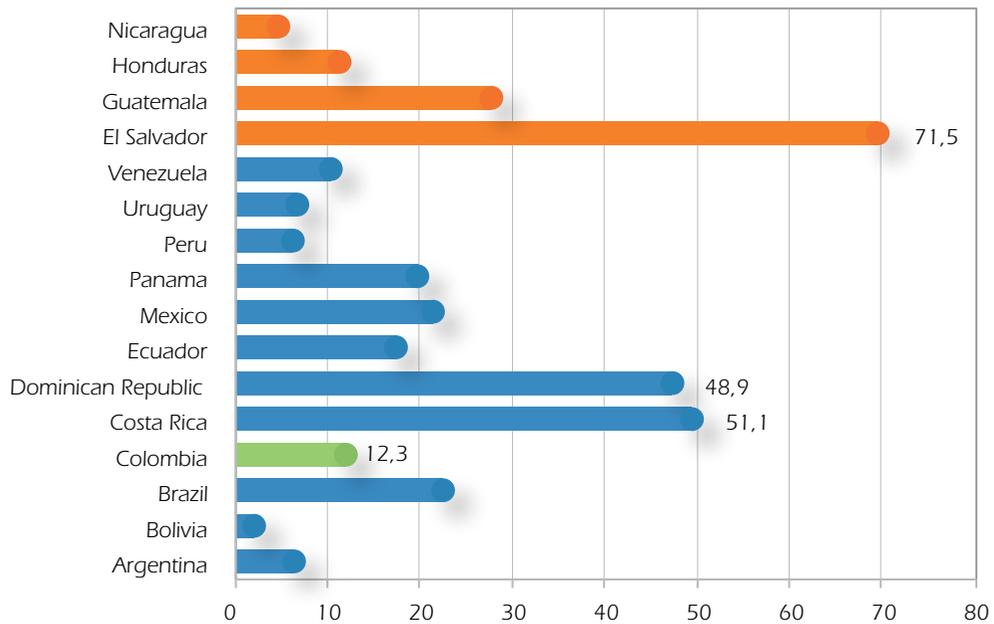
CHART 63: NUMBER OF ATMS FOR EVERY 100.000 ADULTS – SOME LATIN AMERICAN AND CARIBBEAN COUNTRIES: 2014



Source: Financial Access Survey (FAS) published by the International Monetary Fund, most recent data available 2013.

- Orange indicates mid-low income countries and blue indicates mid-high income countries.

CHART 64: NUMBER OF ATMS FOR EVERY 1.000 KM² – SOME LATIN AMERICAS AND CARIBBEAN COUNTRIES: 2014



Source: Financial Access Survey (FAS) published by the International Monetary Fund. Most recent data available 2013.

- Orange indicates mid-low income countries and blue indicates mid-high income countries.

On comparing coverage through ATMs in Colombia to other countries of the Latin American and Caribbean Region, it is evident that, despite the great development that this channel has had in Colombia in recent years, there are other countries such as Brazil (130,7), Costa Rica (71,4), Panamá (58,5), and Argentina (57,4), whose ATM coverage for every 100.000 adults is greater than Colombia's (39,8).

In a similar way, from the geographical point of view, Colombia displays an indicator of 12,3 ATMs for every 1.000 Km²; these results are low compared to countries such as Costa Rica (51,1), Dominican Republic (48,9), and Brazil (23,2).

At the end of this report, we include coverage complementary data indicating, at municipality level, the financial coverage by type of point of financial access. This data has been displayed in a geo-referenced manner and also in tables.

CONCLUSIONS:

- Between 2010 and 2014, the total number of financial points of access increased from 184.929 to 446.518. This means that the total number of financial access points grew at an annual average rate of 25%. The greatest increase was observed in agents and points of sale. The former grew at an annual average rate of 74% and the latter at an annual average rate of 21%.
- Due to the important increase in the number of agents, in all types of entities, these evolved from accounting for 5,2% to 21,4% of total points of financial access. The fast increase in the number of agents is explained by the agency model that prevails in Colombia, which is implemented through promoter or agent manager networks, while the agent direct management model by the financial entities is limited.
- Most of the available financial infrastructure belongs to banks, 72% of the available branches as of December 2014 (7.590) and 89,4% of the available agent network by the end of 2014 (95.730).
- In addition to the points of financial access traditionally analyzed, microcredit NGOs have mobile consultants through whom they can reach the places where the population resides and thus strengthen their presence in various Regions of the country. By the end of 2014, we counted 1.850 mobile consultants who belong mostly to three entities: Fundación de la mujer (63,6%), Crezcamos (17,8%), and Contactar – Nariño (13,6%).
- In order to understand the coverage levels in the country by municipality type, it is important to point out that, in Colombia, most of the population is concentrated in cities (66,7% of the population) and in mid-size municipalities (16% of the population). This means that 82,7% of the total population resides in these two types of municipalities.
- In contrast, 82% of the country's area, corresponding to rural and dispersed-rural municipalities, concentrate barely 17,3% of the population.
- With these population and territory distributions in mind, we find that the largest number of financial branches is located in cities (74% of the total) and in mid-size municipalities (14,4% of the total), while the remaining 11,6% is located in rural municipalities (7,7%) and in dispersed-rural municipalities (4%). Additionally, we should point out that the greatest increase in the number of branches in recent years lies precisely in cities and mid-size municipalities.
- Even though this is the general trend for branch coverage, there is a group of entities, particularly banks and cooperatives supervised by Superintendencia de Economía Solidaria that have strengthened their branch presence in the smallest municipalities.

- 70% of the financial branches are bank-related and the remaining 30% correspond to non-bank entity branches.
- In terms of the bank branches in particular, the public bank has traditionally had a more solid branch presence in the smallest municipalities of the country. By the end of 2014, Banco Agrario branches accounted for 65% and 82% of bank branches in rural municipalities and dispersed-rural municipalities respectively. Notwithstanding the prevalence of the public bank in these municipalities, its importance has decreased in recent years due to the arrival of private bank to these areas.
- Agents are also a channel located mainly in cities (83% of the total). Nevertheless, these have increased their relative relevance in mid-size and rural municipalities in recent years.
- Banks comprise the greatest part of the agent network (90% of the total), but entities like the financing companies have been strengthening their agent networks as well.
- In terms of the bank agents in particular, we should emphasize that, of the total of this bank network (85.600 points), 94% is associated to private banks and the remaining 6% to Banco Agrario.
- As a result of the evolution of various financial points of access in the last five years, the indicator for the number of points of access for every 10.000 adults in the country increased from 62 points to 140 points, while the indicator for the number of points of access for every 1.000 KM² increased from 193 points to 465,5 points. The evolution of these indicators, naturally, is highly influenced by the growth of the agents and of the points of sale, which are the most representative point of access and the ones that evidence the fastest growth.
- On comparing financial coverage in Colombia in Colombia to other countries in the Region, we found that the presence of bank branches and agents in Colombia is greater. According to the indicator for the number of bank branches and agents for every 100.000 adults, Colombia displays an indicator of 146,9 bank branches and agents, higher than countries such as Peru (88,4), Ecuador (8,1), and Brazil (47,7). This same indicator, calculated for every 1.000 Km², is of 45,4 bank branches and agents for Colombia, which is still higher compared to countries such as Ecuador (34,8), Guatemala (31,7), and El Salvador (20,6).
- Regarding coverage through ATMs, Colombia's comparative situation is lesser, particularly at geographical level (by area in KM²). The number of ATMs in Colombia for every 100.000 adults is 39,8, while countries like Brazil (130,7 ATMs), Costa Rica (71,4 ATMs), and Panama (585 ATMs) display a greater coverage level through this type of point. In another respect, the number of ATMs for every 1.000 Km² in Colombia is 12,3, below countries such as Costa Rica (51,1 ATMs), Dominican Republic (48,9 ATMs), and Brazil (40,7 ATMs).

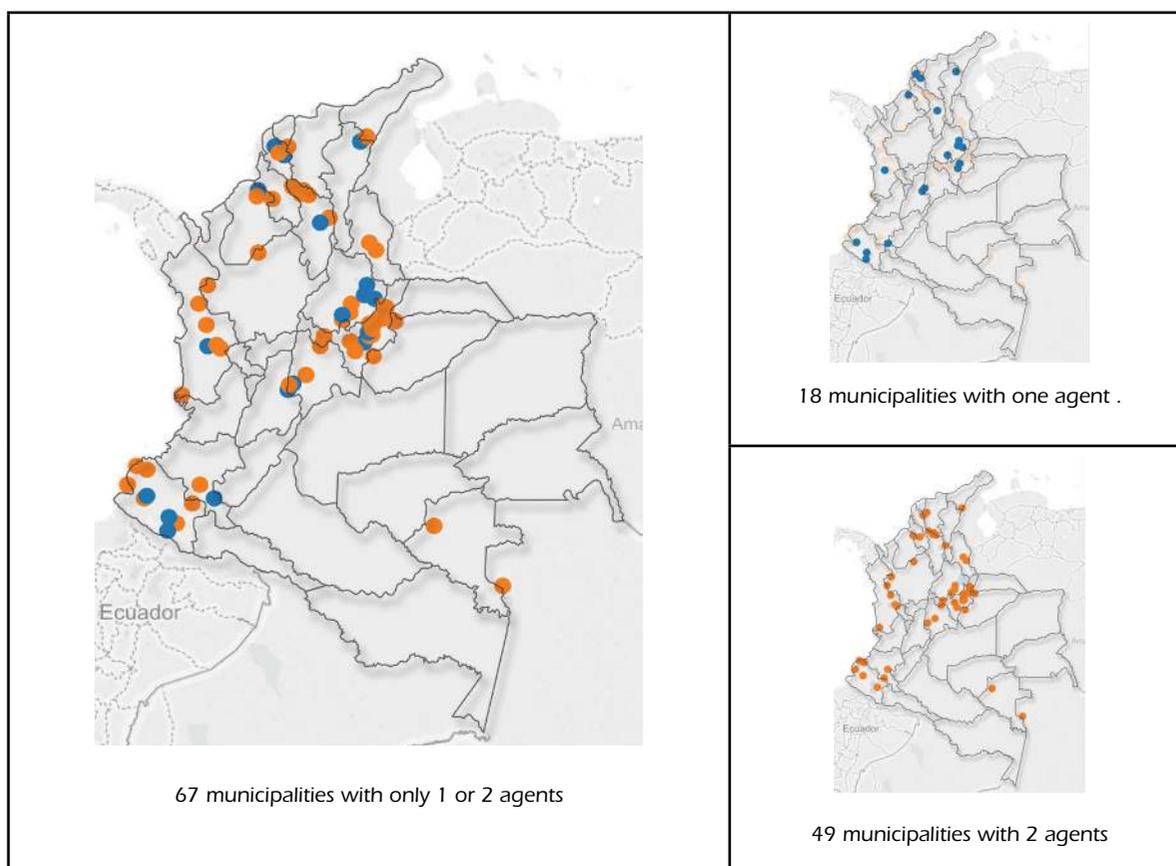
BOX 1: MUNICIPALITIES WITH FRAGILE FINANCIAL COVERAGE

Since its creation, one of the priorities of Banca de las Oportunidades has been strengthening financial coverage through the development of various projects focused on promoting the opening of several types of financial points of access, including agents initially and various types of financial branches in municipalities without prior presence of such institutions: financing companies, cooperatives, and micro-credit NGOs.

At the beginning of 2015, Colombia achieved financial presence in 100% of its territory; nevertheless, there are some municipalities whose coverage is fragile because they have only one or two bank agents. This fact makes them vulnerable inasmuch as, for any one of several circumstances, the available agent point might close unexpectedly and leave the municipality without financial presence.

As of December 2014, we identified 67 municipalities of the country under this situation; of which 18 have only one agent point. The following illustration displays the spatial location of those municipalities.

MAP 1: GEOGRAPHIC LOCATION OF MUNICIPALITIES WITH FRAGILE FINANCIAL COVERAGE



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and DANE. Development by Banca de las Oportunidades.

TABLE 11: MUNICIPALITIES WITH FRAGILE FINANCIAL COVERAGE BY RURALITY LEVEL:

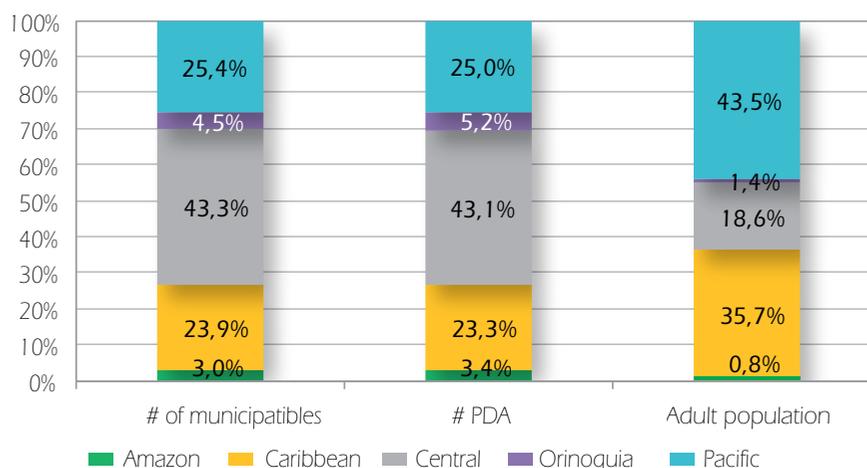
Municipality type	Total municipalities		Points of access		Adult population	
	#	Share %	#	Share %	#	Share %
Mid-size	10	14,9%	18	15,5%	65.153	20,9%
Rural	25	37,3%	43	37,1%	109.558	35,2%
Dispersed-rural	32	47,8%	55	47,4%	136.952	43,9%
Total	67	100,0%	116	100,0%	311.663	100,0%

Source: Superintendencia Financiera de Colombia and Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

Of the municipalities with fragile coverage, most are classified as dispersed-rural from the perspective of various variables considered in the study: number of municipalities, financial points of access available, and adult population they concentrate. Also, 26 municipalities (39%) have an indicator of unmet basic needs greater than 70% of the population. Of these 26 poorest municipalities, half are located in the Pacific Region and 9 in the Caribbean Region.

Some aspects stand out in these features: i) the municipalities with fragile financial coverage are mostly dispersed-rural, ii) geographically they are concentrated in the coastal regions, iii) from the point of view of financial profitability, this is consistent in the sense that financial entities try to cover cities and relatively large municipalities, first since it is more feasible to reach high levels and to obtain good profitability for services in great urban centers, and iv) since they have agent coverage exclusively, they have a limited offer of financial services, of very transactional nature, and for this reason it is usual to find very low penetration of savings and formal credit products there.

CHART 65: MUNICIPALITIES WITH FRAGILE FINANCIAL COVERAGE BY REGION LEVEL



Source: Superintendencia Financiera de Colombia and Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades

From a regional point of view, most of the municipalities and points of access available are located in the Central, Pacific, and Caribbean Regions. Nevertheless, the Pacific and Caribbean Regions concentrate the greatest percentage of adults. This suggests that, from a market point of view, the efforts to strengthen coverage should start in these two regions' municipalities. The following table displays detailed data on the 67 municipalities that displayed fragile financial coverage as of December 2014.

TABLE 12: DETAILED DATA ABOUT THE MUNICIPALITIES WITH FRAGILE FINANCIAL COVERAGE

Region	Department	Municipality	Points of Access	Adult Population	Unsat, basic needs %
AMAZON	Vaupés	CARURU	2	1.959	100,0
AMAZON	Vaupés	TARAIRA	2	426	82,1
CARIBBEAN	Bolívar	ARROYOHONDO	2	5.926	67,8
CARIBBEAN	Bolívar	NOROSÍ	1	2.863	88,8
CARIBBEAN	Bolívar	REGIDOR	2	5.811	66,7
CARIBBEAN	Bolívar	SAN FERNANDO	2	8.254	69,8
CARIBBEAN	Bolívar	SOPLAVIENTO	1	5.672	53,2
CARIBBEAN	Córdoba	SAN JOSÉ DE URÉ	2	6.170	72,5
CARIBBEAN	Córdoba	TUCHÍN	2	19.775	92,3
CARIBBEAN	La Guajira	EL MOLINO	2	5.729	56,5
CARIBBEAN	La Guajira	LA JAGUA DEL PILAR	1	2.095	66,8
CARIBBEAN	Magdalena	EL PIÑON	2	10.421	61,6
CARIBBEAN	Magdalena	PEDRAZA	1	5.019	68,6
CARIBBEAN	Magdalena	PUIÑO	2	7.858	83,2
CARIBBEAN	Magdalena	SAN ZENÓN	2	5.360	73,7
CARIBBEAN	Magdalena	SANTA BÁRBARA DE PINTO	2	6.374	80,2
CARIBBEAN	Sucre	EL ROBLE	2	6.522	71,6
CARIBBEAN	Sucre	PALMITO	1	7.502	73,4
CENTRAL	Antioquia	MURINDÓ	2	2.903	97,1
CENTRAL	Boyacá	BETÉITIVA	2	1.398	64,0
CENTRAL	Boyacá	BUSBANZÁ	1	795	58,0
CENTRAL	Boyacá	COPER	2	2.474	47,0
CENTRAL	Boyacá	CORRALES	2	1.629	27,9
CENTRAL	Boyacá	GUACAMAYAS	2	1.232	62,7
CENTRAL	Boyacá	JERICÓ	2	2.791	74,0
CENTRAL	Boyacá	MONGUA	2	3.134	47,1
CENTRAL	Boyacá	MONGUÍ	2	3.278	30,1
CENTRAL	Boyacá	OICATÁ	2	1.767	51,6
CENTRAL	Boyacá	PANQUEBA	2	1.097	46,9
CENTRAL	Boyacá	RONDÓN	2	1.909	41,7
CENTRAL	Boyacá	SATIVASUR	2	799	46,1
CENTRAL	Boyacá	TOTA	1	3.712	60,6
CENTRAL	Boyacá	TUNUNGUÁ	2	1.206	22,7
CENTRAL	Boyacá	TUTAZÁ	2	1.431	46,7
CENTRAL	Cundinamarca	GUATAQUÍ	2	1.698	47,1
CENTRAL	Cundinamarca	JERUSALÉN	1	1.657	51,1
CENTRAL	Cundinamarca	NARIÑO	1	1.467	43,9
CENTRAL	Cundinamarca	ZIPACÓN	2	3.557	30,6
CENTRAL	Norte de Santander	BUCARASICA	2	2.820	64,3

CENTRAL	Norte de Santander	SANTIAGO	2	1.798	35,6
CENTRAL	Santander	CEPITÁ	1	1.237	47,9
CENTRAL	Santander	EL GUACAMAYO	1	1.409	36,2
CENTRAL	Santander	GUAPOTÁ	2	1.428	21,7
CENTRAL	Santander	PALMAR	2	2.265	46,4
CENTRAL	Santander	SAN BENITO	2	2.632	35,3
CENTRAL	Santander	SAN JOSÉ DE MIRANDA	1	2.940	56,8
CENTRAL	Santander	SANTA BÁRBARA	1	1.431	39,1
ORINOQUIA	Casanare	LA SALINA	2	863	51,1
ORINOQUIA	Casanare	RECETOR	2	2.311	46,3
ORINOQUIA	Casanare	SÁCAMA	2	1.210	37,7
PACIFIC	Cauca	SANTA ROSA	1	6.239	77,7
PACIFIC	Cauca	SUCRE	2	6.050	80,3
PACIFIC	Chocó	BAGADÓ	2	4.471	84,5
PACIFIC	Chocó	BELLAVISTA	2	5.535	96,0
PACIFIC	Chocó	BETÉ	2	17.802	100,0
PACIFIC	Chocó	LLORÓ	2	6.126	71,8
PACIFIC	Chocó	PAIMADÓ	1	4.998	98,8
PACIFIC	Chocó	SANTA GENOVEVA DE DOCORDÓ	2	6.901	77,6
PACIFIC	Nariño	ALDANA	1	4.409	36,8
PACIFIC	Nariño	FRANCISCO PIZARRO	2	8.101	71,3
PACIFIC	Nariño	GUACHAVES	1	16.998	68,0
PACIFIC	Nariño	IMUÉS	2	4.354	55,4
PACIFIC	Nariño	LA TOLA	2	6.143	91,5
PACIFIC	Nariño	MOSQUERA	2	8.345	84,3
PACIFIC	Nariño	PAYÁN	1	12.106	82,5
PACIFIC	Nariño	ROBERTO PAYÁN	2	12.226	72,9
PACIFIC	Nariño	SAN PEDRO DE CARTAGO	2	4.845	57,0
Total general			116	311.663	

Source: Superintendencia Financiera de Colombia and Superintendencia de Economía Solidaria. Calculation by Banca de las Oportunidades





TRANSACTIONAL ANALYSIS

TRANSACTIONAL ANALYSIS

This chapter discusses the evolution in the use of various transactional channels, which have helped financial consumers obtain more services within the financial system and carry out their transactions through the different mechanisms provided by the entities in a secure way, not only in the national territory but also abroad.

In a parallel way, for increasing coverage through face-to-face channels such as branches, bank agents, points of sale (POS), and automatic teller machines (ATM), the supply through non-face-to-face channels such as Internet and mobile banking has also increased. These two channels allow consumers to use financial services effectively from any location without going to a branch or bank agent and under the required security parameters.

In order to provide new mobile banking financial services at low cost to the consumer during the last year in particular, the Comisión de Regulación de las Comunicaciones: Communication Regulation Commission, enacted Resolution 4458 of 2014 that establishes rules for offering mobile financial services that favor the users, establishing limits for text message rates, and requiring the cellphone businesses to cut down the rates they charge financial entities for using mobile banking. This regulation is aimed to reduce the cost of this service that is passed to the financial consumer.

Similarly, with the purpose of obtaining greater competition in providing transactional financial services at a lower cost, and thereby allowing a larger number of Colombians to have access to these financial services, Law 1735 of 2014 and Decree 1491 of 2015²⁹ created companies specialized in electronic deposits and payments – SEDPES (in Spanish), with the objective of promoting the use of transactional services such as money orders, payments, and collection.

USE OF TRANSACTIONAL CHANNELS³⁰.

Transactional channels are mechanisms financial consumers can use to manage their funds through financial services such as payments, withdrawals, deposits, transfers, international transactions, and balance inquiries.

Data on transactions performed using distribution channels provided by supervised entities have been defined through nine channels: branches, bank agents, automatic teller machines (ATM), points of sale (POS), interactive voice response (IVR), automatic payment, automatic clearing house (ACH), Internet, and cellphones. By December 2014, 3.717 million transactions were carried out through these channels for a total amount of COP6.359 billion, which represented a 12% and 7% increase, respectively, compared to 2013.

From the channels mentioned above, branches are still the channel that mobilizes the greatest volume in terms of amount (52%) and the second in number of transactions (19%). Even though the number of transactions through this channel decreased between 2014 and 2013, in 2013, it accounted for (21%) of the total number of transactions.

In line with the trend observed in recent years, Internet is the channel with the greatest share in the number of transactions (37%) and the second in the transferred amount (29%). The trend for the number of transactions through this channel displayed significant growth between 2014 and 2013, since during 2013 it accounted for (35%) of the total number of transactions.

As for the number of transactions carried out in 2014, automatic teller machines (ATM) have a share of 19%, but a smaller share in the amount (2,8%), which is explained by the limit amount set for each transaction through this channel.

It is interesting that the automatic clearing house channel (ACH)³¹ is not significant in terms of number of transactions (2,5%), but it is in terms of amount (13%). Inversely, points of sale (POS) display a larger share in the number of transactions, at (11%), but only (1,2%) in terms of the amount transferred. This leads to the conclusion that the confidence in the ACH channel has grown, thus allowing people to transfer substantial amounts as it fulfills additional security requirements the channel demands.

In terms of annual growth, the channel that reported the greatest growth at year-end 2014 was the cellphone, which accounts for 54% of the number of transactions and 335% of the transferred amount, which is due to the substantial implementation of cellphone services, followed by bank agents which account for 31% of the number of transactions and 37% of the transferred amount.

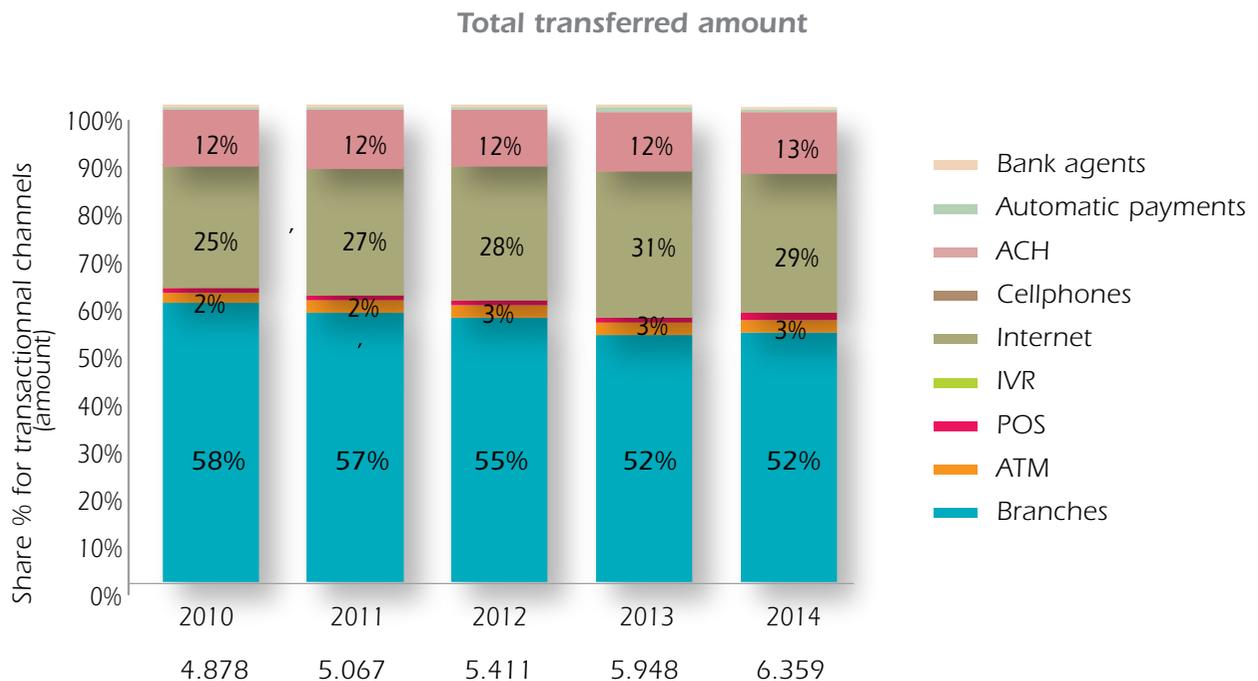
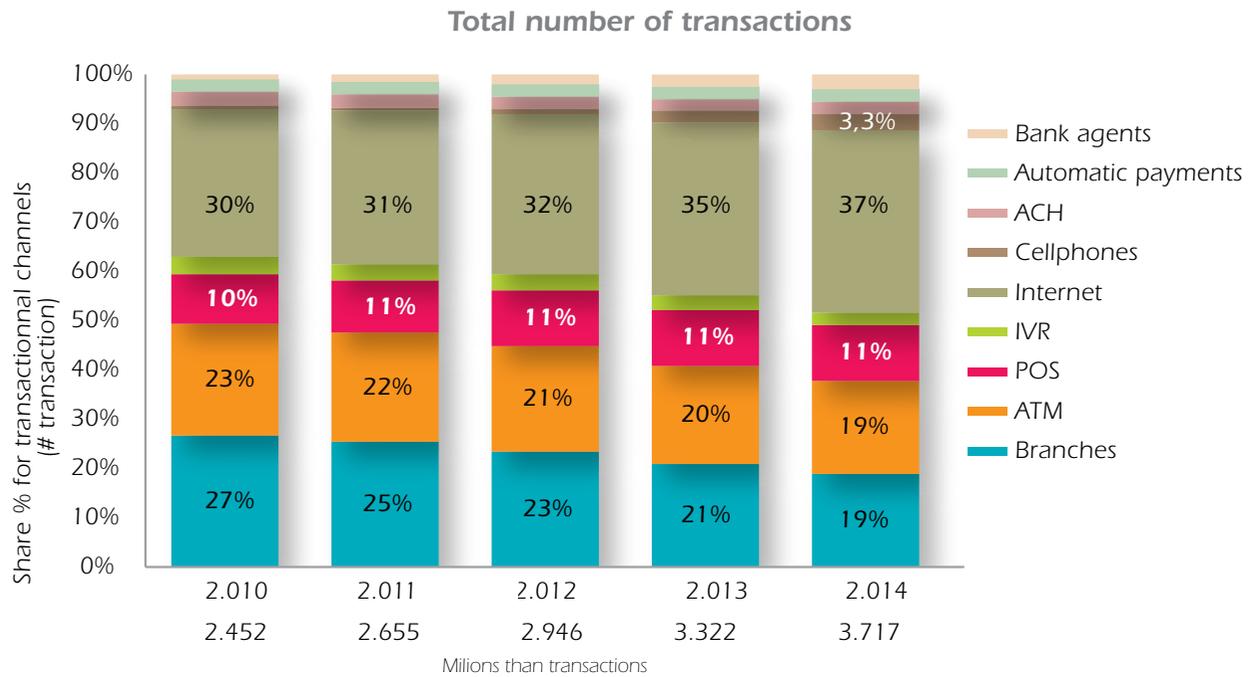
²⁹ The Government enacted Decree 1491 of July 2015 to regulate the Financial Inclusion Law. This Decree established rules on: opening procedures for deposits at the SEDPES, cash handling, use of the agent network, and the leverage ratio these new entities shall fulfill. The SEDPES will be supervised by Superintendencia Financiera de Colombia, additionally, the deposits they might receive shall be covered by a deposit insurance from the Fondo de Garantías de Instituciones Financieras: Guarantee Fund for Financial Institutions (Fogafin, in Spanish).

³⁰ The figures displayed in this chapter are from template 444 “transactions through distribution channels” and template 398 that complements the total of transactions performed at the reported bank agents.

³¹ According to a study carried out by Better Than Cash Alliance in Colombia, for ACH on secure payments on line or PSE (in Spanish), Colombian banks have joined to create an efficient and inexpensive way to make electronic payments on line through bank transfers; the Pagos Seguros en Línea: Secure Payments on Line (PSE). This platform offers an alternative where the Government encouraged the private sector to cooperate and innovate. As it is with many electronic payment options, the PSE allows a considerable cost reduction compared to payments in cash for financial institutions.

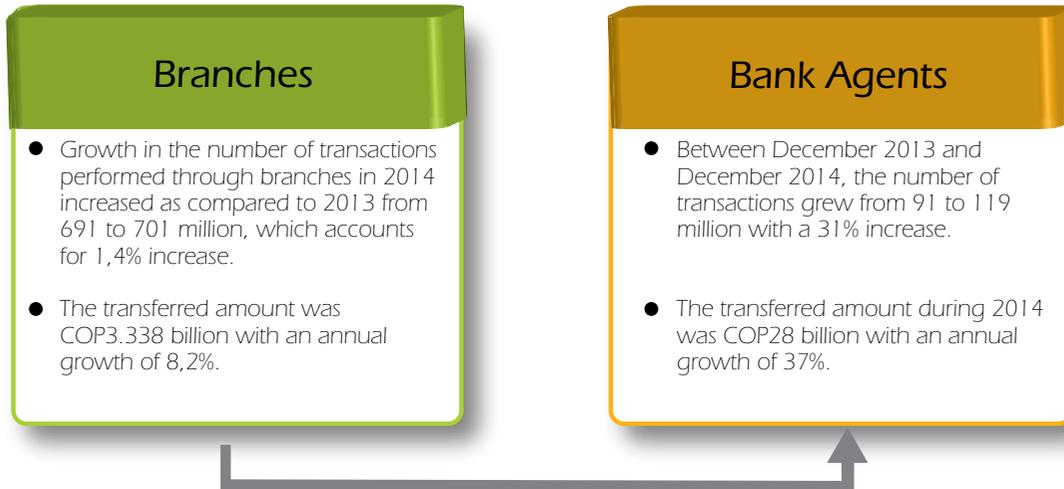


CHART 66: TRANSACTIONAL CHANNELS SHARE



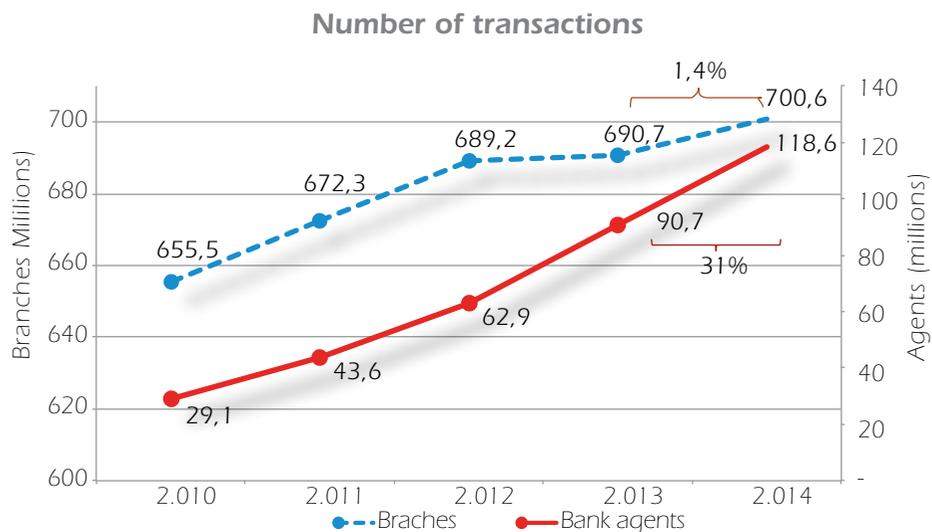
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades.

In terms of specific analysis per channel, below we display the trend of the number of transactions and the amount transferred in branches versus bank agents from the transactions perspective, not from the coverage perspective.

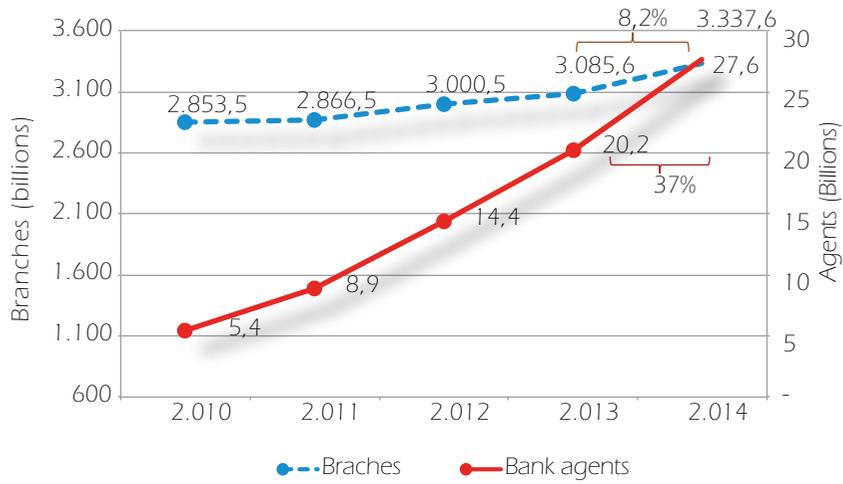


Compared to 2013 data, the growth in number of transactions and amount transferred at branches in 2014 increased from 0,2% to 1,4% for the number of transactions and from 2,8% to 8,2% for the amount transferred. On the contrary, the number of transactions and the amount transferred through bank agents were smaller, decreasing from 44% to 37% for the number of transactions and from 40% to 37% for the amount transferred.

CHART 67: TRANSACTIONS THROUGH THE BRANCH AND BANK AGENT NETWORK



Amounts transferred



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades.

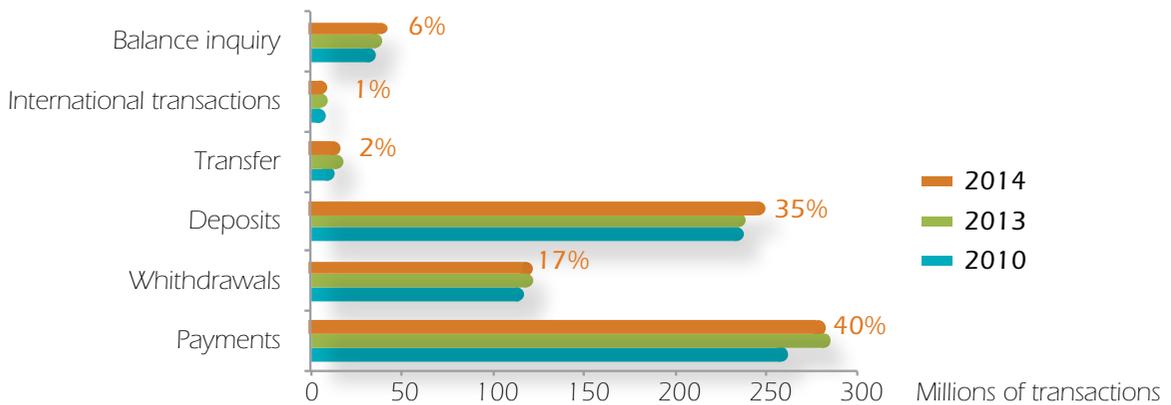
By type of transaction, the most frequent transactions performed in branches are payments (40%), deposits (35%), and withdrawals (17%); in lesser proportions balance inquiries (5,5%), transfers (2%), and international transfers (0,7%). The market shares of these transactions have remained stable in recent years. 17% of the persons surveyed in the first financial inclusion demand side survey in Colombia³² indicated that they use branches mainly to withdraw funds.

In terms of the amounts, deposits account for 32% of total, followed by withdrawals 30%, transfers 21%, payments 11%, and international transfers 7,1%.

When comparing 2014 to 2013, deposits increased in number (4,8%) and in amount (12%); international transactions decreased in number (9,6%) but increased in amount (26%)³³; payments, withdrawals, and transfers decreased in number (0,9%), (0,3%), and (1,3%) but increased in amount (5,3%), (6,8%), and (0,6%), respectively.

CHART 68: TRANSACTIONS PERFORMED AT BRANCHES

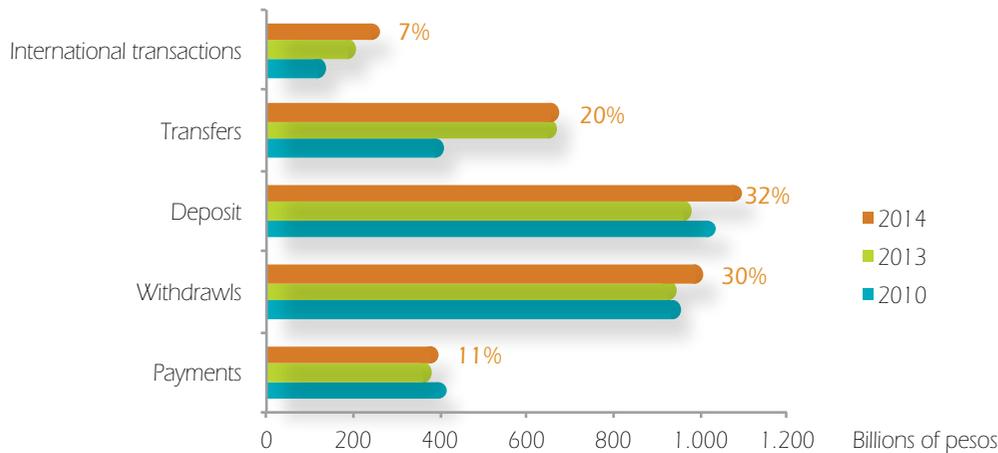
Number of transactions and annual growth



³² The recent Financial Inclusion Demand side survey carried out by Banca de las Oportunidades and Superintendencia Financiera de Colombia in 2015 analyses the use of the different points of access (PdA) as mechanisms to withdraw funds.

³³ International transactions have increased in part due to the recent evolution of the TRM (market representative exchange rate, in Spanish).

Transferred amount and annual variation

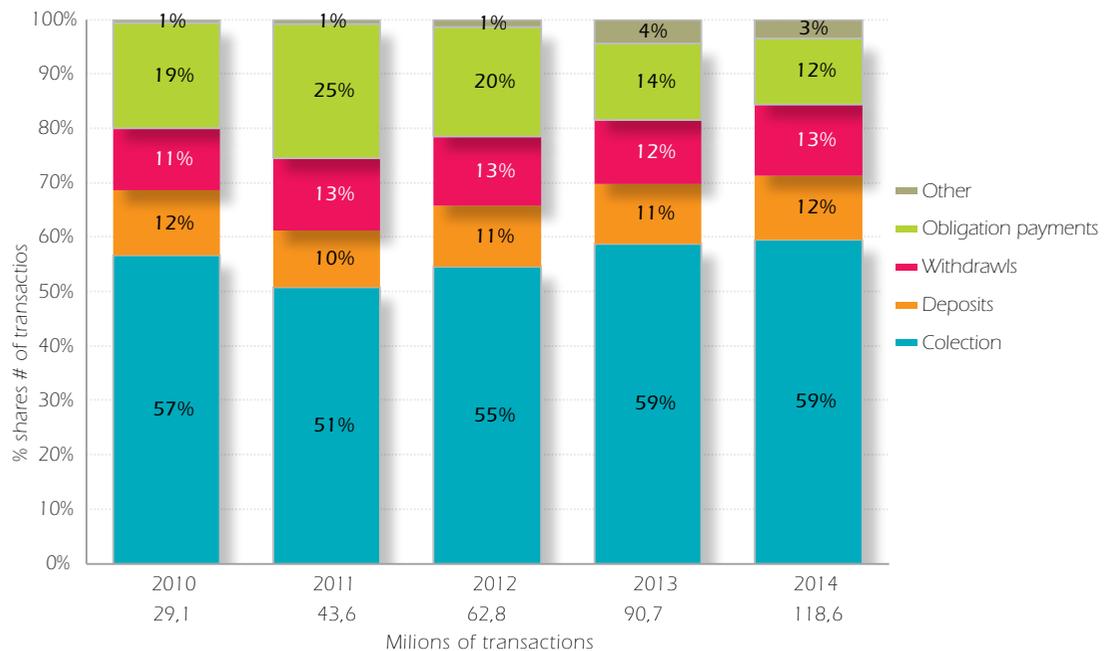


Source: Superintendencia Financiera de Colombia.

As bank agents have expanded, so have the services they offer. Proof of this is that, in 2008, 66% of the transactions were collections, whose share decreased to 59% last year and gave way to other types of transactions like withdrawals (13%), payment of obligations (12%), deposits (12%), and to a lesser extent, reception of money orders (2,6%), transfer of funds (0,8%), and sending of money orders (0,1%). 5% of the persons surveyed in the first financial inclusion demand side survey in Colombia³⁴ indicated that they use this point of access to make withdrawals.

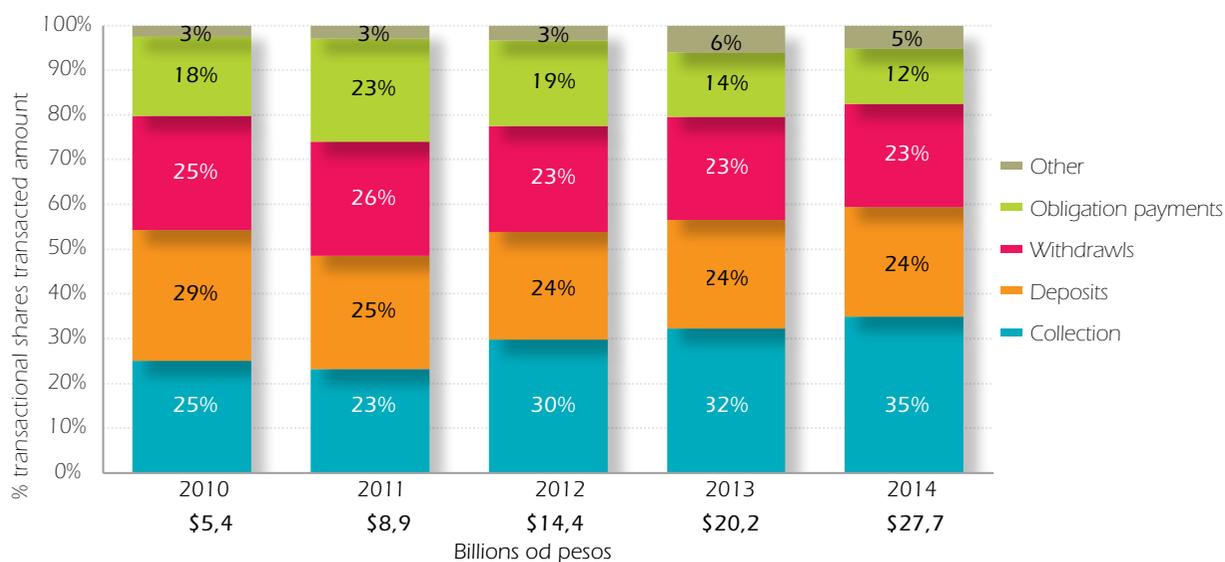
In terms of the transactions performed through bank agents, collection accounts for 35%, while deposits and withdrawals account for 24% and 23% respectively.

CHART 69: TRANSACTIONS PERFORMED THROUGH BANK AGENTS By number of transactions



³⁴ The recent Financial Inclusion Demand side survey carried out by Banca de las Oportunidades and Superintendencia Financiera de Colombia in 2015, analyses the use of the different points of access (PdA) as mechanisms to withdraw funds

By amount transferred



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades

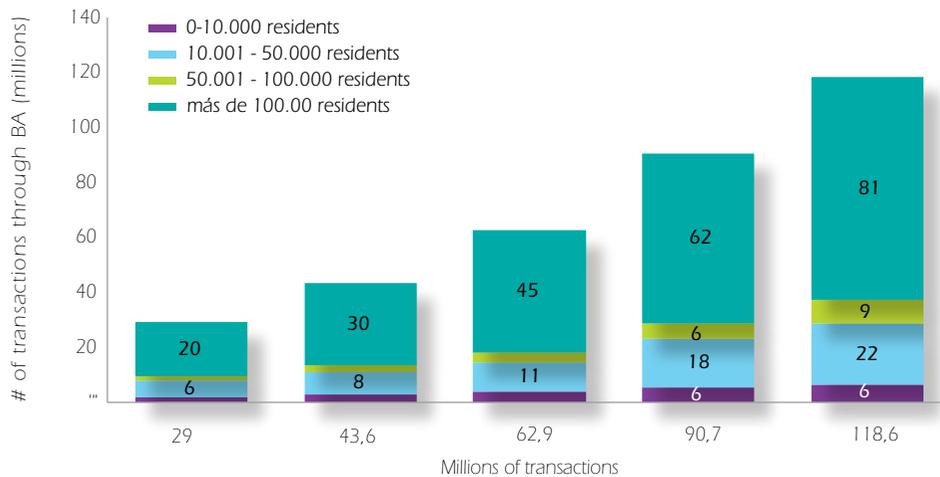
ANALYSIS OF THE TRANSACTIONS THROUGH BANK AGENTS BY POPULATION SIZE

When analyzing transactions by population size, it was found that most transactions are made in municipalities with over 100.000 residents, with 81 million transactions in 2014 and a growth of 32% compared to 2013, slightly less than the growth reported during the 2012-2013 period (38%), followed by transactions in municipalities with population between 10.001 and 50.000 residents, with 22 million and a growth of 26%, less than the growth reported in 2013 (61%).

As is the case in the number of transactions, Bank Agents in the municipalities with population sizes greater than 100.000 residents mobilize over half of the funds, with COP16 billion transferred in 2014. The absolute amount increased (43%) in 2014 compared to 2013 (35%). In municipalities with 50.001 to 100.000 residents, the faster growth rate from 43% in 2013 to 76% in 2014 was significant.

CHART 70: TRANSACTIONS PERFORMED THROUGH BANK AGENTS BY POPULATION SIZE

by number of transactions



by transferred amount



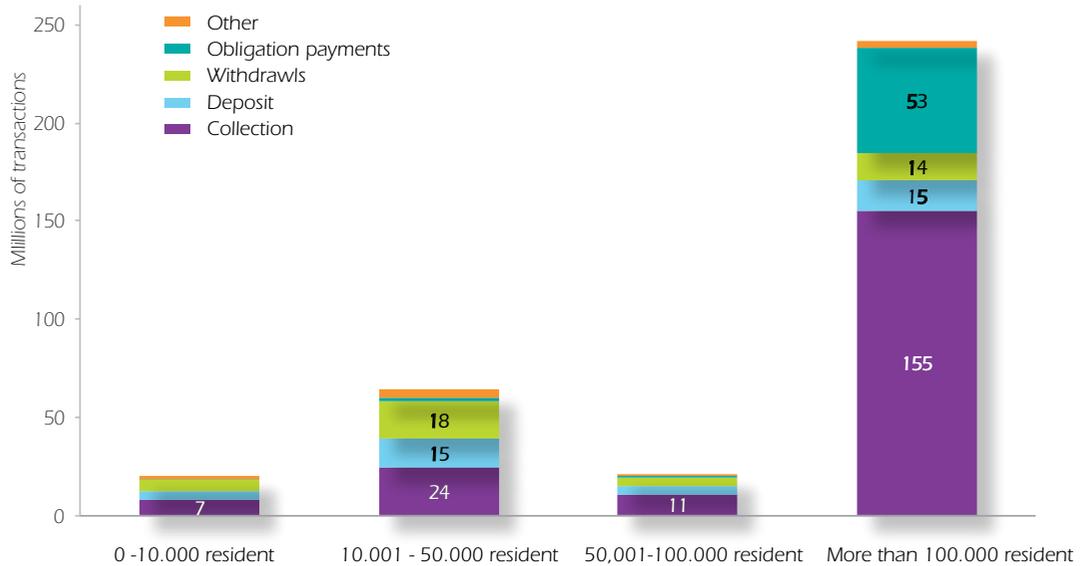
Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades.

By type of transaction, it was found that collection is the most common transaction in all municipalities; the greatest share (79%) is concentrated in municipalities with over 100.000 residents, followed by municipalities with populations of 10.001 to 50.000 residents with 12%.

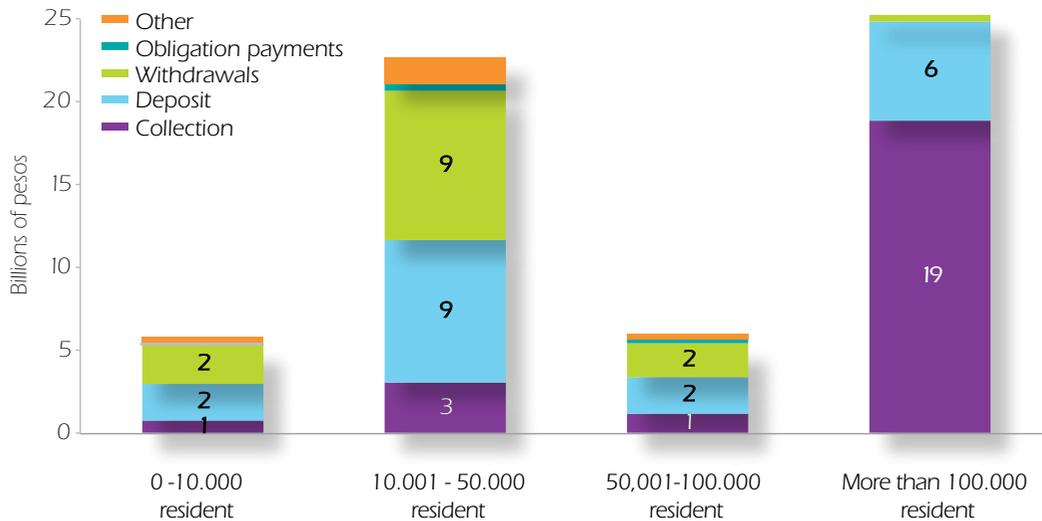
Regarding the number of transactions, bank agents in municipalities with population sizes greater than 100.000 residents mobilized over half of the funds, with a share of 79%, followed by municipalities with a population size between 10.001 and 50.000 residents with the 13%; in the municipalities with population sizes between 0 and 10.000, 10.001 and 50.000, 50.001 and 100.000 residents, withdrawals are the second transaction most used with 13%, 50%, and 11% respectively.

CHART 71: TRANSACTIONS PERFORMED THROUGH BANK AGENTS ACCORDING TO POPULATION SIZE BY TYPE OF TRANSACTION

by number of transactions



by transferred amount



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades.

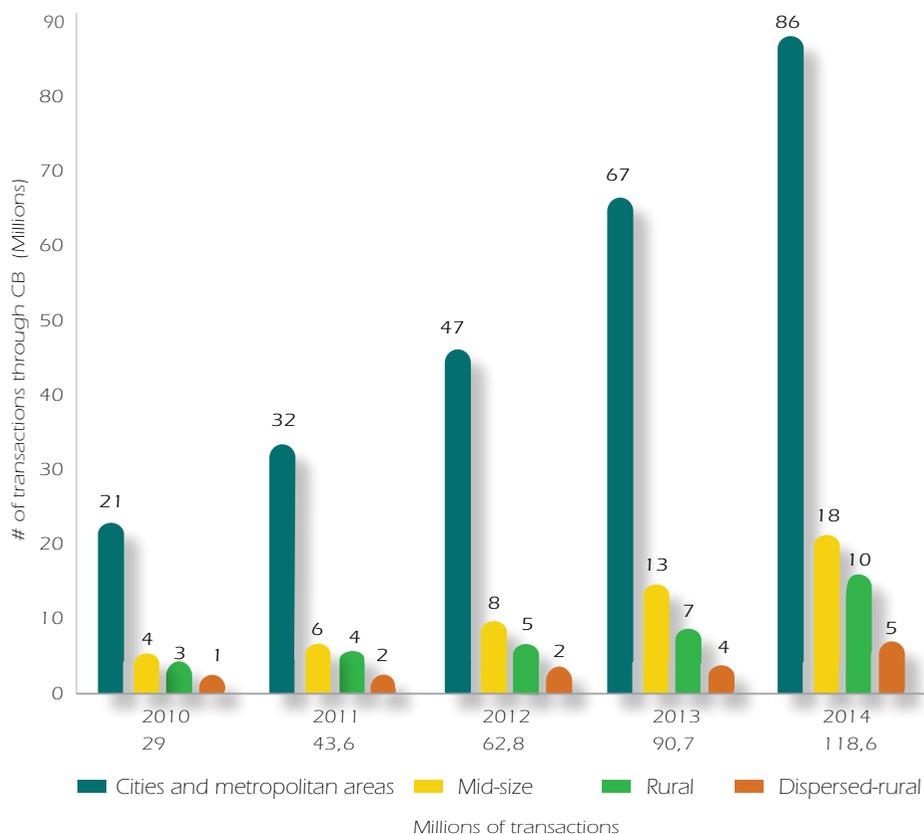


ANALYSIS OF TRANSACTIONS THROUGH BANK AGENTS BY RURALITY LEVEL

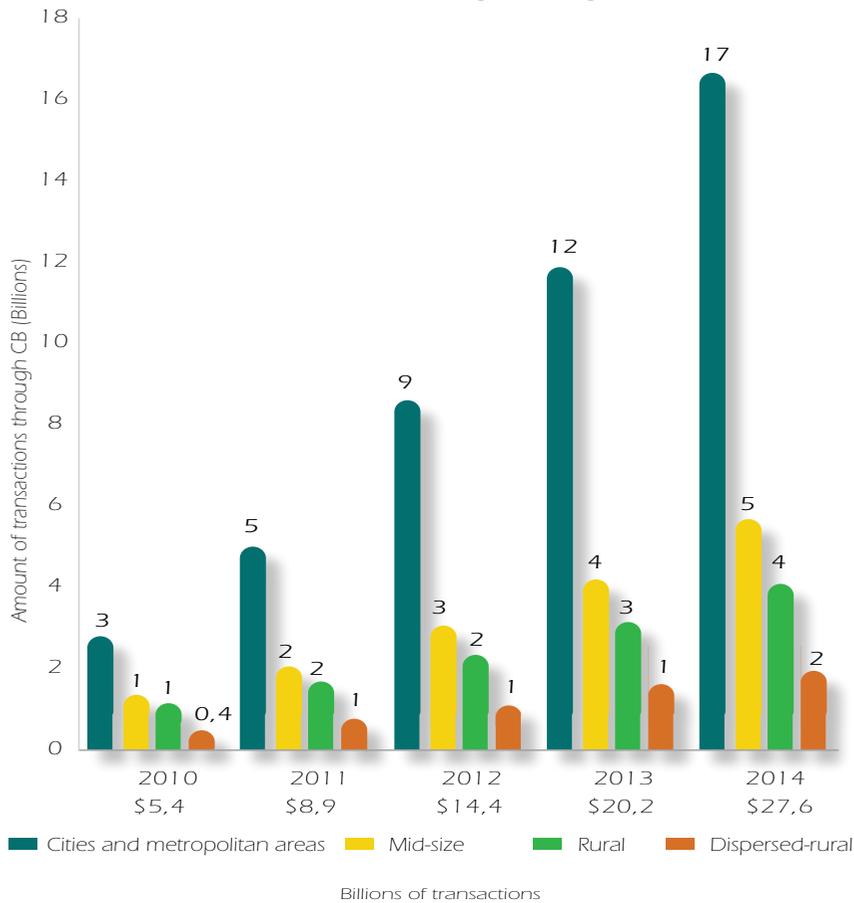
In terms of total transactions, bank agents in cities and metropolitan areas performed 73% of the number of transactions with 86 million, followed by mid-size municipalities with 15%, and 9% and 4% in rural and dispersed-rural municipalities, respectively. Compared to 2013, the number of transactions through agents carried out in 2014 by rurality level reports a significant growth with 29% in cities and metropolitan areas, 41% in mid-size municipalities, 35% and 19% in rural and dispersed-rural municipalities.

When analyzing transferred amounts, Bank Agents in cities and metropolitan areas mobilized over 60% with COP17 billion, followed by mid-size municipalities that mobilized 20% with COP5 billion, 14% and 6% in rural and dispersed-rural municipalities respectively. Compared to 2013, the amount of transactions in 2014 also displays significant growth with 41% in cities and metropolitan areas, 37% in mid-size municipalities, 30% and 19% in rural and dispersed-rural municipalities.

CHART 72: TRANSACTIONS PERFORMED THROUGH BANK AGENTS BY MUNICIPALITY TYPE
Number of transactions by rurality level

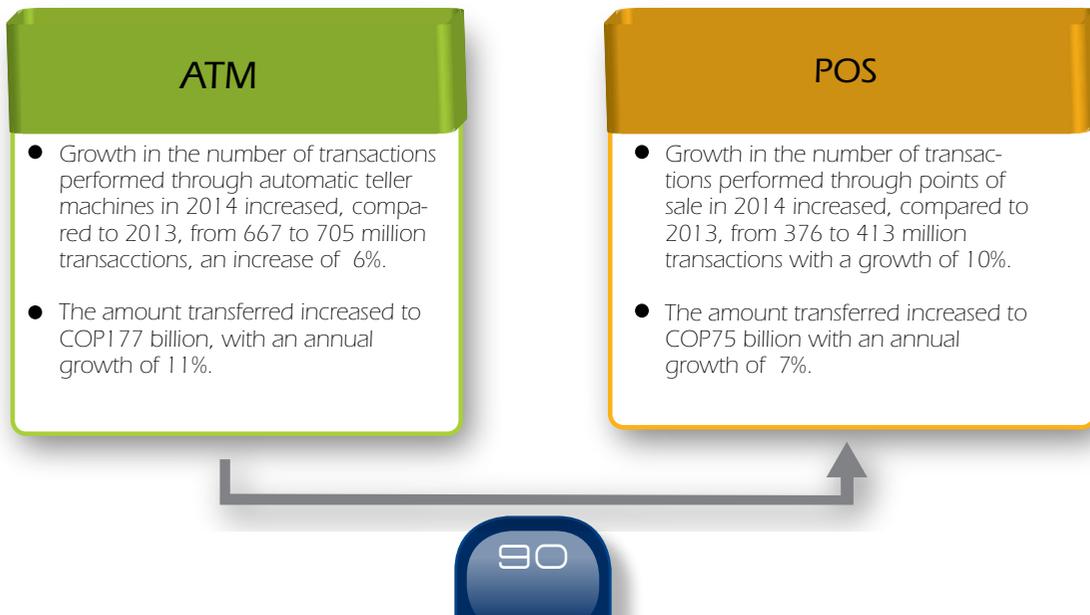


Transactions amount by rurality level



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades

In line with the analysis presented above, next we analyze transactions through automatic teller machines (ATM) and points of sale. Compared to 2013 data, growth in the number of transactions through automatic teller machines in 2014 increased from 5,4% to 5,8%; on the contrary, the amount decreased from 11,4% to 10,7%. The number of transactions and amount transferred through points of sale were smaller; the number of transactions decreased from 14,5% to 9,9% and the amount transferred from 12,1% to 6,6%.

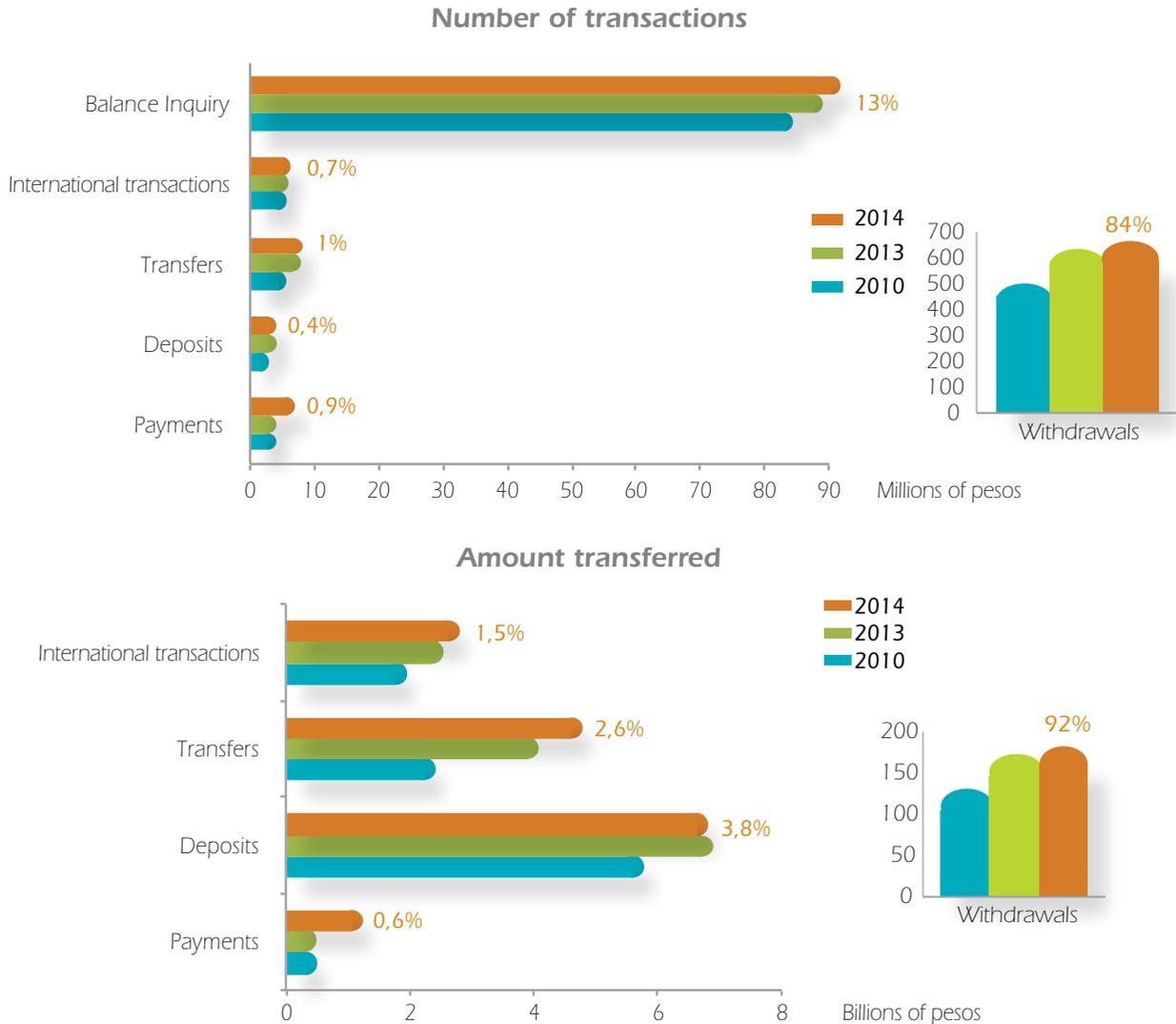


In terms of automatic teller machines (ATM), the most common transaction was withdrawals with a share of 84% of transactions and with smaller proportions balance inquiries (13%), transfers (1%), payments (0,9%), international transactions (0,7%), and deposits (0,4%). According to the first financial inclusion demand side survey, the automatic teller machine is the more common point of access used by people when they make withdrawals, accounting for 75%, particularly in the main cities where 9 of every 10 persons use this channel for that purpose.

In terms of the amount transferred through automatic teller machines, withdrawals account for 92% of the funds transferred and, in a smaller proportion, deposits (3,8%), transfers (2,6%), international transactions (1,5%), and payments (0,6%).

Comparing 2014 to 2013, payments, withdrawals, transfers, and international transactions increased in number (114%), (6%), (2%), and (4%) and in amount (224%), (10%), (19%) and (11%); on the contrary, deposits decreased both in number (4%) and in amount (1%).

CHART 73: TYPE OF TRANSACTIONS PERFORMED THROUGH AUTOMATIC TELLER MACHINES



Source: Superintendencia Financiera de Colombia

In 2014, points of sale (POS) grew both in number of transactions and in amount. The more common transactions were payments and transfers, with a share of 92% and in smaller proportions international transactions (4,4%) and balance inquiries (4%). Similarly, it is observed that the amounts transferred through these channels have grown for payments and transfers (95%) and withdrawals (5,4%).

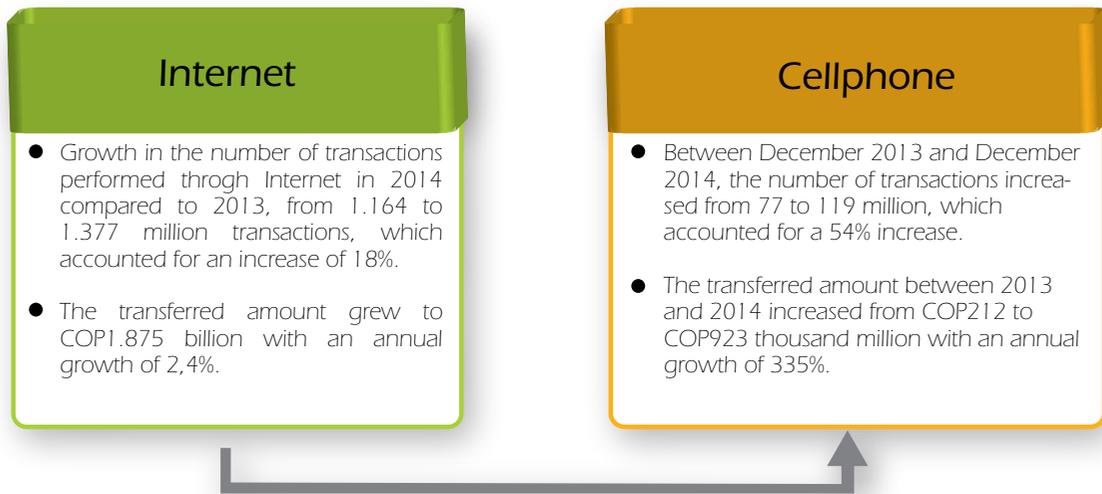
As displayed in the following chart, 245 million transactions were performed through this channel in 2010 while in 2014 the number increased to 413 million, which accounts for 68% in 5 years. In the same way, it is observed that the amounts transferred grew by 70%, from COP44 to COP75 billion in 2014, equivalent to a growth of 70%.

CHART 74: TYPE OF TRANSACTIONS PERFORMED THROUGH POINTS OF SALE (POS)



Source: Superintendencia Financiera de Colombia.

Additional to the traditional channels' coverage, development of non-face-to-face channels like Internet and mobile banking turned out to be essential for the financial system; they provide various benefits for the customers and users when performing financial transactions.



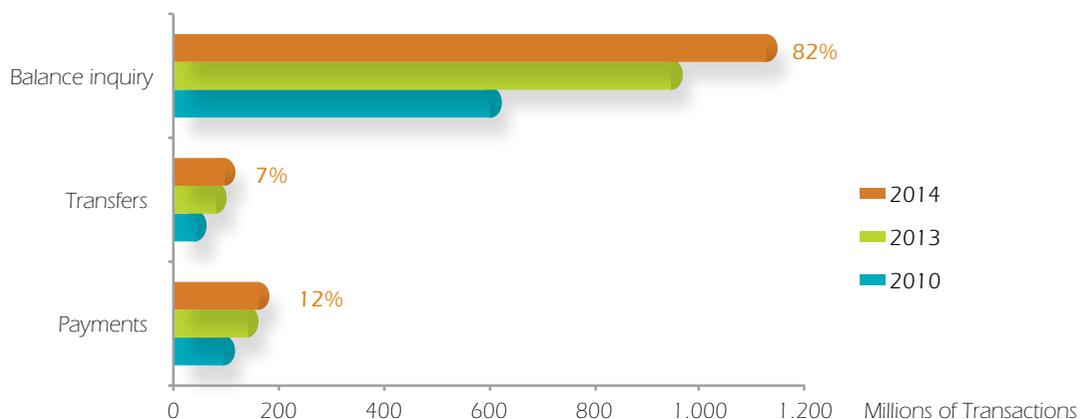
Regarding Internet, we observed an 87% growth for the period between 2010 to 2014, increasing from 736 to 1.377 million transactions. By type of transaction, it is found that transfers increased from 37 to 90 million, showing a growth of 145%. Payments increased from 96 to 162 million, showing a growth of 68% and balance inquiries from 602 to 1.125 million, showing a growth of 86%.

Similarly, it was observed that the amounts of the performed transactions grew considerably during the last five years from COP1.237 to COP1.875 billion, with a growth of 52%. By type of transaction, payments increased from COP241 to COP480 billion, with a growth of 99% and transfers from COP996 to COP1.395 billion, with a growth of 40%.

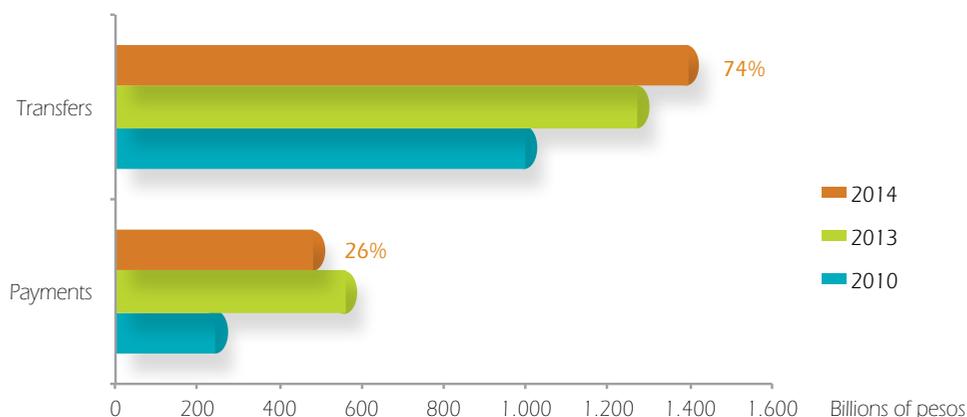
When comparing 2014 to 2013, transfers increased in number (18%) and in amount (10%); payments increased in number (15%) but decreased in amount (14%); balance inquiries increased in number (19%).

According to the first financial inclusion demand side survey, 80% of the population knows that Internet can be used to perform financial transactions. When analyzing the main reasons to use this channel, people are motivated by convenience (50%), time saving (44%), and the possibility of making transactions any time and at any place (31% and 23%, respectively); nevertheless, the determining barrier for other persons who do not perform transactions through this channel is that they still consider it insecure.

CHART 75: TYPE OF TRANSACTIONS PERFORMED THROUGH INTERNET
Number of transactions



Amount transferred



Source: Superintendencia Financiera de Colombia.

The use of cellphone to perform financial transactions represents the channel that reports the greatest growth in recent years. While in 2010, 14,8 million transactions were performed through this channel, 119 million transactions were performed in 2014, which accounts for 706% growth. By type of transaction, transfers grew 2.294%, payments 741%, and balance inquiry 689%.

In 2014, the most frequent transactions through cellphones were balance inquiries (83%), followed by payment of obligations (15%), and transfers (2%). Comparing 2014 to 2013, transactions increased in terms of payments (116%), transfers (66%) and inquiries (46%).

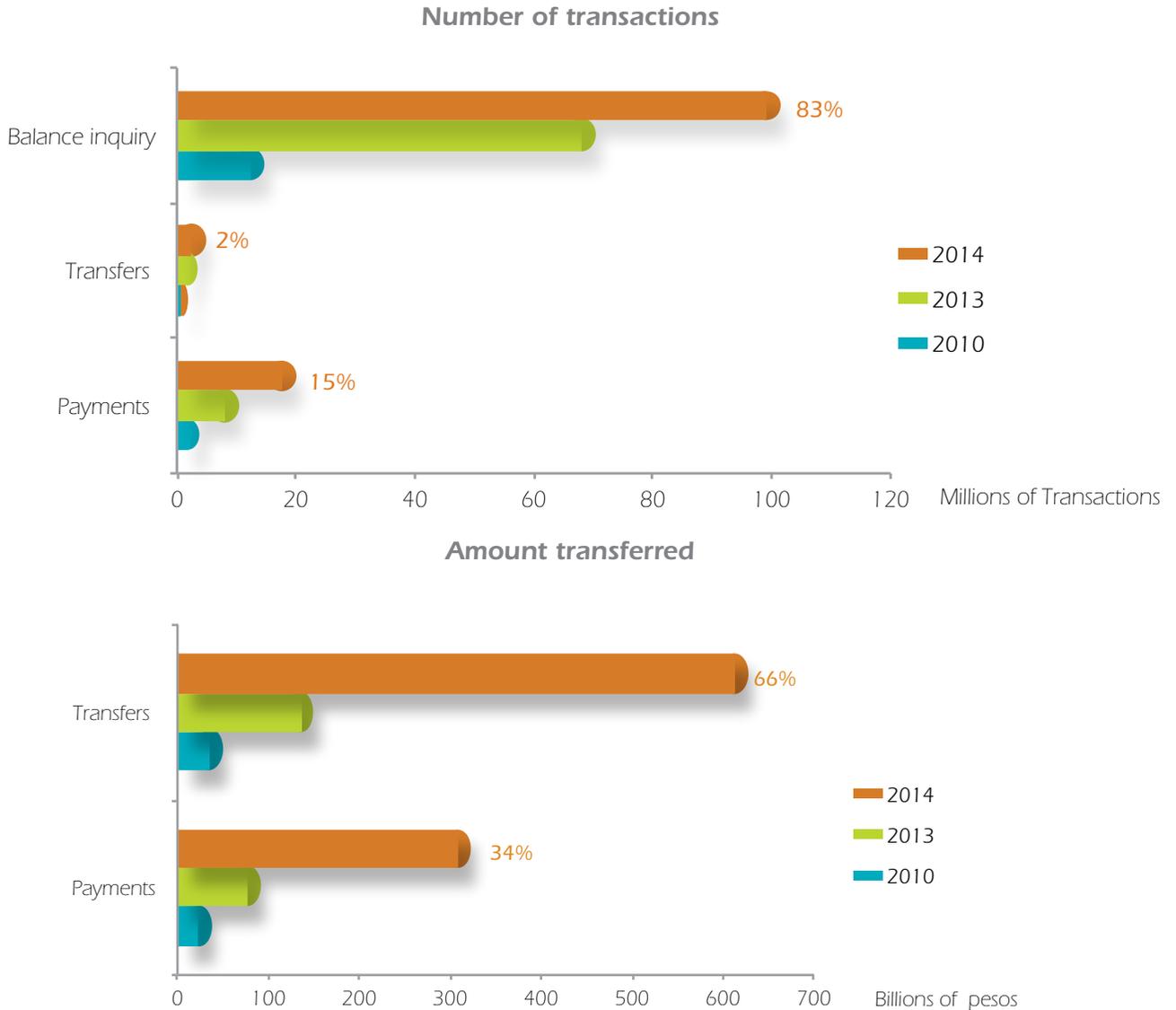
In terms of amount, COP56 thousand million were mobilized in 2010 and COP924 thousand million in 2014, which accounts for a growth of 1.556%. In terms of the type of transaction, payments increased 1.353% and transfers 1.682%.

In 2014, the transactions that mobilized the greatest amount of funds through this channel were transfers and payments, 66% and 34% of the total amount, respectively. Comparing this to 2013, payments increased 306% and transfers 350%.

According to the first financial inclusion demand side survey³⁵, 74% of the population knows that cellphones can be used to perform financial transactions. When analyzing the main motivations to use of this channel, people mentioned, convenience (62%), time saving (38%), and the possibility of performing transactions anytime and anywhere (29% and 21%, respectively); nevertheless, the determining barrier for other persons who do not perform transactions through this channel is that they still consider it insecure.

³⁵ The recent Financial Inclusion Demand side survey carried out by Banca de las Oportunidades and the Superintendencia Financiera de Colombia in 2015 analyses the attitude toward the use of technology in order to perform financial transactions.

CHART 76: TYPE OF TRANSACTIONS PERFORMED THROUGH CELLPHONES



Source: Superintendencia Financiera de Colombia

By the end of 2014, this channel had a total of 55.330.727 subscribers, with an increase of 10% compared to the previous year. Between December 2010 and 2014, there has been a growth, particularly in terms of subscriptions, from 97,7% in 2010 to 116,1% in 2014, which accounts for 24% growth. By 2014, the number of subscribers versus the adult population indicates that there are 1,2 cellphone subscribers for each Colombian ³⁶.

³⁶ Source: ITC Quarterly Bulletin, 2014 Fourth Quarterly Bulletin, Ministry of Information and Communication Technology, http://colombiatic.mintic.gov.co/602/articulos-8598_archivo_pdf.pdf.

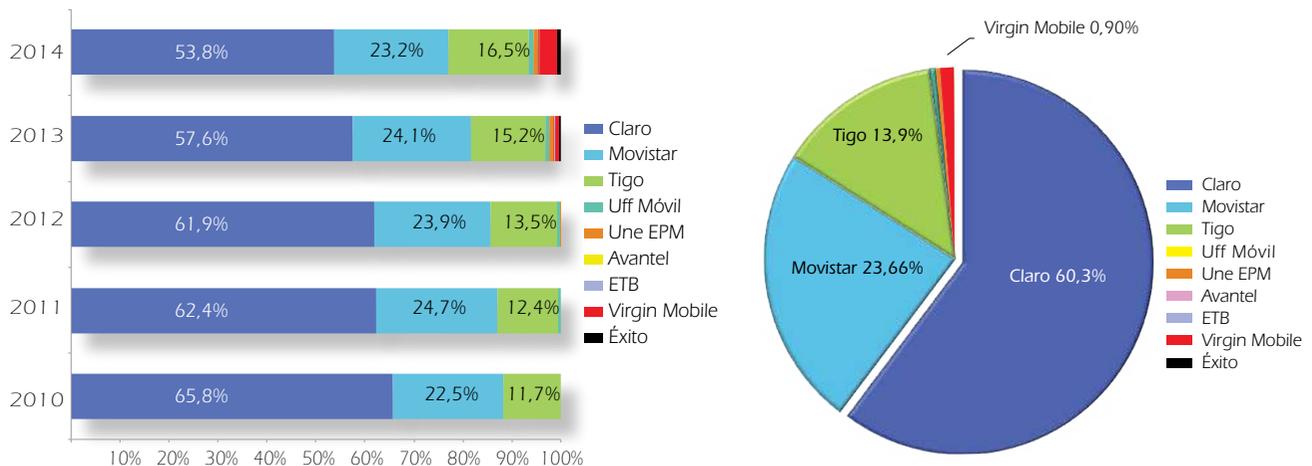
CHART 77: NUMBER OF CELLPHONE SUBSCRIBERS AND SERVICE PENETRATION



Source: Ministry of Information and Communication Technology (ICT-4T Quarterly Bulletin 2014)

Cellphone service is concentrated in three big providers; these are Claro, Movistar, and Tigo with total subscriber coverage of 60%, 24%, and 14%, respectively.

CHART 78: SUBSCRIBER SHARE PERCENTAGE BY CELLPHONE SERVICE PROVIDER



Source: Ministry of Information and Communication Technology (ICT-4T Quarterly Bulletin)

CONCLUSIONS

Based on the analysis of transaction data, it was found that the key points that are essential to achieve better results in financial inclusion correspond specifically to a growth in each of these channels:

- Branches are still the channel that mobilizes the largest volume of transactions by amount, COP3.338 billion with a share of 52%; nevertheless it comes in second place in number of transactions, 701 million with a share of 19%.
- On the contrary, Internet comes in second place in amount transferred COP1.875 billion with a share of 30%; but it is the first channel in number of transactions, 1.377 million transactions accounting for a share of 37%.
- In terms of annual growth, at the end 2014, cellphones reported the largest increase in the number of transactions (54%) and in the amount transferred (335%), followed by bank agents, which showed an increase in the number of transactions of 31% and in the amount transferred of 37%.
- Cellphones display the greatest growth in number of transactions in recent years: while 15 million transactions were performed through this channel in 2010, in 2014 the number increased to 119 million, which accounts for a growth of 706%; in terms of amount, this channel transferred COP56 thousand million in 2010, and in 2014 the amount reached COP924 thousand million, equivalent to an increase of 1.556%.
- According to population size, in 2014 Bank Agents showed that 69% of the transactions are performed in municipalities with over 100.000 residents, with growth of 32% compared to 2013; additionally they mobilized over half of the funds. By rurality level, most of the transactions are performed in cities and metropolitan areas with 73% of total.

The growth reported by Internet and cellphones channels compared to the other transactional channels such as branches, bank agents, points of sale, automatic teller machines, and others should be highlighted.

According to the results from the first financial inclusion demand side survey carried out by Banca de las Oportunidades and the Superintendencia Financiera de Colombia, when analyzing the main reasons to prefer the use of these channels, people choose them for convenience, time saving, and the possibility of performing transactions anytime and anywhere; nevertheless, the determining barrier for other people who do not use these channels to perform financial transactions is that they still consider them insecure.

Although Colombia stands out as a country in terms of Internet coverage, it is expected that in 2015, it will be the first country in Latin America with high speed Internet coverage in all municipalities³⁷.

³⁷ Ministry of Information and Communication Technology, article <http://www.mintic.gov.co/portal/604/w3-article-3839.html>







SAVINGS FINANCIAL PRODUCTS

DORMANT AND TRANSACTIONAL SAVINGS PRODUCTS

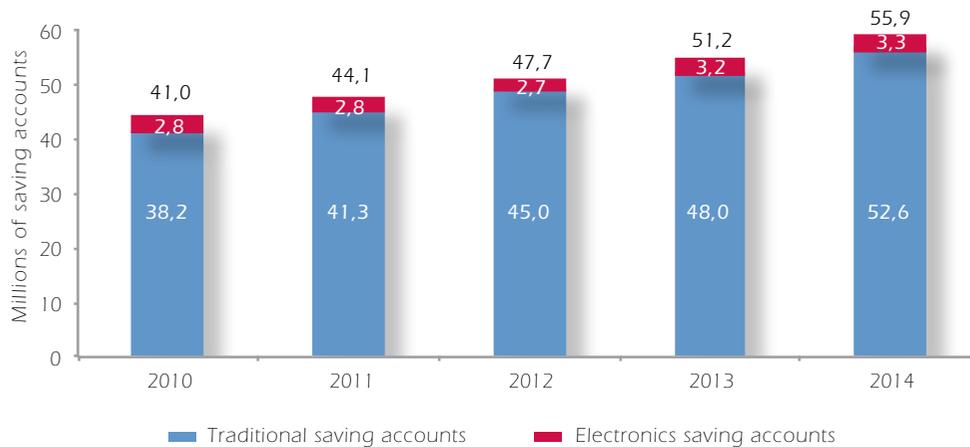
Savings products have traditionally been used as financial inclusion instruments; taking into account that saving allows people to accumulate funds in order to carry out different activities and to fulfill their objectives. As we have insisted in prior Financial Inclusion Reports, the design and supply of financial products should not only consider people's needs³⁸ but also promote their permanent use, in such a way that persons affiliated to the financial system can experience the benefits they can obtain when they are part of it.

By December 2014, the number of savings accounts³⁹ increased to 55,8 million with an annual growth of 9,1%; this growth is basically explained by the evolution of traditional accounts (9,4%). This means that, last year, there were 4,6 million new accounts, 97% of which were traditional savings accounts. In the last 4 years, an average of 3,7 million new accounts was opened.

³⁸ The results from the first financial inclusion demand side survey carried out by Superintendencia Financiera de Colombia and Banca de las Oportunidades (2015) show that notwithstanding the shortage of resources available for saving, people express interest on saving.

³⁹ Includes traditional savings accounts offered by credit institutions supervised by the Superintendencia Financiera de Colombia and cooperatives supervised by the Superintendencia de Economía Solidaria and electronic savings accounts offered by credit institutions.

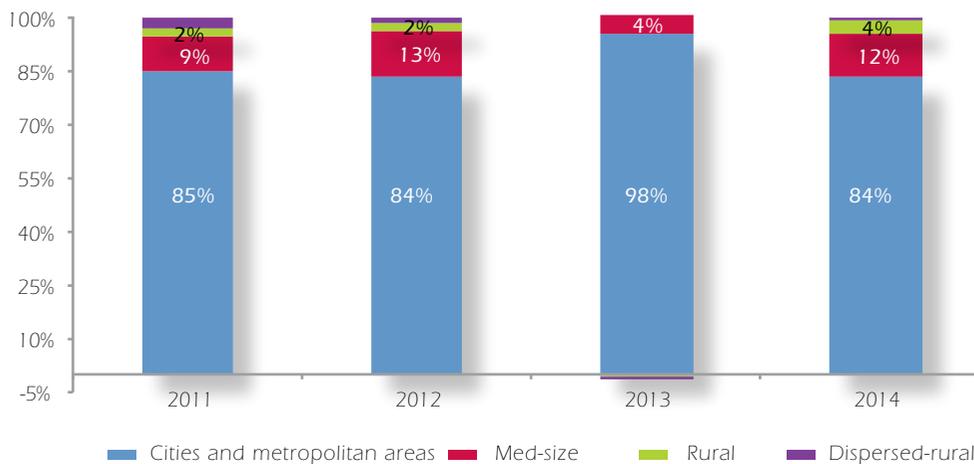
CHART 79: SAVINGS ACCOUNTS EVOLUTION BY TYPE OF PRODUCT



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES⁴⁰.

When analyzing savings accounts evolution by rurality level, it is found that, even though cities and metropolitan areas account for 84% of their total growth, their share has been decreasing, and mid-size municipalities and the rural sector are the ones that increased their share during last year, reaching levels similar to those observed in 2012.

CHART 80: EVOLUTION OF ACCOUNTS BY TYPE OF MUNICIPALITY AS % OF TOTAL



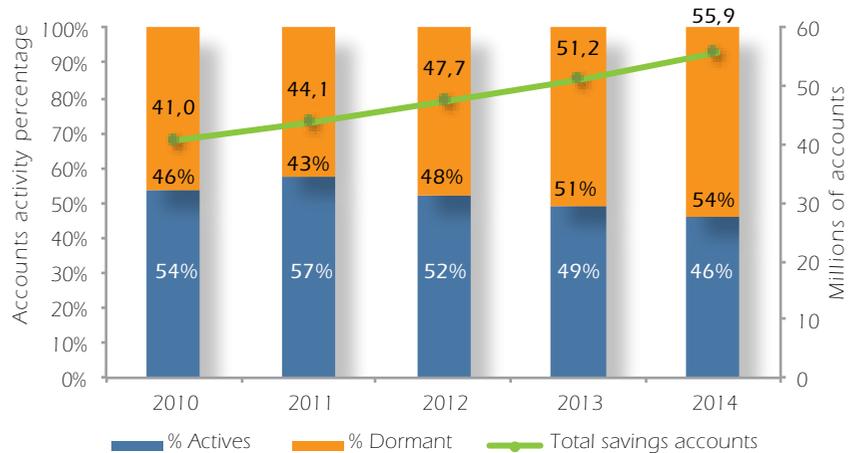
Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

Notwithstanding the above, performance related to savings accounts activity showed that 46% reported at least one transaction in the last six months (which means they remained active) by the end of 2014. This percentage decreased by 3pp compared to the data reported in 2013 and by 9pp compared to 2010, which challenges the 2015 financial entities to promote the effective use of accounts. According to the results from the first financial inclusion demand side survey, 72% of the micro-entrepreneurs and 57% of the individuals that participated in the survey use cash exclusively. When analyzing the accounts' use pattern, it was found that only 32% of the micro-entrepreneurs and 17% of the individuals use their accounts more than three times per month. Additionally, it was found that factors such as lack of financial education and product cost represent barriers for the use of financial products.

⁴⁰ CAES = electronic savings account (in Spanish)

As a consequence, while the total number of savings accounts increased by 4,6 million in 2014, the number of active accounts increased only by 506,2 thousand. As was the case in previous years, growth of dormant accounts has exceeded growth of active accounts, which again reflects the importance of promoting their use through adequate financial education mechanisms as well as by offering innovative products at low cost that are suitable for the population.

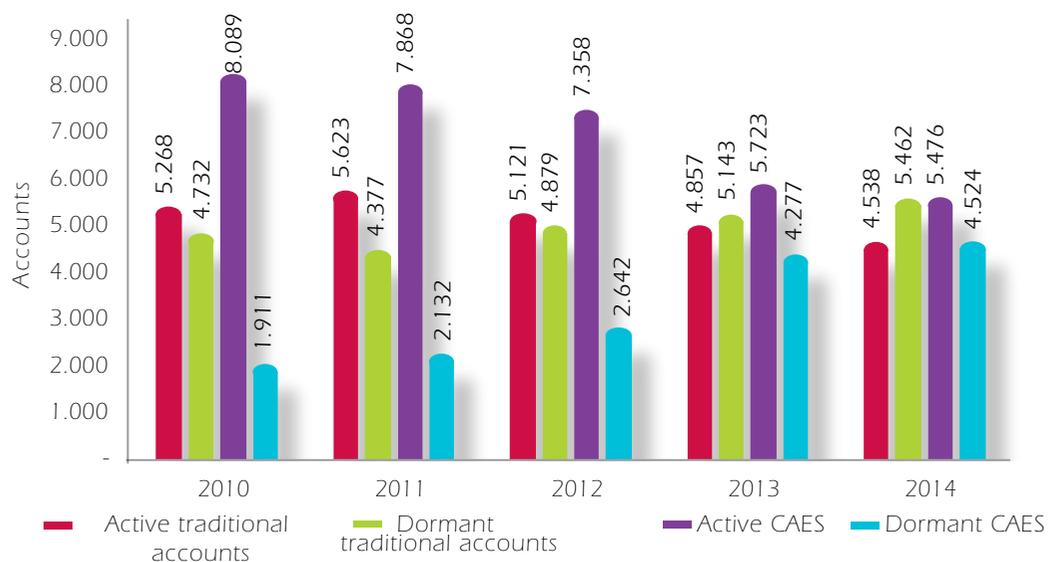
CHART 81: NUMBER OF SAVINGS ACCOUNTS AND ACTIVITY



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

By type of product, it was found that, for every 10.000 traditional savings accounts, there are 5.462 dormant accounts, 319 more than in 2013. In terms of electronic savings accounts, of 10.000 electronic savings accounts, 4.524 were dormant by the end of 2014, 247 more than the year before. This could be associated with programs such as Más Familias en Acción: More Families in Action, where an individual can stop receiving subsidies if he/she does not fulfill the criteria defined to obtain them.

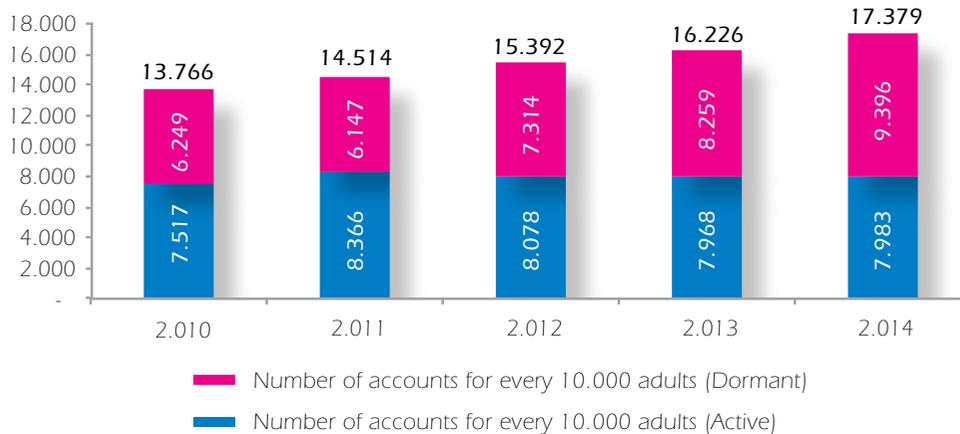
CHART 82: ACTIVITY BY EVERY 10.000 SAVINGS ACCOUNTS



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

In terms of the number of accounts for every 10.000 adults, the trend has been upward, reaching 17.379 accounts by the end of 2014; this means that, on average, there are 1,7 savings accounts for each adult. Nevertheless, counting only those accounts that were active in the financial system, the indicator decreases by 54% to 7.983, remaining at a similar level to the previous year's.

CHART 83: TOTAL AND ACTIVE SAVINGS ACCOUNTS BY EVERY 10.000 ADULTS



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

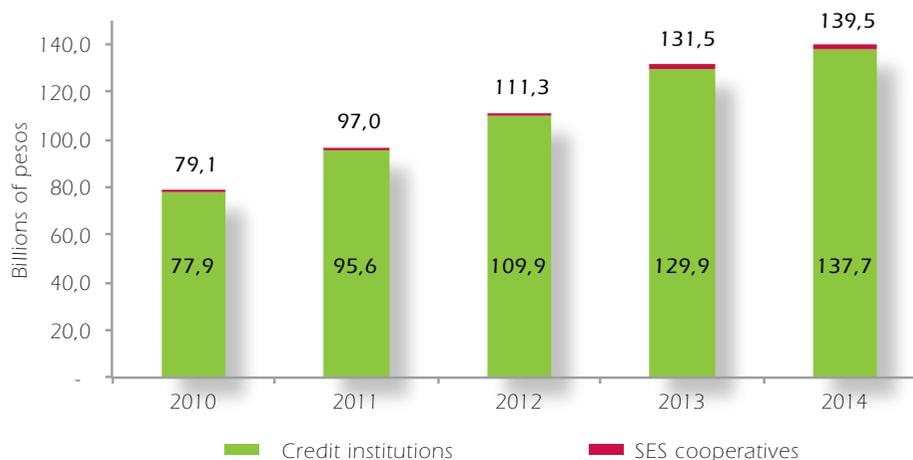
On analyzing adults' account activity, it was found that 14,1 million had an active savings account, which means that almost 8 million persons (36% of the adults) that opened a savings account at some point have not used it in the last six months.

Consequently, the challenge is to have financial inclusion reach beyond the access point. It is necessary to promote long term relationships; which requires the implementation of mechanisms and incentives that are necessary for people not only to access but also to use savings products.

The savings accounts balance⁴¹, at year-end 2014, increased to COP139,5 billion, which accounts for a 2,3% real increase during the last year. Of that total balance, 98,7% (COP137,7 billion) was deposited in credit institutions supervised by Superintendencia Financiera de Colombia. Banks were the most important intermediaries for obtaining funds through savings accounts with a share of 98%, followed by cooperatives supervised by Superintendencia de Economía Solidaria, which accounted for 1,3%.

⁴¹ Includes banks, financial corporations, financing companies, and financial cooperatives supervised by Superintendencia Financiera de Colombia and cooperatives supervised by Superintendencia de Economía Solidaria

CHART 84: EVOLUTION OF ACCOUNTS BALANCE



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

The increase reported for the accounts balance in banks was almost COP7,8 billion, which represents a real growth of 2,3% for the last year. It should be pointed out that the balance observed in the CAEs displayed a real growth of 60,4% (increasing to COP135,9 thousand million), which shows the importance of this savings product for financial inclusion.

TABLE 13: EVOLUTION OF SAVINGS ACCOUNTS BALANCE BY ENTITY (COP MILLIONS)

Entity	2010	2011	2012	2013	2014	Share 2014
Banks	77.147.621	95.018.472	108.948.058	128.940.674	136.757.665	98,0%
Financial corporations	75.553	97.820	373.597	394.197	214.356	0,2%
Financing companies	71.124	105.918	125.320	160.802	268.998	0,2%
SFC - Financial cooperatives	604.138	382.437	432.835	447.105	416.101	0,3%
SES - Cooperatives	1.183.416	1.391.837	1.438.474	1.596.772	1.834.147	1,3%
Total saving accounts balance	79.081.853	96.996.484	111.318.284	131.539.550	139.491.267	

Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

The number of savings accounts in banks increased by 4,3 million, the greatest change in the last 4 years. Nevertheless, the greatest growth was reported by the financial companies as they reported a change of 35,8%, maintaining the trend of the previous years.

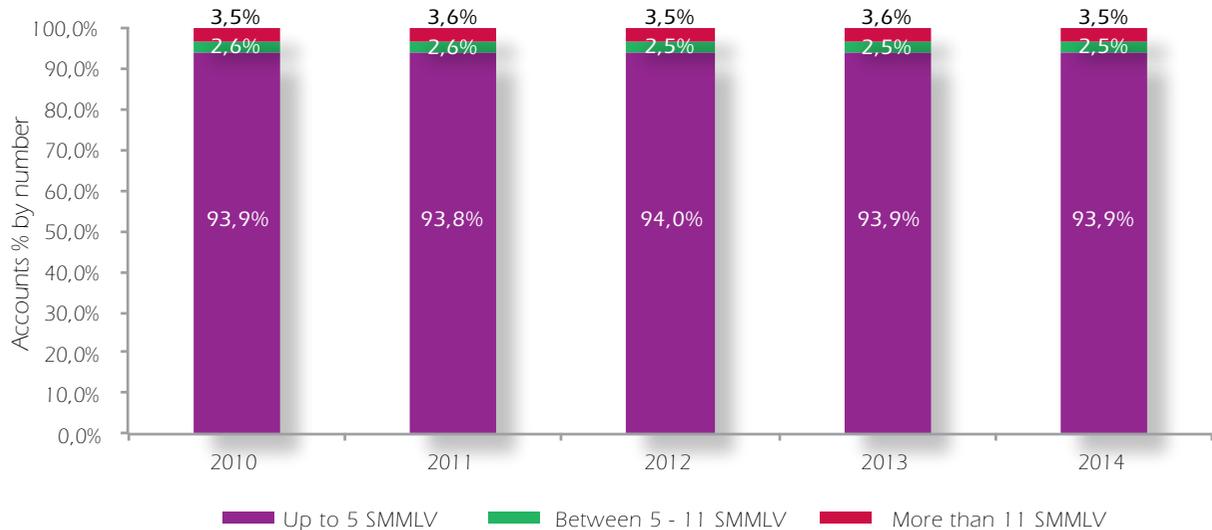
TABLE 14: EVOLUTION IN THE NUMBER OF SAVINGS ACCOUNTS BY TYPE OF ENTITY

Entity	2010	2011	2012	2013	2014	Share 2014
Banks	38.610.123	41.528.445	44.796.786	48.051.382	52.338.535	93,7%
Financial corporations	105	148	174	347	405	0,0%
Financing companies	199.335	263.519	379.353	515.654	700.054	1,3%
SFC - Financial cooperatives	792.432	688.423	713.482	703.698	711.074	1,3%
SES - Cooperatives	1.433.698	1.636.909	1.803.032	1.951.527	2.110.773	3,8%
Total savings accounts	41.035.693	44.117.444	47.692.827	51.222.608	55.860.841	

Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

When analyzing the savings accounts' segmentation⁴² in terms of the balance at the end of each period, it was found that 47,4 million accounts (93,9%) were classified in the up to 5 monthly minimum wage (SMLMV, in Spanish) range. This is equivalent of saying that, for every 10.000 adults, there were 14.746 accounts with balances up to 5 SMLMV. Those accounts concentrated almost 4,8% of the total funds obtained through this products.

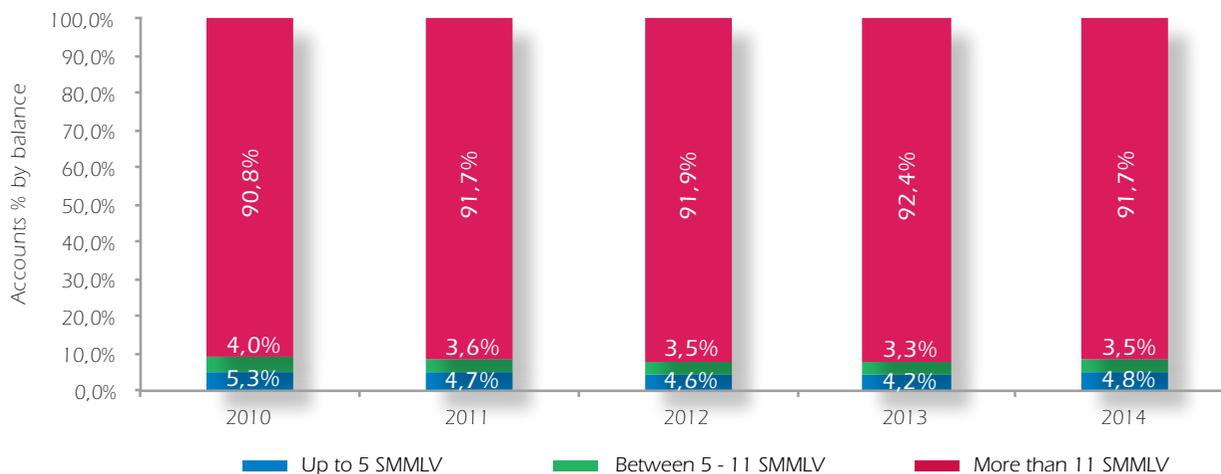
CHART 85: DISTRIBUTION IN THE NUMBER OF ACCOUNTS BY BALANCE



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades. Not including CAE or Superintendencia de Economía Solidaria

The accounts that had a balance over 10 SMMLV reported a share of 3,5% of the total savings accounts; this share has been stable for the last 5 years. Despite their small share, it is observed that, of the total funds reported for savings deposits, 91,7% were deposited in these accounts, maintaining the trend of the previous years.

CHART 86: DISTRIBUTION OF ACCOUNTS' BALANCE BY RANGE



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades. Not including CAE or Superintendencia de Economía Solidaria

⁴² Includes only data from entities supervised by Superintendencia Financiera de Colombia.

When reviewing the savings accounts' average balance, it was found that the average balance increased to COP138.158 in those with balances up to 5 SMMLV; this amount increased by COP10.694 last year.

TABLE 15: SAVINGS ACCOUNTS' AVERAGE BALANCE

Range	Number	Average balance
Up to 5 SMMLV	47.399.054	138.158
Between 5 - 11 SMMLV	1.270.436	3.815.315
More than 11 SMMLV	1.784.150	70.692.230
Total	50.453.640	2.725.694

Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades. Not including CAE or Superintendencia de Economía Solidaria

By type of entity, the financing companies' average balance was COP384.253, while the average balance of the cooperatives supervised by Superintendencia Financiera de Colombia was COP585.173; in banks it was COP2,6 million.

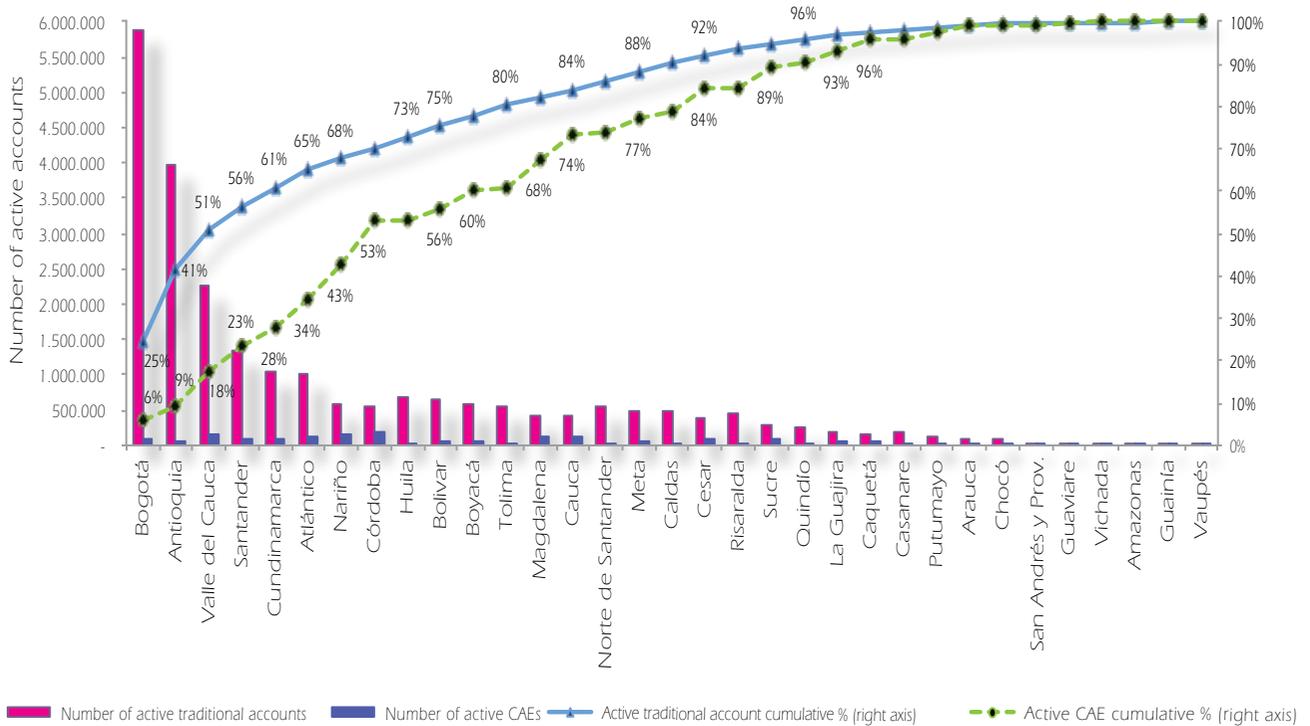
TABLE 16: SAVINGS ACCOUNTS' AVERAGE BALANCE BY TYPE OF ENTITY

Entity	Average balance				
	2010	2011	2012	2013	2014
Financing companies	\$ 356.808	\$ 401.936	\$ 330.351	\$ 311.841	\$ 384.253
SES - Cooperative	\$ 825.429	\$ 850.284	\$ 797.808	\$ 818.217	\$ 868.946
SFC - Financial cooperative	\$ 762.385	\$ 555.526	\$ 606.652	\$ 635.365	\$ 585.173
Banks	\$ 1.998.119	\$ 2.288.033	\$ 2.432.051	\$ 2.683.392	\$ 2.612.944
Financial corporations	\$ 719.555.790	\$ 660.945.473	\$ 2.147.107.718	\$ 1.136.014.983	\$ 529.273.630
Total	\$ 1.927.148	\$ 2.198.597	\$ 2.334.068	\$ 2.567.998	\$ 2.497.121

Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

The geographic distribution of active savings accounts displayed substantial variations depending on the type of product and reflecting the influence of programs such as Más Familias en Acción. In the case of traditional savings accounts, from a total of 51% of the active accounts, (48%) were concentrated in Bogotá, Antioquia, and Valle del Cauca, which is equivalent to 12,1 million accounts. Nevertheless, when analyzing the CAEs, it was found that 52% of the active accounts, 941,9 thousand, were concentrated in Córdoba, Nariño, Valle del Cauca, Magdalena, Atlántico, Cauca, and Santander.

CHART 87: ACTIVE ACCOUNTS BY DEPARTMENT (DECEMBER-2014)



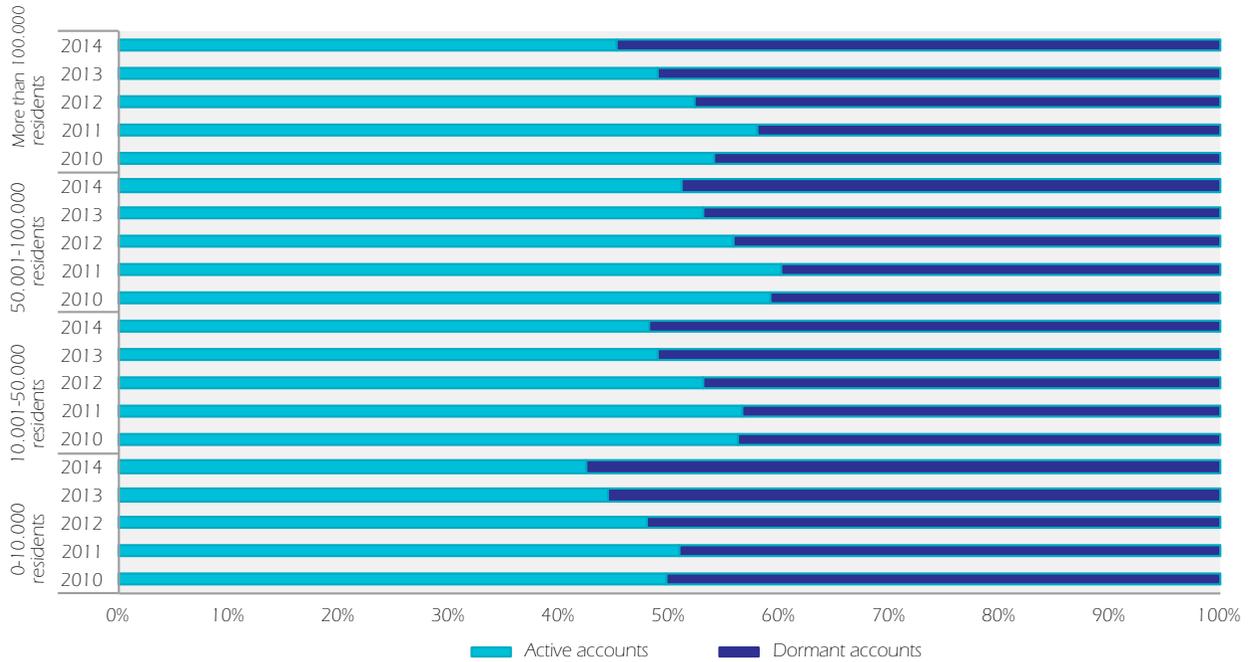
Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria.

When carrying out the analysis in terms of population density, significant improvement was found, even though there is still a substantial difference in terms of use between residents of big size municipalities and those in smaller ones. As a result, in the case of municipalities with up to 10.000 residents, the number of active accounts for every 10.000 adults was 3.379 while, in the municipalities with over 100.001 residents, the same indicator was 9.680.

The inactivity of savings accounts by type of municipality during the previous year did not vary significantly; approximately 46% of them remained active in all municipalities. Nevertheless, in the municipalities with less than 10.000 residents, the inactivity of the accounts increased to 57% equivalent to an increase of 1pp compared to 2013.

However, it should be pointed out that, in all cases, the percentage of dormant accounts has increased; this fact has been influenced mainly by the trend set by big municipalities that concentrate 77% of the savings accounts in the country.

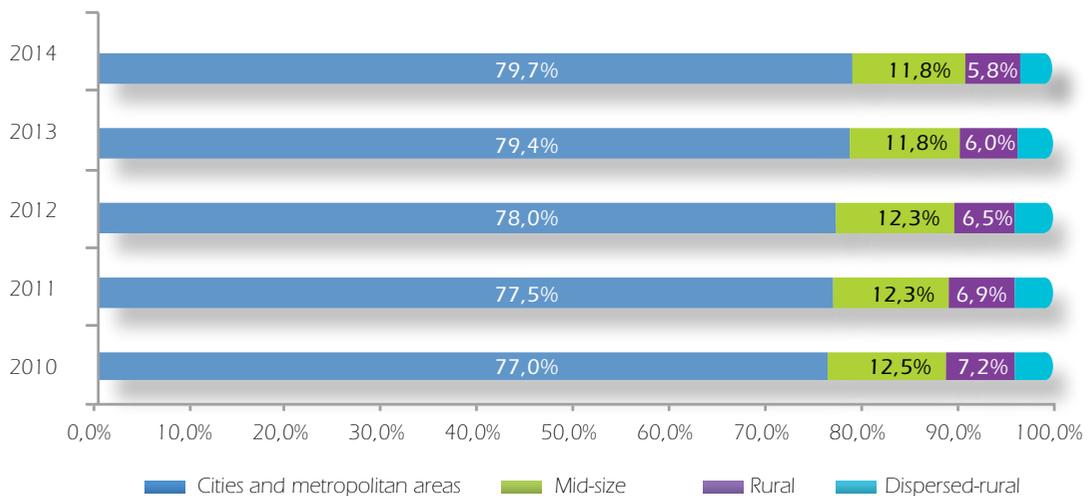
CHART 88: PERCENTAGE OF ACTIVE AND DORMANT SAVINGS ACCOUNTS ACCORDING TO MUNICIPALITY SIZE BY EVERY 10.000 ADULTS



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

When studying the distribution of accounts by municipality type, it was found that 91% was concentrated in cities and metropolitan areas and mid-size municipalities; this percentage increased by 2pp in the last 5 years and is consistent with the population's geographic distribution.

CHART 89: PERCENTAGE OF SAVINGS ACCOUNTS BY RURALITY LEVEL



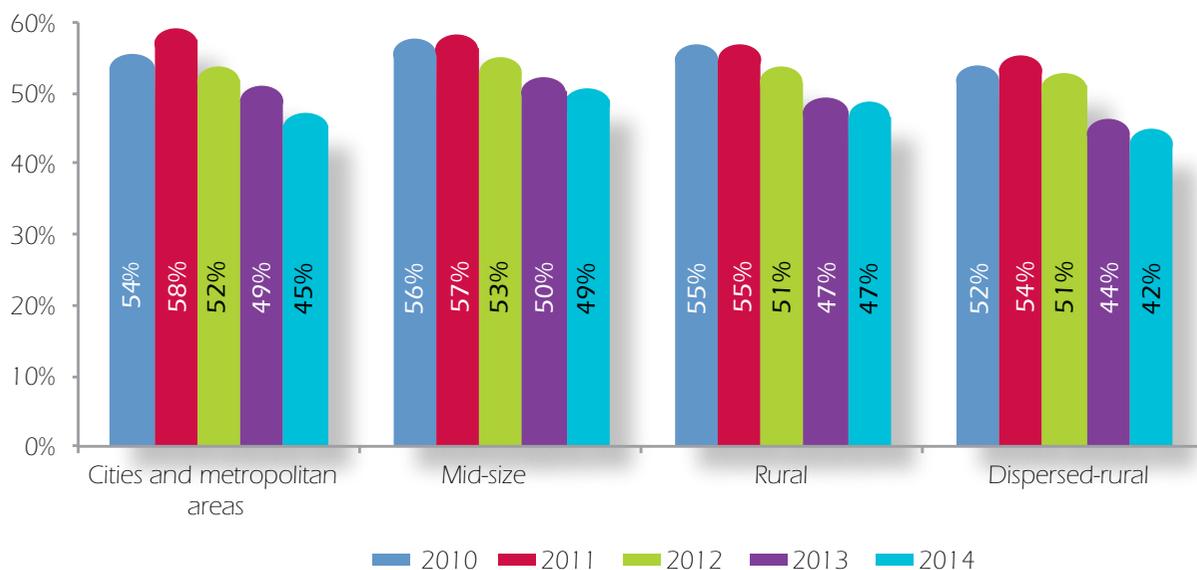
Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

In terms of the concentration of accounts by areas, it was observed that there are 20.758 savings accounts for every 10.000 adults in cities and metropolitan areas and 9.556 in municipalities classified as rural⁴³. Compared to 2013, an increase of 7% and 4% in these values, respectively, was reported.

In terms of the use of accounts by areas, a downward trend in all cases was reported; it is more noticeable in dispersed-rural areas and cities and metropolitan areas where, in the last 5 years, the percentage of active accounts decreased by 11pp and 9pp respectively. As we indicated at the beginning of the chapter, active accounts are not above 50% in any of the areas.

A similar situation was observed in the results from the first financial inclusion demand side survey (2015), where 17% of the surveyed persons expressed that they do not use their products during a regular month (this percentage decreases to 12% in the case of micro-entrepreneurs)⁴⁴. As mentioned before, this is related to the widespread use of cash because it is a cultural tradition and a way to avoid financial costs.

CHART 90: PERCENTAGE OF ACTIVE SAVINGS ACCOUNTS BY POPULATION SIZE



Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades, and Superintendencia de Economía Solidaria. Includes CAES

⁴³ It does not include dispersed-rural classification whose indicator for every 10.000 adults was 6.991.

⁴⁴ The outcomes from the first demand survey can be consulted at the following link: <https://www.superfinanciera.gov.co/descargas?com=institucional&name=pub-File1013373&downloadname=20150602prestdemandainclusionfinanciera.pdf>

CONCLUSIONS

By the end of 2014, almost 54% of 55,9 million savings accounts were dormant. Last year dormant accounts increased by 4,1 million. Given the activity reported in savings accounts, the need for financial entities to design innovative savings products according to the needs of the population acquires particular relevance; the objective is to generate adequate incentives for the financial consumers to optimize their use and benefit from them.

The use of savings accounts presented substantial difference in terms of the rurality level. In the rural and dispersed-rural areas, there is low use of accounts with an indicator below 5.000 for every 10.000 adults, while in cities and metropolitan areas the same indicator is 9.444.

By municipality size, we observed a differential use pattern. In the case of big and mid-size municipalities, the number of active savings accounts by every 10.000 adults increased to 9.680 and 7.032, while in towns with small numbers of residents the indicator was 3.379.

The largest proportion of savings accounts reported balances below 5 SMMLV. At year-end 2014, almost 94% of the savings accounts had balances below 5 SMMLV and concentrated 4,8% of the total funds. In this sense, it is clear that FOGAFIN's deposit insurance, which insures deposits up to COP20 million in each entity, covers the majority of savings accounts.





CREDIT FINANCIAL PRODUCTS

USE OF CREDIT FINANCIAL PRODUCTS

The creation of formal financing options motivates the implementation of productive projects, favors acquisition of goods and/or services, and promotes equity. On the one hand, obtaining credit funds to implement projects promotes the creation of businesses and, consequently, employment. On the other hand, credit allows households to acquire goods and services that improve their living standard and that; otherwise, they would not be able to obtain in the near future.

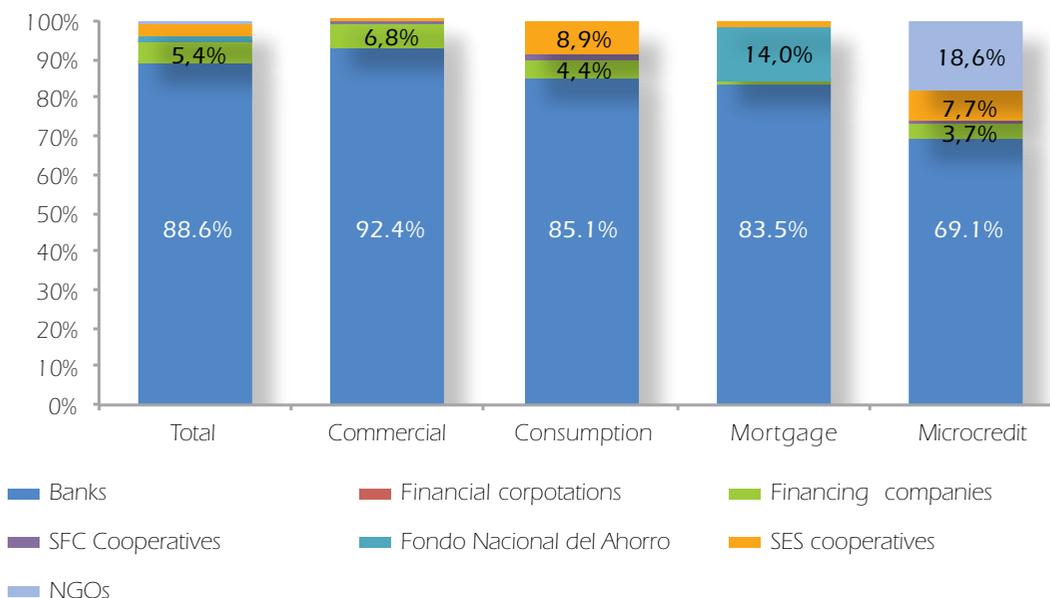
Thus credit is a pivotal point in policy development and is the second most important tool, after savings, used by Colombians to access the financial system for the first time. This chapter describes the evolution of the credit portfolio, including data from entities supervised by Superintendencia Financiera de Colombia (SFC), Superintendencia de la Economía Solidaria (SES), and microcredit Non-Governmental Organizations (NGOs).

NATIONAL ANALYSIS

In 2014, the credit portfolio⁴⁵ displayed growth at a slower pace compared to the previous year, but maintained an annual real variation over 9%. Most of the lines reported this trend except for the commercial portfolio, which reported a growth rate greater than the growth rate observed in 2013. At the end of 2014, the total portfolio balance was COP343 billion, greater by COP41 billion compared to 2013.

During the year, 58% of the portfolio's distribution was accounted for by the commercial portfolio, followed by the consumption (29%), mortgage (10%), and microcredit (4%) lines; these market shares have been relatively stable in recent years. If the portfolio is disaggregated by intermediary, bank entities accounted for 89% of the total credit balance in 2014, followed, but by a large difference, by financing companies (5,4%), cooperatives supervised by Superintendencia de Economía Solidaria (3,3%), Fondo Nacional del Ahorro (1,4%), microcredit NGOs (0,7%), and cooperatives supervised by Superintendencia Financiera de Colombia (0,6%). This is consistent with the entities' size; nevertheless, on analyzing by line and according to business model, it is observed that Fondo Nacional del Ahorro acquires relevance in the mortgage sector, NGOs in the microcredit segment, cooperatives supervised by Superintendencia de Economía Solidaria in the consumption portfolio, and bank institutions in the commercial portfolio.

CHART 91: SHARE IN TOTAL, PORTAFOLIO BALANCE BY INTERMEDIARY DECEMBER 2014

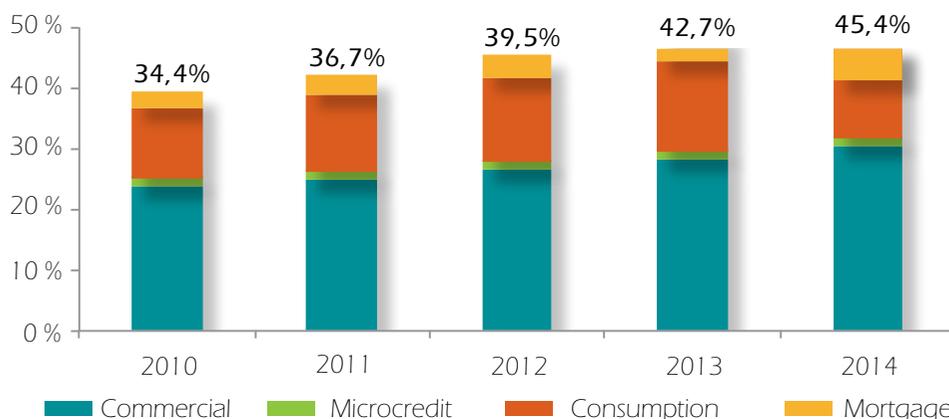


Source: Management indicators data, historical series by entity from the Superintendencia Financiera de Colombia, data from the Cooperatives supervised by Superintendencia de Economía Solidaria, and NGOs

Greater access to credit in the formal financial system was demonstrated by the financial penetration indicator, which relates the portfolio balance to the Gross Domestic Product (GDP). This indicator has increased continuously in recent years, reaching a 45,4% level in 2014.

⁴⁵ Include data from Banks, financial corporations, financing companies, cooperatives supervised by Superintendencia de Economía Solidaria (SES), microcredit NGOs, and Fondo Nacional del Ahorro / Does not include Securitizations.

CHART 92: . FINANCIAL PENETRATION INDICATOR
Ratio of portfolio to GDP



Source: DANE data, cooperatives supervised by Superintendencia Financiera de Colombia, and Banca de las Oportunidades data for cooperatives supervised by Superintendencia de Economía Solidaria and microcredit NGOs.

COMMERCIAL PORTFOLIO

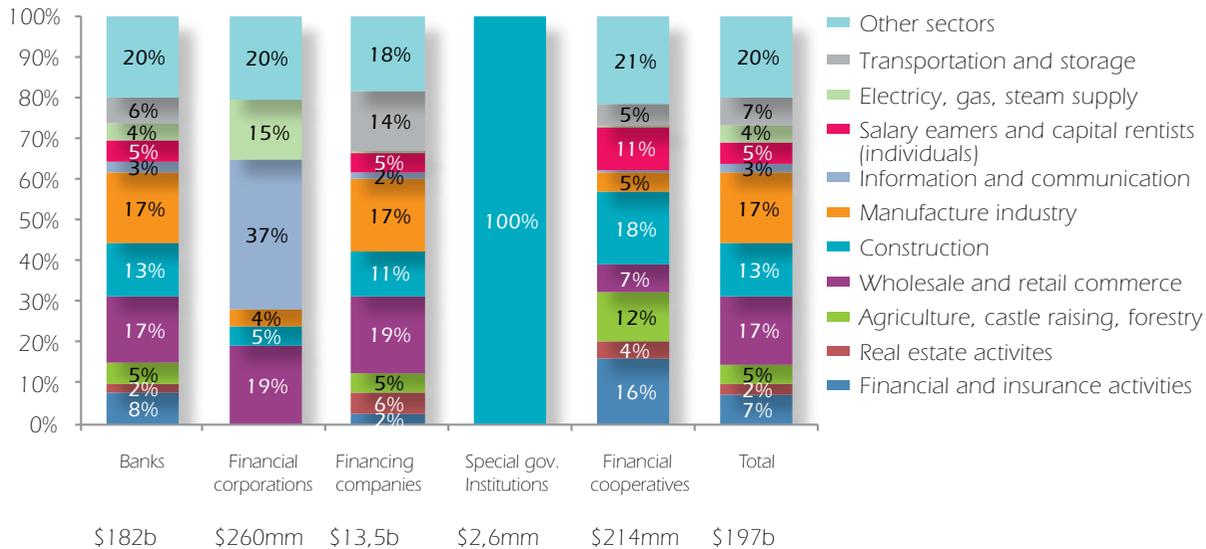
The balance of the commercial portfolio displayed an upward trend compared to 2013 data and reported a total amount of COP198 billion at year-end 2014, greater than the previous year by COP27 billion. Banks accounted for 97% of the growth reported during the year, followed by financing companies which contributed with 4% of the increase. In the case of the cooperatives supervised by Superintendencia Economía Solidaria and by Superintendencia Financiera de Colombia, they reported lower amounts in the commercial portfolio's balance compared to 2013.

Bank entities concentrated 92% of the commercial credit's total balance, which is explained by these entities' equity capacity, which allows them to make high amount disbursements for corporate borrowers. This share was followed by the financing companies with 6,84% and the cooperatives supervised by Superintendencia de Economía Solidaria with 0,50%.

By economic sector, it is observed that banks and financing companies report the largest proportion of their credit balance in the manufacturing, commerce, and construction industries. Financial corporations have almost 37% of their commercial portfolio in the information and communication sector, Fondo Nacional del Ahorro reports 100% of its balance in the construction sector in line with its business focus, while Superfinanciera cooperatives are focused mainly on the sector associated with financial and insurance activities, construction, and agriculture.

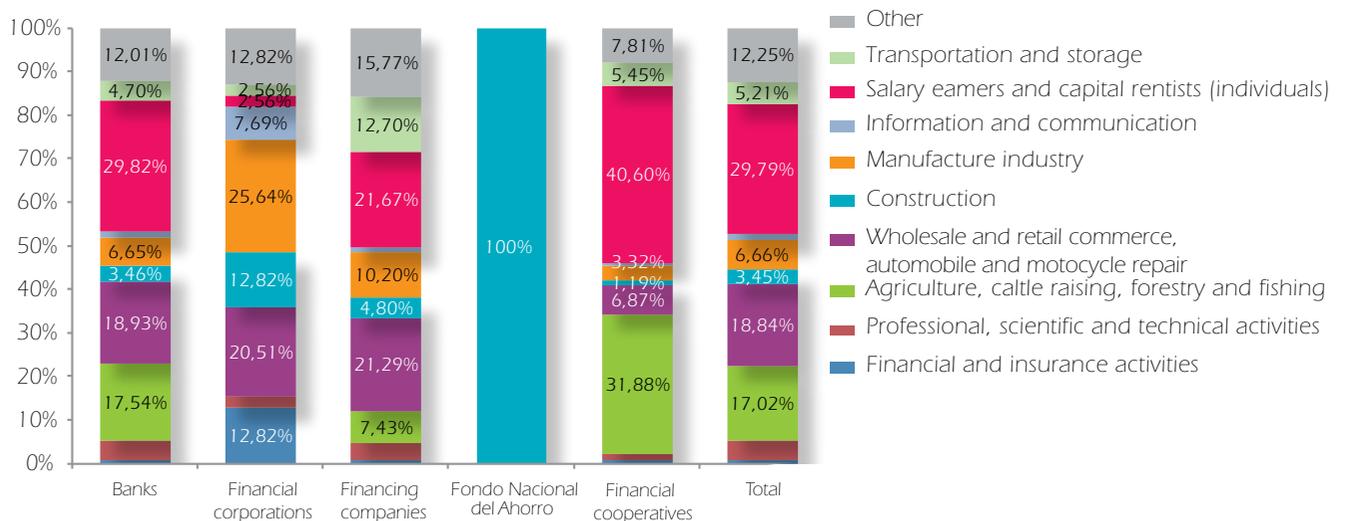
The above shares are significantly modified when the portfolio distribution by economic sector is viewed by number of debtors, rather than balance amounts. At year-end 2014, it was observed that, in the case of banks, financing companies, and financial cooperatives, the largest number of debtors in the commercial portfolio were salary earners and capital renters, the agricultural sector, and the commercial sector. These three groups in particular account for 66% of all the commercial portfolio debtors and 27% of the total balance, thus indicating that credit institutions provide a large number of small-amount commercial loans. In the case of financial corporations, it should be pointed out that the information and communication sector, which accounted for 37% of the total balance in the commercial line in December 2014, accounts for only 8% of all the debtors, which is explained by their greater indebtedness capacity.

CHART 93: DISTRIBUTION OF THE COMMERCIAL PORTFOLIO BY ECONOMIC SECTOR AND BY ENTITY TYPE
Distribution by balance



Source: Superintendencia Financiera de Colombia. The chart does not include Superintendencia de Economía Solidaria cooperatives or microcredit NGOs.

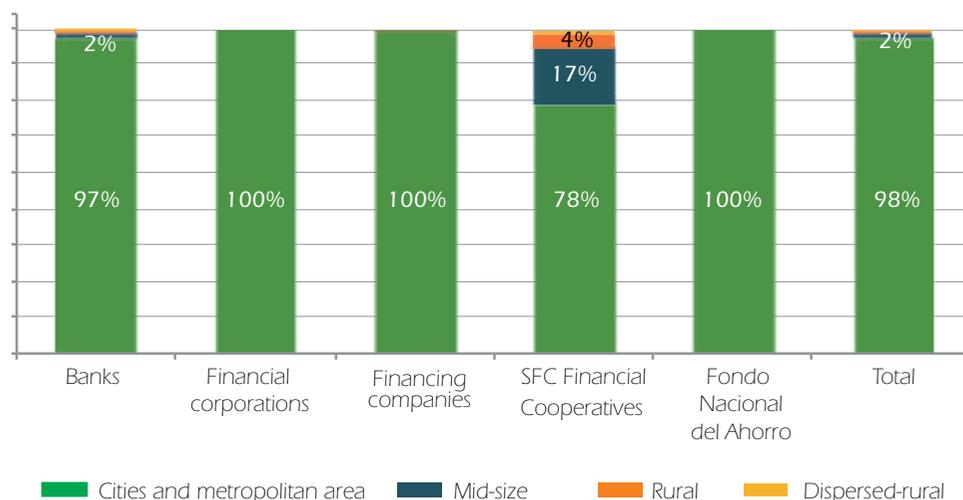
Distribution by debtors



Source: Superintendencia Financiera de Colombia. The chart does not include Superintendencia de Economía Solidaria cooperatives or microcredit NGOs.

Classification of the commercial portfolio can also be assessed by rurality level according to the place where it was originated. The commercial line is mostly provided in urban areas. In 2014, 98% of the total commercial portfolio balance was concentrated in cities and metropolitan areas, 1,7% in mid-size municipalities, 0,5% in rural areas, and the remaining 0,2% in the dispersed-rural areas. This feature is common in the different types of entities, except for financial cooperatives whose balance is less concentrated geographically since they report 78% of their balance in cities and metropolitan areas, 17% in mid-size municipalities, and 4% in rural areas.

CHART 94: DISTRIBUTION OF COMMERCIAL PORTFOLIO BY RURALITY LEVEL AND BY ENTITY TYPE



Source: Net portfolio data by entity, department, and municipality from Superintendencia Financiera de Colombia, does not include Superintendencia de Economía Solidaria cooperatives and microcredit NGOs.

DISBURSEMENTS AND INTEREST RATES⁴⁶

In terms of disbursements in the commercial segment, the amounts disbursed during 2014 (COP172,2 billion) exceeded those reported in 2013 (COP159,9 billion). It should be mentioned here that the commercial portfolio can be segmented in 5 different products: ordinary credit, preferential credit, treasury credit⁴⁷, overdrafts, and business credit cards. Usually, the greatest amounts disbursed are reported in the preferential, ordinary, and overdrafts segments; the last one is an option used to cover short-term illiquidity situations and is associated with a higher interest rate. In this manner, while the interest rates for preferential and ordinary credit were at an average of 7,27% and 10,69% respectively in 2014, for overdrafts this rate was 23,52%, reporting levels similar to those observed in 2013.

Of all the disbursements for commercial credit in 2014, 33,66% were for preferential credits, 30% for bank overdrafts, 29,58% for ordinary credits, 5,84% for treasury credits, and 0,92% for business credit cards. In 2014, the amounts disbursed exceeded by 7,7% those reported in 2013, equivalent to a total of 2,66 million transactions.

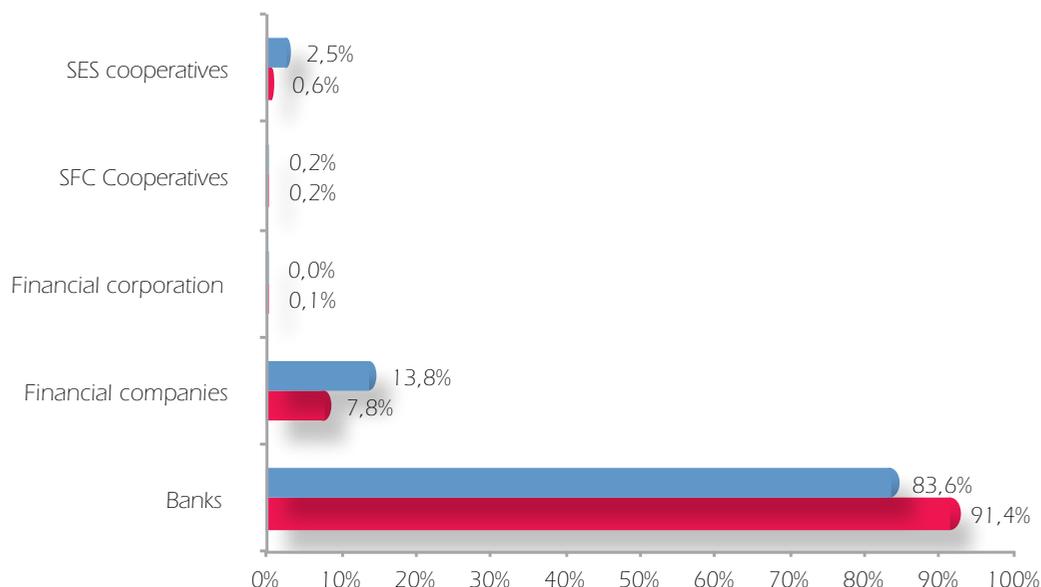
Supply in this segment came mainly from banks and financing companies. Specifically, of the total number of disbursements in 2014 (2,66 million), the former provided 83,6%, while the financing companies reported a share of 13,8%. This relative importance also holds when considering the share by intermediary in the total amounts, where banks accounted for 91,4% of the total value disbursed in 2014.

⁴⁶ The disaggregation of the disbursements and the interest rates per product and segment in each line are analyzed based on the data sent to Superintendencia Financiera de Colombia; for this reason, it does not include data from SES cooperatives and microcredit NGOs. The disbursement figures do not include Fondo Nacional del Ahorro.

⁴⁷ Through treasury credits, intermediaries satisfy short term financing needs for their customers.

CHART 95: SHARE IN THE NUMBER OF CREDITS AND AMOUNTS DISBURSED IN THE COMMERCIAL SEGMENT BY INTERMEDIARY

DECEMBER 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria, and Banca de las Oportunidades for NGOs

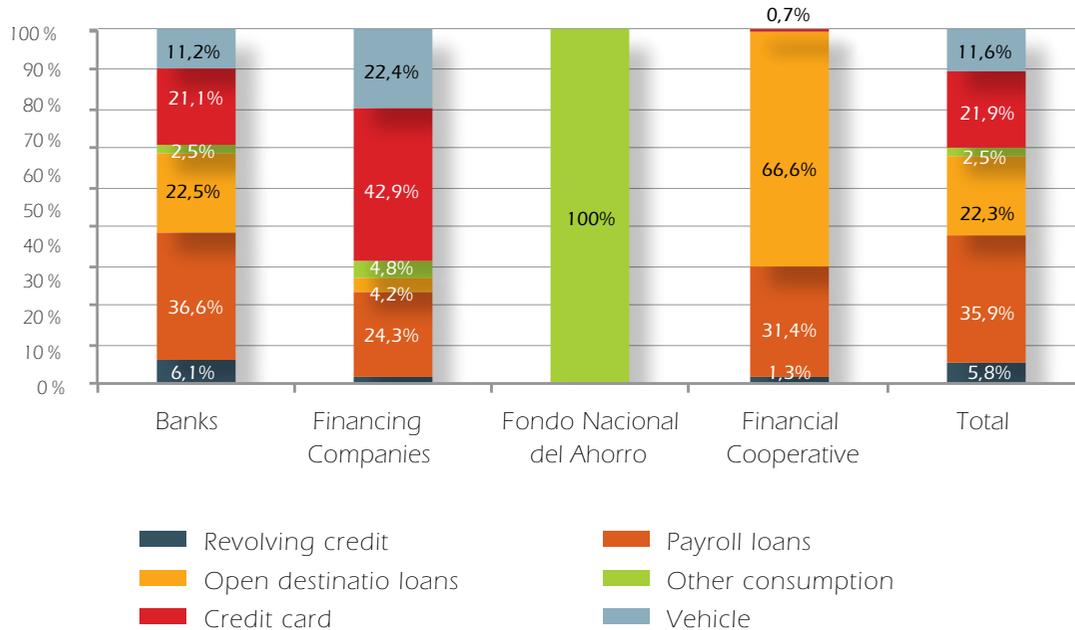
CONSUMPTION PORTFOLIO

The pace of growth of the consumption portfolio slowed down compared to the pace observed between 2010 and 2013, decreasing from 14% real growth at year-end 2010 to 6% real growth at the end of 2014, with a balance of COP98,14 billion. The consumption balance is explained mainly by bank entities (85%), Superintendencia de Economía Solidaria cooperatives (9%), and financing companies (4%).

Based on data submitted to Superintendencia Financiera de Colombia, the consumption portfolio can be disaggregated into six types of products: payroll loans, open destination loans, revolving credit, credit cards, credit for vehicle, and "other" consumption credits. Based on this division, in 2014 banks and financing companies displayed a diversified portfolio, offering all these products, while the other types of intermediaries reported a greater focus on specific products. This is the case of FNA, this institution grants mainly education credits in the consumption segment, while financial cooperatives grant mostly open destination loans and payroll loans.

CHART 96: CONSUMPTION PORTFOLIO COMPONENTS

Share by type of entity as of December 2014



Source: Superintendencia Financiera de Colombia.

The most representative products in the total consumption portfolio are the payroll loan (36%), followed by open destination loans (22%), and credit cards (22%). The greatest share in payroll loans is mainly associated with a perception of low risk inherent to this type of credit, due to the payment mechanism based on direct discount from the employee's payroll, which also saves the entities operational costs in terms of collection and follow-up processes.

The share of open destination loans decreased in recent years, yielding to payroll loans for the reasons explained above. The open destination loans segment, in contrast to payroll loans, has a greater perception of risk and, therefore, demands a greater effort from the entities in terms of investigating the customer, follow-up, and collection; for that reason they are more expensive.

In turn, credit cards account for 22% of the consumption line and are revolving credits where a determined credit limit is approved by the entity according to the customer's characteristics, and they are managed through the use of plastic cards. This product is particularly representative in the financing companies due to recent commercial strategies to provide this product through big retailers.

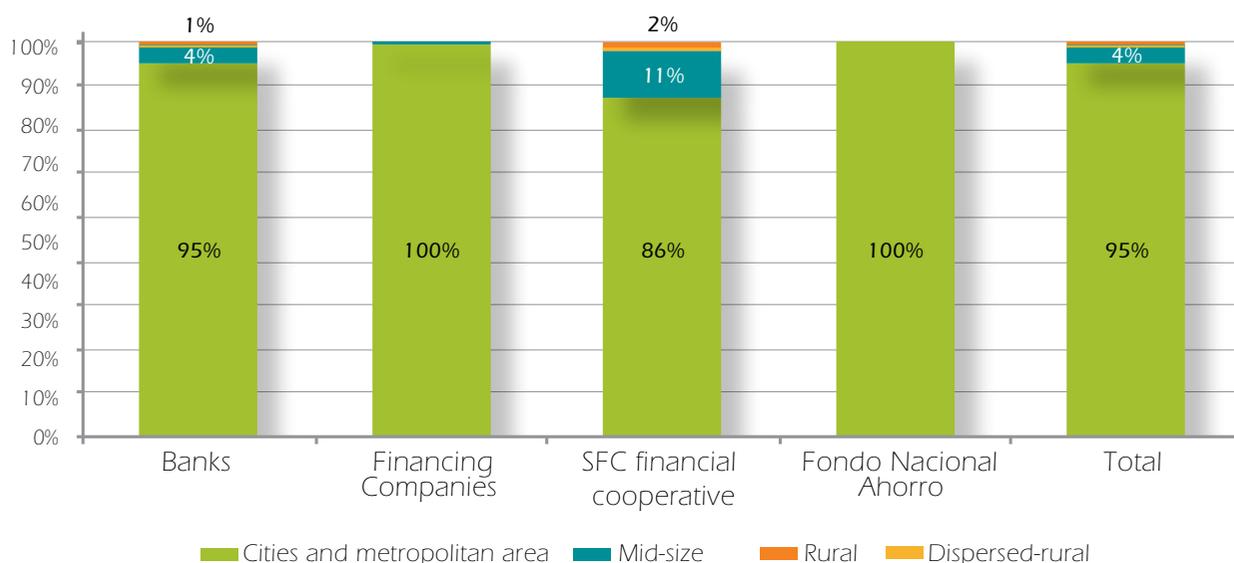
Having explained this, in recent years, a substantial increase in the number of standing credit cards in the market has been observed, from 8,24 million to 12,68 million between December 2010 and 2014, with a used balance of COP20,7 billion and approved limit of COP54 billion, thus accounting for an increase of COP18,37 billion and COP48,38 billion respectively. This means that 38% of the total line approved for customers was used; this figure has remained stable if compared to 2013. This can be due to the interest rates associated with this product that, for 2014, were at an average 28% (annual effective rate).

By franchise, a substantial share for VISA cards (34%) can be observed followed by the also international franchise MasterCard (30%) and by own-brand credit cards (28%) that, in most cases, are provided through big retailers. Compared to 2013, a reduced share for own-brand credit cards was reported, which has been associated with the share for the franchise VISA in the market.

In terms of the vehicle portfolio, whose balance is 91% in bank entities, it displayed an upward trend in 2014 with an annual nominal variation of 10%, thus exceeding the 4% reported in 2013. Lastly the revolving credits, that operate under the same criteria as the credit cards but that are not managed through a plastic card, in general reported unsubstantial growth during 2014; this growth started to report an upward trend at the end of the year, which could be associated with the vacation season and the end of the year holidays.

The consumption portfolio classification can also be assessed according to the rurality level of the place where the credit is originated. From this point of view, the consumption line balance is mostly focused on urban areas. In 2014, 95% of the consumption portfolio total balance was concentrated in cities and metropolitan areas, 4,1% in mid-size municipalities, 0,9% in rural areas, and the remaining 0,3% in dispersed-rural areas. This feature is common in the different types of entities, except for financial cooperatives, whose balance reports a broader distribution: 86% in cities and metropolitan areas, 11% in mid-size municipalities, and 2% in rural areas.

CHART 97: DISTRIBUTION OF THE CONSUMPTION PORTFOLIO BY RURALITY LEVEL AND BY ENTITY TYPE (DECEMBER 2014)



Source: Superintendencia Financiera de Colombia, does not include data from Superintendencia de Economía Solidaria and microcredit NGOs.

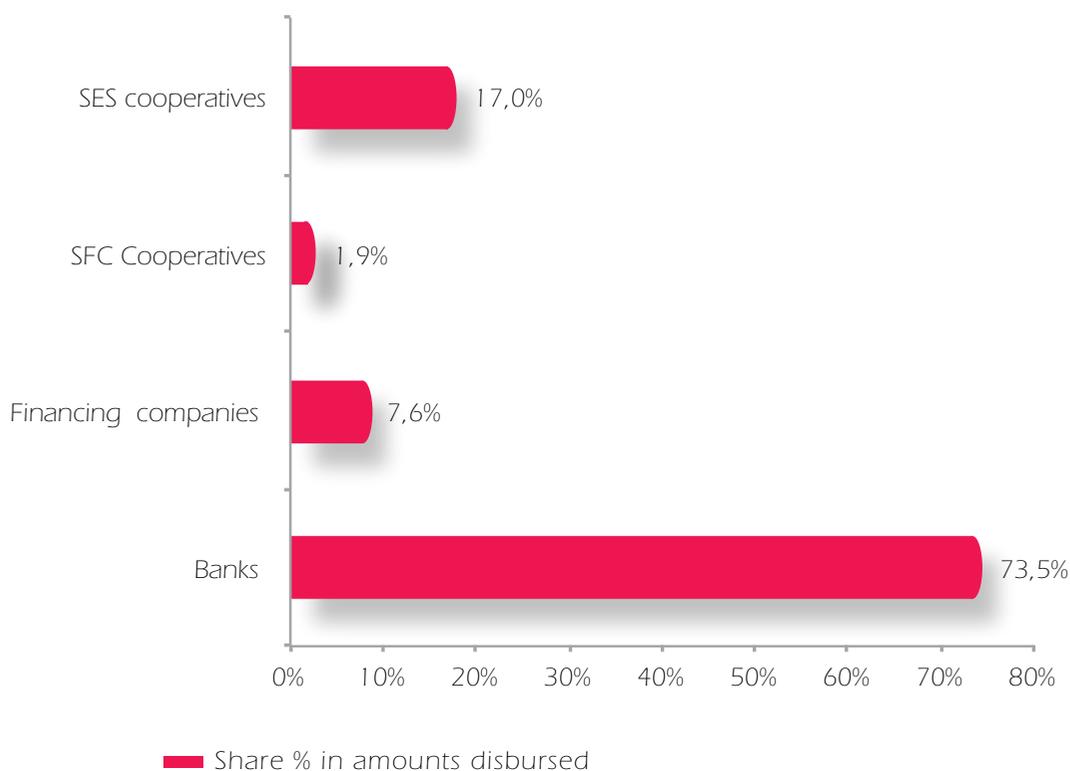
DISBURSEMENTS AND INTEREST RATES⁴⁸

For the consumption line, a total amount of COP61,5 billion disbursements was reported in 2014, thus increasing by COP8 billion as compared to the previous year. On classifying 2014 disbursements, it was found that credit card holders received 41,74% of the loans in this line, while the rest was provided for other consumption products including credit for vehicle, open destination loans, revolving credit, and payroll loans. Usually, the rates associated with credit cards exceed the rates reported for the other types of products. In 2014, the interest rates for credit cards were at a weighted average of 27,77%⁴⁹, while the other consumption products reported intermediate level rates, 17,26%.

In this segment, in addition to the banks, Superintendencia de Economía Solidaria cooperatives stood out for their share in the total supply. These entities provided 17% of the total amount disbursed in the consumption line, equivalent to COP10,4 billion through 2,7 million credits. In the case of bank institutions, 14 million disbursements were reported for a total amount of COP45,2 billion.

CHART 98: SHARE BY INTERMEDIARY IN THE AMOUNTS DISBURSED IN THE CONSUMPTION SEGMENT

December 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria and Banca de las Oportunidades for microcredit NGOs

⁴⁸ The disaggregation of disbursements and interest rate by product and segment in each line is analyzed based on data of financial institutions supervised by the Superintendencia Financiera de Colombia. It does not include data from the Superintendencia de Economía Solidaria and microcredit NGOs. The disbursement figures do not include Fondo Nacional del Ahorro.

⁴⁹ Pretty close to the usury interest rate, that for this period was set at 28.76%. The effective term for the usury interest rate was from October 1 to December 31 of 2014.

It should be noted that, at the end of 2014, a new line called “Small-Amount Consumption Credit” was added; it is a credit line aimed at individuals for a maximum amount up to 2 Standing Monthly Legal Minimum Wages (SMLMV, in Spanish)⁵⁰ (COP1.300.000 approximately), with a maximum payment term up to 36 months⁵¹. This type of credits has a characteristic interest rate that includes a greater implicit risk and allows the population that does not have a credit record to find formal financing alternatives at a lower cost than the ones offered by informal money lenders. On December 22, 2014, the Superintendencia Financiera de Colombia certified a current bank interest rate for small amount consumption credit of 31,96%⁵² that will be into effect until September 30, 2015.

MORTGAGE

In 2014, growth of the mortgage portfolio slowed down compared to the three previous years, although it maintained an annual real variation over 10%, the second largest growth after the commercial portfolio. In recent years, growth in this line has been promoted mostly by the Government’s measures through Fondo de Reserva para la Estabilización de la Cartera Hipotecaria: Reserve Fund for Stabilization of Mortgage Portfolio (FRECH, in Spanish)⁵³, which facilitates the conditions for mortgage financing through coverage of interest rates, subsidies on the real estate property values, and others. At the end of the year, the mortgage portfolio’s balance was COP34,61 billion, thus increasing by COP4,30 billion compared to 2013.

The increase in the reported balance during the year was mainly explained by the banks and Fondo Nacional del Ahorro, Savings National Fund, according to their share in the portfolio’s total balance, where the former accounted for 83% in December 2014, while the latter concentrated 14%. On observing the portfolio by intermediary, whether it is of social interest (VIS) (Social Interest Housing, in Spanish) or not (No VIS), and if the credit is granted with a fixed rate in pesos or in UVR (Real Value Unit, in Spanish), it is found that the different types of entities display substantial diversification.

On the one hand, cooperatives supervised by Superintendencia Financiera de Colombia reported the largest part of their balance in VIS mortgage with fixed rate, whereas most balances of financing companies were especially in VIS mortgages in UVR and in No-VIS mortgage at a fixed rate in pesos. On the other hand, banks and Fondo Nacional del Ahorro display the most diversified portfolio including mortgage credit with various features. In the case of banks, it is observed that they have a greater share for No-VIS mortgage credits and these are agreed at a fixed rate in pesos, while for Fondo Nacional del Ahorro, a substantial share in UVR credits both for VIS mortgage and No VIS mortgage is observed.

⁵⁰ SMMLV in effect for 2014

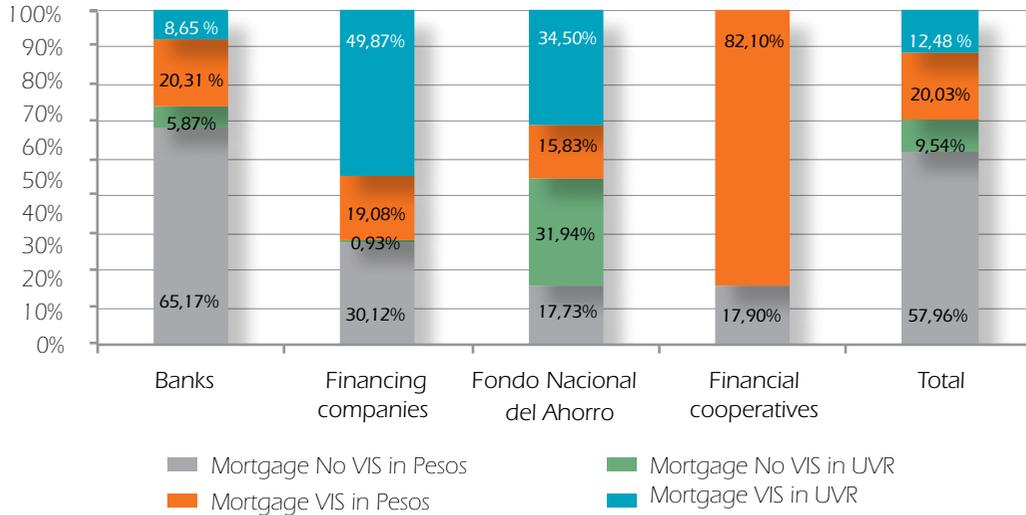
⁵¹ Through Decree 2654 of December 17, 2014, the Small-Amount Consumption Credit was created; based on it, Superintendencia Financiera de Colombia enacted Resolution 2259 of December 22, 2014, where it certified the current bank interest rate for small-amount consumption.

⁵² This rate applies between December 22, 2014 and September 30, 2015. The usury interest rate corresponding for this line for the same period is 47,94%.

⁵³ The various mechanisms implemented by the Government to promote the mortgage sector, were described in detail in prior reports.

CHART 99: MORTGAGE PORTFOLIO COMPONENTS

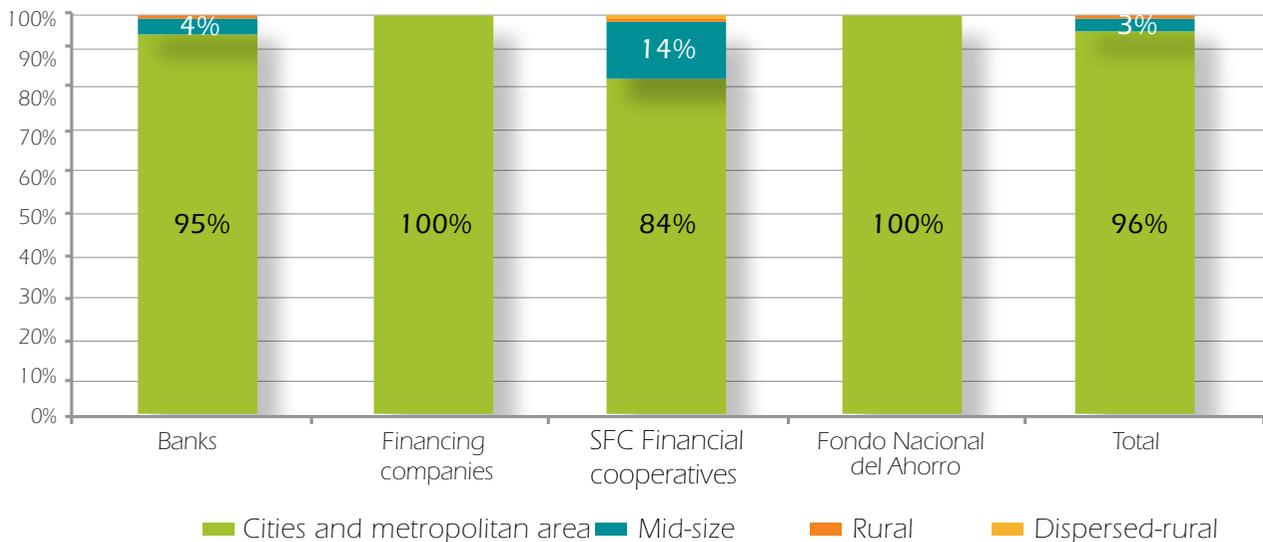
Share by type of entity as of December 2014



Source: Superintendencia Financiera de Colombia

We can also assess the classification of the mortgage portfolio according to the rurality level. From this point of view, the mortgage line balance is mostly focused on urban areas. In 2014, 96% of the mortgage portfolio balance was concentrated in cities and metropolitan areas, 3,1% in mid-size municipalities, 0,6% in rural areas, and the remaining 0,2% in dispersed-rural areas. This distribution is common in the various types of entities, except for financial cooperatives whose balances display a broader distribution since they report 84% in cities and metropolitan areas, 14% in mid-size municipalities, 1% in rural areas, and 0,5% in dispersed-rural areas.

CHART 100: DISTRIBUTION OF THE MORTGAGE PORTFOLIO BY RURALITY LEVEL AND BY TYPE OF ENTITY (DEC-2014)



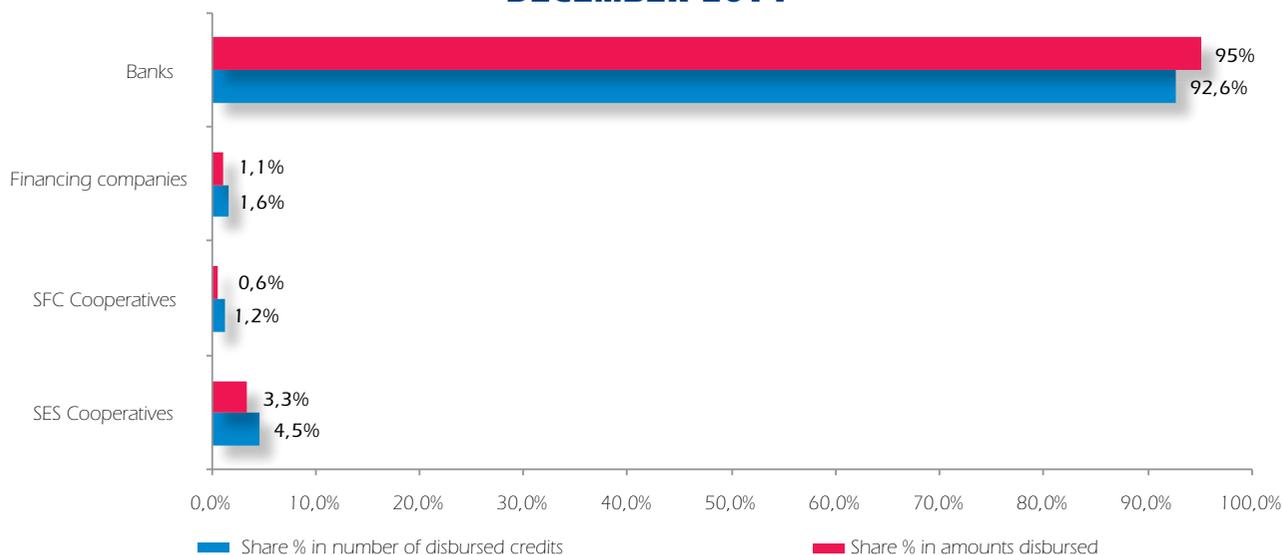
Source: Superintendencia Financiera de Colombia. It does not include data from the Superintendencia de Economía Solidaria and microcredit NGOs.

DISBURSEMENTS AND INTEREST RATES⁵⁴

The mortgage lending disbursements reached COP10,67 billion in 2014, below the figure reported in 2013 (COP12,46 billion), but above the disbursements reported between 2010 and 2012. If the data on mortgage disbursements is segmented, it is observed that the mortgage for houses that are not of social interest (No VIS) reported a high share in the total amounts disbursed (77,3% in 2014), which is partly due to the greater value of the houses and, therefore, to a higher credit level granted. In terms of the interest rates in this line, a weighted average effective annual rate of 11,37% for the VIS segment was reported in 2014, while for No Vis mortgage, the rate was an average of 10,70%, with small variations compared to the rates observed in 2013.

By intermediary, it is observed that 94,95% of the total amount disbursed in 2014 was provided by Banks, whose share was followed by cooperatives supervised by the Superintendencia de Economía Solidaria (3,3%), financing companies (1,13%), and cooperatives supervised by Superintendencia Financiera de Colombia (0,61%). In 2014, 139 thousand credits were granted, of which 129.000 were disbursed by bank entities and 6.294 by cooperatives supervised by the Superintendencia de Economía Solidaria.

CHART 101: SHARE IN THE AMOUNTS DISBURSED IN THE MORTGAGE SEGMENT BY INTERMEDIARY DECEMBER 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria and microcredit NGOs

MICROCREDIT

In 2014, microcredit grew at a slower rate compared to 2013. This performance was mainly due to Banco Agrario, because part of its microcredit portfolio balance became part of Fondo de Solidaridad Agropecuario: Agriculture Solidarity Fund (FONSA, in Spanish). Through this fund, customers with credits aimed at the agriculture sector, who display delay in payments for various reasons (for example a generalized reduction in the price of their products), have the option of paying their debts under favorable conditions, which allows them to improve their credit record and be candidates for approval for new credits. This program applies for credit up to COP20 million obtained between January 2011 and February 2014 and, for a four year period, the beneficiaries will not have to pay principal or interests and will have an expanded term of 10 years to pay their obligations in yearly installments. During this period those included in the mechanism will have the option of obtaining new credits. It should be mentioned that these beneficiaries will not be charged collection expenses or late charge fees accrued up to the begin-

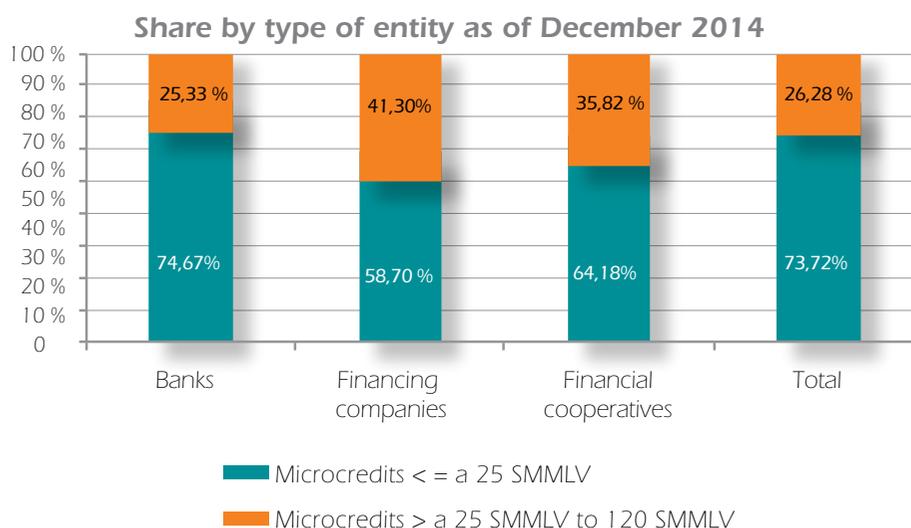
⁵⁴ The disaggregation of disbursements and interest rate by product and segment in each line is analyzed based on data sent to Superintendencia Financiera de Colombia. It does not include data from Superintendencia de Economía Solidaria and microcredit NGOs. The disbursement figures do not include Fondo Nacional del Ahorro.

ning of their participation in the program ⁵⁵. Any customer who wishes to have access to this option must talk with his/her financial entity for the latter to analyze and process the sale of the portfolio to FONSA.

Taking into account the above, in 2014 microcredit displayed an annual real growth of 8,3%; not including Banco Agrario ⁵⁶ this variation was 12,8% and reported a year-end total balance of COP12,4 billion. Of this last total, 69% was due to banks, 19% to microcredit NGOs, 8% to Superintendencia de Economía Solidaria cooperatives, and 4% to financing companies. It should be mentioned that only Banco Agrario alone has a share in the total balance of 42%. Therefore, when assessing the distribution of microcredit not taking into account this entity, it is observed that the share for banks decreases to 47%, while NGOs and Superintendencia de Economía Solidaria Cooperatives increase their share to 32% and 13% respectively.

By intermediary, it is observed that the entities concentrated their portfolio mainly on small-amount or equal to 25 SMMLV⁵⁷ microcredits (approximately COP15,4 million), in line with this line's objective, which focuses on micro-entrepreneurs requiring financing for small and medium scale productive projects. This is mainly a bank's standard feature, because financing companies and financial cooperatives also reported substantial shares for microcredits over 25 SMMLV and up to 120 SMMLV (over COP15,4 million and up to COP74 million)⁵⁸.

CHART 102: MICROCREDIT PORTFOLIO COMPONENTS



Source: Superintendencia Financiera de Colombia

We can also assess the classification of microcredit by rurality level. From this point of view, it is observed that this line reports a greater balance diversification compared to the other types of portfolio. In 2014, 42% of the microcredit total balance was concentrated in cities and metropolitan areas, 24% in mid-size municipalities, 20% in rural areas, and the remaining 13% in dispersed-rural areas. This standard feature is common in banks, while financing companies and financial cooperatives report a greater distribution of the balance in cities and metropolitan areas.

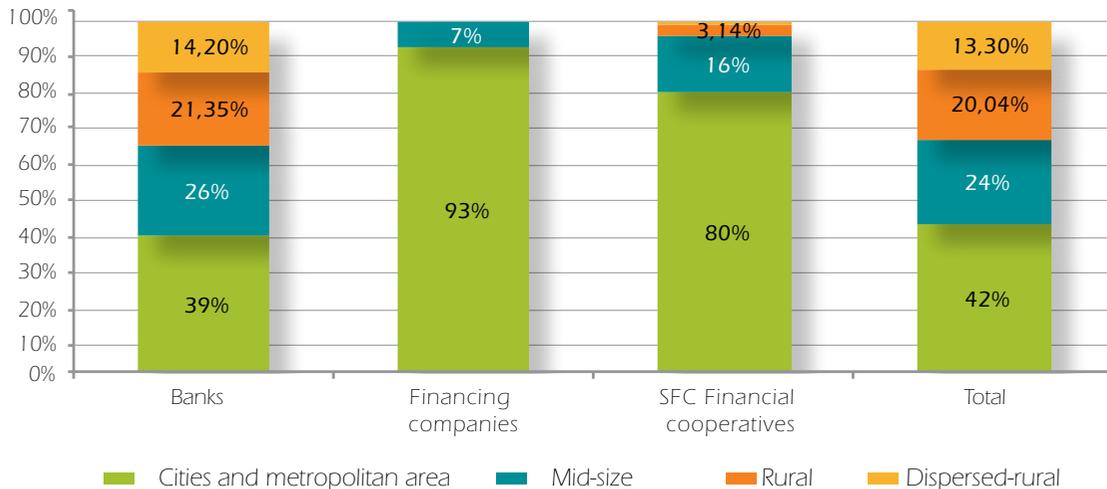
⁵⁵ More information on FONSA can be found in Act 302 of 1996 and Act 1694 of 2013.

⁵⁶ The substantial share for this entity in the microcredit portfolio is motivated by the financing policies for small farmers promoted by the Government.

⁵⁷ SMMLV in effect for 2014

⁵⁸ This segmentation was carried out with figures from Superintendencia Financiera de Colombia. It does not include information from the Superintendencia de Economía Solidaria and microcredit NGOs.

CHART 103: DISTRIBUTION OF MICROCREDIT BY RURALITY LEVEL AND BY TYPE OF ENTITY (DEC-2014)



Source: Superintendencia Financiera de Colombia. It does not include data from the Superintendencia de Economía Solidaria and microcredit NGOs

Among the measures implemented to finance, support, and develop rural areas of the country, Law 1731 was enacted in 2014 to create the Fondo de Microfinanzas Rurales: Rural Microfinance Fund managed by Finagro, aimed at promoting reactivation of the agricultural, fishing, forestry, and agro-industrial sectors and to strengthen Corporación Colombiana de Investigación Agropecuaria: Agricultural Research Colombian Corporation (CORPOICA, in Spanish). Additionally, through this Law, farmers' crisis situations were broadened so as to allow farmers to be Fonsa beneficiaries; these crisis situations include the following: i) extreme climate change or natural disasters, ii) phytosanitary problems or uncontrollable pests, iii) public order disruption, and iv) severe and steady fall in the producer's income. Similarly, in terms of Fondo Agropecuario de Garantías: Agricultural Guarantee Fund (FAG, Spanish), Finagro was allowed to enter into payment agreements with debtors.

Another project carried out during the year was the regulation of the movable guarantees registry⁵⁹, which will facilitate access to credit for small and mid-size business at lower costs. Through this measure, it is possible to use movable property (such as machinery or equipment) as collateral for loans, which improves the customer's risk profile. Also, a more efficient mechanism for guarantee execution has been incorporated, on which a regulating decree is currently under way. The development of this guarantee mechanism takes into account reception, management, and execution of guarantees, will strengthened the entities' risk management, and will promote an increase in their credit supply.

DISBURSEMENT AND INTEREST RATES⁶⁰

Microcredit disbursement in 2014 reported the greatest value in recent years (COP8,5 billion). This fact represents a substantial progress in terms of financial inclusion, taking into account that this line addresses the financing needs of microbusinesses, whose main source of funds is the income derived from their activity. Microcredits reported a weighted average annual effective rate of 34,67% in 2014, thus showing an important gap compared to the usury rate that was 52,22%⁶¹ for the last quarter.

⁵⁹ The regulation was enacted in 2014 based on Law 1676 of 2013 "movable Guarantee Act".

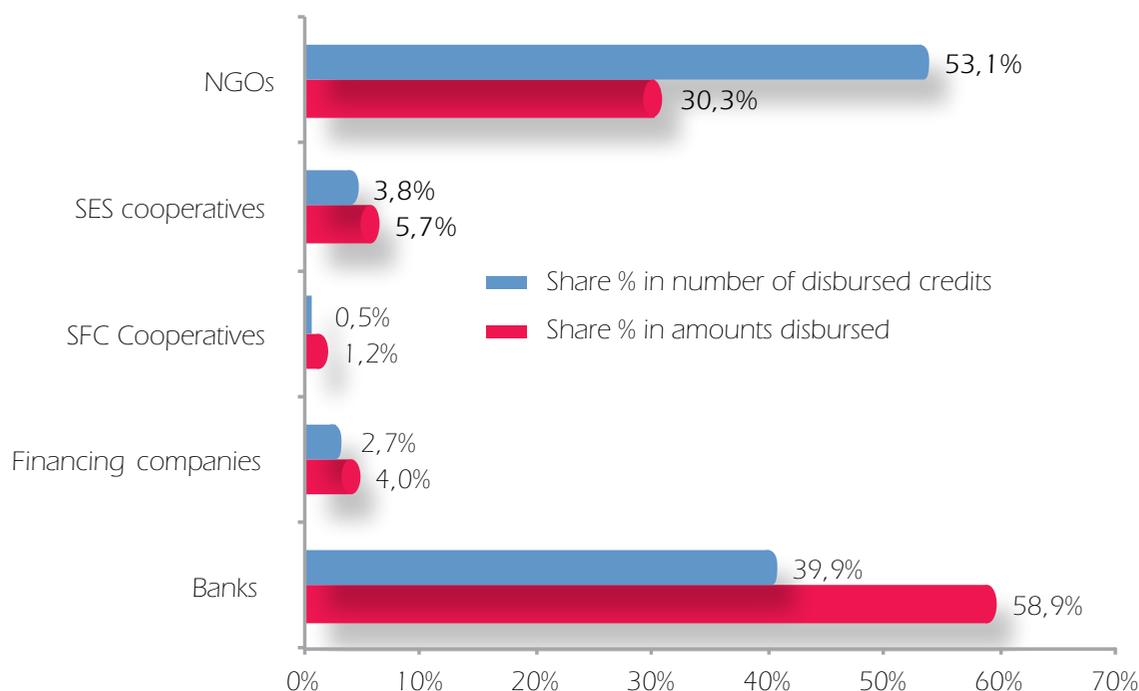
⁶⁰ The disaggregation of disbursements and interest rate by product and segment in each line is analyzed based on data sent to the Superintendencia Financiera de Colombia. This information does not include data from the Superintendencia de Economía Solidaria and microcredit NGOs. The disbursement figures do not include Fondo Nacional del Ahorro.

⁶¹ The standing period for the usury rate goes from October 1, 2014 to September 30, 2015.

Banks disbursed 59% of the total microcredit loans, disbursing a total of COP5,0 billion. Microcredit NGOs, institutions participate actively in this segment and whose disbursements in 2014 reached COP2,6 billion. On assessing the average amount per transaction resulting from dividing the total amount by the number of disbursements, it was found that the average disbursement was between COP20,4 million and COP27,6 million in the segment of microcredits greater than 25 SMMLV. In the segment of microcredits for less than 25 SMMLV, the highest average value disbursed was COP6,1 million, while the lowest was an average of COP1,8 million.

It should be pointed out that microcredit disbursements are mainly provided by microcredit NGOs, which indicates the importance of these intermediaries for the development of the microcredit segment. In 2014, 2,5 million microcredits were disbursed, of which 53% was granted by microcredit NGOs and 40% by banks. On their side, cooperatives supervised by the Superintendencia de Economía Solidaria disbursed 95.705 microcredits during the year.

CHART 104: SHARE IN THE AMOUNTS DISBURSED IN THE MICROCREDIT SEGMENT BY INTERMEDIARY - DECEMBER 2014



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía Solidaria and microcredit NGOs

CONCLUSIONS

In 2014, the credit portfolio reported stable growth; although it was below the growth reported in the previous years, it remained above an annual real growth of 9%. This trend was promoted by a favorable economic context, though of lesser growth, allowing increased financial penetration. This means that the different sectors of the national economy obtained greater access to financing and had a positive influence in the development of projects both in households and in businesses.

Banks, being the largest entities among the intermediaries that offer credit, were mostly responsible for the growth of the portfolio in the various lines. Even so, other types of entities continue to stand out in specific segments as is the case of the microcredit NGOs focused mainly on the microcredit segment. These institutions increased their share in the total microcredit portfolio from 16,80% to 18,57% between 2013 and 2014.

In the particular case of the commercial portfolio, on analyzing the distribution of debtors by economic sector, we observed certain segments with a substantial number of debtors but with small shares in the portfolio's total balance. This fact is mainly associated with the substantial share for big businesses in the total balance (this portfolio's intrinsic feature), which explains that some industries (the manufacturing industry, for example) report a substantial share in the total amount of the commercial line but have a smaller share in terms of number of debtors.

On analyzing the portfolio by rurality level, it is found that most of the balance is focused on urban areas, which is a standard feature for the commercial, consumption, and mortgage portfolios. This fact changes in the case of microcredit because it reports greater diversification of its balance among cities and metropolitan areas, mid-size municipalities, rural areas, and dispersed-rural areas, which is largely due to the share of Banco Agrario in this segment and its relevance in rural areas.

During 2014, various programs were developed to promote access to the financial system through credit. The small-amount consumption line was created, which incorporates a specific certified rate for these credits and, by including a higher implicit risk. It is expected that this new credit line will allow the population without a credit record to have formal financial options at lower cost as opposed to the options offered by moneylenders.

Similarly, there is a regulation decree under way for movable guarantees that, by allowing the use of assets such as machinery as collateral for loans, will promote greater financing options for small and mid-size businesses. For the rural sector, through Law 1731 of 2014, Fondo de Microfinanzas Rurales was created to be managed by Finagro; it will promote the agriculture, fishing, poultry, forestry, and agro-industrial sectors. In the case of the mortgage segment, the creation of incentives through coverage of interest rates and subsidies on the value of real estate property motivated a permanent growth trend in this line.







REMITTANCES

REMITTANCES

The following pages present an analysis of the flow of transactions associated to international remittances: issuer location and recipient location, the cost of fund transfers, and the channels used to transfer funds. In many cases, remittances are a substantial source of income for the recipient families.

This chapter describes the evolution of remittances in terms of issuer and recipient countries worldwide, remittance flows toward Colombia, payment channels and means used to receive funds, and the average cost of registered fund transfers from Spain and United States to Colombia, analyzing annual data and, in some cases, quarterly data.

According to the report on migration and development published by the World Bank in April 2015, remittances will decrease in 2015 due to the weak economic growth in Europe, the deterioration of the Russian economy, and the devaluation of the euro and the ruble ⁶²; however, figures show that, during 2014, remittances moved USD 583 billion worldwide, which represents a growth of 4,7% compared to the previous year, when it was USD 557 billion. Yet, it is expected that the world remittance flows will recover by 4,1% to reach an estimated figure of USD 610 billion in 2016 and USD 636 billion in 2017.

The five main issuer countries still are United States with USD 53.590 million, Russia USD 37.217 million, Saudi Arabia USD 34.984 million, Switzerland USD 23.170 million, and Germany USD 19.625 million.

According to FOMIN's report (FOMIN, Fondo Multilateral de Inversiones: Multilateral Investment Fund) REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN (2006-2014)", at the end of 2014, the total annual amount of remittances in dollars received in the region was not only greater than in 2013 but also than in 2008. The remittances annual variation rate from 2013 to 2014 was 5,3%, which was equivalent to a total remittance income of USD 65 billion.

62 World Bank News, April 13, 2015 "The growth of remittances will decrease abruptly in 2015 due to Europe's and Russia's fragility; they are expected to recover next year."

The main recipient countries in Latin America and the Caribbean still are Mexico with USD 24.866 million, Guatemala USD 5.845 million, Dominican Republic USD 4.650 million, El Salvador USD 4.236 million, and Colombia USD 4.233 million. In 2014, El Salvador surpassed Colombia by 3,41 points.

During the fourth quarter of 2014, the average cost of transferring USD 200 from United States to Colombia reached 5,2% and from Spain 6,5%, increasing by 12% and 25%, respectively, compared to the previous year.

According to Dilip Ratha ⁶³, a senior economist on migration and remittances for the World Bank's Development Perspective Group: "The unbelievable remittance promise is obstructed by the exorbitant cost of fund transfers at international level." On average, migrants must pay fund transfer rates of approximately 8%. Despite the challenge, remittances offer an incredible potential for economic development and social change."

REMITTANCES DESCRIPTION

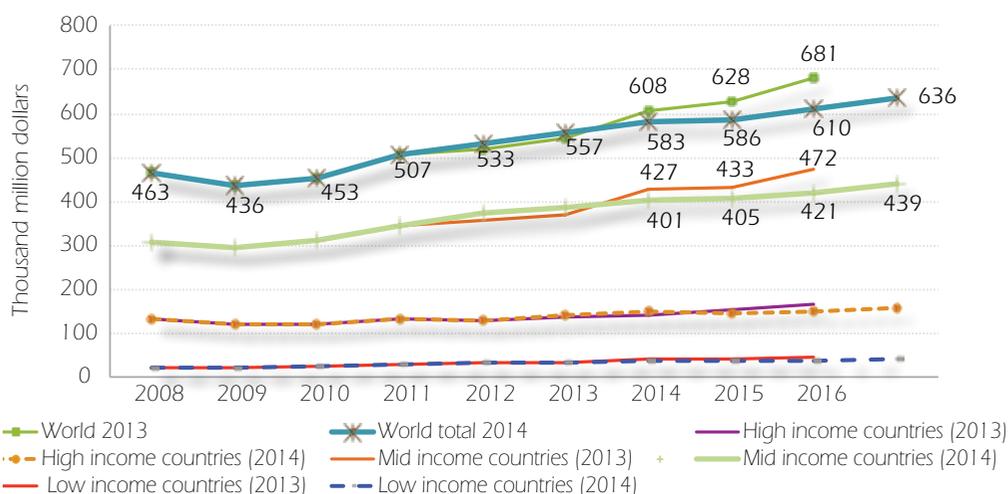
According to World Bank figures, the amount of funds that migrants send each year has increased constantly during the last decade.

In 2014, international remittances moved USD 583 billion worldwide, equivalent to an increase of 4,7% compared to last year's result; most of it is transferred to mid-income countries, USD 401 billion.

For 2015 and 2016, the World Bank estimates that workers' remittances worldwide would reach USD 628 and USD 681 billion, respectively. Due to the new situation, the forecast is that, for the same years, remittances will not be over USD 586 and USD 610 billion, respectively.

The effect is reflected particularly in mid-income countries, where flows for the mentioned years had been forecasted at USD 433 and USD 472 billion and later were adjusted to USD 405 and USD 421 billion.

CHART 105: WORLDWIDE REMITTANCE FLOW ESTIMATES AND FORECASTS BY INCOME LEVEL (2008-2017)



Source: World Bank "Migration and development brief 24". 2015 and 2016 data are projections by World Bank. Calculation by Superintendencia Financiera de Colombia.

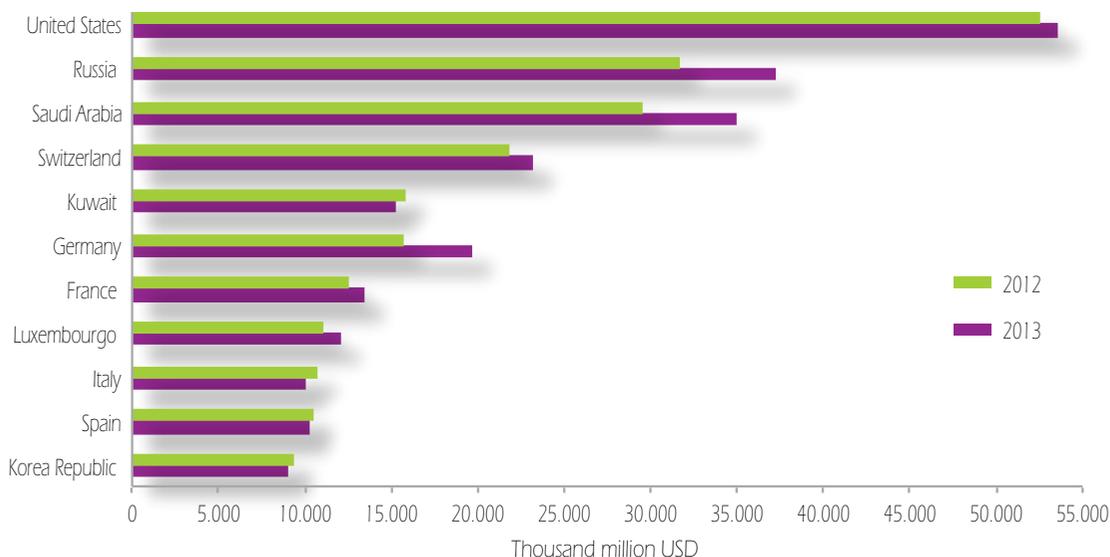
63 TED Blog, October 2014 "The incredible economic potential of sending money home: Dilip Ratha in TED Global 2014" <http://blog.ted.com/the-incredible-economic-potential-of-sending-money-home-dilip->

On reviewing the migratory experience and the main issuer country in the global context, it was found that United States is the country that sends the largest number of remittances to other countries. During 2013, the amount transferred from that country was USD 54 billion, which accounted for an increase of 2,1% as compared to the previous year.

On the other hand, the remittances that increased from one year to the next were originated in Germany (25%), Saudi Arabia (19%), and Russia (18%).

Nevertheless, in 2013, the flows that decreased most were originated in Italy (6,3%), Dominican Republic (4,2%), Kuwait (4%), and Spain (1,7%).

CHART 106: MAIN ISSUER COUNTRIES 2013



Source: World Bank "Migrant Remittance Outflows"⁶⁴. Calculation by Superintendencia Financiera de Colombia.

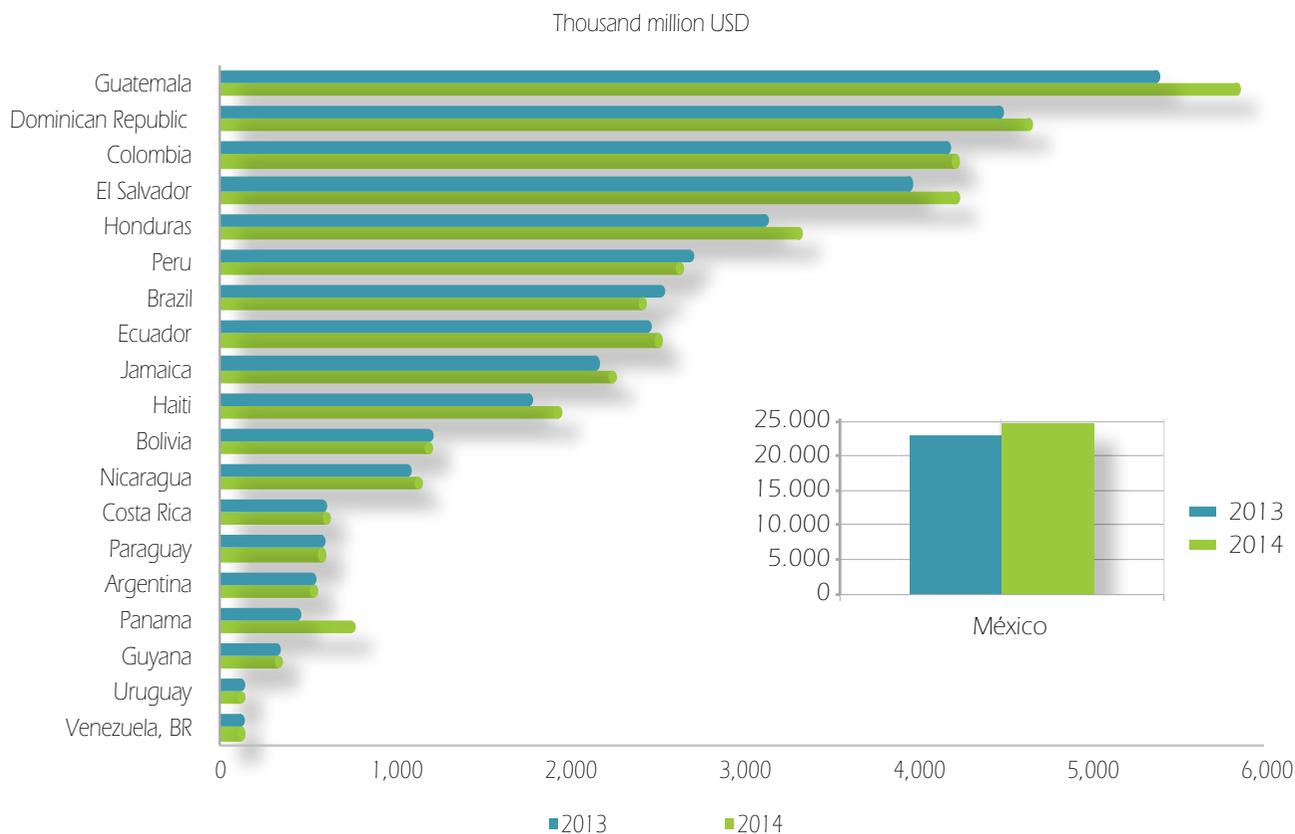
The remittances received in Latin America and the Caribbean in 2014 grew 5,8% compared to the previous year, reaching USD 65,4 billion and exceeding its highest historic value of 2008, USD 64,9 billion, as indicated by the new report from Fondo Multilateral de Inversiones (FOMIN) of Inter-American Development Bank (IDB)⁶⁵.

Mexico maintains its place as main recipient country with USD 25 billion, an increase of 8% compared to the previous year. The flows that increased significantly were those to Panama (68%), Haiti (9,7%), Guatemala (8,7%), El Salvador (6,7%), and Honduras (6,2%).

⁶⁴ World Bank - Annual Remittances Data (updated as of Apr. 2015) "Migrant Remittance Outflows".

⁶⁵ FOMIN report- "Remittances to Latin America surpassed their highest historic value in 2014".

CHART 107: REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN



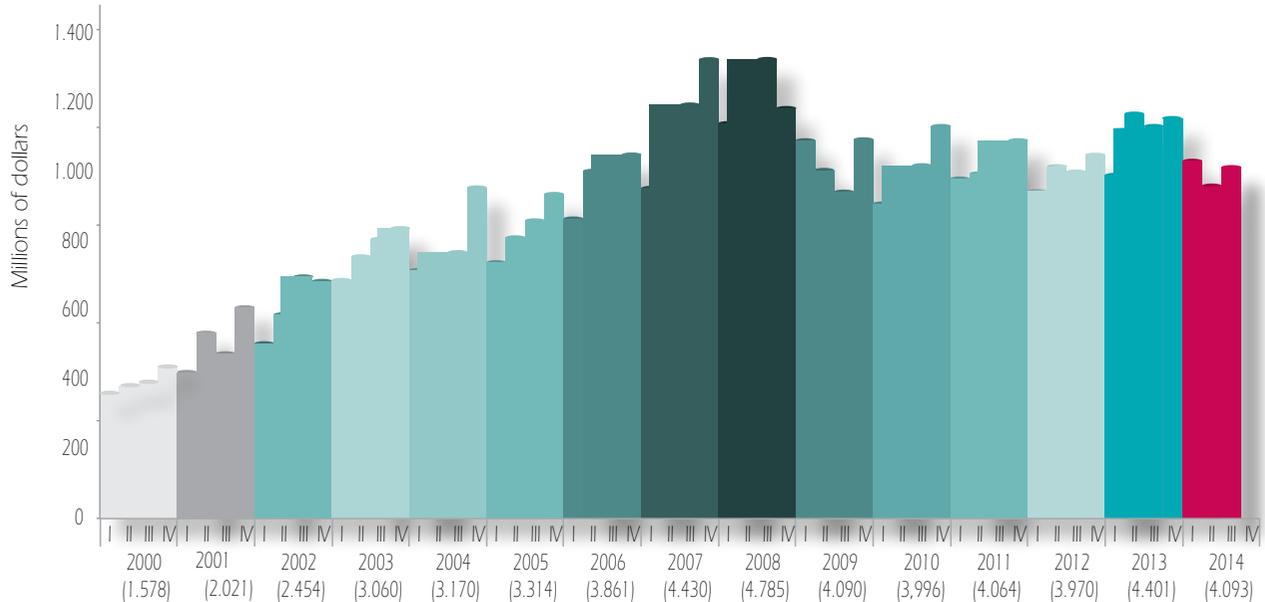
Source: World Bank "Migrant Remittance Inflows"⁶⁶. Calculation by Superintendencia Financiera de Colombia.

FLOW OF REMITTANCES TO COLOMBIA

During 2014, Colombia received remittances inflows from workers residing abroad for USD 4.093 million, less than the prior year's USD 4.401 million, equivalent to a decrease of 6,9%. The global economic crisis had a substantial impact on the remittance inflows, given that in 2008 these funds reached USD 4.785 million.

66 World Bank - Annual Remittances Data (updated as of Apr. 2015) "Migrant Remittance Inflows".

CHART 108: EVOLUTION OF REMITTANCE FLOW TO COLOMBIA (QUARTERLY)



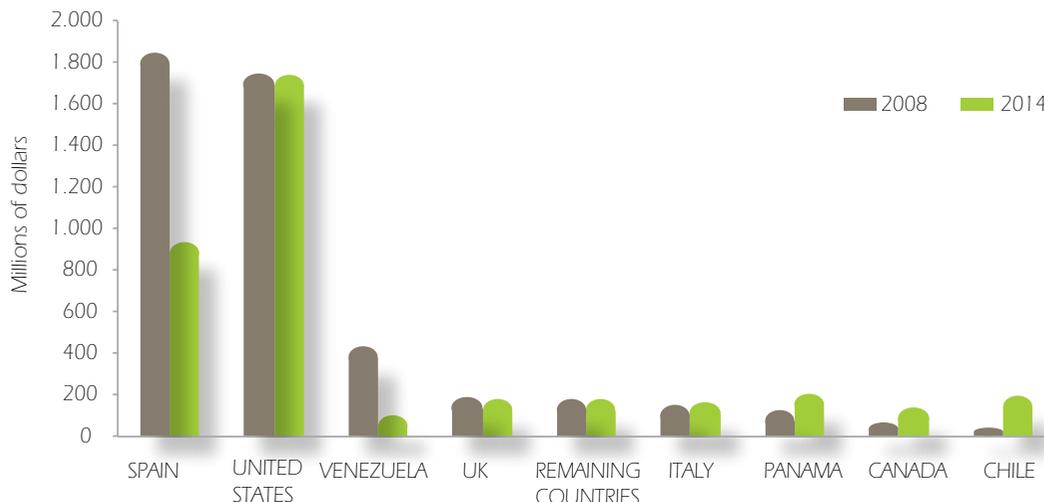
Source: Banco de la República "Balance of Payments". Calculation by Superintendencia Financiera de Colombia.

The figures show that the greatest impact associated with the decrease of remittance inflows was originated in the fund transfers from Spain that, between 2008 and 2014, decreased 51%, which is equivalent to a USD 908 million drop.

In the case of United States, remittances to Colombia decreased from USD 1.690 million in 2008 to USD 1.685 million in 2014, equivalent to a 0,3% reduction.

Also the inflows originated in Venezuela decreased significantly (by 86%); this limited growth is associated with difficulties in the job market⁶⁷. On the contrary, inflows from Chile (704%), Canada (143%), and Panamá (117%), respectively, increased.

CHART 109: INCOME FROM WORKERS' REMITTANCES TO COLOMBIA BY MAIN COUNTRY OF ORIGIN



Source: Banco de la República "Balance of Payments"

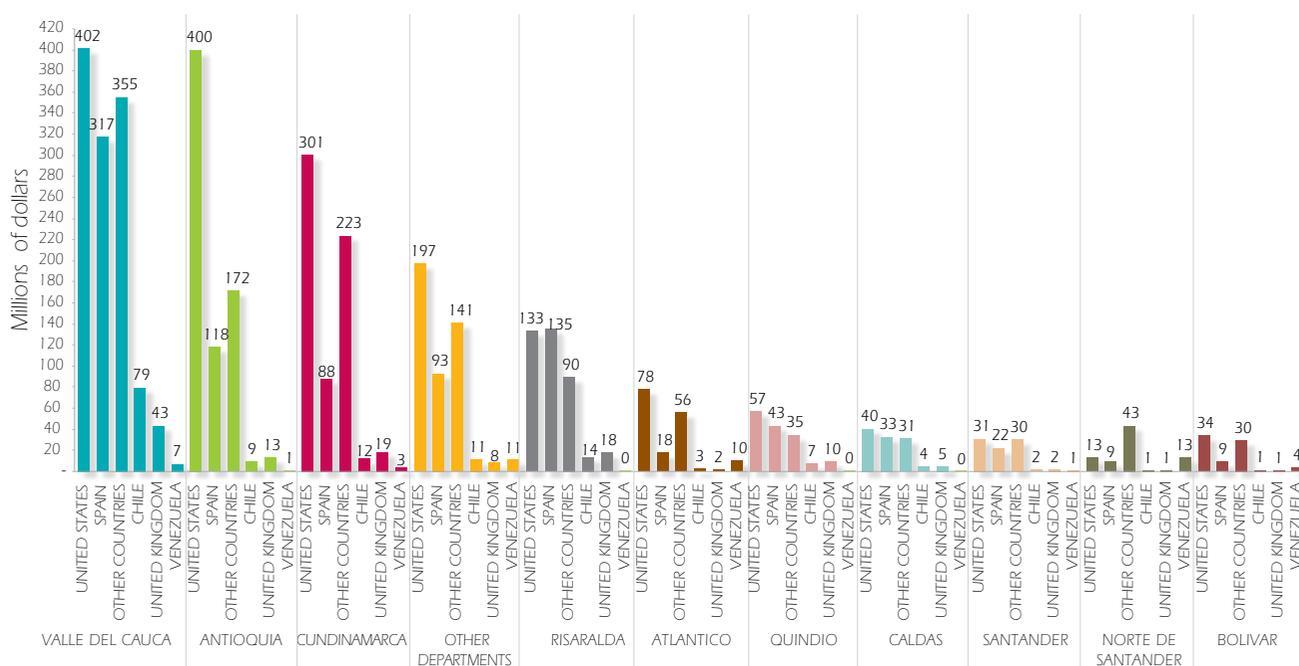
67 FOMIN report - "Remittances to Latin America and the Caribbean exceed their highest historic value in 2014".

In our country, the distribution of income from remittances displays a substantial concentration in the department of Valle del Cauca, whose share at year-end 2014 was 29% of the total; most of the remittances originated in United States (33%) and Spain (26%).

Antioquia was in second place with a share of 16%. In general, this distribution has remained stable during recent years.

According to the first financial inclusion demand side survey⁶⁸, 5% of the population receives remittances from another country; according to the study, the greatest remittance recipients are persons in socio-economic levels 3, 4, and 6 (in an scale which comes from 1 to 6, being 1 the lowest socio-economic level) of the main cities (8%), followed by mid-size municipalities (4%), and rural municipalities (1%).

CHART 110: EVOLUTION OF REMITTANCE INFLOWS BY ISSUER COUNTRY AND RECIPIENT DEPARTMENT (2014)



Source: Banco de la República "Balance of Payments". Calculation by Superintendencia Financiera de Colombia.

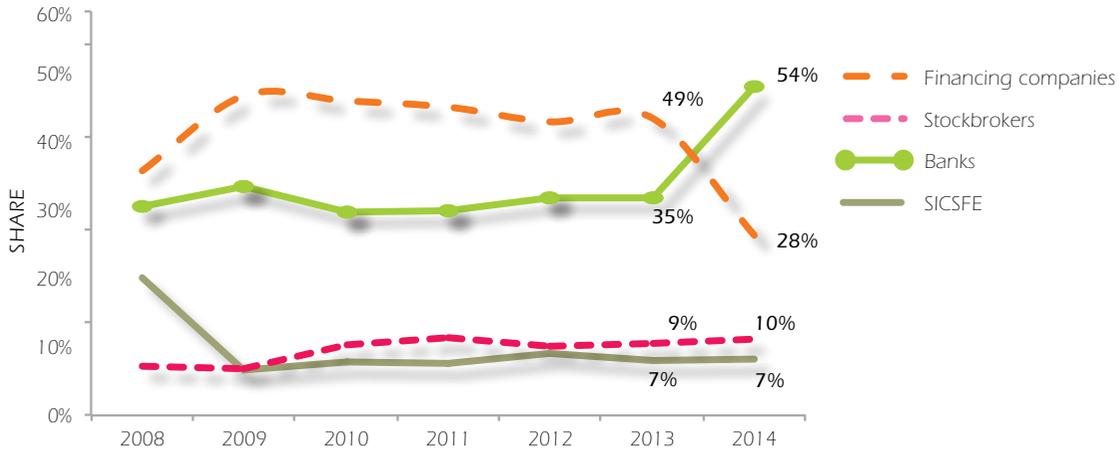
CHANNELS AND MEANS OF PAYMENT

Of the entities authorized to perform transactions related to international cash transfers or shipment and reception of remittances, banks channeled the greatest percentage reporting a share of 54% at year-end 2014. This result contrasts with data from 2013, when financing companies accounted for 49%. This is mainly explained by the External Resolution No. 3 of 2013 (February 22) of Banco de la República coming into effect⁶⁹.

⁶⁸ First Financial Inclusion Demand side survey developed by Banca de las Oportunidades and Superintendencia Financiera de Colombia in 2015, displays the population that receives remittances.

⁶⁹ According to Article 4. ADJUSTMENT OR DISASSEMBLY PLAN. Exchange market intermediaries referred to in paragraph 2 of section 59 of External Resolution 8 of 2000 that, as a result of the resent resolution coming into effect, do not fulfill the new equity requirements shall have a ninety (90) calendar day term to submit to SFC an equity adjustment or transaction disassembly plan, according to each entity's decision. (...) it shall not be later than December 31, 2014 in any case. (...) Entities that do not submit an adjustment plan or that do not fulfill it shall not be able to carry out exchange transactions as intermediaries in the exchange market."

CHART 111: AMOUNTS TRANSACTED IN THE FOREIGN EXCHANGE MARKET BY IMCS⁷⁰
 (INTERMEDIARIOS DEL MERCADO CAMBIARIO: EXCHANGE MARKET INTERMEDIARIES)

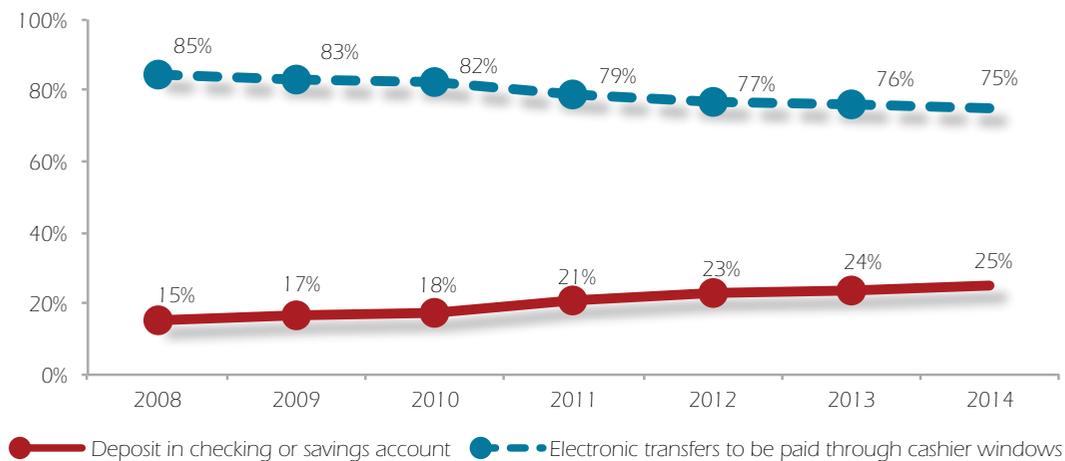


Source: Superintendencia Financiera de Colombia

By means of payment, at year-end 2014, it was observed that 75% were electronic cash transfers to be paid through cashier's windows⁷¹, decreasing by 1% compared to 2013. Payments to be deposited in checking or savings accounts contributed 24,8%, while other means of payment, including payment through checks, account only for 0,2%.

It should be pointed out that the share for payments through deposits in checking or savings accounts has been increasing at a rate of 4% in comparison to 2013. This shows that, little by little, fund transfer recipients have tried to keep their funds in the financial system.

CHART 112: REMITTANCE MEANS OF PAYMENT



Source: Banco de la República "Remittances quarterly survey"

⁷⁰ In Colombia, pursuant to standing law, only Intermediarios del Mercado Cambiario: Exchange Market Intermediaries (IMC, in Spanish) are authorized to perform international remittance transactions. External Resolution No. 3 of 2013 of Banco de la República establishes, in Section 58, "AUTHORIZED INTERMEDIARIES", that the following institutions are IMCs: commercial banks, mortgage banks, financial corporations, financing companies, Financiera de Desarrollo Nacional, Banco de Comercio Exterior de Colombia S.A. -BANCOLDEX-, financial cooperatives, exchange broker companies, exchange intermediation and special financial services companies.

⁷¹ As indicated in 2014 Global Findex report. "In Colombia, the most used operator is the fund transfer operator."

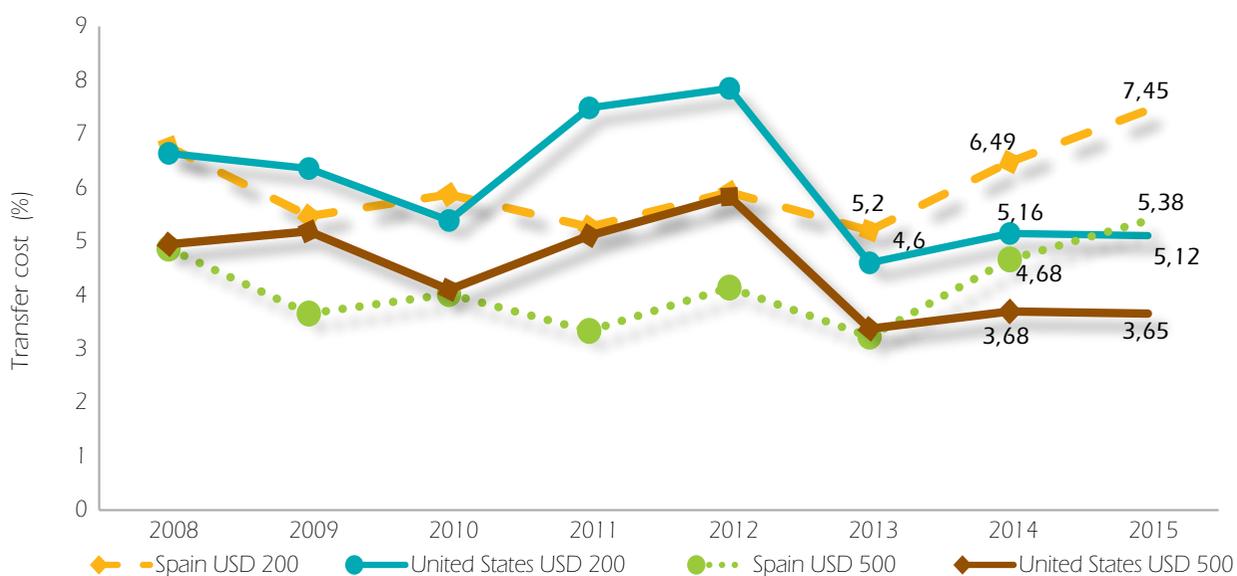
REMITTANCE SHIPMENT COST

The costs of shipping remittances are calculated based on amounts of USD 200 and USD 500. According to the data, the cost of sending USD 200, which is the average fund transfer cost from United States to Colombia, reached 5,2% and from Spain 6,5%; these figures are way above 2013 figures.

As the following chart displays, the estimated fund transfer rate from Spain and United States to Colombia, although it decreased in 2013, increased by 12% in United States and by 25% in Spain at year-end 2014.

The evolution in these costs is caused by the economic situation both at local and global levels.

CHART 113: COMPARISON OF FUND TRANSFER COSTS FROM UNITED STATES AND FROM SPAIN TO COLOMBIA



Source: World Bank "REMITTANCE PRICES WORLDWIDE". 2015 data are World Bank's projections

CONCLUSIONS

- According to World Bank figures, the main issuer country was United States with a share of 2,1% compared to the previous year.
- As has been observed previously, remittance flows have not recovered completely, particularly to Latin America, which receives the greatest remittance volume from countries like United States, Spain, and Italy.
- In 2014, remittances received by Latin America and the Caribbean increased (5,8%), reaching USD 65 billion, above the historic record of 2008, which was USD 64 billion.
- The average shipment cost for a USD 200 transfer increased by 12% in United States and by 25% in Spain in 2014 compared to 2013. It is important to point out that the higher the cost, the lower the benefits for the families that depend on these funds.

- During 2014, Colombia received a remittance inflows from workers residing abroad for USD 4.093 million; this figure is below USD 4.401 million from the prior year, thus decreasing by 6,9%. This reduction is associated with the impact of the international crisis on countries like Spain and United States.
- Within our country, the distribution of income from remittances displays a substantial concentration in the department of Valle del Cauca, whose share at year-end 2014 was 29% of the total.
- Of the entities authorized to perform international cash transfers or shipment or reception of remittances, banks channeled the greatest percentage, reporting a share of 54% at year-end 2014.
- By means of payment, in 2014 it was observed that 75% were electronic cash transfers to be paid through cashier's windows.





INSURANCE FINANCIAL PRODUCTS

INSURANCE

In recent years, an effort for inclusion of low-income populations in the financial system has been observed; this has gained vital relevance as an economic and social development factor worldwide. In the insurance sector, through new products, payment structures, and distribution channels, the purpose has been to cover a greater part of the population that was not reached yet through traditional sales channels.

Relevant literature has found a substantial connection between financial inclusion and economic development. In this sense, the objective of financial inclusion, beyond promoting growth of the financial system, is to facilitate a reduction in inequality and poverty present in many developing economies. In this regard, (Galor & Zeira, 1993) explain that the under-development of the financial market prevents people from investing in education or creating businesses. Additionally, it has been observed that low-income populations have a higher probability of being affected by situations such as illness, accidents, and natural disasters. In this sense, experts in micro-insurance indicate that poverty is closely associated with insurance industry's under-development (Morduch, 2014).

A strengthened institutional environment helps economic development in general and thus encourages financial inclusion through insurance. Currently, several of the country's main features obstruct access to insurance in several regions: difficult geographical conditions, concentration of income in large cities, lack of low-cost distribution channels that would allow low-income populations to have access to insurance services, and lack of trust and knowledge of the insurance market. On the other hand, when financial exclusion occurs due to high prices of services or products, this derives from underdeveloped institutions, regulatory barriers, or competition problems. The public sector has promoted financial inclusion through an appropriate legal and regulatory framework, in addition to education and consumer's protection for users of financial services, including insurance.

The present chapter focuses mainly on the number of individuals and/or legal entities that have access to insurance. Even though it is important to observe the quality and use of insurance aimed at increasing financial inclusion and the development of new products designed to cover low-income populations, such as micro-insurance, most of this chapter is focused on observing whether a larger number of insured persons and/or risks have been covered in specific lines through the insurance financial inclusion survey sent to the companies through Circular Letter 016 of 2015.

The lines chosen in personal insurance and casualty insurance, i.e. funeral services, personal accidents, voluntary group life, debtor group life, individual life, earthquake-fire, theft, unemployment, and home insurances were chosen based on mass commercialization principles, where it is expected that distribution of products fulfills the criteria of universality, simplicity, and standardization.

By universality we mean that the standard features of the policies of insurance lines should protect insurable interests and risks common to all people. Simplicity refers to policies that are easy to understand and to be managed by all users. Standardization refers to the consistency in the text of the insured persons' policies so that these are the same for all people according to the kind of interest protected and, thus, they do not demand specific conditions or differential treatment for the insured persons⁷².

INSURANCE GENERAL INFORMATION

In the Colombian's Plan Nacional de Desarrollo- National Development Plan, the Government endeavored to identify the necessary measures to promote the design of new insurance products aimed at reducing vulnerability in the population in the face of new risks, particularly those associated with climate change⁷³. In this regard and in order to be able to implement the agricultural risks management policy, Dirección Nacional de Riesgos Agropecuarios: National Agricultural Risks Office was created as a branch of the Ministerio de Agricultura y Desarrollo Rural: Ministry of Agriculture and Rural Development, whose main functions include developing, analyzing, and disseminating agricultural risk assessment tools in order to expand and diversify insurance markets and coverage instruments for the sector⁷⁴.

Additionally, with the purpose of obtaining greater access to financial services for the Colombian population and, consequently, reduce inequality and poverty levels, the Government enacted Decree 034 of 2015 within the National Financial Inclusion Policy framework, including insurance entities in the list of entities that can provide services through bank agents. Thanks to this channel, that covers 100% of the national territory, other entities such as Credit Institutions and Pension Funds have been able to offer their services in remotest places of the country⁷⁵.

⁷² Decree 1367 of 1998.

⁷³ Plan Nacional de Desarrollo 2011-2014 Volume I. More employment, less poverty and more security.

⁷⁴ Decree 126 of 2011.

⁷⁵ Superintendencia Financiera is currently working in the definition of applicable exclusions and the minimum content of the risk knowledge questionnaires for the products that could be subject to mass commercialization through bank agents with the purpose of increasing inclusive insurance coverage that reduces vulnerability not only for low-income populations but also for all the people who could not have access to an insurance product with these features before.

The insurance industry has reported constant growth in terms of premiums issued in recent years; the average real growth of issued premiums between 2004 and 2014 was 8,91%. A standard indicator to assess the share of insurance in the economy is the penetration index⁷⁶. According to this indicator, though insurance penetration in the country is low compared to the region's average, penetration has displayed an upward trend in recent years. While in 2006 the insurance penetration index in the country was 1,97%, in 2014 it was 2,52%. Specifically the penetration indexes for casualty and personal insurances were 1,30% and 1,22% in 2014 compared to indicators of 1,16% and 0,81% in 2006, respectively.

In the same sense, an increase in the insurance monthly average expenditure by individual, measured through the density index⁷⁷ has been observed; this index indicates the average amount a person pays for insurance services annually. In 2006 the average expenditure in insurance by individual was \$174.873, while at year-end 2014 this expense was \$397.976, it is 1,3 the value of eight years earlier. Specifically, in 2014 the individual expenditure in personal insurance was \$192.573, and the average expense per individual in casualty insurance was \$205.404. It should be clarified that the data reported for the penetration and density indexes in 2013 were specifically due to the unusual increase of the premiums in the pension line due to commutation, because an insurance company acquired the pension liabilities of a telecommunication company leading to a real annual increase of 29,13% in personal insurance premiums issued; without taking into account the pension commutation line, the real annual growth was 10,70% in December 2013⁷⁸.

CHART 114: PENETRATION INDEX



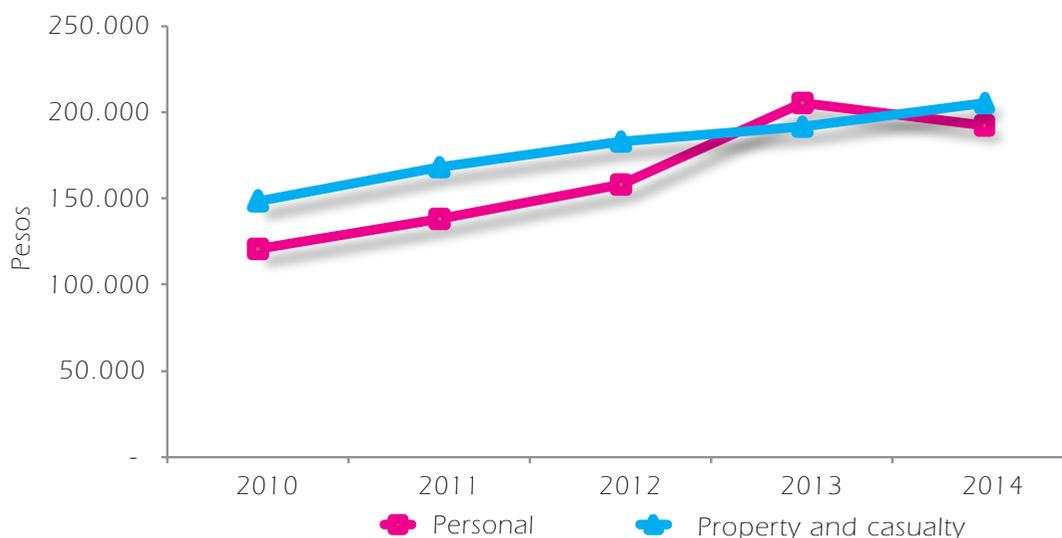
Source: Superintendencia Financiera de Colombia.

⁷⁶ Premiums issued as a proportion of GDP

⁷⁷ Premiums issued as a proportion of the total population

⁷⁸ In September 2013, it was observed the financial effect experienced by the insurance Company Positiva as it assumed ETB's pension liabilities under the pension commutation figure.

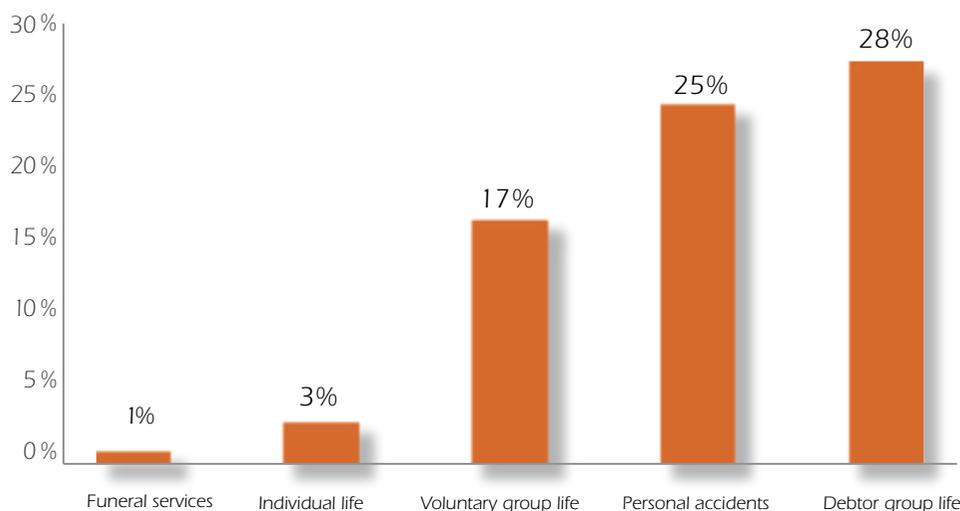
CHART 115: DENSITY INDEX



Source: Superintendencia Financiera de Colombia.

On analyzing the current status of financial inclusion, it is found that, although casualty insurance⁷⁹ has a greater share in the market at general level, according to the results from the insurance financial inclusion survey carried out by Superintendencia Financiera de Colombia it does not include mandatory casualty insurance⁸⁰, in 2014 the number of insured persons in the debtor group life line accounted for 28% of the total population, followed by the personal accidents line with a share of 25%. Regarding casualty insurance, unemployment insurance and the theft line reported a number of insured persons that accounted for 4,09% and 3,31% of the total population of Colombia in 2014.

CHART 116: PERCENTAGE OF INSURED PERSONS IN PERSONAL INSURANCE



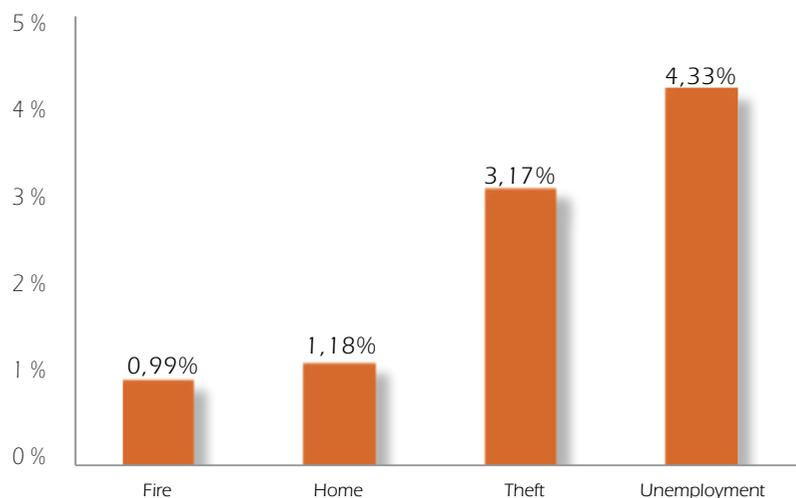
*Insured persons /2014 total population

Source: Insurance Financial Inclusion Survey 2015

⁷⁹ Within the casualty insurance, there are the automobile, SOAT (Traffic Accident Obligatory Insurance, in Spanish), fire and loss of profit, earthquake, performance, liability, theft lines and other lines.

⁸⁰ Within the mandatory casualty insurance lines that were not included in the survey is SOAT that accounts for 17% of the total premiums issued for casualty insurance. Additionally, taking into account the insurance survey guidelines, in the fire and earthquake lines they did not include the data on fire and earthquake mandatory insurance associated with mortgage credit.

CHART 117: PERCENTAGE OF INSURED PERSONS IN CASUALTY INSURANCE



**Insured persons /2014 total population
Source: Insurance Financial Inclusion Survey 2015*

In the debtor group life line, the greater share for insured persons was partly due to each bank entity's decision to require life insurance as collateral for loans as an internal mechanism to manage credit risk. Additionally, group life insurance is a low-cost insurance because it insures a group or community against death risks, as opposed to individual life insurance, which has a higher cost⁸¹ due to its greater insured value. The former has become an advantage allowing the companies to increase personal insurance penetration in recent years.

In the latter case, the substantial share for unemployment insurance in casualty insurance was associated with access provided through credit institutions, because it is a policy designed in such a way that the user of a loan or of products that generate monthly installments can continue paying the installments on time during a given period in case of being subject to total or temporary inability or involuntary employment loss.

This product, that generated the increase of insured persons, has the following standard features: it provides basic protection coverage for death, unemployment and temporary disability in a way that guarantees a monthly income; it covers the risk of debtor desertion as a consequence of employment loss; it reduces credit risk for the lending entity as it guarantees payment of obligations for an agreed time period, and has a minimum premium value benefit in reference to the agreed coverage. However, this insurance is limited due to some conditions that obstruct its effectiveness; for example, the insured person must be head of household, must have an indefinite term work contract, must have contributed to an EPS (Healthcare Provider Entity, in Spanish) as required by law, and must have been discharged without just cause.

It should be mentioned that this insurance was promoted by the Government starting on October 1, 2013 as a protection mechanism for the unemployed through Law 1636 of 2013. Taking into account that this benefit is acquired through compensation fund entities and considering the results of the insurance survey, a substantial share for this channel as mechanism for the distribution of unemployment insurance was not observed, which could be due to the conditions that must be fulfilled in order to make it effective. The star channel for the distribution of this insurance in 2014 was credit institutions.

⁸¹ The estimated average monthly price for group life insurance premiums was \$6.398, compared to \$21.108 for individual life premiums.

FINANCIAL INCLUSION THROUGH INSURANCE BY GEOGRAPHICAL AREA

Reaching some areas can be challenging for the insurance industry given the obstacles in the access routes to certain parts of the country. Even though the use of insurance in rural areas is low, the results from the financial inclusion survey taken from the insurance companies by Superintendencia Financiera de Colombia indicate that the insurance holding have increased in these areas. At year-end 2014, the number of current risks, it is the insured objects or events⁸², in rural areas, identified by insurance companies, was 717.737 compared to 708.167 in 2013.

The products with the greatest number of insured risks in rural areas were personal accidents and voluntary group life with 293.963 and 81.460 risks reported for these products in 2013, in that order. In the casualty insurance, the theft line reported the greatest number of insured risks totaling 92.002 risks in 2014.

FINANCIAL PENETRATION THROUGH INSURANCE BY DEPARTMENT

The greatest levels of insurance penetration are directly associated with the economic performance of each department (geographical area). Particularly, casualty insurance lines were the products with greatest penetration at departmental level, except for Norte de Santander, Córdoba, Casanare, San Andrés, and Amazonas, where personal insurance lines were more substantial in terms of shares. Bogotá, which accounted for a quarter of the national GDP, reported the highest penetration index at the sector level, with a value for the casualty insurance indicator of 3,05%, greater than the national average (2,52%), and a penetration indicator of 2,21% for personal insurance⁸³.

Departments with low shares of the total national production such as Risaralda, Caldas, and Quindío (1,44%, 1,43%, and 0,75%, respectively) reported penetration indexes greater than the indexes for the regions with greater or similar shares in the GDP, mainly in casualty insurance. This fact is partly explained by the natural disaster history in this area, in particular related to earthquakes, which has generated a high level of insurance awareness in the region. Penetration indexes for casualty insurance calculated for Risaralda, Caldas, and Quindío were 1,50%, 1,31%, and 1,40%, respectively.

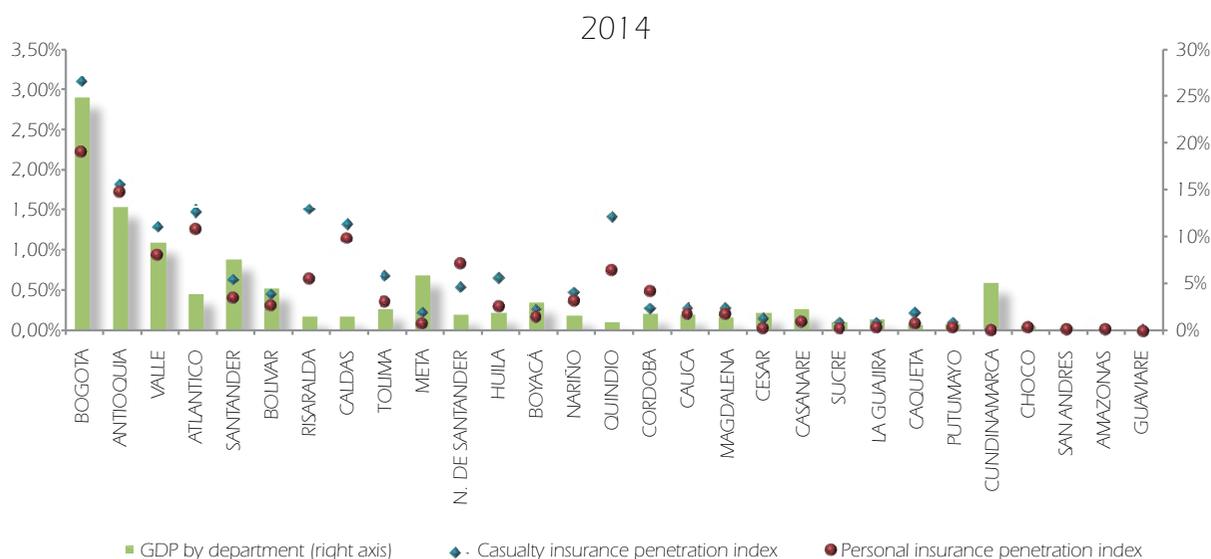
One of the structural problems of the country is income concentration, which implies that access to the insurance market is affected by this reality. Based on the construction of the concentration index GINI, distribution of premiums by department reported a concentration of 86%. In the case of Bogotá, the share of the total issued premiums was averaged 53% for casualty insurance and personal insurance. Antioquia reported an average of issued premiums of 19%; therefore, 72% of the total premiums issued in the country were concentrated in these two regions. Meanwhile, regions like Arauca and Vichada did not report any share in the premiums.

Low insurance penetration in regions with low shares of national income implies a challenge for insurance development in remote areas of the country. In this sense, it is possible to promote economic development and financial inclusion as a common objective. A product with low-cost premiums that matches the needs of the population in low-income areas and that would also be profitable for the insurance companies would be a good inclusion mechanism in the departments where there is a lower GDP per capita such as Arauca, Guainía, and Vichada. It is in this environment where the role of inclusive insurance is essential as a mechanism to promote higher financial inclusion.

⁸² The concept of current insured risk is used to express indistinctly the insured object, either a good like a house or an event, as in the case of life insurance.

⁸³ Calculation based on Fasescol's cities and lines survey

CHART 118: PENETRATION INDEX BY DEPARTMENT



Source: Fasesolda and DANE. Own calculation. Due to data availability, GDP by department at year-end 2013 was used.

MAIN INSURANCE FINANCIAL INCLUSION INDICATORS

Although there are several insurance lines with different standard features, the objective was to develop standard indicators to compare the lines. In this case, as it can be observed in Table 17, the monthly average estimated premium was in the range of \$3.218 to \$21.108 in the personal insurance line and from \$9.200 to \$62.894 in the property and casualty line. Particularly personal accidents and funeral services turned out to be the insurance lines with monthly average issued premiums of lowest value, while individual life and fire and earthquake turned out to be the monthly average estimated premiums of highest value.

At the same time, the insurance line that reported the greatest claim index rate, it is the ratio of issued premiums to claims paid in 2014, was the funeral services line, while the unemployment line displayed the lowest claim rate. Additionally in 2014, the estimated average value of the claims paid was in the range of \$618.369 to \$11.656.582, for unemployment and individual insurance, respectively.

Similarly, the highest objection rate, it is the ratio of claims rejected by the Company over total claims submitted⁸⁴, was in the unemployment insurance with 29%⁸⁵, followed by objections in the voluntary group life and individual life with rates of 13,73% and 13,28%, respectively. The theft insurance reported the lowest objection rate with 0,003%.

In other regards, based on the operational performance of the lines in the insurance survey, it was observed that, for most of them, the accrued premiums were sufficient to cover the submitted claims except for the funeral services line due to the high claim rate⁸⁶. According to the indicators' data, the theft line would be the line with not only a good trend in operational terms for the insurance companies but efficient for the insured persons due to the fact that the line has a low gross claim rate, on the one hand, and one of the lowest estimated monthly average premiums and an almost non-existent objection rate, on the other hand.

⁸⁴ This indicator refers to cases where the insurer indicates that it is not in the obligation of paying for a submitted claim because it is beyond its responsibility.

⁸⁵ This trend is due to the insurance's effectiveness clauses mentioned above.

⁸⁶ One of the factors that influence the high claim rate (claims paid as a proportion of the gross premiums) is related to the low price of the funeral services insurance rate due to the competition with other market actors with lower operational costs such as funeral homes, which leads to the insurance companies lowering their prices.

TABLE 17: MAIN INDICATORS⁸⁷

	Personal insurance					Casualty insurance			
	Funeral services	Personal accidents	Voluntary group life	Debtor group life	Individual life	Fire and/or earthquake	Theft	Unemployment	Home
Monthly average estimated premium	5.303	3.218	8.429	6.398	21.108	62.894	9.200	10.124	14.753
Average insured value	13.178.259	74.108.318	43.211.844	29.695.408	102.793.266	1.551.918.905	59.503.667	20.113.786	221.512.616
Gross claim rate	82%	22%	45%	46%	62%	43%	18%	10%	23%
Claims paid average value	1.309.682	774.097	7.171.087	7.318.501	11.656.582	6.301.109	1.903.964	618.369	2.030.795
Frequency	0,0033	0,0009	0,0005	0,0004	0,0011	0,0043	0,0009	0,0016	0,0016
Objection rate	2,04%	6,81%	13,73%	8,69%	13,28%	3,17%	0,00%	28,86%	8,09%
Cancellation rate	15%	35%	16%	8,9%	37%	2,5%	28%	14%	5,6%
Company account claim rate	115%	55%	52%	74%	34%	68%	38%	53%	41%

**Figures in pesos and percentages.*

Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey 2015.

ISSUED PREMIUMS

At year-end 2014, the total issued premiums for the lines discussed in this chapter totaled \$4,33 billion⁸⁸, of which most were concentrated in life insurance with a total value of \$2,64 billion, where the debtor group life insurance accounted for 36% of the total premiums in the personal insurance lines included in the survey.

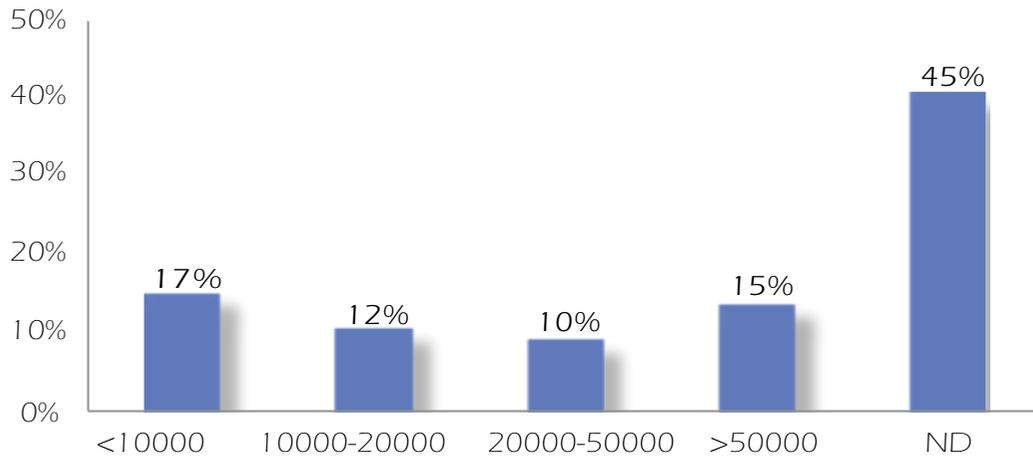
Regarding the casualty lines studied in the survey, at year-end December 2014, they reported a premium total value of \$1,68 billion, where the fire and earthquake lines accounted for 53% of the total, followed by the cumulative issued premiums for the unemployment insurance with a share of 22%. In the first case, the share for the earthquake insurance was related to the value of these insurance premiums according to their risks' insured value.

⁸⁷ The indicator calculation methods can be found in Annex 3 at the end of the Report.

⁸⁸ The issued premiums for the total lines totaled \$19,03 billion at year-end 2014.

MONTHLY AVERAGE VALUE OF THE ISSUED PREMIUMS

CHART 119: NUMBER OF INSURED PERSONS BY MONTHLY PREMIUM RANGE



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey 2015.

The value of the insurance premiums is a determinant factor in the policies that aimed at promoting inclusion in the insurance market, mainly in the low-income populations. In this case, except for the insured persons for whom the insurance companies could not identify the monthly average premium value (45%), in 2014, the monthly average value of the premiums where a greater share for the insured persons was observed were those with a value below \$ 10.000, equivalent to 0,52% of the monthly average wage in Colombia⁸⁹. This trend was observed in most of the theft and individual life insurance lines with shares of 40% and 28% of the total insured persons in each line, respectively. A share of 15% in the number of insured persons that pay premium values of more than \$50.000 per month was mostly the case in home insurance.

DISTRIBUTION CHANNELS

One of the means of providing services to low-income populations not included in the financial system is the low cost non-traditional channels that facilitate access to insurance and are easy to pay for. In this sense, through the establishment of strategic alliances with well-known companies and entities, it is possible to reach new customers and offer products that match their needs and those of each channel. This sales mechanism allows reaching a greater number of persons who would like to have protection for their risks, thus turning insurance products into mass products.

At international level, technological innovation has caused a reduction in the costs and removing obstacles for accessing financial services, thus allowing financial inclusion to increase. Among the technological advances related to ways to facilitate financial inclusion are payments through mobile devices (mobile banking)⁹⁰. Even though this has been a potential development channel worldwide, no significant use of this channel was found in this case.

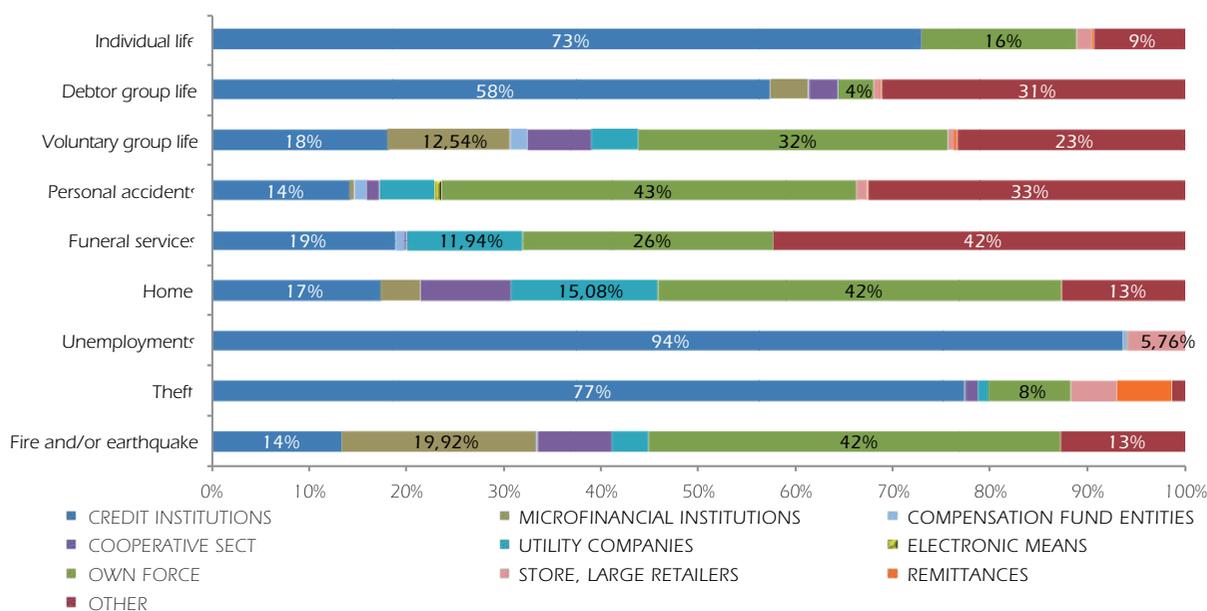
⁸⁹ According to the quality of life survey carried out by DANE, the average income of a household at national level is 1.928.919 pesos.

⁹⁰ The mobile banking channel was defined in the survey as commercialization through: 1) virtual or physical cellphone networks including mobile terminals (through calls or SMS messages) and cellphone balance reload centers; 2) Internet, in case collection is also performed through this channel; and 3) Insurance vending machines.

Credit institutions supervised by Superintendencia Financiera de Colombia have become the main insurance distribution channel. In 2014 the average number of insured persons through credit institutions accounted for 42,67% of all the people insured through the channels specified and identified in the sector's financial inclusion survey. Some of the insurance products with large number of insured persons through credit institutions were: unemployment, theft, individual life, and debtor group life insurances, with shares of 94%, 77%, 73%, and 58% of the total of insured persons in each line respectively

Additionally, own-sales force is the second channel most used to capture individuals and still is the star distribution channel for the lines of personal accidents and voluntary group life in personal insurance and earthquake and/or fire and home in casualty insurance. Thus, through own-sales force, an average of 24% of the total insured persons were insured.

CHART 120: NUMBER OF INSURED PERSONS BY CHANNEL AND INSURANCE LINE



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey 2015

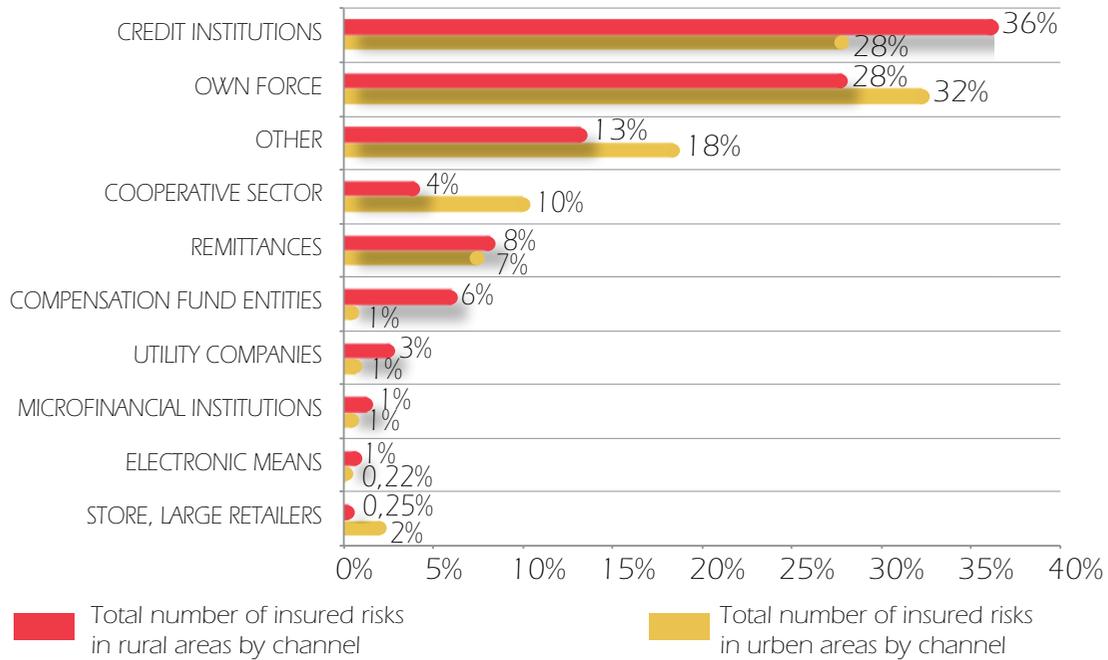
DISTRIBUTION CHANNELS FOR INSURED RISKS IN RURAL AND URBAN AREAS

In Colombia the main channel to reach areas of difficult access such as the rural areas was the credit institutions. Through this channel, an average of 36% of the current risks in the rural area was insured. The second channel in importance for the distribution of insurance products in places other than the urban areas was the own-sales force with a share of 28%. The risks insured in rural areas through cash transfer and compensation fund entities accounted for an average of 8% and 6%, respectively ⁹¹.

According to the results from the financial inclusion survey, the star channels for insurance distribution in rural and urban areas turned out to be credit institutions and own-sales force. Also, in urban areas, the cooperative sector was found to be an insurance sales channel with a substantial share.

⁹¹ Commercialization through remittances and compensation fund entities refers to the sale of insurance through these means; behind each one, there is and insurance company that offers various coverages which the users access voluntarily.

CHART 121: INSURED RISKS BY CHANNEL AND GEOGRAPHICAL AREA



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey 2015

BARRIERS IN INSURANCE ACCESS

There are several reasons for people not having access to the financial system through the use of insurance. Regarding the low-income population, the main factors are insurance financial education, income level, and trust in the insurance companies. As for the industry, the factors are product quality and its usefulness. In order to approach determining factors of the insurance demand in Colombia, the first financial inclusion demand side survey was carried out to analyze financial inclusion in Colombia, promoted by Superintendencia Financiera de Colombia and Banca de las Oportunidades⁹².

As a result of this demand side survey, it was found that the main cause for the lack of insurance relates to people's income level. Among the total surveyed persons, the main reasons for not having access to insurance services were insufficient income (36%) followed by self-exclusion (34%), where people do not consider it important to have insurance, especially in socioeconomic levels 3, 4, and 5. Lastly, 13% of the population admitted that they do not buy insurance because they do not know the market, which is a consequence of lack of financial education.

Among the main reasons for buying insurance are the need to cover funeral services expenditures and protection for the family in case of death. Regarding the level of trust in the industry, 50% of the population with insurance feels satisfied with the product while 30% is indifferent, and the remaining 20% is unsatisfied. Actually, the main reason for lack of satisfaction is the perception of wasted money since the insurance is not used; in this regard, of the total population with insurance, 11% has submitted claims, which means that for 10 persons with insurance, only one person has submitted a claim. Other determining factors for the lack of satisfaction were associated with the high value of the deductible, the price of the premium, and the number of exclusions contained in the insurance agreement. Additionally, another factor was insufficient explanation of the agreement's terms and conditions by the insurance companies.

⁹² This demand side survey was carried out by Ipsos Napoleón Franco. (Superintendencia Financiera y Banca de las Oportunidades, 2015)

One of the critical points regarding trust in the industry is associated with the perception of the process required to submit an insurance claim. According to the survey, a large part of the claims are rejected by the insurance companies, thus not responding to the insured persons, which in turn generates lack of trust in the sector. As per the survey, in 30% of the claim cases, the insurance did not cover the event.

BOX 2: INCLUSIVE INSURANCE – MICROINSURANCE

Currently, Superintendencia Financiera de Colombia is carrying out a project to materialize financial inclusion in the insurance market with support from Banca de las Oportunidades, Fondo Multilateral de Inversiones: Investment Multilateral Fund (FOMIN, in Spanish), member of Inter-American Development Bank, and Access to Insurance Initiative (A2ii), among others. The main objective of the project, called “Adjustment of the regulatory and supervision framework to improve access to insurance in Latin America and the Caribbean”, is to establish a legal framework and relevant strategies to implement proportional regulation and supervision that develop insurance markets in the low-income populations and, at the same time, protect the insurance consumer.

The project, initiated in 2013 and expected to be finished in 2016, has three stages: diagnosis of the country, implementation of the road map, and learning, knowledge, and dissemination of the results. In the first, A2ii made a diagnosis of the current status of the micro-insurance in Colombia. For that purpose, two workshops with the participation of the industry and an exhaustive research of the Colombian market were carried out. The diagnosis highlighted the following points: (i) development of inclusive insurance promoted by the insurance industry without a special regulatory framework, (ii) consensus between the industry and the State to promote sustainable inclusive products, (iii) State initiatives in place aimed at implementing risk coverage policies for low-income populations, (iv) private initiatives for demand analysis aimed to design products that satisfy the specific needs of the target population, (v) a financial consumer protection legal framework in place, that could be used as legal framework for effective protection for the interests of low-income populations, (vi) implementation of abusive clause control in insurance agreements that could be used as basis for the contractual development of inclusive insurance, (vii) consolidation of the financial consumer ombudsman as a figure that strengthens the consumer position in relation to financial entities including insurance companies, and (viii) development of transactional platforms such as bank agents and mobile banking as bases for commercialization of inclusive insurance.

Additionally, this diagnosis proposed the following recommendations:

1. Legally define the concept of micro-insurance including the target population and quantitative and qualitative variables differentiating micro-insurance from other products in the insurance market.
2. Remove access barriers to transactional channels and platforms, reducing costs, promoting commercialization efficiency, and protecting the consumer.
3. Promote supply and distribution of products that are valuable both for consumers and insurance entities.
4. Strengthen product demand and explicitly acknowledge access to inclusive insurance.

5. Promote new channels for micro-insurance commercialization and financial education strategies.
6. Train Superintendencia Financiera de Colombia officials in order to implement proportional regulation and supervision.
7. Establish a code of conduct for micro-insurance intermediaries.
8. Define standard features for micro-insurance policies (easiness, standardization of some problematic clauses, claim payment celerity, extension of the deadline for claim notification, no additional requirements, and identification of mandatory exclusions).
9. Promote consumer associations' role and consolidate a specific area for low-income populations.

Based on the above recommendations, in the second stage of the project, it was designed a Road Map focused on regulation, product design, financial education, consumer protection, data disclosure, and supervision. The final product of this stage will be the definition of a legal framework and strategic guidelines to promote the development of the inclusive insurance market in order to facilitate access to simple insurance products that also guarantee adequate protection for the financial consumer.

CONCLUSIONS

The Colombian insurance market is characterized by a greater penetration and expenditure in casualty insurance compared to personal insurance. Nevertheless, the results from the financial inclusion survey carried out by Superintendencia Financiera de Colombia show that the population's greatest share is for personal insurance, particularly in debtor group life and personal accidents products. In the former case, debtor group life insurances are linked to credit products, among other things, as a mechanism to manage the risk of credit institutions.

Credit institutions supervised by Superintendencia Financiera de Colombia have become the main distribution channels for insurance products, including rural areas. In 2014, the unemployment, theft, individual life, and debtor group life insurances were the main products acquired through this channel. In this sense, on average, the number of insured persons through credit institutions accounted for 42,67% of the total persons insured through the channels included in the survey.

The products with the largest number of insured risks in rural areas were personal accidents and voluntary group life. The main distribution channels for these two insurance products were credit institutions in the first case and compensation fund entities in the second (Cajas de Compensación Familiar, in Spanish).

Even though technological innovation has been a potential development mechanism at global level, there is no significant use of it as an insurance distribution channel in Colombia. In contrast, after credit institutions, own-sales force is the second most used channel to reach the largest number of individuals.

As a result of the insurance survey and the first demand side survey to analyze financial inclusion, it was observed that, among the problems that stand out in insurance financial penetration, is the lack of insurance habits. The monthly average premium with greatest share in the market was for values below \$10.000, equivalent to 0,52% of a Colombian's monthly average income.

In 2014, the value of the monthly average estimated premium was in the range from \$3.218 to \$21.108 for personal insurance, and \$9.200 to \$62.894 for property and casualty insurance. Personal accidents and funeral services turned out to be the insurance lines with monthly average issued premiums of the lowest value, while individual life and fire and earthquake had the highest monthly average estimated cost.

Based on the operational performance of the lines included in the insurance survey, it was observed that, for most of them, the accrued premiums were sufficient to cover the claims submitted in 2014.

According to the performance indicators' data of the insurance lines included in the survey, theft displayed good performance in operational terms for the insurance companies and for the insured persons, due to its low gross claim rate, one of the lowest estimated monthly average premiums, and an almost non-existent objection rate.

The regions with the lowest income per capita reported a lower penetration level, which represents a challenge for the industry to develop inclusive and efficient products in terms of risk management and benefits offered to this market.





APPROACH TO FINANCIAL INCLUSION QUALITY AND WELLBEING

FINANCIAL CONSUMER PROTECTION

Pursuant to Colombian law, the financial consumer is the individual or legal entity, customer, user, or potential customer of the entities supervised by Superintendencia Financiera⁹³. The measures that have been implemented in Colombia for their protection have been observant of the recommendations and principles established by various international organizations such as ASBA⁹⁴ or OECD⁹⁵, adapted to the existent legal and institutional environment. Generally, these measures have been generated and adopted as regulatory actions that address market failures.⁹⁶

93 Section 2 of Law 1328 of 2009

94 ASBA, "Better practice and recommendations in terms of Financial Consumer Protection", 2012

95 OECD, "G-20 High-level principles on financial consumer protection", October 2011.

96 Eisner, Allen, Worsham y Ringquist, 2006 "Contemporary Regulatory Policy"

In the OECD document titled “Effective approaches to support application of the remaining high level principles adopted by G20 in terms of financial consumer protection” , this organization acknowledges that financial consumer protection is a relatively new field, though growing rapidly, where it is required to learn from prior experiences for those principles to have efficient application. The document displays several points of view in the style of a “tool box” in order to inspire and promote effective application of the principles stipulated in the various jurisdictions of the member countries. This variety of approaches is intended that to enable each country’s regulators to quickly identify what works and what does not, taking into account their specific and sector-based circumstances.

Some of the principles associated to these new practical recommendations are:

- A regulatory framework in place
- The role of supervision agencies
- Equitable and just treatment for financial consumers
- Protection of consumer funds against fraud and misuse
- Information protection and privacy

Colombia has made important progress during the last decade in the implementation of each one of the indicated principles. However, some of the recommendations stated in the OECD document suggest new regulatory adjustments originating in progress made in research on consumer behavior obtained from behavioral economics.

Before examining those adjustments, it is appropriate to summarize some milestones of the evolution of what today we know as consumer protection in order to put into perspective the progress obtained in this field, from lack of protection of the buyer at the beginning of the industrial revolution to the definition of the concept of consumer and later legal development to guarantee consumers’ rights. In line with this, we should start by stating that, though modern consumption arises from the industrial revolution and the subsequent market economy, the concept of consumer and consumption was actually structured in the 1960s, as is well known. This was a delayed phenomenon that some authors⁹⁷ explain as a consequence of the ruling doctrine that predominated as late as the mid-fifties, which imposed real barriers to acknowledging consumers’ rights.

Principles such as “**caveat emptor**”⁹⁸ in Anglo-Saxon countries which, applied to agreements, determined that it was the consumer’s responsibility to examine the goods before purchasing. In our legal tradition, the principle of free will is based on the equality among individuals and is the foundation of the juridical business institution of which contracts are its most important expression. Therefore, for agreements to be binding, at the time of entering an agreement the individual must fulfill conditions such as capacity, consent, object, and legal cause, and such conditions are intended simply to guarantee free expression of wills.

However, the application of these principles in economic and social conditions different from the conditions that originated them eventually revealed their insufficiency to regulate certain relationships between individuals, where disproportion between the information known by the producer and the consumer was the rule, and abuse was constant. For this reason, juridical and economic tools that approached these problems more efficiently evolved, and some jurisdictions began to progressively migrate from the burden imposed on the consumer in terms of making sure of the suitability of the goods he/she acquired, to holding the seller responsible if the seller did not expressly disclose to the consumers that

⁹⁷ Piris, Cristian Ricardo. *Evolución de los Derechos del Consumidor (Evolutin of Consumer’s Rights)* [consultation date: May 11, 2015]. Available at: http://www.estig.ipbeja.pt/~ac_direito/Piris2.pdf

⁹⁸ Let the buyer be alert

he/she would not take on any responsibility for the defects of a product or for any non-correspondence with the announced specifications, a principle that in Anglo-Saxon law was known as “caveat venditor”. In our juridical system, tools to protect the consumer started to be structured, confining the scope of the free will in the process.

Consumer protection has come a long way since the hegemony of the free will, with the arrival of the concepts of consumer and consumption, and more recent developments in terms of analysis of consumer behavior in the search for formulae to guarantee the defense of individuals’ rights in accordance with changing economic and social realities, as well as developments in other fields, and ultimately acknowledging that an informed and protected consumer becomes a means for achieving healthy development and market stability.

Behavioral economics, or behavioral finance, is a relatively recent field that intends to explain the irrational consumer behaviors with no precedents in conventional economic theory and whose roots are deep in psychology. These fields of knowledge apply a convergent focus based on neural and social sciences that seek to “understand and forecast decisions in terms of incentives such as money, food, information acquisition, physical pleasure or pain, and social interaction”⁹⁹.

The study of the behavior of economic subjects is relevant in terms of consumer protection it enables developing regulations that are founded on solid empirical bases in order to make them more effective. In this regard, the OECD document mentioned above states two useful recommendations that reveal the organization’s interest in having the regulators and supervisors of various jurisdictions apply the findings of behavioral economics in order to continue progressing in financial consumer protection globally.

For example, in order to develop the principle of equitable and just treatment for financial consumers, OECD recommends in point 154 that regulators inform the consumers in a more effective manner about mechanisms they have available to protect their rights by using the findings of behavioral economics; and in recommendation 155 it indicates how feedback obtained through these effective communication tools can be the basis for regulators and supervisors to investigate and potentially restrict the use of certain products for certain consumer segments.

In actual practice, there is interesting empirical evidence that indicates, for example, why effective protection is more important in low-income consumers than in other segments of the population, because the fact of having low and variable income can have significant influence on people’s financial decisions.

The document “Behavioral aspects in the development of CGAP consumer protection policies”¹⁰⁰, based on the work of economists such as Mullainathan and Shafir¹⁰¹, suggests that poverty affects the process of making correct financial decisions, with a greater impact on the poor than on consumers with higher income, because the segment with lower income does not have a wide margin of error. Essentially, it states that not having enough while being in a specific context originates equally specific behaviors and psychological conditions such as tending to become over-indebted and not saving enough or even paying high interest rates even though there are better alternatives available.

The point to be emphasized is that these characteristics are not traits of an individual’s personality but a product of scarcity conditions that limit his/her decision-making capacity, given that his/her cognitive resources are focused on surviving, which hampers having enough mental clarity to find better financial solutions to his/her needs.

⁹⁹ Clithero JA, Tankersley D, Huettel SA (2008) Foundations of Neuroeconomics: From Philosophy to Practice. *PLoS Biol* 6(11): e298. doi:10.1371/journal.pbio.0060298

¹⁰⁰ Mazer, Rafe, Katharine McKee, y Alexandra Fiorillo (2014), “Behavioral aspects in the development of consumer protection policies”. *Enfoques* No 95. Washington, DC: CGAP, June.

¹⁰¹ Sendhil Mullainathan, Eldar Shafir (2014) “Scarcity: The New Science of Having Less and How It Defines Our Lives” Ed. Picador, 2014

The CGAP document mentioned above, based on these findings, proposes regulation to better protect consumers from providers of financial products and services or to promote the design of financial products that are more appropriate for the consumers' needs, further establishing products with pre-established options that guide this type of consumer to more limited but safer decisions.

CURRENT STATUS OF THE FINANCIAL CONSUMER IN COLOMBIA

The reforms in terms of consumer protection carried out in recent years, namely Law 1328 of 2009 which established a financial consumer protection regulatory system, and more recently Law 1748 of 2014 modifying the preceding one, have consolidated the regulatory structure for financial consumer protection in Colombia, among other regulations.

Law 1748 of 2014 improved the standards in terms of providing information to financial service consumers by adding a paragraph to section 9 of the mentioned Law 1328, where it is stipulated that, prior to any agreement, supervised entities are under the obligation of informing their customers, in addition to the interest rate effectively paid or received, the Unified Total Value for all items effectively paid or received by the customer, regardless of whether it is a credit or liability transaction.

The same occurs with the potential customer, it is, the one that has not acquired a financial product but simply requests information from the financial entity. In this case the entity should give him/her the Unified Total Value of the offered product or service, as appropriate to the nature of the product or service. This value should be expressed in annual percentages and with the same publicity display given to the interest rate associated to the product. The objective of this measure is for the consumers to know the amount they pay for a product, in addition to the interest rate, in the case of loans, or the amount they receive as return after discounts, in the case of deposits.

In terms of pensions, this reform also includes novelties: in the case of individual savings plan, the pension management companies must make available to their members statements, sent through the method they select, with information on the saved principal amount, interests accrued, payments received during the statement period, the amount corresponding to deductions made by the administration company, and the final balance after deductions.

In the case of the average premium pension regime (Colpensiones), the entity must also inform about the deductions made, the number of qualifying weeks during the statement's period, and the base income for calculating the contributions made during the last six months, under the same conditions established for the individual savings plan's statements.

In the same line, Superintendencia Financiera de Colombia constantly publishes in its website relevant information for the consumers, making updated tools available to them; these tools allow the comparison between different financial products such as a web site with information on interest rates, concepts, and recommendations to prevent the consumers from being cheated by illegal agents, financial consumers' rights and duties, and the options financial consumers have to submit complaints or claims.

The financial consumer protection mechanisms defined in the conciliation procedures and actions allow financial consumers to submit claims at the Chamber of Commerce's conciliation and arbitration centers, the Financial Consumer Ombudsmen, who are also authorized to arrange conciliations, the ordinary Jurisdiction, or the Delegated Office for Jurisdictional Functions in charge of protecting the consumer, which was established through Law 1480 of 2014.

THE JURISDICTIONAL FUNCTIONS OF SUPERINTENDENCIA FINANCIERA DE COLOMBIA

The jurisdictional functions exercised by Superintendencia Financiera de Colombia allow the entity, founded on the Law, to issue final rulings with the same power as a judge. It should be taken into account that these functions are used exclusively in connection with obligations related to performance and fulfillment of the obligations arising from agreements and that are the responsibility of the entities supervised by Superintendencia Financiera de Colombia in performance of their financial, securities market, and insurance activities.

To that extent, it is up to the consumer to submit the claim before an ordinary judge or before Superintendencia Financiera de Colombia, having previously submitted a complaint to the supervised entity and, if the consumer considers that the request has not been favorably resolved, he/she will can submit the corresponding claim attaching a copy of the complaint. The claim can be submitted up to a year after having terminated the relationship between the financial consumer and the supervised entity.

Superintendencia Financiera's Delegated Office for Jurisdictional Functions has reported a substantial increase in the number of claims received during 2014, which proves the relevance that this option is gaining for the financial consumers that reach out for the defense of their rights as they exercise the consumer protection action enacted by Law 1480 of 2011.

The efficient and effective use of this power has been possible thanks to the knowledge Superintendencia Financiera de Colombia has in terms of financial law, guaranteeing the consumer the impartiality, celerity, gratuitousness, and legality characteristic of a judge specialized in the resolution of disputes. The success of the mechanism lies not only in response time efficiency or any other element intrinsic to its operation, but also on permanent institutional efforts of educational and informative nature to publicize the mechanism and its advantages through informal talks and presentations, in addition to the information that has been traditionally published in the entity's website to facilitate its use; for example, a claim form and quick guidelines for its use such as "ABC of jurisdictional functions".

Currently Superintendencia Financiera de Colombia has implemented more expedite mechanisms to access justice available through Superintendencia Financiera de Colombia's website; some of these are:

- Submission of claims and other required documents through Superintendencia Financiera's website
- Access to the status and daily proceedings published in the Office's bulletin board
- Permanent queries of case files in real time through Superintendencia Financiera's website
- Virtual participation in the hearings from any place in the world.

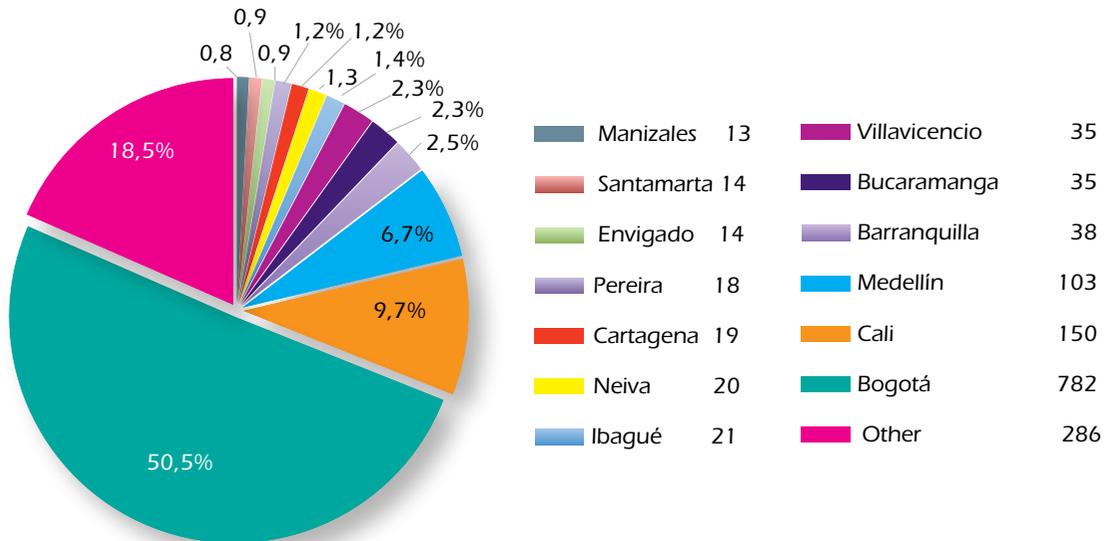
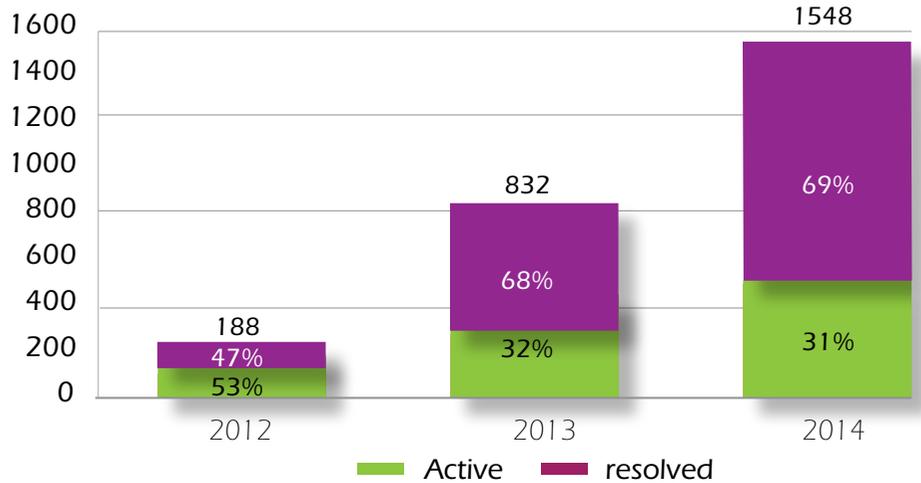
In terms of figures, from April 2012 to December 2014 - Superintendencia Financiera de Colombia has received a total of 2.568 claims, of which 67% have been resolved. Only in 2014, the entity received 1.548 claims, of which 482 were in progress (31%) and 1.066 (69%) had been resolved as of December 31, 2014.

Between 2013 and 2014, claims increased by 86% forcing the Delegated Office for Jurisdictional Functions to increase the number of cases it hears to 6 a day.

Superintendencia Financiera de Colombia has worked for an **efficient** administration of justice and has optimized claim resolution times from an average of 168 days in 2013 to 115,7 days in 2014.

Virtual hearings and access mechanisms made available through the implementation of Information and Communication Technologies “ICT” have enabled the exercise of jurisdictional functions in all the national territory.

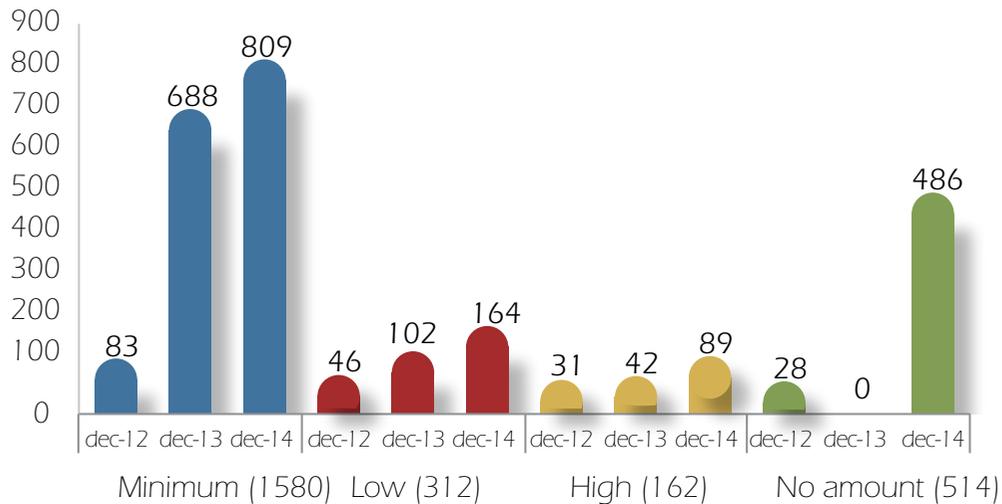
CHART 122: CLAIM EVOLUTION IN 2014



Source: Superintendencia Financiera de Colombia

Of the claims submitted from 2012 to 2014, 1.580 (61%) were low-amount claims (below 40 SMMLV); this type of claim can be submitted orally and is an ideal mechanism for financial consumers’ small causes to have expedite and effective resolution.

CHART 123: TOTAL CLAIMS BY AMOUNT 2012 - 2014

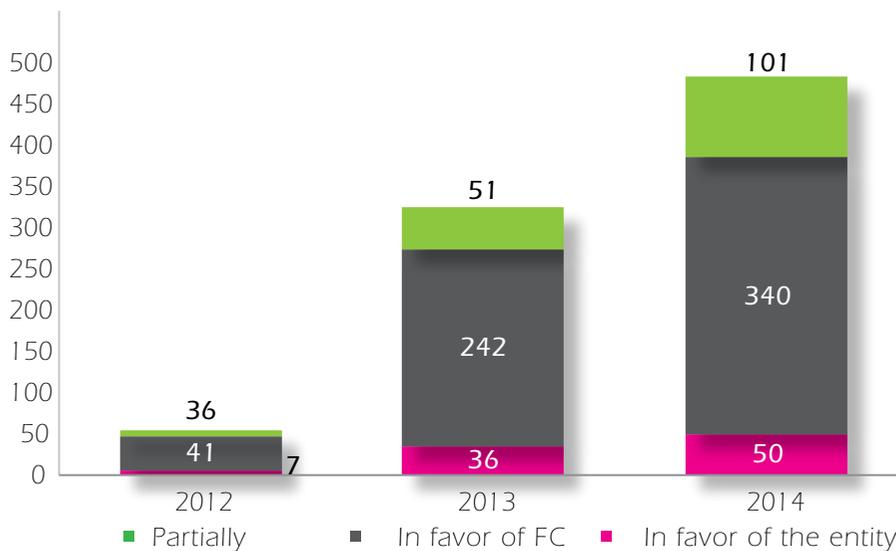


Source: Superintendencia Financiera de Colombia.

Regarding the direction of the rulings and the conciliations performed, the figures are as significant as the increase in claim volume and are associated with effective consumer protection. These figures actually reveal a positive trend in terms of protection of the financial consumer's rights, although they depend on other factors such as adequate court proceedings, the understanding the consumer has of the breach of agreement generated when he/she submits a claim, and the adequate submission of the facts that actually build the case.

Of the 1.548 claims submitted in 2014, 264 were settled through conciliation, 227 were resolved through rulings (in 76 the ruling was in favor of the consumer, in 50 the consumer's expectations were partially satisfied, and in 101 the decision was in favor of the entity) and 846 were rejected because they did not meet the requirements for submission, because they prescribed, or because Superintendencia Financiera de Colombia was not the competent authority to rule on the matter.

CHART 124: DIRECTION OF SENTENCES AND CONCILIATIONS 2012 - 2014

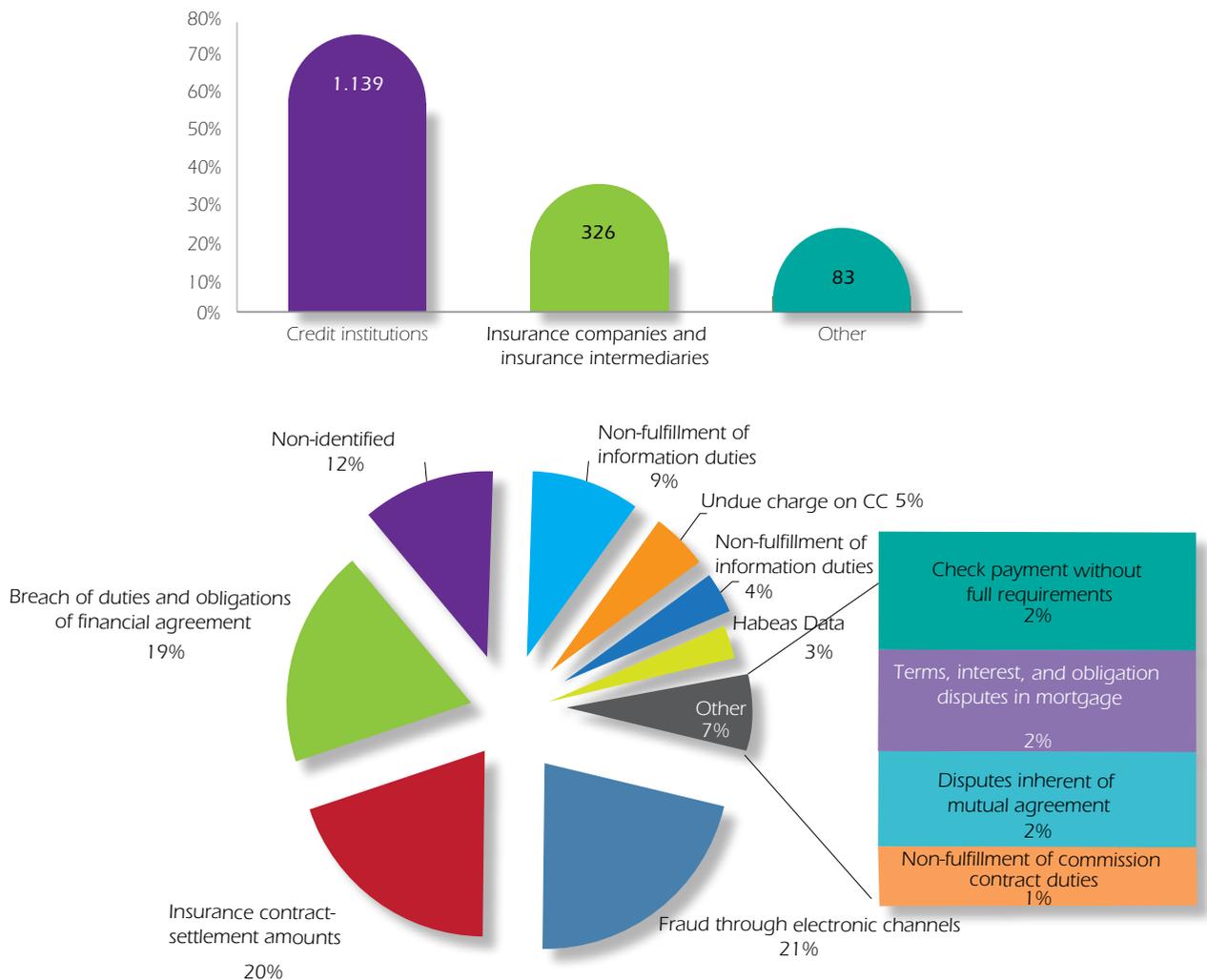


Source: Superintendencia Financiera de Colombia.

Of the total claims submitted during 2014, 74% was concentrated in credit institutions, followed by insurance companies and insurance intermediaries with 21%. By claim topic, the three main topics were fraud through electronic channels (21%), insurance contract – settlement amounts (20%), breach of the financial agreement duties and obligations (19%), which together account for 60%.

Of these claims, it should be pointed out that fraud through electronic channels reached 46% in 2013, which compared to 2014 displays a decrease of (14%).

CHART 125: CLAIMS BY SECTOR AND BY TOPIC



Source: Superintendencia Financiera de Colombia.

RESPONSE TO COMPLAINTS AND CLAIMS¹⁰²

Additionally, and as part of the response system for consumers, Superintendencia Financiera de Colombia receives, channels, and responds to complaints submitted by financial consumers and permanently

¹⁰² The figures displayed in this chapter are taken from template 378 "Claim Statistical Report - Financial Consumer Ombudsmen" and template 379 "Claim Statistical Report - Entities".

follows-up the complaint reports submitted by the supervised entities and the financial consumer's ombudsmen .

In order to disseminate complaint data, Superintendencia Financiera de Colombia publishes quarterly statistics on complaint reception on its website.

Starting in the second half of 2014, Superintendencia Financiera de Colombia publishes a Quarterly report on banks' response to complaints; according to data reported by the entities and the ombudsmen, standard indicators were established to make a comparison, taking the number of accounts and customers as the base for the total claims under way.

The defined indicators are:

$$\text{Indicator 1}_{ij} = \left(\frac{\text{Total complaints in progress}_{ij}}{\text{Number of products}_{ij}} \right) * N$$

$$\text{Indicator 2}_{ij} = \left(\frac{\text{Total complaints in progress}_{ij}}{\text{Number of customers}_{ij}} \right) * N$$

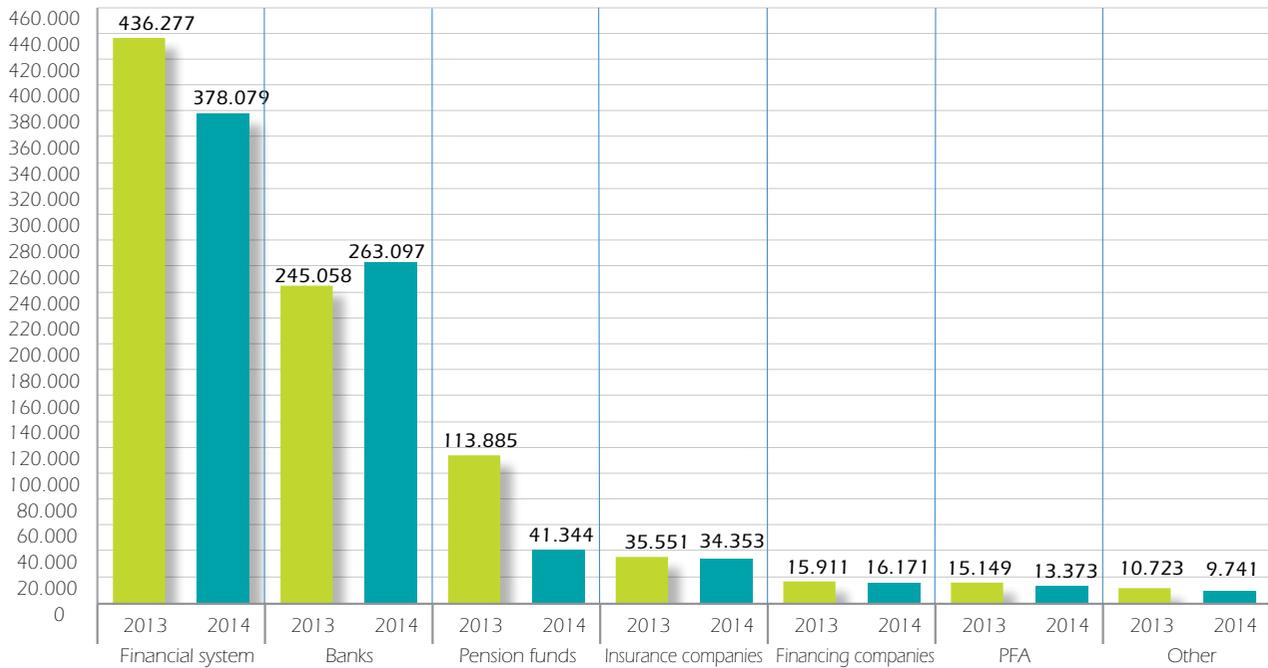
Where,

- **Complaints in progress:** It is the sum of the complaints with pending processes at the beginning of the period and the complaints received during the period and reported by supervised entities and ombudsmen.
- **i:** is a particular product; for example: savings account or credit card.
- **j:** is a particular bank.
- **Number of products:** depending on the case, it is the total accounts and/or credits reported by each bank.
- **Number of customers:** depending on the case, it is the total of customers and/or debtors reported by each bank for each product.
- **N:** is the weight to establish the number of complaints for each given quantity of products or customers.

Even though the quarterly report only displays bank data, in this chapter an estimate will be made by type of entity (banks, average premium pension funds, insurance companies, financing companies, and pension funds, among others). In 2014, a decrease of 13% was found in the total number of unresolved complaints in the financial system, from 436.277 in December 2013 to 378.079 in December 2014, respectively.

The greatest proportion of unresolved complaints to be resolved is concentrated in banks (70%), since they are the entities that deal with the largest amount of financial consumers, followed by pension funds (11%), insurance companies (9%), financing companies (4%) and others (3%).

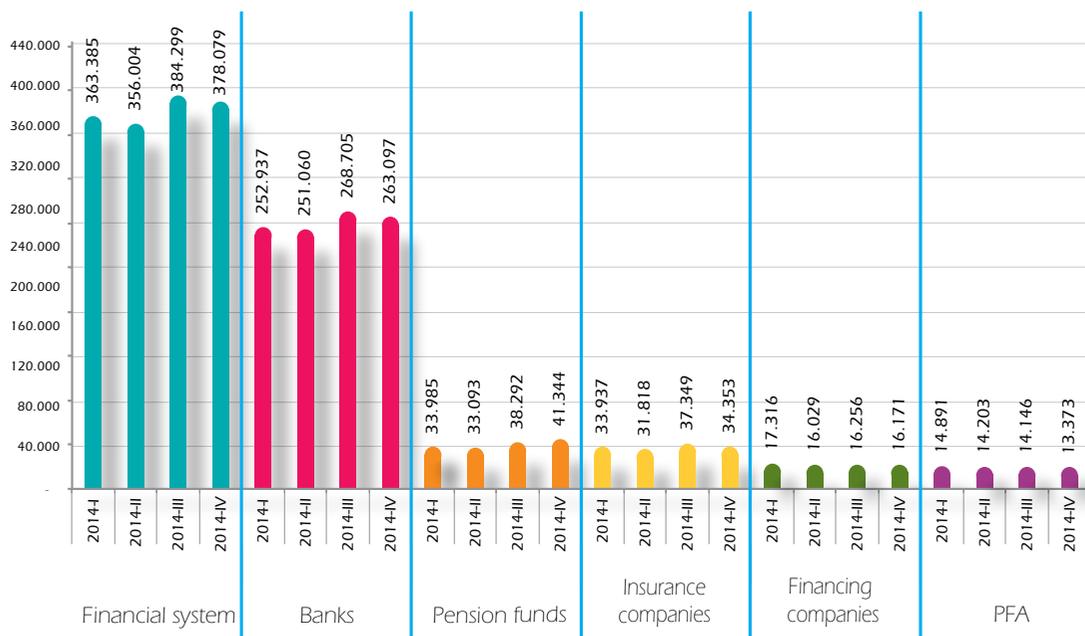
CHART 126: TOTAL UNRESOLVED CLAIMS (DECEMBER 2013 VS. DECEMBER 2014)



Source: Superintendencia Financiera de Colombia.

On comparing January 2014 to December 2014, an increase of 4% was found in the total number unresolved complaints in the financial system, from 363.385 in January to 378.079 in December, respectively. The greatest growth was reported in the pension fund sector (22%) from 33.985 in January to 41.344 in December.

CHART 127: TOTAL UNRESOLVED COMPLAINTS 2014



Source: Superintendencia Financiera de Colombia.

Beyond the volume of complaints, in order to approach their management, it is necessary to assess aspects such as: Timeliness and direction of the decision. Next we will assess complaint response for every 1.000 in progress.

In general, based on the reduction in the percentage of pending complaints from one period to the next, an improved complaint response rate is observed.

The data shows that the sectors that traditionally manage the largest number of complaints (banks and insurance companies) are the ones that resolve the largest number of complaints quarter after quarter, which suggests optimization of the complaint response processes.

The direction of the final decision on the complaints indicates that a substantial proportion of the complaints are resolved in favor of the financial consumer.

There are sectors where the final direction of complaint response is in favor of the entities, which might suggest the need to strengthen information supply and financial education, since this fact may be associated with lack of knowledge of the conditions and/or standard features of the products purchased on the part of the consumers.

CHART 128: RESPONSE TO COMPLAINTS BY EVERY 1.000 COMPLAINTS IN PROGRESS 2014



Source: Superintendencia Financiera de Colombia.

On reviewing the total resolved complaints during 2014, the main products they are associated with by entity are:

Banks: Of the total of 695.040 complaints resolved during 2014, 54% were resolved in favor of the entity and the remaining 46% in favor of the consumer; they were associated with 3 products: 54% credit cards, 29% savings accounts and 17% consumption or commercial loans.

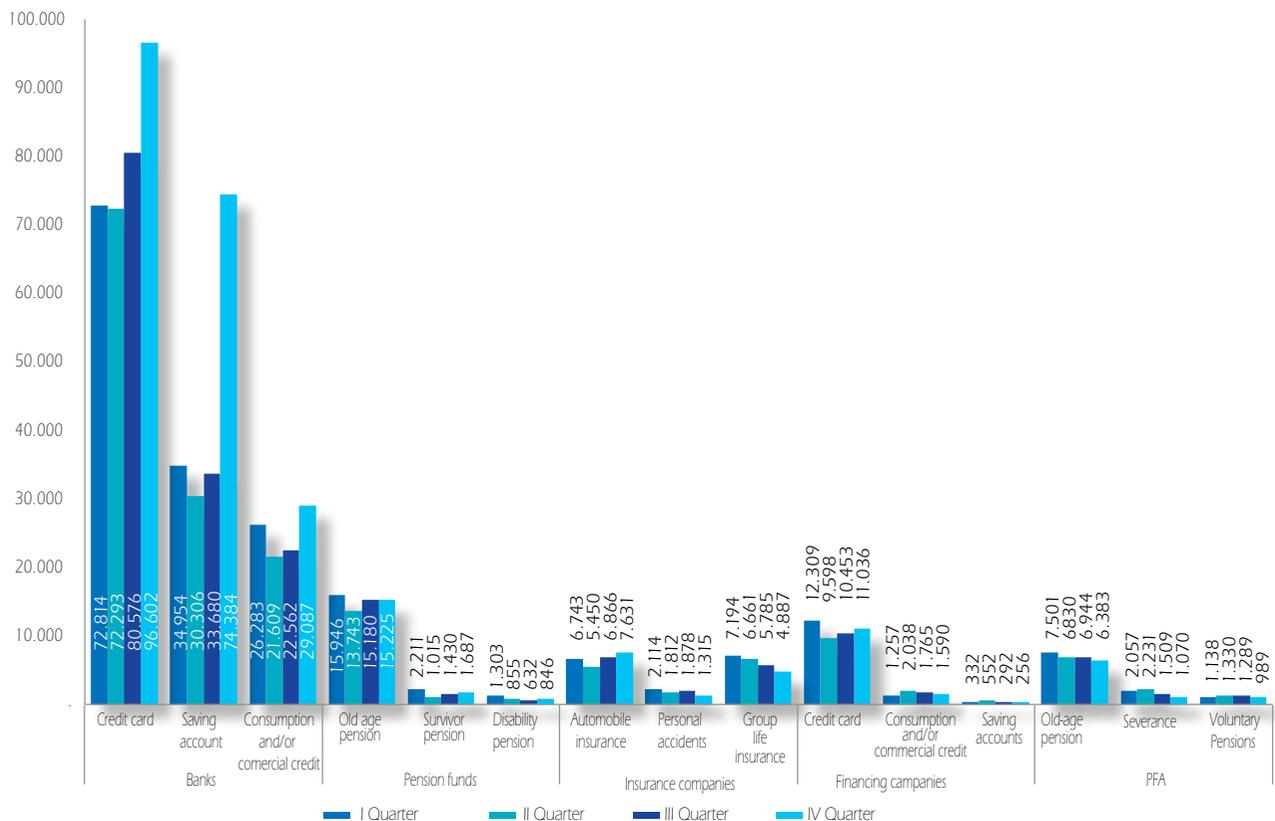
Pension funds: Of the total of 70.046 complaints resolved during 2014, 9% were resolved in favor of the entity and 91% in favor of the consumer; they were associated with 3 main products: old-age pension (86%), survivor pension (9%), and disability pension (5%).

Insurance companies: Of the total 120.193 complaints resolved during 2014, 39% were resolved in favor of the entity and 61% in favor of the consumer; they were associated with 3 main products: automobile insurance (46%), group life insurance (42%) and personal accidents insurance (12%).

Financing companies: Of the total of 57.310 complaints resolved during 2014, 74% were resolved in favor of the entity and 26% in favor of the consumer; they were associated with 3 main products: credit cards (84%), consumption and/or commercial loans (13%), and savings accounts (3%).

AFP (Pension Fund Administrator, in Spanish): Of the total of 44.288 complaints resolved during 2014, 90% were resolved in favor of the entity and 10% in favor of the consumer; they were associated with 3 main products: old-age pension (70%), severance (17%), and voluntary pension (12%).

CHART 129: COMPLAINTS RESOLVED BY PRODUCT 2014



Source: Superintendencia Financiera de Colombia.

By complaint reason, it was found:

Banks: The product with greatest concentration of complaints was credit cards; it was observed that the main reasons were charges, services and fees with 56.824, followed by reviews or recalculations with 49.149.

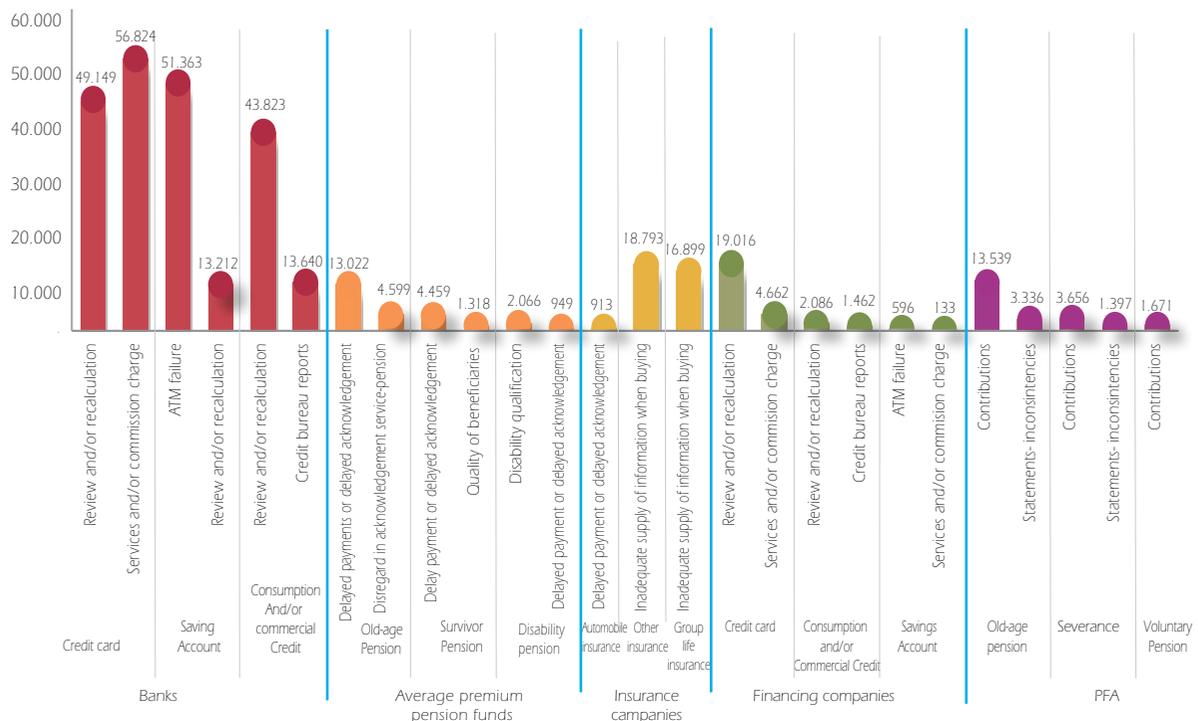
Average premium pension funds: The product with the greatest concentration of complaints was old-age pension, where the main reason was delayed payments due to non-acknowledgement with 13.022.

Insurance companies: The product with greatest concentration of complaints was other insurance products; the main reason was inadequate information provided when buying the product with 18.793.

Financing companies: The product with the greatest concentration of complaints was the credit card; it is observed that the main reason was reviews and recalculation with 19.016.

AFP: Old-age pension was the product with the greatest concentration of complaints: it was observed that the main reason was contributions with 13.539.

CHART 130: COMPLAINTS RESOLVED BY PRODUCT VS. REASON 2014



Source: Superintendencia Financiera de Colombia (Templates 378 and 379).

CONCLUSIONS

Even though the data displayed here suggests that there is substantial development in terms of consumer protection in Colombia, effective protection requires permanent improvement that impact regulation, based on a broader understanding of the needs of the population. For that reason, regulation should continue promoting innovation of products that meet consumer's needs and help to correct market failures that might occur.

In this line, we should continue the search for more effective mechanisms to empower the consumer when he/she receives information, so that he/she can make appropriate decisions based on recommendations such as those specified by OECD, which imply specific development of relevant content and appropriate pedagogy according to the target population segment.

INTERNATIONAL TRENDS IN TERMS OF CONSUMER PROTECTION

The following summary table displays relevant publications from several multilateral organizations involved in financial consumer promotion, research, and defense.

TABLE 18: INTERNATIONAL TRENDS IN TERMS OF CONSUMER PROTECTION

Entidad	Publicación
Alliance for Financial Inclusion (AFI)	<p>Consumer Protection in Mobile Financial Services¹⁰³ The purpose of this document is to identify primary consumer protection topics in terms of mobile financial services and the manner regulators can address them. One of the main topics is whether offering financial services through cellphones changes the risks consumers face compared to traditional channels.</p>
CGAP (Consultative Group to Assist the Poor)	<p>Applying Behavioral Insights in Consumer Protection Policy¹⁰⁴ This document displays new evidence on consumer behavioral traits that are relevant for the consumer financial protection; it identifies the consequences of those behaviors and defines the manner in which regulation of market behavior and other measures could reduce abuse more efficiently and produce better services and, ultimately, improve the results for consumers.</p> <p>Specific solutions are proposed to incorporate consumer behavior research findings in the development of policies and in the application of consumer protection law and supervision. Research on consumer behavior can offer important tools for the construction of effective policies in four consumer protection priority topics that are relevant in almost all the environments but that have specific implications for consumers at the base of the pyramid:</p> <ol style="list-style-type: none"> (1) dissemination, transparency, and product selection, (2) reports on manipulation claims and appeals, (3) credit market regulation and debt stress, and (4) Fair treatment. <p>Each of the four sections offers specific advice for the development of policies and regulation derived from these ideas. The document concludes with a series of reflections on consumer protection priorities, the challenges emergent markets face and that would probably benefit from greater application of this research and from development in experimental fields.</p>
World Economic Forum	<p>Engaging Tomorrow's Consumer¹⁰⁵ World business leaders acknowledge that the attitude change in consumers and the trend related to sustainability in a rapidly evolving market presents considerable challenge. In 2012, the World Economic Forum and its associated businesses started to approach this challenge by researching the key question, "How can companies engage consumers to trigger simple behavioral shifts that enable more sustainable lifestyles, grow demand for more sustainable products, and create business value?"</p> <p>There were two key conclusions: sustainability needs an image change and the millennium generation (persons between 18 and 34 years old) are the opportunity.</p> <p>Based on these findings, strategies were established to attract this consumer base towards responsible consumption,</p> <ul style="list-style-type: none"> ▪ Understanding consumers: effective communication pilots to involve consumers in the assimilation of concepts that are vital for responsible consumption ▪ Strategies to involve businesses in sustainable projects ▪ Use of technological platforms to generate behavioral changes in consumers

¹⁰³ Consumer protection in mobile financial services, website: http://www.afi-global.org/sites/default/files/publications/mfswg_guideline_note_no_13_sp_web.pdf

¹⁰⁴ Examination of behavioral aspects in the development of consumer protection policies, website: <http://www.cgap.org/sites/default/files/Focus-Note-Appling-Behavioral-Insights-in-Consumer-Protection-Policy-Jun-2014-Spanish.pdf>

¹⁰⁵ Engaging tomorrow's consumer, website: http://www3.weforum.org/docs/WEF_RC_EngagingTomorrowsConsumer_ProjectReport_2014.pdf

<p>International Organization of Securities Commission (IOSCO)</p>	<p>Points of Sale Disclosure in the Insurance, Banking, and Securities Sectors ¹⁰⁶</p> <p>Mainly for the use of regulators and supervisors, recommendations were established as support when considering development or modification of the information supplied at points of sale for these industries compared to a range of products with similar standard features,</p> <ul style="list-style-type: none"> ▪ Recommendation 1: Countries should consider implementation of a concise written or electronic “points of sale” disclosure document for the product sample identified in the report, taking into account the jurisdiction’s regulatory regime. ▪ Recommendation 2: The “points of sale” document should be provided to consumers free of charge, before the purchase. ▪ Recommendation 3: A jurisdiction considering “points of sale” disclosure should consider requiring that a “point of sale” disclosure document disclose key characteristics including costs, risks, and financial benefits or other features of a given product and any underlying or referenced assets, investments or indices, irrespective of the financial sector from which the products are derived. ▪ Recommendation 4: The “points of sale” disclosure document should be clear, fair, not misleading and written in a plain language designed to be understood by the consumer. ▪ Recommendation 5: The “points of sale” disclosures should include the same type of information to facilitate comparison of competing products.
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BOX 3: MAIN CONCLUSIONS FROM THE FIRST DEMAND SIDE SURVEY ON FINANCIAL INCLUSION IN COLOMBIA

This study is the first study to approach, in a comprehensive manner, financial inclusion in Colombia from the demand perspective. It was promoted by Banca de las Oportunidades and Superintendencia Financiera de Colombia and had technical support from IPSOS – Napoleón Franco.

The essential objective was to obtain a complete diagnosis of financial inclusion in the country, which is usually performed using supply data, and to identify opportunities for the development of initiatives and projects by the Government and the private sector that may contribute to raising financial inclusion levels in Colombia. For this research, quantitative¹⁰⁷ and qualitative instruments were used, which were used to describe two market segments (individuals and micro-entrepreneurs) and various aspects of financial inclusion were studied: i) coverage, ii) holding and use of financial products, iii) trends related to means of payment and technology, iv) financial services quality, and v) the impact of financial services on the population’s wellbeing.

This study introduces several novelties:

- It segments the analysis of transactional and savings products in two different categories,
- It introduces a set of questions and indicators to quantify financial inclusion quality and wellbeing dimensions, and
- Even though the focus of the analysis is on formal financial products, it researches the behavior and access barriers faced by the population that uses informal financial products or that does not have financial products.

The following table displays a summary of some of the main indicators considered in the study.

¹⁰⁶ Information disclosure at points of sale (POS) for insurance, banking, and securities sectors, website: <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD439.pdf>

¹⁰⁷ At the quantitative level, 1.213 surveys were taken from micro-entrepreneurs that represented 1.237.238 microbusinesses and 1.417 surveys were taken from individuals that represented 31.594.978 adults during the months of December 2014 and March 2015.

TABLE 19: MAIN INDICATORS OF THE DEMAND STUDY

Indicator	Supply data	Demand study		2014 -Index
		Micro-entrepreneurs	Individuals	
COVERAGE				
Availability of any point of access in the municipality	100,0%	96,0%	95,0%	NA
Most recognized point of access (post and money order companies)	NA	97,0%	97,0%	NA
HOLDING OF FINANCIAL PRODUCTS				
At least one financial product	72,5%	55,0%	67,0%	NA
Transactional products (accounts)	69,5%	28,0%	43,0%	39,0%
Savings products with financial entity	NA	13,0%	16,0%	12,3%
Credit products (different from credit cards)	24,2%	28,0%	17,0%	15,6%
Insurance products	NA	28,0%	50,0%	NA
USE OF CASH				
Payment of utilities	NA	87,0%	83,0%	99,0%
Payment of rent	NA	81,0%	54% (*)	NA
Payment to providers	NA	79,0%	NA	NA
Payment to employees	NA	70,0%	NA	54,8%

(*) The remaining percentage does not make payments or does not make them directly.

Source: Asobancaria; First Financial Inclusion Demand Side Survey - 2015, Findex - 2014.

Among the main conclusions from the First Financial Inclusion Demand Side Survey, the following stand out:

- Colombia has achieved full financial coverage of its territory. This is ratified by available data on both supply (100% at the beginning of 2015) and demand.
- The most widely recognized access points for the population are post and fund transfer companies, whose branch network is characterized by its great capillarity.
- On analyzing coverage by type of point of access, it is observed that the population has a certain degree of confusion regarding the different types of point of access. This could be related to the growing complexity of the financial system due to the emergence of new actors and to the lack of clear communication strategies that would enable the population to clearly differentiate each type of point of access.
- Regarding holding of financial products, the most aggregated indicator of holding of at least one financial product displays certain similarity between supply data (72,5%) and demand data (55% for micro-entrepreneurs and 67% for individuals). However, it should be pointed out that the type of products considered in each case and the data collection methodologies differ from each other.

- As a common denominator, it was found that, for all types of financial products, various socio-demographic variables such as gender, income level/socio economic level, and age have influence on holding of financial products and on the population's financial performance. This same information is ratified when considering the data generated by 2014-Index.
- In general, individuals residing in cities, of greater socio-economic level, males, and of productive age tend to have a greater relationship with the financial system.
- Regarding transactional products, the Demand Side survey estimates that 28% of the micro-entrepreneurs and 43% of the individuals have this type of products. The counterpart, it is individuals and micro-entrepreneurs that do not have accounts with the financial system and manage all their funds in cash, is 72% of entrepreneurs and 57% of individuals. The reasons that explain the high use of cash include: preference, habit, generalized rejection of means of payments that are an alternative to cash.
- It was found that formal savings is the product with the least penetration, 13% of the micro-entrepreneurs and 16% of the individuals have savings with financial entities. These percentages are tripled for micro-entrepreneurs and doubled for individuals in the case of informal savings. These formal savings indicators are very similar to the indicators reported by 2014-Index, 12,3%.
- The status of formal credit is better than the status of formal savings. 28% of the micro-entrepreneurs and 17% of the individuals express having had some form of formal credit during the last year. This result is consistent with the result reported by 2014-Index (15,6%).
- Access to credit by micro-entrepreneurs seems to have improved significantly in Colombia. For example, approval level for credit applications is over 90%, pursuant to the results of the Financial Inclusion Demand Study (93%), and pursuant to the results of DANE's microbusiness survey (94%)¹⁰⁸.
- Regarding insurance products, the Financial Inclusion Demand Survey estimated that 28% of micro-entrepreneurs and 50% of individuals has at least one type of insurance product, either voluntary or mandatory. In the case of individuals, this percentage is influenced by holding of a form of funeral services protection estimated in 28% and that does not necessarily correspond to insurance provided by insurance companies.
- The Financial Inclusion Demand Side survey reveals that in Colombia the use of cellphone and Internet to perform financial transactions is still very limited (below 2%). This is due to reasons such as the perception of lack of security when using this type of mechanisms and fear in view of the high rates of cellphone loss that exists in the country. For many consumers, the loss of the cellphone could put at risk the funds transacted through the cellphone.
- A low level of recognition was found for the financial education programs and initiatives developed by the Government and by the private sector. 8% of micro-entrepreneurs and 3% of individuals acknowledge having participated in these programs. Among those who say they have participated, the main benefits are associated to learning how to prepare a budget and to acquire saving habits.

108 DANE's microbusinesses survey (October 2013 to September 2014) is a case study that analyzes the structure and annual standard features of microbusinesses that meet the following conditions: i) identified as one single legal unit, ii) carry out commercial, industrial, or services activities, iii) have been operating for at least a year, and iv) employ up to 9 persons. This survey's 2014 edition included, for the first time, a set of questions about financial inclusion.

- The Demand Side Survey asked several questions to assess the quality of financial services, which were related to perception of the products' suitability, the possibility of selecting them, transparency in information disclosure for consumers, advisory and assistance, and consumer protection. Most of these indicators reveal positive results.
- In terms of access barriers that prevent the population from having formal financial products, self-exclusion stands out in the case of transactional, credit, and insurance products. The high cost factor is relevant for all products, and the insufficient income barrier stands out in transactional, savings, and insurance products.
- In order to assess the wellbeing that financial products generate in the population, two types of indicators were developed: i) to assess immediate availability of access points (at walking distance from the interviewed person's location) and ii) to assess the effect of having a formal financial product or service.
- Immediate availability of points of access was over 80% in both segments. This result explains the benefits related to reduction of costs in time and money expenditure by the high availability of various types of points of access all around the country.
- In terms of wellbeing, it was assessed the impact of having a financial product on various aspects of the people's businesses and lives. For micro-entrepreneurs, the greatest benefits were associated with topics like: greater possibilities to purchase inventories and possibility of negotiating better prices with their suppliers. In the case of individuals, positive impact on topics such as being able to pay for their children's education and take on planned expenses like vacation activities stand out.

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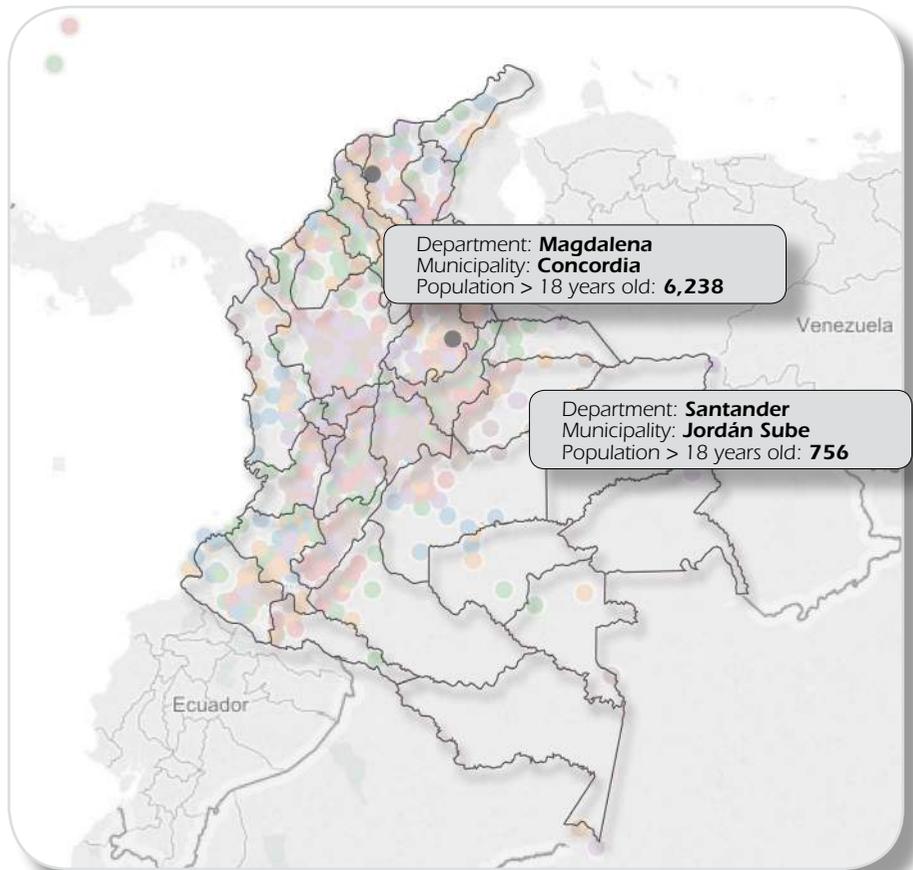
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ANNEXES

ANNEX 1: MAPS AND TABLES

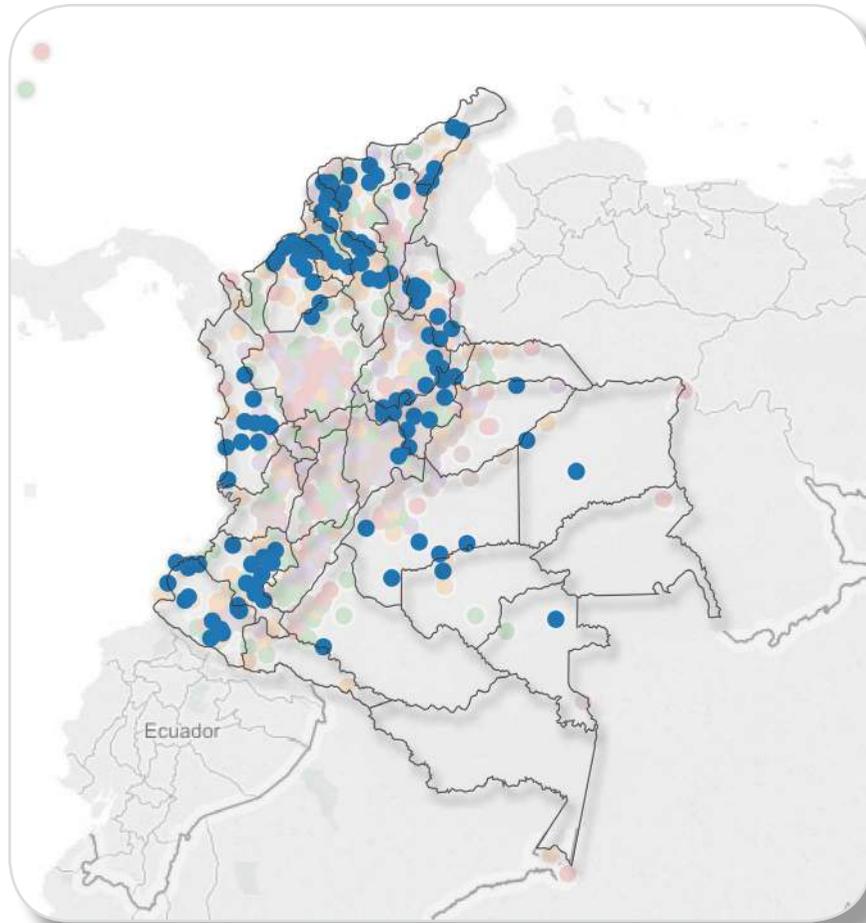
DETAILED DATA ON FINANCIAL COVERAGE AT MUNICIPAL LEVEL- TOTAL ACCESS POINTS

MAP 2: POINTS OF ACCESS FOR EVERY 10.000 ADULTS MUNICIPALITIES WITHOUT ANY PDAS



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

**MAP 3: POINTS OF ACCESS FOR EVERY 10.000 ADULTS
MUNICIPALITIES WITH UP TO 5 PDAS**



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

DATA TABLE FOR MAP 3: POINTS OF ACCESS FOR EVERY 10.000 ADULTS - MUNICIPALITIES WITH UP TO 5 PDAS

Department	Municipality	Rurality level	Number of municipalities	PDAs for every 10,000 adults	Population older than 18 years old
Atlántico	Repelón	Mid-size	1	5,0	16.036
Bolívar	Arroyohondo	Mid-size	1	3,4	5.926
Bolívar	Mahates	Mid-size	1	4,3	16.301
Bolívar	Norosí	Rural	1	3,5	2.863
Bolívar	Regidor	Mid-size	1	3,4	5.811
Bolívar	San Estanislao	Mid-size	1	3,0	9.978
Bolívar	San Fernando	Dispersed-rural	1	2,4	8.254
Bolívar	Soplaviento	Mid-size	1	1,8	5.672
Bolívar	Tiquisio	Dispersed-rural	1	4,3	11.566
Boyacá	Cómbita	Rural	1	2,7	10.930
Boyacá	Güicán	Dispersed-rural	1	5,0	4.019
Boyacá	Saboyá	Dispersed-rural	1	4,9	8.097
Boyacá	Socotá	Dispersed-rural	1	3,5	5.770
Boyacá	Tota	Dispersed-rural	1	2,7	3.712
Cauca	Cajibío	Rural	1	3,0	23.163
Cauca	El Tambo	Dispersed-rural	1	4,7	31.766
Cauca	Jambaló	Rural	1	2,1	9.704
Cauca	La Vega	Rural	1	2,4	28.991
Cauca	López	Dispersed-rural	1	3,6	11.140
Cauca	Santa Rosa	Dispersed-rural	1	1,6	6.239
Cauca	Sotara	Dispersed-rural	1	1,7	11.446
Cauca	Sucre	Rural	1	3,3	6.050
Cesar	Pueblo Bello	Dispersed-rural	1	3,5	11.444
Chocó	Alto Baudó	Dispersed-rural	1	1,7	17.798
Chocó	Bagadó	Dispersed-rural	1	4,5	4.471
Chocó	Bajo Baudó	Dispersed-rural	1	3,6	8.416
Chocó	Bojaya	Dispersed-rural	1	3,6	5.535
Chocó	El Litoral del San Juan	Dispersed-rural	1	2,9	6.901
Chocó	Lloró	Rural	1	3,3	6.126
Chocó	Medio Atrato	Dispersed-rural	1	1,1	17.802
Chocó	Medio Baudó	Dispersed-rural	1	4,1	7.314
Chocó	Medio San Juan	Rural	1	4,5	8.921
Chocó	Río Quito	Dispersed-rural	1	2,0	4.998
Córdoba	Cotorra	Mid-size	1	3,8	10.598
Córdoba	La Apartada	Mid-size	1	4,6	8.740
Córdoba	Los Córdoba	Rural	1	3,9	12.821
Córdoba	Moñitos	Mid-size	1	1,9	15.713
Córdoba	Purísima	Mid-size	1	3,2	9.388
Córdoba	San Bernardo del Viento	Mid-size	1	3,2	21.585
Córdoba	San Carlos	Rural	1	3,0	16.739
Córdoba	San José de Uré (ZC)	Rural	1	3,2	6.170
Córdoba	Tuchín	Mid-size	1	1,0	19.775
Cundinamarca	Gutiérrez	Dispersed-rural	1	3,7	2.690
Cundinamarca	Paimé	Dispersed-rural	1	3,2	3.169
Guaviare	El Retorno	Dispersed-rural	1	4,0	12.354
La Guajira	Distracción	Mid-size	1	3,2	9.234
La Guajira	El Molino	Rural	1	3,5	5.729

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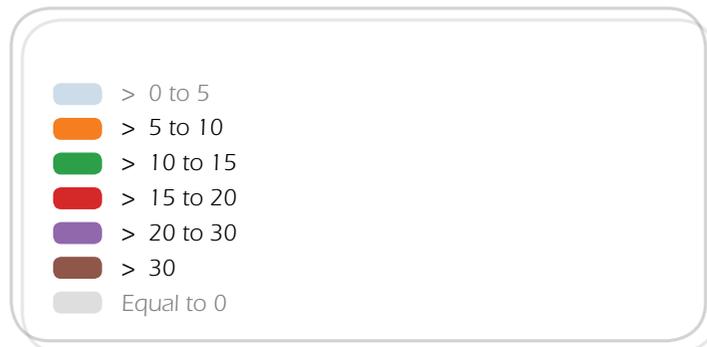
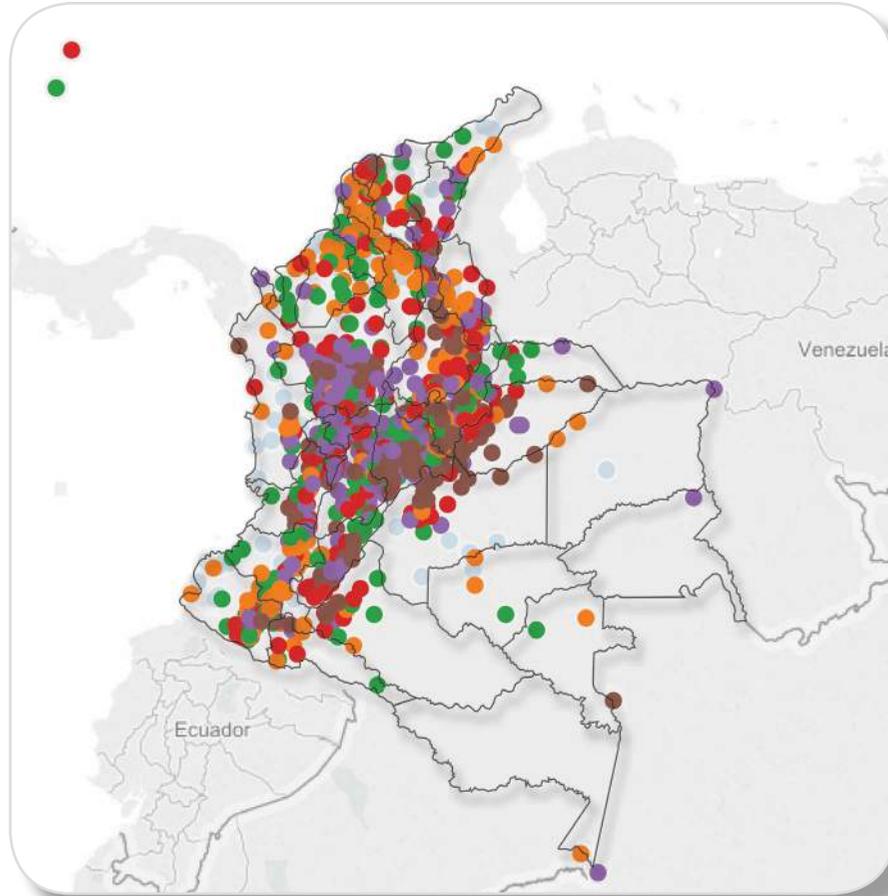
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La Guajira	La Jagua del Pilar	Rural	1	4,8	2.095
La Guajira	Manaure	Mid-size	1	1,7	54.057
La Guajira	Uribia	Dispersed-rural	1	1,4	91.539
Magdalena	El Piñon	Rural	1	1,9	10.421
Magdalena	El Retén	Mid-size	1	2,6	11.391
Magdalena	Pedraza	Rural	1	2,0	5.019
Magdalena	Pijiño del Carmen	Rural	1	2,5	7.858
Magdalena	Puebloviejo	Rural	1	3,1	16.329
Magdalena	San Zenón	Dispersed-rural	1	3,7	5.360
Magdalena	Santa Bárbara de Pinto	Rural	1	3,1	6.374
Magdalena	Sitionuevo	Rural	1	3,7	18.754
Magdalena	Zona Bananera	Mid-size	1	0,9	32.433
Meta	La Macarena (ZC)	Dispersed-rural	1	4,1	19.353
Meta	Mapiripán	Dispersed-rural	1	2,7	11.108
Meta	Puerto Concordia	Rural	1	3,1	12.811
Meta	Puerto Rico (ZC)	Dispersed-rural	1	4,5	11.089
Meta	Uribe	Dispersed-rural	1	4,1	9.839
Nariño	Aldana	Rural	1	2,3	4.409
Nariño	Arboleda	Mid-size	1	3,7	5.349
Nariño	El Charco	Dispersed-rural	1	4,2	18.981
Nariño	Francisco Pizarro	Rural	1	2,5	8.101
Nariño	Iles	Mid-size	1	3,3	6.005
Nariño	Imués	Rural	1	4,6	4.354
Nariño	La Tola	Rural	1	3,3	6.143
Nariño	Magüi	Dispersed-rural	1	0,8	12.106
Nariño	Mosquera	Rural	1	2,4	8.345
Nariño	Roberto Payán	Dispersed-rural	1	1,6	12.226
Nariño	San Pedro de Cartago	Mid-size	1	4,1	4.845
Nariño	Santa Bárbara	Dispersed-rural	1	2,6	7.768
Nariño	Santacruz	Dispersed-rural	1	0,6	16.998
Norte de Santander	Hacarí (ZC)	Dispersed-rural	1	3,4	5.908
Norte de Santander	San Calixto (ZC)	Dispersed-rural	1	2,7	7.393
Santander	Florián	Dispersed-rural	1	5,0	4.005
Santander	Gambita	Dispersed-rural	1	3,0	3.293
Santander	San José de Miranda	Rural	1	3,4	2.940
Sucre	El Roble	Mid-size	1	3,1	6.522
Sucre	Morroa	Mid-size	1	4,4	9.193
Sucre	Palmito	Mid-size	1	1,3	7.502
Sucre	San Benito Abad	Dispersed-rural	1	2,7	14.929
Vichada	Cumaribo	Dispersed-rural	1	4,3	18.425
General total			87	2,8	1.019.435

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

* Consolidaton Zones (ZC, in Spanish)

**MAP 4: POINTS OF ACCESS FOR EVERY 10.000 ADULTS
MUNICIPALITIES WITH MORE THAN 5 PDAS**



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

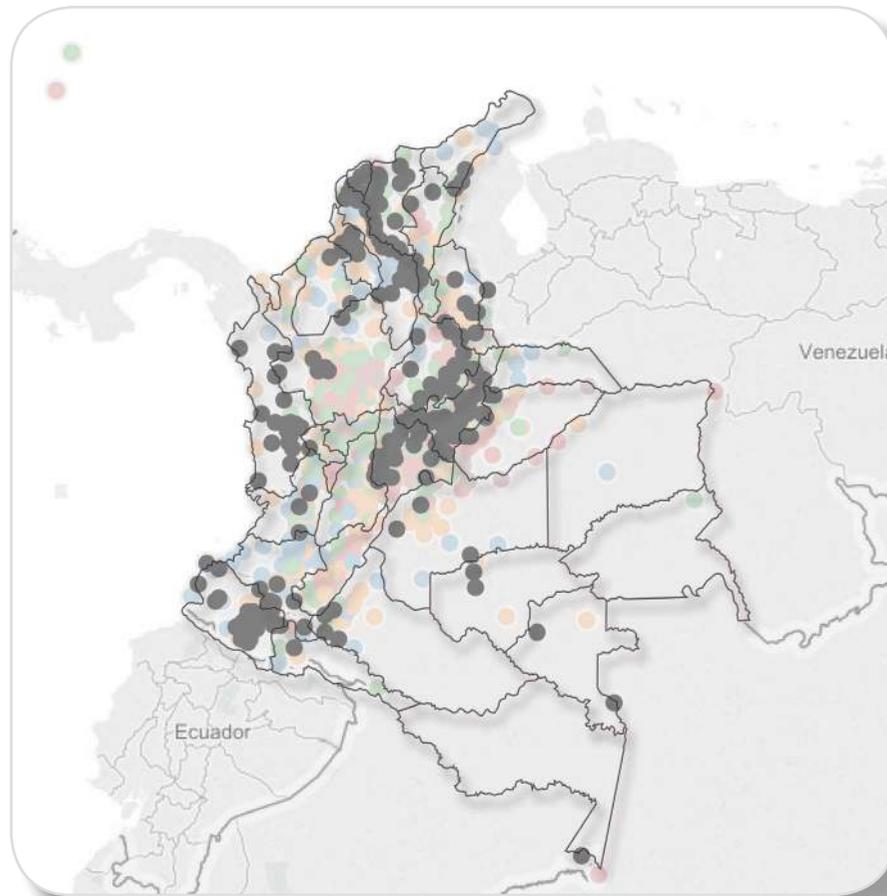
DATA TABLE FOR MAP 4: POINTS OF ACCESS FOR EVERY 10.000 ADULTS - MUNICIPALITIES WITH MORE THAN 5 PDAS

PDA range (for 10,000 adults)	Rurality level	Number of municipalites	Number of PDAs	Population older than 18 years old
5 - 10	Cities and metropolitan areas	13	337	390.607
5 - 10	Mid-size	37	495	634.785
5 - 10	Rural	68	499	689.885
5 - 10	Dispersed-rural	66	334	457.537
Total 5 - 10		184	1.665	2.172.814
10 - 15	Cities and metropolitan areas	14	2.098	1.625.690
10 - 15	Mid-size	54	1.256	1.011.520
10 - 15	Rural	66	805	644.117
10 - 15	Dispersed-rural	49	556	445.175
Total 10 - 15		183	4.715	3.726.502
15 - 20	Cities and metropolitan areas	19	2.099	1.213.034
15 - 20	Mid-size	62	1.711	994.450
15 - 20	Rural	61	1.045	611.614
15 - 20	Dispersed-rural	52	596	345.808
Total 15 - 20		194	5.451	3.164.906
20 - 30	Cities and metropolitan areas	28	13.825	5.774.640
20 - 30	Mid-size	79	3.580	1.443.232
20 - 30	Rural	80	1.657	692.883
20 - 30	Dispersed-rural	49	584	248.519
Total 20 - 30		236	19.646	8.159.274
Greater than 30	Cities and metropolitan areas	43	67.296	12.445.914
Greater than 30	Mid-size	59	3.264	770.461
Greater than 30	Rural	72	1.975	468.618
Greater than 30	Dispersed-rural	42	852	208.110
Total greater than 30		216	73.387	13.893.103
General total		1.013	104.864	31.116.599

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

DETAILED DATA ON FINANCIAL COVERAGE AT MUNICIPAL LEVEL - THROUGH BRANCHES

MAP 5: COVERAGE THROUGH BRANCHES FOR EVERY 10.000 ADULTS MUNICIPALITIES WITHOUT ANY FINANCIAL BRANCH



- > 0 to 1
- > 1 to 2
- > 2 to 3
- > 3 to 5
- > 5
- Equal to 0

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

DATA TABLE FOR MAP 5: COVERAGE THROUGH BRANCHES FOR EVERY 10.000 ADULTS – MUNICIPALITIES WITHOUT FINANCIAL BRANCHES

Department	Municipality	Rurality level	Number of municipalities	Population older than 18 years old
Amazonas	Puerto Nariño	Dispersed-rural	1	3.914
Antioquia	Abriaquí	Dispersed-rural	1	1.541
Antioquia	Buriticá	Dispersed-rural	1	4.259
Antioquia	Giraldo	Rural	1	2.613
Antioquia	Murindó	Dispersed-rural	1	2.903
Antioquia	Olaya	Dispersed-rural	1	2.035
Antioquia	Uramita	Rural	1	5.282
Antioquia	Vigía del Fuerte	Dispersed-rural	1	3.616
Atlántico	Palmar de Varela	Cities and metropolitan areas	1	16.852
Atlántico	Piojó	Rural	1	3.213
Atlántico	Polonuevo	Cities and metropolitan areas	1	10.269
Atlántico	Ponedera	Cities and metropolitan areas	1	13.778
Atlántico	Sabanagrande	Cities and metropolitan areas	1	20.982
Atlántico	Santa Lucía	Mid-size	1	7.267
Atlántico	Suan	Mid-size	1	5.998
Atlántico	Tubará	Cities and metropolitan areas	1	7.539
Atlántico	Usiacurí	Cities and metropolitan areas	1	6.268
Bolívar	Altos del Rosario	Rural	1	8.368
Bolívar	Arenal	Dispersed-rural	1	10.480
Bolívar	Arroyohondo	Mid-size	1	5.926
Bolívar	Barranco de Loba	Rural	1	9.743
Bolívar	Cantagallo	Rural	1	5.709
Bolívar	Cicuco	Mid-size	1	6.937
Bolívar	Clemencia	Cities and metropolitan areas	1	7.298
Bolívar	Córdoba	Dispersed-rural	1	7.274
Bolívar	El Guamo	Rural	1	5.158
Bolívar	El Peñón	Rural	1	5.371
Bolívar	Hatillo de Loba	Rural	1	6.657
Bolívar	Mahates	Mid-size	1	16.301
Bolívar	Margarita	Dispersed-rural	1	5.946
Bolívar	Montecristo	Dispersed-rural	1	12.430
Bolívar	Norosí	Rural	1	2.863
Bolívar	Regidor	Mid-size	1	5.811
Bolívar	Río Viejo	Rural	1	10.481
Bolívar	San Cristóbal	Cities and metropolitan areas	1	4.462
Bolívar	San Fernando	Dispersed-rural	1	8.254
Bolívar	San Jacinto del Cauca	Dispersed-rural	1	7.728
Bolívar	San Martín de Loba	Rural	1	9.638
Bolívar	Santa Rosa	Cities and metropolitan areas	1	13.335
Bolívar	Soplaviento	Mid-size	1	5.672
Bolívar	Talaigua Nuevo	Rural	1	6.664
Bolívar	Tiquisio	Dispersed-rural	1	11.566
Bolívar	Turbaná	Cities and metropolitan areas	1	8.776
Bolívar	Villanueva	Cities and metropolitan areas	1	12.237
Bolívar	Zambrano	Rural	1	7.056

Boyacá	Almeida	Dispersed-rural	1	1.238
Boyacá	Berbeo	Dispersed-rural	1	1.127
Boyacá	Betétiva	Dispersed-rural	1	1.398
Boyacá	Boyacá	Rural	1	2.877
Boyacá	Briceño	Rural	1	1.732
Boyacá	Buenavista	Rural	1	3.801
Boyacá	Busbanzá	Rural	1	795
Boyacá	Caldas	Dispersed-rural	1	2.596
Boyacá	Cerinza	Mid-size	1	2.714
Boyacá	Chíquiza	Dispersed-rural	1	3.518
Boyacá	Chivatá	Mid-size	1	3.928
Boyacá	Ciénega	Rural	1	3.258
Boyacá	Cómbita	Rural	1	10.930
Boyacá	Coper	Dispersed-rural	1	2.474
Boyacá	Corrales	Rural	1	1.629
Boyacá	Cucaita	Mid-size	1	2.921
Boyacá	Cuitiva	Dispersed-rural	1	1.298
Boyacá	Firavitoba	Mid-size	1	4.252
Boyacá	Floresta	Rural	1	3.246
Boyacá	Guacamayas	Dispersed-rural	1	1.232
Boyacá	Iza	Mid-size	1	1.704
Boyacá	Jericó	Dispersed-rural	1	2.791
Boyacá	La Capilla	Rural	1	1.892
Boyacá	La Victoria	Rural	1	1.105
Boyacá	Maripí	Rural	1	4.620
Boyacá	Mongua	Rural	1	3.134
Boyacá	Monguí	Mid-size	1	3.278
Boyacá	Motavita	Mid-size	1	5.297
Boyacá	Oicatá	Dispersed-rural	1	1.767
Boyacá	Pachavita	Dispersed-rural	1	1.824
Boyacá	Panqueba	Rural	1	1.097
Boyacá	Paya	Dispersed-rural	1	1.713
Boyacá	Pisba	Dispersed-rural	1	882
Boyacá	Quípama	Dispersed-rural	1	5.425
Boyacá	Ráquira	Rural	1	7.552
Boyacá	Rondón	Dispersed-rural	1	1.909
Boyacá	Sáchica	Mid-size	1	2.325
Boyacá	San Eduardo	Rural	1	1.166
Boyacá	San Miguel de Sema	Rural	1	2.997
Boyacá	San Pablo de Borbur	Rural	1	6.913
Boyacá	Santa María	Dispersed-rural	1	2.635
Boyacá	Sativasur	Dispersed-rural	1	799
Boyacá	Siachoque	Rural	1	5.592
Boyacá	Sora	Rural	1	1.877
Boyacá	Soracá	Rural	1	3.414
Boyacá	Sutatenza	Mid-size	1	2.986
Boyacá	Tasco	Dispersed-rural	1	4.253
Boyacá	Tinjacá	Dispersed-rural	1	2.026
Boyacá	Tópaga	Mid-size	1	2.456
Boyacá	Tota	Dispersed-rural	1	3.712
Boyacá	Tununguá	Dispersed-rural	1	1.206
Boyacá	Tutazá	Dispersed-rural	1	1.431

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Boyacá	Viracachá	Rural	1	2.123
Caquetá	Curillo	Rural	1	6.811
Caquetá	Morelia	Dispersed-rural	1	2.199
Caquetá	San José del Fragua	Rural	1	8.637
Caquetá	Solita	Rural	1	5.345
Casanare	Chameza	Dispersed-rural	1	1.526
Casanare	La Salina	Dispersed-rural	1	863
Casanare	Recetor	Rural	1	2.311
Casanare	Sácama	Dispersed-rural	1	1.210
Cauca	Florencia	Mid-size	1	4.113
Cauca	Piamonte	Dispersed-rural	1	4.294
Cauca	Santa Rosa	Dispersed-rural	1	6.239
Cauca	Sucre	Rural	1	6.050
Cauca	Villa Rica	Cities and metropolitan areas	1	10.134
Cesar	Pueblo Bello	Dispersed-rural	1	11.444
Chocó	Alto Baudó	Dispersed-rural	1	17.798
Chocó	Atrato	Rural	1	5.341
Chocó	Bagadó	Dispersed-rural	1	4.471
Chocó	Bojaya	Dispersed-rural	1	5.535
Chocó	Carmen del Darien	Dispersed-rural	1	3.061
Chocó	Cértegui	Rural	1	6.377
Chocó	El Cantón del San Pablo	Rural	1	4.535
Chocó	El Litoral del San Juan	Dispersed-rural	1	6.901
Chocó	Juradó	Dispersed-rural	1	1.846
Chocó	Lloró	Rural	1	6.126
Chocó	Medio Atrato	Dispersed-rural	1	17.802
Chocó	Medio Baudó	Dispersed-rural	1	7.314
Chocó	Medio San Juan	Rural	1	8.921
Chocó	Nóvita	Dispersed-rural	1	4.375
Chocó	Nuquí	Dispersed-rural	1	4.619
Chocó	Río Iro	Dispersed-rural	1	5.252
Chocó	Río Quito	Dispersed-rural	1	4.998
Chocó	San José del Palmar	Dispersed-rural	1	2.629
Chocó	Sipí	Dispersed-rural	1	2.199
Chocó	Unión Panamericana	Mid-size	1	5.149
Córdoba	Cotorra	Mid-size	1	10.598
Córdoba	La Apartada	Mid-size	1	8.740
Córdoba	San José de Uré (ZC)	Rural	1	6.170
Córdoba	Tuchín	Mid-size	1	19.775
Cundinamarca	Albán	Mid-size	1	4.016
Cundinamarca	Beltrán	Dispersed-rural	1	1.434
Cundinamarca	Bituima	Dispersed-rural	1	1.648
Cundinamarca	Cogua	Cities and metropolitan areas	1	14.662
Cundinamarca	El Peñón	Dispersed-rural	1	3.443
Cundinamarca	Fúquene	Rural	1	3.717
Cundinamarca	Gama	Dispersed-rural	1	2.900
Cundinamarca	Guataquí	Rural	1	1.698
Cundinamarca	Jerusalén	Dispersed-rural	1	1.657
Cundinamarca	Nariño	Rural	1	1.467
Cundinamarca	Nimaima	Mid-size	1	4.330
Cundinamarca	Pulí	Dispersed-rural	1	2.041
Cundinamarca	Quebradanegra	Rural	1	3.166

Cundinamarca	Ricaurte	Mid-size	1	6.556
Cundinamarca	Sutatausa	Cities and metropolitan areas	1	3.681
Cundinamarca	Tibacuy	Rural	1	3.104
Cundinamarca	Tibirita	Rural	1	1.884
Cundinamarca	Zipacón	Mid-size	1	3.557
Guaviare	Calamar	Dispersed-rural	1	5.154
Guaviare	El Retorno	Dispersed-rural	1	12.354
La Guajira	Distracción	Mid-size	1	9.234
La Guajira	El Molino	Rural	1	5.729
La Guajira	La Jagua del Pilar	Rural	1	2.095
Magdalena	Algarrobo	Rural	1	6.740
Magdalena	Concordia	Mid-size	1	6.238
Magdalena	El Piñon	Rural	1	10.421
Magdalena	El Retén	Mid-size	1	11.391
Magdalena	Nueva Granada	Rural	1	11.778
Magdalena	Pedraza	Rural	1	5.019
Magdalena	Pijiño del Carmen	Rural	1	7.858
Magdalena	Puebloviejo	Rural	1	16.329
Magdalena	Remolino	Rural	1	4.917
Magdalena	Salamina	Rural	1	4.720
Magdalena	San Zenón	Dispersed-rural	1	5.360
Magdalena	Santa Bárbara de Pinto	Rural	1	6.374
Magdalena	Sitionuevo	Rural	1	18.754
Magdalena	Tenerife	Rural	1	7.182
Magdalena	Zapayán	Rural	1	5.472
Magdalena	Zona Bananera	Mid-size	1	32.433
Meta	El Calvario	Dispersed-rural	1	1.407
Meta	El Dorado	Rural	1	2.046
Meta	Puerto Concordia	Rural	1	12.811
Meta	Uribe (ZC)	Dispersed-rural	1	9.839
Nariño	Aldana	Rural	1	4.409
Nariño	Chachagüí	Mid-size	1	9.143
Nariño	Colón	Mid-size	1	6.796
Nariño	Córdoba	Dispersed-rural	1	9.772
Nariño	Cuaspud	Mid-size	1	5.449
Nariño	El Peñol	Rural	1	4.468
Nariño	Francisco Pizarro	Rural	1	8.101
Nariño	Imués	Rural	1	4.354
Nariño	La Florida	Rural	1	6.738
Nariño	La Llanada	Rural	1	3.832
Nariño	La Tola	Rural	1	6.143
Nariño	Leiva	Rural	1	7.914
Nariño	Magüí	Dispersed-rural	1	12.106
Nariño	Mallama	Dispersed-rural	1	4.720
Nariño	Mosquera	Rural	1	8.345
Nariño	Nariño	Cities and metropolitan areas	1	3.341
Nariño	Ospina	Mid-size	1	6.156
Nariño	Potosí	Dispersed-rural	1	8.811
Nariño	Providencia	Mid-size	1	8.351
Nariño	Roberto Payán	Dispersed-rural	1	12.226
Nariño	San Bernardo	Mid-size	1	13.242
Nariño	San Pedro de Cartago	Mid-size	1	4.845

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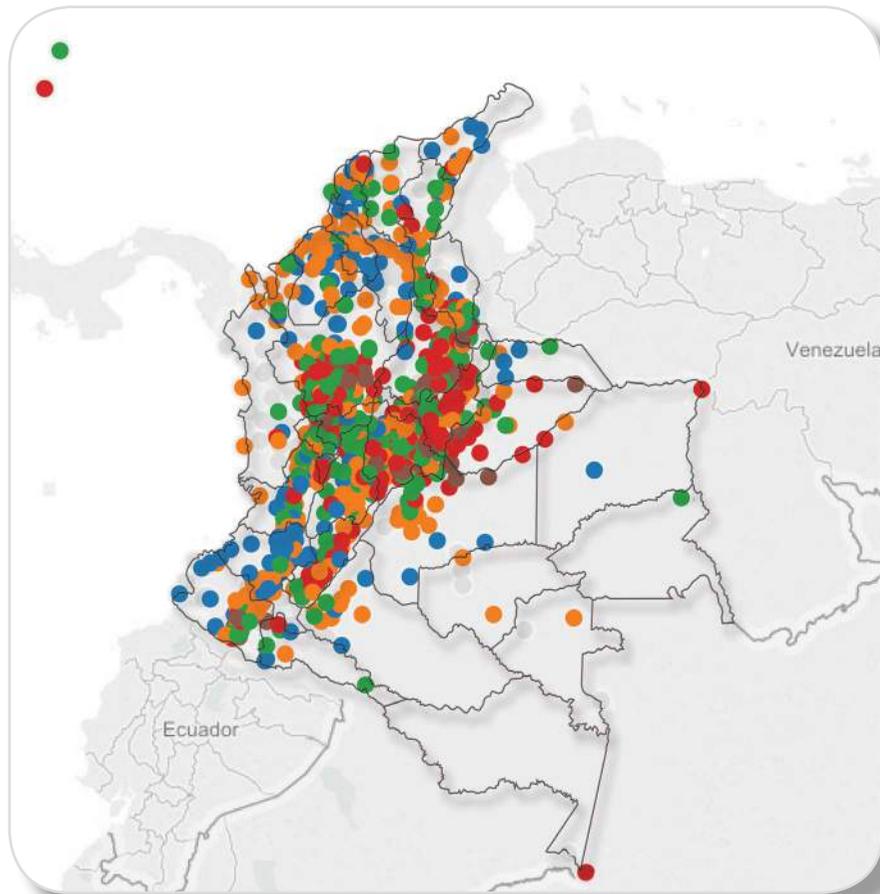
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Nariño	Santacruz	Dispersed-rural	1	16.998
Nariño	Sapuyes	Dispersed-rural	1	4.409
Nariño	Tangua	Dispersed-rural	1	6.732
Norte de Santander	Bucarasica	Dispersed-rural	1	2.820
Norte de Santander	El Tarra (ZC)	Rural	1	5.969
Norte de Santander	La Esperanza	Dispersed-rural	1	6.608
Norte de Santander	Pamplonita	Dispersed-rural	1	3.213
Norte de Santander	Puerto Santander	Mid-size	1	6.491
Norte de Santander	San Cayetano	Rural	1	3.369
Norte de Santander	Santiago	Rural	1	1.798
Putumayo	Colón	Mid-size	1	3.630
Putumayo	Puerto Caicedo	Rural	1	8.729
Putumayo	San Francisco	Rural	1	4.566
Putumayo	Santiago	Rural	1	6.453
Santander	Albania	Dispersed-rural	1	3.190
Santander	California	Rural	1	1.284
Santander	Cepitá	Dispersed-rural	1	1.237
Santander	Charta	Dispersed-rural	1	1.942
Santander	Confines	Dispersed-rural	1	1.876
Santander	El Guacamayo	Dispersed-rural	1	1.409
Santander	El Peñón	Dispersed-rural	1	3.014
Santander	El Playón	Rural	1	7.594
Santander	Encino	Dispersed-rural	1	1.705
Santander	Enciso	Dispersed-rural	1	2.358
Santander	Guapotá	Dispersed-rural	1	1.428
Santander	Jordán	Dispersed-rural	1	756
Santander	Macaravita	Dispersed-rural	1	1.714
Santander	Palmar	Mid-size	1	2.265
Santander	Palmas del Socorro	Rural	1	1.560
Santander	Pinchote	Rural	1	3.501
Santander	Puerto Parra	Dispersed-rural	1	4.305
Santander	San Benito	Rural	1	2.632
Santander	San José de Miranda	Rural	1	2.940
Santander	San Miguel	Dispersed-rural	1	1.663
Santander	Santa Bárbara	Dispersed-rural	1	1.431
Santander	Santa Helena del Opón	Dispersed-rural	1	2.619
Sucre	Chalán	Mid-size	1	2.701
Sucre	Coloso	Rural	1	3.797
Sucre	El Roble	Mid-size	1	6.522
Sucre	Morroa	Mid-size	1	9.193
Sucre	Palmito	Mid-size	1	7.502
Sucre	San Juan de Betulia	Mid-size	1	8.517
Valle del Cauca	San Pedro	Mid-size	1	12.848
Valle del Cauca	Vjjes	Cities and metropolitan areas	1	7.953
Vaupés	Caruru	Dispersed-rural	1	1.959
Vaupés	Taraira	Dispersed-rural	1	426
General total			247	1.380.547

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

* Consolidation Zones (ZC).

MAP 6: COVERAGE THROUGH BRANCHES FOR EVERY 10.000 ADULTS MUNICIPALITIES WITH LESS THAN ONE FINANCIAL BRANCH



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

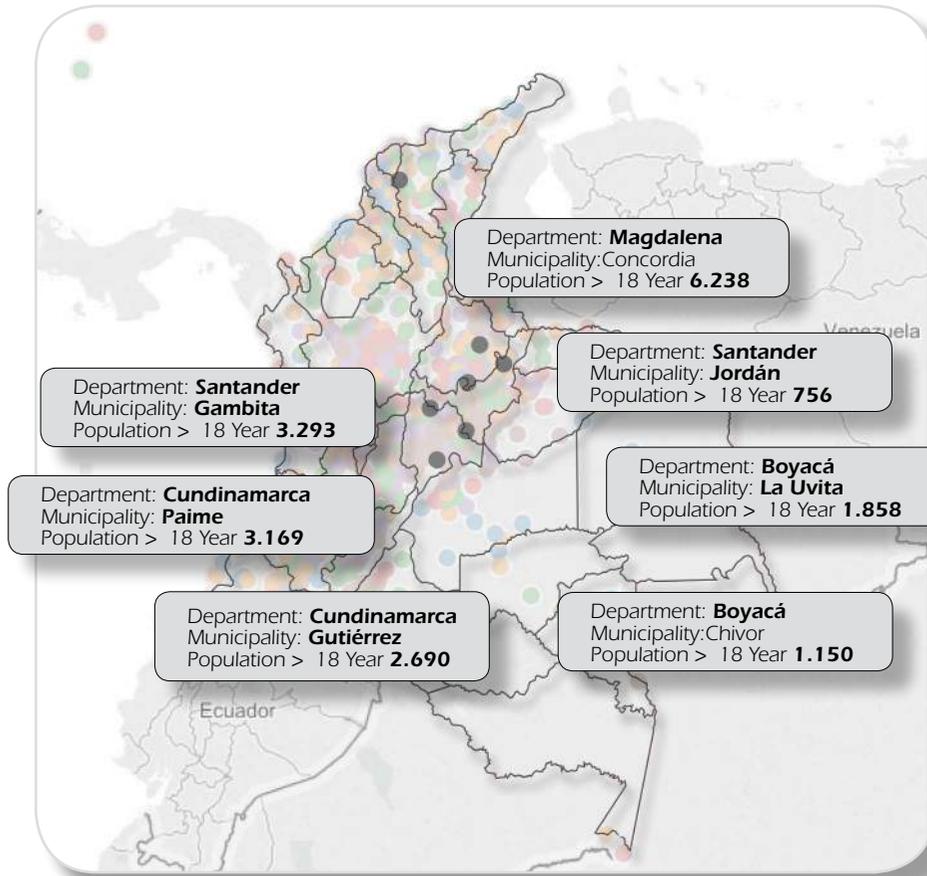
DATA TABLE FOR MAP 6: COVERAGE THROUGH BRANCHES FOR EVERY 10.000 ADULTS- MUNICIPALITIES WITH AT LEAST ONE BRANCH

Branch range (for every 10,000 adults)	Rurality level	Number of municipalities	Number of branches	Population older than 18 years old
1	Cities and metropolitan areas	15	113	1.509.980
1	Mid-size	46	63	899.716
1	Rural	44	53	754.782
1	Dispersed-rural	38	44	657.396
Total 1		143	273	3.821.874
1 - 2	Cities and metropolitan areas	27	343	2.235.207
1 - 2	Mid-size	76	215	1.432.202
1 - 2	Rural	83	139	916.945
1 - 2	Dispersed-rural	64	85	601.709
Total 1 - 2		250	782	5.186.063
2 - 3	Cities and metropolitan areas	33	2.213	8.535.825
2 - 3	Mid-size	63	304	1.205.315
2 - 3	Rural	82	179	718.701
2 - 3	Dispersed-rural	38	58	235.529
Total 2 - 3		216	2.754	10.695.370
3 - 5	Cities and metropolitan areas	22	2.841	8.862.662
3 - 5	Mid-size	63	378	1.058.216
3 - 5	Rural	53	147	387.704
3 - 5	Dispersed-rural	42	84	224.046
Total 3 - 5		180	3.450	10.532.628
Greater than 5	Cities and metropolitan areas	4	93	144.644
Greater than 5	Mid-size	20	135	231.737
Greater than 5	Rural	21	69	102.178
Greater than 5	Dispersed-rural	21	34	47.987
Total greater than 5		66	331	526.546
Total general		855	7.590	30.762.481

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

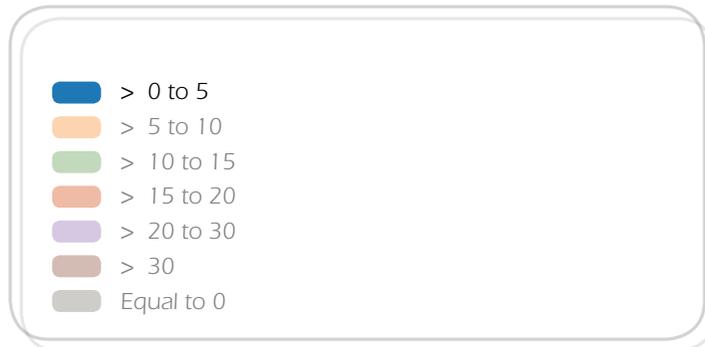
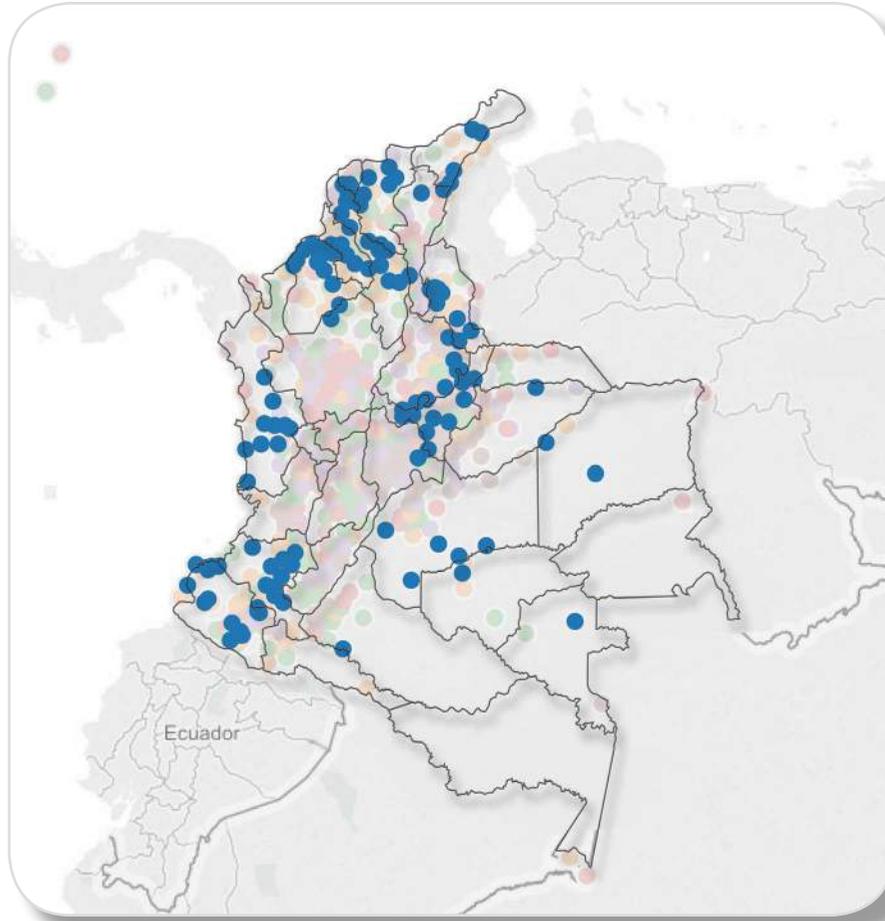
DETAILED DATA ON FINANCIAL COVERAGE AT MUNICIPAL LEVEL – THROUGH AGENTS

MAP 7: COVERAGE THROUGH AGENTS FOR EVERY 10.000 ADULTS MUNICIPALITIES WITHOUT ANY AGENT



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

MAP 8: COVERAGE THROUGH AGENTS FOR EVERY 10.000 ADULTS MUNICIPALITIES WITH UP TO 5 AGENTS



Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

DATA TABLE FOR MAP 8: COVERAGE THROUGH AGENTS FOR EVERY 10.000 ADULTS - MUNICIPALITIES WITH UP TO 5 AGENTS

Department	Municipality	Rurality level	Number of municipalities	Agents for every 10,000 adults	Population older than 18 years old
Arauca	Puerto Rondón (ZC)	Dispersed-rural	1	4,6	2.170
Atlántico	Luruaco	Mid-size	1	4,7	16.968
Atlántico	Repelón	Mid-size	1	4,4	16.036
Bolívar	Arroyohondo	Mid-size	1	3,4	5.926
Bolívar	El Carmen de Bolívar (ZC)	Mid-size	1	4,3	43.741
Bolívar	Mahates	Mid-size	1	4,3	16.301
Bolívar	María La Baja	Mid-size	1	4,6	28.255
Bolívar	Norosí	Rural	1	3,5	2.863
Bolívar	Pinillos	Dispersed-rural	1	4,3	13.814
Bolívar	Regidor	Mid-size	1	3,4	5.811
Bolívar	San Estanislao	Mid-size	1	2,0	9.978
Bolívar	San Fernando	Dispersed-rural	1	2,4	8.254
Bolívar	Santa Catalina	Mid-size	1	3,8	7.896
Bolívar	Soplaviento	Mid-size	1	1,8	5.672
Bolívar	Tiquisio	Dispersed-rural	1	4,3	11.566
Boyacá	Chitaraque	Dispersed-rural	1	2,5	3.957
Boyacá	Cómbita	Rural	1	2,7	10.930
Boyacá	Güicán	Dispersed-rural	1	2,5	4.019
Boyacá	Nuevo Colón	Mid-size	1	4,7	4.285
Boyacá	Pauna	Dispersed-rural	1	4,4	6.828
Boyacá	Saboyá	Dispersed-rural	1	3,7	8.097
Boyacá	Socotá	Dispersed-rural	1	1,7	5.770
Boyacá	Somondoco	Rural	1	3,7	2.680
Boyacá	Tipacoque	Dispersed-rural	1	4,4	2.284
Boyacá	Tota	Dispersed-rural	1	2,7	3.712
Caquetá	Solano	Dispersed-rural	1	4,4	13.536
Cauca	Cajibío	Rural	1	2,6	23.163
Cauca	El Tambo	Dispersed-rural	1	4,1	31.766
Cauca	Jambaló	Rural	1	1,0	9.704
Cauca	La Vega	Rural	1	2,1	28.991
Cauca	López	Dispersed-rural	1	2,7	11.140
Cauca	San Sebastián	Dispersed-rural	1	4,1	9.766
Cauca	Santa Rosa	Dispersed-rural	1	1,6	6.239
Cauca	Sotara	Dispersed-rural	1	0,9	11.446
Cauca	Sucre	Rural	1	3,3	6.050
Cauca	Totoró	Rural	1	4,3	11.655
Cesar	González	Rural	1	4,3	4.688

Cesar	Pueblo Bello	Dispersed-rural	1	3,5	11.444
Chocó	Alto Baudó	Dispersed-rural	1	1,7	17.798
Chocó	Bagadó	Dispersed-rural	1	4,5	4.471
Chocó	Bajo Baudó	Dispersed-rural	1	2,4	8.416
Chocó	Bojaya	Dispersed-rural	1	3,6	5.535
Chocó	El Litoral del San Juan	Dispersed-rural	1	2,9	6.901
Chocó	Lloró	Rural	1	3,3	6.126
Chocó	Medio Atrato	Dispersed-rural	1	1,1	17.802
Chocó	Medio Baudó	Dispersed-rural	1	4,1	7.314
Chocó	Medio San Juan	Rural	1	4,5	8.921
Chocó	Río Quito	Dispersed-rural	1	2,0	4.998
Córdoba	Cotorra	Mid-size	1	3,8	10.598
Córdoba	La Apartada	Mid-size	1	4,6	8.740
Córdoba	Lorica	Mid-size	1	4,8	75.023
Córdoba	Los Córdoba	Rural	1	3,1	12.821
Córdoba	Moñitos	Mid-size	1	0,6	15.713
Córdoba	Pueblo Nuevo	Rural	1	4,8	22.993
Córdoba	Puerto Escondido	Rural	1	4,3	16.448
Córdoba	Purísima	Mid-size	1	2,1	9.388
Córdoba	San Andrés Sotavento	Mid-size	1	4,3	23.490
Córdoba	San Bernardo del Viento	Mid-size	1	2,8	21.585
Córdoba	San Carlos	Rural	1	2,4	16.739
Córdoba	San José de Uré (ZC)	Rural	1	3,2	6.170
Córdoba	San Pelayo	Rural	1	4,9	28.812
Córdoba	Tuchín	Mid-size	1	1,0	19.775
Cundinamarca	Junín	Dispersed-rural	1	5,0	6.004
Guaviare	El Retorno	Dispersed-rural	1	4,0	12.354
La Guajira	Distracción	Mid-size	1	3,2	9.234
La Guajira	El Molino	Rural	1	3,5	5.729
La Guajira	La Jagua del Pilar	Rural	1	4,8	2.095
La Guajira	Manaure	Mid-size	1	1,3	54.057
La Guajira	Uribia	Dispersed-rural	1	0,8	91.539
Magdalena	El Piñon	Rural	1	1,9	10.421
Magdalena	El Retén	Mid-size	1	2,6	11.391
Magdalena	Pedraza	Rural	1	2,0	5.019
Magdalena	Pijiño del Carmen	Rural	1	2,5	7.858
Magdalena	Puebloviejo	Rural	1	3,1	16.329
Magdalena	San Zenón	Dispersed-rural	1	3,7	5.360
Magdalena	Santa Bárbara de Pinto	Rural	1	3,1	6.374
Magdalena	Sitionuevo	Rural	1	3,7	18.754
Magdalena	Zona Bananera	Mid-size	1	0,9	32.433
Meta	La Macarena (ZC)	Dispersed-rural	1	3,6	19.353
Meta	Mapiripán	Dispersed-rural	1	1,8	11.108

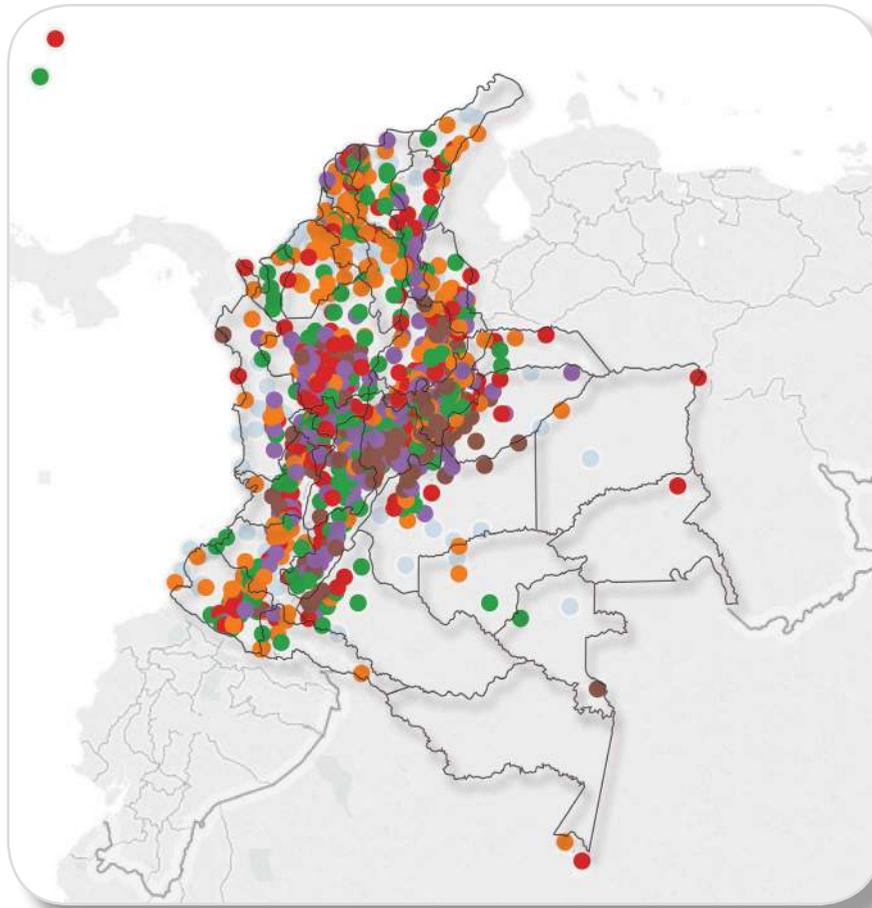
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INCLUSION REPORT 2014

Meta	Puerto Concordia	Rural	1	3,1	12.811
Meta	Puerto Rico (ZC)	Dispersed-rural	1	3,6	11.089
Meta	Uribe (ZC)	Dispersed-rural	1	4,1	9.839
Nariño	Albán	Mid-size	1	2,0	14.912
Nariño	Aldana	Rural	1	2,3	4.409
Nariño	Arboleda	Mid-size	1	1,9	5.349
Nariño	El Charco	Dispersed-rural	1	3,7	18.981
Nariño	Francisco Pizarro	Rural	1	2,5	8.101
Nariño	Funes	Rural	1	4,5	4.473
Nariño	Iles	Mid-size	1	1,7	6.005
Nariño	Imués	Rural	1	4,6	4.354
Nariño	La Tola	Rural	1	3,3	6.143
Nariño	Magüi	Dispersed-rural	1	0,8	12.106
Nariño	Mosquera	Rural	1	2,4	8.345
Nariño	Roberto Payán	Dispersed-rural	1	1,6	12.226
Nariño	San Pedro de Cartago	Mid-size	1	4,1	4.845
Nariño	Santa Bárbara	Dispersed-rural	1	1,3	7.768
Nariño	Santacruz	Dispersed-rural	1	0,6	16.998
Norte de Santander	Abrego	Rural	1	3,9	23.119
Norte de Santander	Hacarí (ZC)	Dispersed-rural	1	1,7	5.908
Norte de Santander	Herrán	Dispersed-rural	1	3,5	2.896
Norte de Santander	Mutiscua	Dispersed-rural	1	4,0	2.470
Norte de Santander	Salazar	Rural	1	3,5	5.647
Norte de Santander	San Calixto (ZC)	Dispersed-rural	1	1,4	7.393
Norte de Santander	Teorama (ZC)	Dispersed-rural	1	4,3	11.559
Santander	Coromoro	Dispersed-rural	1	4,0	4.984
Santander	Florián	Dispersed-rural	1	2,5	4.005
Santander	Guaca	Rural	1	4,4	4.499
Santander	Guavatá	Rural	1	3,9	2.540
Santander	Molagavita	Dispersed-rural	1	2,8	3.539
Santander	San José de Miranda	Rural	1	3,4	2.940
Santander	Suratá	Dispersed-rural	1	4,3	2.317
Sucre	El Roble	Mid-size	1	3,1	6.522
Sucre	Morroa	Mid-size	1	4,4	9.193
Sucre	Palmito	Mid-size	1	1,3	7.502
Sucre	San Benito Abad	Dispersed-rural	1	2,0	14.929
Sucre	Sucre	Rural	1	4,8	14.705
Vaupés	Mitú	Dispersed-rural	1	4,7	17.032
Vichada	Cumaribo	Dispersed-rural	1	3,8	18.425
Vichada	Santa Rosalía	Dispersed-rural	1	5,0	2.005
General total			120	3,0	1.472.273

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

MAP 9: COVERAGE THROUGH AGENTS FOR EVERY 10.000 ADULTS MUNICIPALITIES WITH MORE THAN 5 AGENTS



- > 0 to 5
- > 5 to 10
- > 10 to 15
- > 15 to 20
- > 20 to 30
- > 30
- Equal to 0

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

DATA TABLE FOR MAP 9: COVERAGE THROUGH AGENTS FOR EVERY 10.000 ADULTS - MUNICIPALITIES WITH MORE THAN 5 AGENTS

Agent range (for every 10,000 adults)	Rurality level	Number of municipalities	Number of agents	Population older than 18 years old
5 - 10	Cities and metropolitan areas	17	806	922.678
5 - 10	Mid-size	49	671	862.097
5 - 10	Rural	79	615	826.470
5 - 10	Dispersed-rural	68	340	465.967
Total 5 - 10		213	2.432	3.077.212
10 - 15	Cities and metropolitan areas	18	1.896	1.512.380
10 - 15	Mid-size	63	1.414	1.157.538
10 - 15	Rural	72	930	722.532
10 - 15	Dispersed-rural	54	631	516.926
Total 10 - 15		207	4.871	3.909.376
15 - 20	Cities and metropolitan areas	19	6.916	3.804.871
15 - 20	Mid-size	66	1.848	1.068.000
15 - 20	Rural	63	997	583.786
15 - 20	Dispersed-rural	45	478	275.473
Total 15 - 20		193	10.239	5.732.130
20 - 30	Cities and metropolitan areas	31	11.003	4.425.477
20 - 30	Mid-size	61	2.643	1.080.683
20 - 30	Rural	68	1.302	542.176
20 - 30	Dispersed-rural	39	396	165.899
Total 20 - 30		199	15.344	6.214.235
Greater than 30	Cities and metropolitan areas	32	58.422	10.784.479
Greater than 30	Mid-size	44	2.000	471.560
Greater than 30	Rural	52	1.269	288.036
Greater than 30	Dispersed-rural	35	687	174.573
Total greater than 30		163	62.378	11.718.648
General total		975	95.264	30.651.601

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

FINANCIAL COVERAGE STATISTICS AND INDICATORS BY POPULATION SIZE

**TABLE 20: EVOLUTION OF THE TOTAL
NUMBER OF BRANCHES BY POPULATION SIZE: 2010 – 2014**

Population size	2010	2011	2012	2013	2014	Var 2010/2014	% tot var 2010/2014
0 – 10.000 res	407	321	332	372	348	-59	-5,10%
10.001 – 50.000 res	1.263	1.087	1.198	1.328	1.369	106	9,20%
50.001 – 100.000 res	343	382	462	522	536	193	16,80%
Over 100.000 res	4.425	4.698	5.104	5.380	5.337	912	79,20%
Total	6.438	6.488	7.096	7.602	7.590	1.152	100%

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

**TABLE 21: EVOLUTION OF THE TOTAL NUMBER OF AGENTS
BY POPULATION SIZE: 2010 – 2014**

Population size	2010	2011	2012	2013	2014	Var 2010/2014	% tot var 2010/2014
0 – 10.000 res	380	487	794	1.690	3.178	2.798	3,30%
10.001 – 50.000 res	873	1.331	2.526	5.636	11.996	11.123	12,90%
50.001 – 100.000 res	254	488	1.055	2.155	4.628	4.374	5,10%
Over 100.000 res	8.197	17.632	29.834	39.700	75.928	67.731	78,70%
Total	9.704	19.938	34.209	49.181	95.730	86.026	100%

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

**TABLE 22: : NUMBER OF MUNICIPALITIES WITHOUT
FINANCIAL/BANK COVERAGE BY POPULATION SIZE:
2010 – 2014.**

Population size	Municipalities without financial coverage				Municipalities without bank coverage					
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
0 – 10.000 res	3	5	4	1	2	3	5	6	2	2
10.001 – 50.000 res	3	6	6	-	-	3	6	8	1	-
50.001 – 100.000 res	-	-	-	-	-	-	-	-	-	-
Over 100.000 res	-	-	-	-	-	-	-	-	-	-
Total	6	11	10	1	2	6	11	14	3	2

Source: Superintendencia Financiera de Colombia, Superintendencia de Economía solidaria, and microcredit NGOs.

ANNEX 2. TABLES ON INSURANCE MONTHLY PREMIUMS

TABLE 23: PERSONAL INSURANCE MONTHLY PREMIUM RANGE

Personal insurance	<10000	10000-20000	20000-50000	>50000	ND
Funeral services	17%	1%	10%	2%	70%
Personal accident	21%	2%	1%	5%	71%
Voluntary group life	10%	4%	7%	19%	61%
Deptor group life	12%	3%	2%	2%	81%
Individual life	29%	32%	20%	14%	5%

TABLE 24: CASUALTY INSURANCE MONTHLY PREMIUM RANGE *

insurance	<10000	10000-20000	20000-50000	>50000	ND
Fire and/or earthquake	7%	4%	12%	16%	61%
Theft	40%	10%	7%	22%	23%
Unemployment	11%	44%	27%	19%	0%
Home	8%	4%	6%	34%	49%

TABLE 25: INSURANCE PENETRATION BY DEPARTMENT *

Departments	BOGOTA	ANTIOQUIA	VALLE	ATLÁNTICO	SANTANDER	BOLIVAR	RISARALDA	CALDAS	TOLIMA
Casualty insurance penetration index	3.05%	1.78%	1.28%	1.47%	0.62%	0.44%	1.50%	1.31%	0,67%
Personal insurance penetration index	2.21%	1.72%	0.93%	1.27%	0.41%	0.31%	0.64%	1.15%	0,36%
Departments	META	NORTE DE SANTANDER	NEIVA	BOYACA	QUINDIO	CAUCA	MAGDALENA	CESAR	CASANARE
Casualty insurance penetration index	0.21%	0.53%	0.64%	0.26%	1.40%	0.27%	0.27%	0.27%	0,14%
Personal insurance penetration index	0.09%	0.82%	0.31%	0.17%	0.74%	0.49%	0.21%	0.21%	0,03%
Departments	SUCRE	LA GUAJIRA	CAQUETA	C/MARCA	PUTUMAYO	SAN ANDRES	AMAZONAS	GUAVIARE	
Casualty insurance penetration index	0.09%	0.09%	0.09%	0.21%	0.09%	0.04%	0.00%	0.00%	
Personal insurance penetration index	0.11%	0.03%	0.05%	0.09%	0.04%	0.04%	0.02%	0.02%	

*The table includes departments with indexes with values over 0.004%, for that reason the table does not include the 33 departments.

ANNEX 3. CALCULATION METHOD FOR THE MAIN INSURANCE FINANCIAL INCLUSION INDICATORS

Average Insurance Value: Average insured value for each insured risk by insurance line.

$$\text{Average Insurance Value} = \frac{\text{Current Insured Value}}{\text{Number of Current Insured Risks}}$$

Gross Claim Rate: Claims paid value as a proportion of the issued premiums in each line.

$$\text{Gross Claim Rate} = \frac{\text{Cumulative Value of Claims Paid}}{\text{Cumulative Issued Premiums}}$$

Claims Paid Average Value (Severity): Average value for each claim that the insurance company had to pay by line.

$$\text{Claims Paid Average V} = \frac{\text{Cumulative Value of Paid Claims}}{\text{Cumulative Number of Claims Paid}}$$

Frequency: Ratio of the number of claims paid and insured risks.

$$\text{Frequency} = \frac{\text{Cumulative Number of Claims Paid}}{\frac{12}{\text{Number of Current Insured Risks}}}$$

Objection rate: Ration of claims submitted to the insurance company and objected claims.

$$\text{Objection rate} = \frac{\text{Number of Objected claims}}{\text{Number of submitted claims}}$$

Cancellation rate: Ratio of the number of cancellations and the number of current insured risks.

$$\text{Cancellation rate} = \frac{\text{Cumulative number of insured risk cancellations}}{\text{Number of current insured risks}}$$

Company Account Claim Rate: Ratio of the value accrued by the insurance company from premiums and the amounts it has to pay and reserve for claims.

$$\text{Company Account Claim Rate} = \frac{\text{Value of Cumulative Submitted Claims}}{\text{Cumulative Accrued Premiums}}$$

ANNEX 4: COMPANIES SPECIALIZED IN ELECTRONIC DEPOSITS AND PAYMENTS, SEDPES (IN SPANISH)

Regulatory framework	Act 1735 of October 21, 2014
Authorized transactions	They are authorized to a) obtain funds; b) perform payments and transfers; and c) act as transfer agents for any person and, through this channel, receive and deliver funds.
Conditions for activity implementation	<ul style="list-style-type: none"> ▪ Through Electronic Deposit (Different from checking or savings accounts), ▪ Associated with one or more instruments or mechanisms that allow a holder to pay a monetary obligation and/or transfer funds and/or make withdrawals, ▪ Credit institutions may or may not pay remuneration on the obtained funds, ▪ Possibility of withdrawing cash.
Advantages	<ul style="list-style-type: none"> ▪ Lower costs for financial services offered by such entities, given low risk level, ▪ Use of up-dated technology to promote banking and financial penetration, ▪ Eventual lower transaction costs, ▪ Greater incentive for formal saving, ▪ Development of a payment record for the financial system that will allow migration to more sophisticated financial products such bank credit, ▪ Deposit insurance managed by FOGAFIN ▪ Use of agents for providing services, ▪ Exempt from the Tax on Financial Movements.