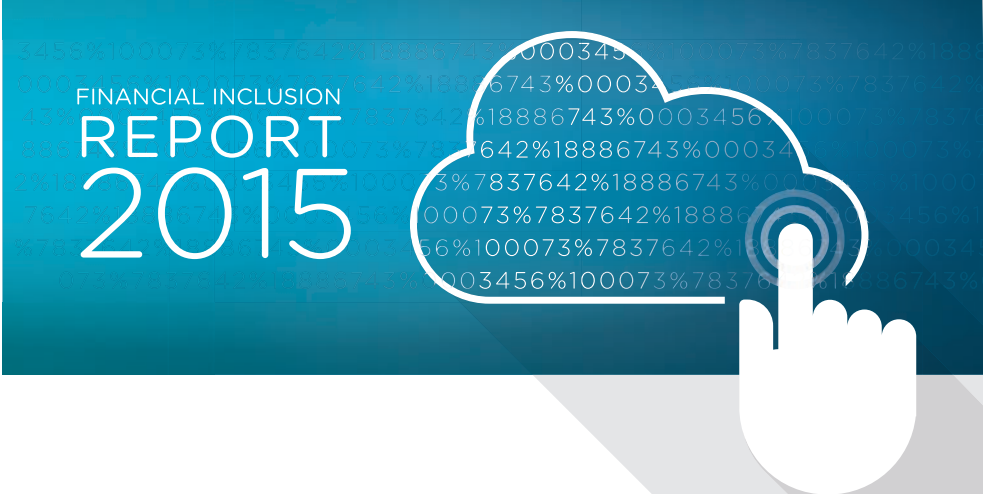




FINANCIAL INCLUSION REPORT 2015



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P For the Banca de las Oportunidades Program and Superintendencia Financiera de Colombia it is a great pleasure to place at the disposal of the country, for the fifth consecutive year, the Annual Financial Inclusion Report 2015.

The goal of this document is to generate indicators that will help the Government in public policy decision-making, industry for identifying opportunities in Colombia's various segments of population and territory, and academia and the general audience so that it is used in a forward-looking manner that allows improving financial inclusion. One of the important advances achieved in the country is to constantly track the results obtained year after year in financial inclusion, facilitating the granting of incentives, both on the supply side as well as for demand, and the generation of regulations that have energized financial inclusion in recent years.

The National Development Plan 2014 - 2018 establishes specific goals on the subject of financial inclusion that invite the various Government entities and private sector to work jointly convinced that this will improve the quality of life of Colombians. These goals are related to promoting the establishment of a minimum number of Specialized Deposit and Electronic Payments Companies (SEDPEs, in Spanish), incentivizing the reduction in the use of cash in the economy, increasing the number of adults with access to the financial system, reducing dormancy in savings accounts and energizing access to credit and insurance in the rural sector.

To achieve the suggested goals, the indicators included in this Report turn out to be a crucial tool, both for prioritizing the various tasks and generating an action plan to be followed, as well as to track the performance of goals.

In the construction of the indicators mentioned, we take into account information on access and usage of financial products from 46 lending establishments supervised by the Superintendencia Financiera de Colombia (25 banks, 16 finance

companies and 5 financial cooperatives), 161 cooperatives with savings and lending sections supervised by the Superintendencia de Economía Solidaria, and 17 NGOs specialized in micro lending placement.

Efforts are constantly made to improve the quantity and quality of the information analyzed and provided. This has allowed keeping the basic indicators on financial inclusion contained in the Report updated in the areas of financial penetration, usage of financial products and quality. Additionally and in progressive fashion, new issues and variables for analysis have been incorporated, among them those contained in the chapters on persons and companies with financial products, remittances and inclusive insurance.

The main regulatory changes are also highlighted each year. During 2015, for example, the Inter-Sector Commission on Financial Inclusion was set up, rules were enacted on the subject of insurance enabling the agents channel for its sale and proportional regulations were enacted on the subject of the control of asset laundering for low-denomination insurance. Rules were likewise enacted on security interests on movable property that facilitate their enforcement.

Among the challenges that need to be overcome, according to the results for the year 2015 we have: i) reducing differences in penetration and usage of financial products seen today between cities, intermediate municipalities and rural municipalities in the country, ii) combating the persistence of high levels of dormancy in savings accounts, and iii) reducing the gaps in holding of financial products by gender and age of the population.

The Superintendencia Financiera de Colombia and the Director of the Banca de las Oportunidades Program extend their thanks to the teams that participated in the preparation of the Annual Financial Inclusion Report - 2015.

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Introduction



Introduction

Recent years have witnessed the incorporation of numerous technological innovations in the finance industry, which are modifying the way in which financial services are offered and consumed, transforming in turn the way in which institutions relate with their clients.

Through the use of technologies such as cell phones and the Internet, the development of applications for the mass exploitation of information or the analysis of "Big Data" and of efficient technological platforms, a more innovative financial offering is being generated that is more personalized to the habits, characteristics and needs of the population. All these innovations, known as "Fintech", arrive with the promise of facilitating access to financial services for all the population, especially those hard to reach through traditional products and reducing the costs of providing financial services.

Colombia has not stood on the sidelines from these changes, which have manifested through both the supply of new financial products, within the regulated and unregulated financial sector, as well as in adjustments to the financial institutional and regulatory environment, particularly in the areas of financial inclusion.

Among the new financial product offerings, the development of payment gateways (such as PSE [from the Spanish "Proveedor de Servicios Electrónicos" or Electronic Services Provider] electronic payments buttons) merits noting for the performance of transfers and payment of private and public services; QR (quick response) Codes containing digital information about financial products and services; mobile banking products, digital wallets, tools for generating scores or risk analysis of the population using unconventional information, platforms that facilitate financing between individuals through peer-to-peer or crowdfunding, loans between private citizens, insurance products and even automated investment advisors (robot advisors), among others.

The development of these new technologies places a variety of challenges before both industry as well as regulatory and oversight authorities. In the case of industry, the processes for incorporating technology and transforming service offerings need to efficiently respond to the rise of new market players. On the side of regulation and oversight, the challenge consists in energizing technological innovation taking into account the benefits it brings to clients and for financial inclusion, maintaining a balance between this last, financial stability and consumer protection. This last needs to be achieved through coordinated action between the various competent authorities.

In line with the above, the establishment of the Inter-Sector Commission on Financial Inclusion in late 2015 must be highlighted,¹ as the governing body for the coordination and definition of guidelines and policies on financial inclusion issues, and the establishment of the Inter-Sector Commission on Economic and Financial Education².

For the purpose of energizing financial services offerings and the adoption of new technologies, a variety of regulatory adjustments have taken place, which include the creation of simplified savings products and the possibility of new agents participating in the provision of electronic money deposits (SEDPE). On the other hand, new products have come about, such as small denomination consumer credit³ and the use of the banking agents channel was extended so that insurance companies⁴ can use it to commercialize their products through it.

The numerous initiatives implemented to promote a favorable environment for financial inclusion are reflected in international analysis such as the one conducted annually by the Global Microscope (2015)⁵. This study places the country in the second among other countries in the world ranking of environments favorable to financial inclusion, with 86 points out of 100, after Peru that scored 90 points. Both countries achieved higher scores than the average in Latin America which was 51 points.

The leadership of these two countries has several common elements, including the high degree of commitment of governments to financial inclusion policies, a sound regulatory framework on consumer protection issue sand market conduct.

Colombia, in addition to having clearly defined the institutional environment necessary for further progress on financial inclusion, through the National Government and headed by the Financial Regulation Unit of the Ministry of Finance, recently published a draft of Colombia's National Strategy for Financial

1 Decree 2338 of 2015

2 Decree 457 of 2014

3 Decree 2654 of 2014

4 Decree 034 of 2015

5 Global Microscope (2015), "The enabling environment for financial inclusion", The Economist – Intelligence Unit; FOMIN; CAF; Center for Financial Inclusion – ACCION; Metlife Foundation.

Inclusion⁶, which was made available to the public for comment. This document, in addition to presenting the historical evolution of the main indicators of financial inclusion and their progress, summarizes the major challenges now facing the country moving forward on this issue.

The prioritized challenges are in line with the results shown in this Financial Inclusion Report, and are summarized in four areas:

- Raising the usage levels of financial products, particularly of savings accounts.
- Increasing the levels of financial inclusion of the population living in rural areas of the country.
- Developing appropriate schemes to facilitate SMEs access to and use of financial services.
- Implementing the financial education strategy that is already defined for Colombia.

As in previous years, the Financial Inclusion Report is an essential tool for the various authorities and actors to move forward in implementing information-based financial inclusion initiatives, and is particularly aimed this year at supporting the Financial Inclusion Strategy. This version of the Report highlights the introduction of certain technological changes in the financial industry, highlighting their potential to financially include the population that does not use formal financial services today. Likewise, it presents an update of the main financial inclusion indicators on the subject of penetration, holding of products by individuals and businesses, use of savings products, credit, remittances and inclusive insurance and ends with an approach to quality through the analysis of certain indicators related to the handling of consumer complaints and claims against financial intermediaries.

⁶ The complete text of this draft can be viewed at the following link: http://www.minhacienda.gov.co/HomeMinhacienda/faces/oracle/webcenter/portalapp/pages/saladeprensa/Presentaciones.jspx?_afLoop=1962873591054442&_afWindowMode=0&_afWindowId=nu-ll#!%40%40%3F_afrWindowId%3D-null%26_afrLoop%3D1962873591054442%26_afrWindowMode%3D0%26_adf.ctrl-state%3D12kbpkd3f6_61

The main results in each of the topics covered in this report are described below:

On the subject of coverage, the positive evolution of financial access points was maintained. As has been noted in prior Reports, the greater dynamism of these

was associated to the evolution of agents. In this regard, this year's Report makes certain clarifications that allow better understanding and interpretation of the behavior of this channel.

The Report also highlights the manner in which the dynamics of financial penetration have not been homogenous throughout the national territory. In general, financial branches and agents tend to be very concentrated and grew in cities and intermediate towns. By comparison, smaller and more remote municipalities are substantially behind, as is the case with rural and dispersed rural municipalities.

In these municipalities, the development of innovative channels and products takes on greater relevance, such as with the mobile advisors common to microfinance institutions and mobile banking products, through which hurdles like distance, high costs and difficulties in attaining sufficient scale are overcome, so as to make the provision of financial services more sustainable in the remotest zones in the country.

With regard to individuals and companies having financial products, the positive evolution recorded in past versions of this Report was maintained.

At the end of 2015, the financial inclusion indicator reached 76,3% (24,9 million adults with any financial product). This same indicator associated to active products reached 64,5% (21,1 million adults with any active financial product).

This year's Report includes an analysis on the holding of active financial products by gender and age, highlighting the need to seek mechanisms for cooperation and exchange of information between institutions. An example of this is related to the possibility of distinguishing information about holding of financial products between men and women, as an information gap was identified because of the growing importance of the NUIP as an identification number, which does not allow gender segmentation.

Additionally, products more commonly held by women or men were identified, as well as the age distribution of active users of financial products depending on the type of institution and products.

Based on the indicator of number of people per 100.000 adults actively holding a variety of financial products, the Report confirms the existence of a gap between city dwellers and those from other types of municipalities in the country.

The number of individuals and companies who first entered the formal financial system in 2015, highlighting a reduction against the record 2014 in the case of individuals is also presented.

Regarding the transactional channels, the positive evolution both in number of transactions as well as total amounts transacted is described. At the end of 2015, the number of transactions reached 4.333 million transactions (17% annual growth compared to 2014) and transacted amounts reached \$ 6.742 billion (with an annual growth of 6% compared to 2014).

The channel standing out the most by number of transactions was the Internet, which represented 44% of the total. By amount transacted, the one that stood out the most were offices with 47% of the total transacted in the financial system. Mobile telephony is the channel that has grown the most in the last five years, both in number of transactions as well as in the amount transacted. Between 2011 and 2015, the number of transactions increased from 19 million to 133 million transactions and the amount transacted increased from \$85.000 million to \$2 billion.

The elevated percentage of dormancy in savings accounts persists. At the end of 2015, the total number of savings accounts in the financial system rose to 60,7 million accounts, which implies an annual growth rate of 8,7% compared to 2014. These accounts represented \$160 billion in savings (7,4% more compared to the amount recorded in 2014). Of this total, 45% were reported as active accounts, that is to say, accounts that exhibited some form of financial movement in the past six months.

By rurality level, intermediate cities and municipalities concentrated 92% of savings accounts, while rural municipalities represented 5,5% and dispersed rural 2,6% of the total.

In 2015, 2.360.948 microcredits were disbursed in an amount of \$8,7 billion. Of these, banks placed 60%, NGOs 34% and cooperatives with savings and lending activities under the oversight of the Superintendencia de Economía Solidaria, 4,4%. By amount disbursed, banks represented 75% and NGOs 17% of the total.

The growing importance of small denomination microcredits was highlighted. While in 2011 disbursements of microcredit under 2 monthly legal minimum wages (1 monthly legal minimum wage = 205 USD as of December 2015) amounted to 17% of total disbursements, in 2015 they contributed to 30% of the total.

An increase was observed in microcredit disbursements in intermediate and rural municipalities. While in 2011 the distribution of disbursements by rurality level was 68% in cities, 19,5% in intermediate municipalities, 7,9% in rural ones and 4,6% in dispersed rural; in 2015, this distribution was 60,5% in cities, 23,9% in intermediate municipalities, 10,3% in rural and 5,3% in dispersed rural.

Between June 2012 and December 2015, credit institutions disbursed 125.980 loans to victims of armed conflict, of which 91% corresponded to microcredit.

In 2015, the access to credit indicator by gender targeted at victims of conflict showed that for every 1.000 female victims, two women had at least one loan; in 2012, one woman had at least one loan.

With regard to the flow of remittances to developing countries, it reached USD432 billion in 2015, implying an increase of 0,4% compared with the level observed in 2014. Despite growing, this rate was the lowest since the worldwide crisis of the years 2008 and 2009.

In 2015, Colombia was ranked fourth in Latin America out of the countries with the greatest revenue from remittances, and the second place among the countries whose remittances increased the most in the last year in Latin America by receiving USD4.635 million, which implied 13% growth compared to the year 2014. Part of this greater revenue from remittances was due to the marked depreciation of the Colombian peso during 2015.

In terms of the insurance product offerings, positive dynamics were registered in 2015. At the end of the year, the ratio between the value of premiums and GDP reached 2,7%, with 17 bp increase compared to 2014. Average monthly spending per person on insurance also grew (12% in the last year), reaching an average value of \$448.986.

By number of insured persons, the most representative business lines were group life debtors (25,7%), personal accidents (23,2%), voluntary group life (11%), unemployment (6,6%) and theft (4%). Generally, men had a greater share of

the total insured with the exception of the individual life business, for which the majority of the insured were women.

As with that described for all other financial products, a gap was identified in holding of insurance between the country's urban and rural zones. Urban zones explained 93,8% of the risks insured. At the rural level, a growing trend in holding of home and voluntary group life insurance was identified.

Finally, regarding financial consumer protection, the Report highlights the commitment of a variety of actors in furthering coordinated initiatives on financial economic education, under the aegis of the Inter-sector Commission for Economic and Financial Education.

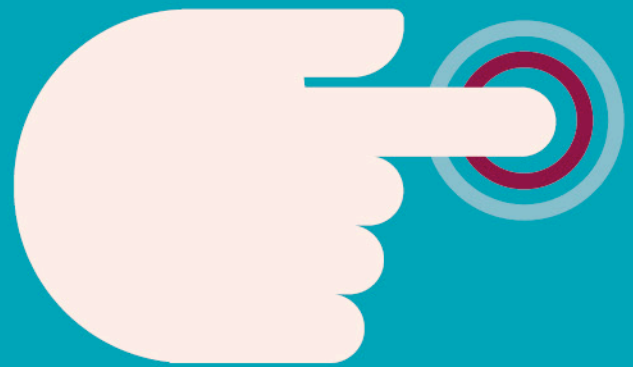
Likewise, the information on the handling of lawsuits, as well as complaints and claims by the various instances for the protection of financial consumers show that these have contributed to more persons gaining access to the Superintendencia Financiera de Colombia (SFC), even for those who live in cities other than Bogota.

Banca ía

Con el apoyo de:



Financial penetration



Financial penetration

This chapter presents the evolution of the top financial penetration indicators or the presence of financial institutions in Colombian territory and compares the country's situation with penetration in other countries in Latin America.

This analysis takes into account the various types of financial points of access at the disposal of consumers, which include branches or offices, agents and automatic tellers. This year, as opposed to the reports from preceding years, points of sale (POS) were not included in financial points of access basically for two reasons⁷: i) because the majority of these points do not allow financial consumers to perform cash withdrawal or cash-out operations and ii) because many points of sale in operation work at the same physical points of agents, with which the same point of access is counted two or more times.

As shown in this chapter, Colombia registered positive evolution on the subject of financial penetration. From early 2015, the country managed to get all municipalities in the country to have at least one financial point of access for the population. This is important if one takes into account that the first step to allowing financial inclusion for all the population is ensuring the mechanisms for the population to have access to formal financial services offered by financial institutions.

Through the analyzed indicators analyzed the report shows show that agents have been essential to taking a basic financial offer to all the municipalities in the country, including the most distant and remote. Despite its importance, certain clarifications are made in regard to the agency model which is dominant in Colombia and about the characteristics of the information currently available from this channel.

Despite the progress on financial penetration in the country, which is reflected by occupying the leading position in penetration through branches (offices and agents) in Latin America, challenges remain in this matter.

7 According to the methodological document "general guidelines for the measurement of financial inclusion" developed by the member countries of the Alliance for Financial Inclusion (AFI), a financial point of access is that which allows a financial consumer to perform cash-in operations (such as deposits and payments) as well as cash-out (such as withdrawals). Taking this definition into account and although certain points of sale (POS) in Colombia allow performing the two types of operations, this is not the general case for this type of point of access. For greater detail on the basic definitions and indicators to measure financial inclusion developed by AFI, view the document: AFI (2013), "Measurement of Financial Inclusion: Top set of financial inclusion indicators".

One of these consists in cleaning and improving the quality of information to correct the current double accounting of the number of agents, which is associated to the dominant aggregators model in the country and to the reporting instruments that are currently used.

Another challenge is related to the need to close differences in regard to the density of the various points of access (both offices as well as agents) which, in accordance with the indicators analyzed, exhibits elevated levels of penetration in intermediate municipalities and cities, a situation which is in contrast with the lower indicators in rural and dispersed rural municipalities. This situation highlights the importance of developing alternate mechanisms for access, such as the mobile advisors that are common in microfinance institutions and others which, supported by technology, facilitate the development of a financial offering in the most distant zones that concentrate the least population.

National analysis

The growth dynamics of the financial points of access was notable up to the year 2014 and was influenced by the increase in the number of banking agents which went from 19.938 in 2011 to 95.730 in 2014. A slight decrease was observed over the last two years in financial points of access.

In the penetration analysis in this year's Report, POS were excluded as financial points of access because they do not satisfy the characteristics which, according to the guidelines of the Alliance for Financial Inclusion (AFI), need to be observed by a financial point of access.

It is pointed out, however, that at the end of 2015, 317.204 points of sale (POS) were registered, 30.430 more than in 2014 and with annual growth of 10,6%. The large part of these devices are property of the two low value payments administrators (96,7% of the total). Of the total points of sale (POS) available, it is estimated that 5,3% allow financial services users to perform cash withdrawal or cash-out operations, mainly through the use of an OTP (one-time password).

As has been pointed out in prior reports, the number of offices grew at a lower rate when compared to other types of points of access. This is due to greater fixed and operating costs necessary for the startup of new branches.

Over the last five years, the average annual growth of financial offices was 4,6%. The institutions that exhibited the greatest increases in the number of offices were banks, the cooperatives with savings and lending activity under the oversight of the Superintendencia de la Economía Solidaria and a few NGOs.

In the group of banks and for the reference period (2011 to 2015), the greatest increases in the number of offices were seen in Banco Mundo Mujer as a result of the transformation of the Mundo Mujer NGO (adding 149 offices) and the Banco Compartir, that arose from the transformation of CF Finamérica (added 87 offices). In addition to these two institutions, there were notable increases in the banks Corpbanca (166 offices), Banco BBVA (136 offices), Banco de Bogotá (91 offices) and Banco AV Villas (90 offices).

In the group of cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria, the institutions that recorded the greatest increases in the number of offices were Microempresas de Colombia (55 offices), Cooprocál (17 offices), Coeducadores de Boyacá (14 offices), Cofincafé (9 offices) and Financiera Coomultrasan (8 offices).

In the group of microcredit NGOs, the institutions that increased their network of offices the most were Fundación de la Mujer (165 offices), Crezcamos (52 offices), Contactar (44 offices) and Interactuar (14 offices).

In regard to penetration through automatic tellers, it was seen that these exhibited greater dynamics compared with financial offices. In the last five years, the average annual growth for this type of points of access was almost double that recorded by offices, 8,1% average per year.

At the close of 2015, the majority of the automatic teller network belonged to four institutions: Bancolombia (27%), Servibanca (15,2%), Banco de Bogotá (11,8%) and Banco Davivienda (11,7%). In the last two years (2014 and 2015), the institutions that recorded the greatest growth in the automatic teller network were in turn Banco BBVA reaching 1.302 ATMs (7,7% annual growth), Banco de Occidente which reached 345 ATMs (5,2% annual growth) and Banco Davivienda which reached 1.727 ATMs (4,4% annual growth).

Finally, in regard to banking agents, the Report points out that they continue to be the most dynamic financial point of access. Between 2011 and 2015 they recorded an average annual growth rate of 52%. Despite this positive trend, it is

important to take into account a number of considerations to properly interpret their evolution.

In first place and according to a study carried out jointly by CGAP of the World Bank Group and Banca de las Oportunidades⁸, the number of physical banking agents is different from the number of agents reported by financial institutions. According to this study, it is estimated that the information reported from real physical points is 98% overestimated.

This overestimation of agent points is explained by the agency model that dominates in Colombia and from the current instruments that are used for the report of information on the part of financial institutions.

According to this effort, prepared with information for the month of November 2014, financial institutions reported that month a total of 87.887 agents nationwide. After performing an information cleaning exercise, subtracting double accounting of points belonging to the same network of aggregators or agent administrators, but which have contracts with a number of financial institutions at the same time, the actual number of physical points was reduced to 44.494, which means that the data reported exceeded real data by 98%.

72% of agents points in the country are managed through networks of service aggregators or agent administrators, such as MovilRed, DDDedo, ConexRed, Fullcarga, GTECH-Baloto, among others. Networks that offer other additional services to those in agencies and in certain cases more representative in terms of revenue for the shopkeepers, such as cell phone reloads, payments of utilities and private services, sales hazard games, and postal services, among others, that allow taking a diversified offer of financial and non-financial services to end users.

Given that this is the most common agency model in the country and by virtue of the nonexistence of exclusivity contracts between financial institutions and these networks, an aggregator may have contracts with a number of financial institutions at the same time and each institution in turn reports the points of the aggregator as their own. As a consequence, the same physical points are accounted for multiple times.

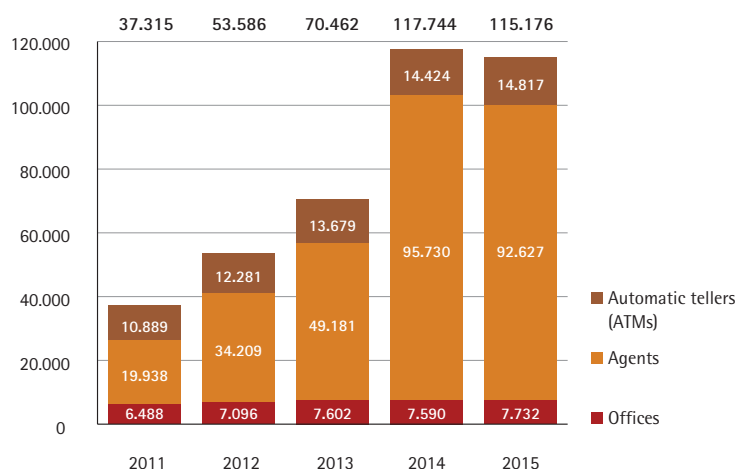
In this manner, the dynamics of agents are very much influenced by the establishment of new contracts between financial institutions and these actors. Through a contract with a financial institution, these networks are capable of

8 For further details regarding the characterization study of banking correspondent in Colombia performed by CGAP and Banca de las Oportunidades (2016) please view the following link: <http://www.bancadelasopurtunidades.com/contenido/contenido.aspx?catID=302&conID=1366>. This report additionally includes a sidebar with the main conclusions from this effort.

placing at their disposal a wide network of shops to act as their banking agents, automatically elevating the number of agent points reported.

As a result of this diagnosis, a need has been identified to adjust the current instruments for reporting of information from agents such that it be possible to clean the double counts that are happening today.

CHART 1: Financial points of access



Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades.

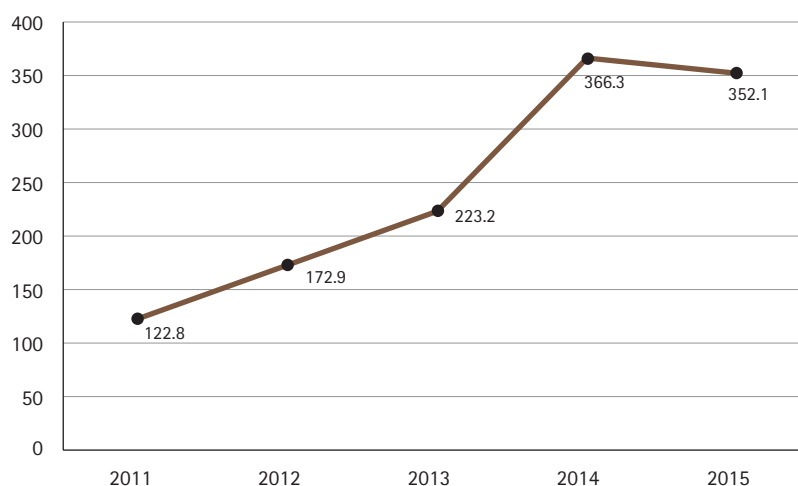
The penetration dynamics described for each of the financial points of access is replicated when calculating the demographic financial penetration indicators (number of points of access per 100.000 adults) and geographical (number of points of access per 1.000 km²).

Between 2011 and 2015, the number of financial points of access for every 100.000 adults increased from 122,8 to 352,1. The behavior of the aggregate indicator is almost completely explained by the evolution of the agents. As seen in the chart for the indicator by type of point of access, the number of offices for every 100.000 adults changed moderately throughout the whole period. Between 2011 and 2015, this indicator went from 21,3 to 23,6 for every 100.000 adults.

The indicator associated to automatic tellers exhibits a more dynamic behavior compared to the indicator for offices, which went from 35,8 to 45,3 automatic tellers for every 100.000 adults during this period

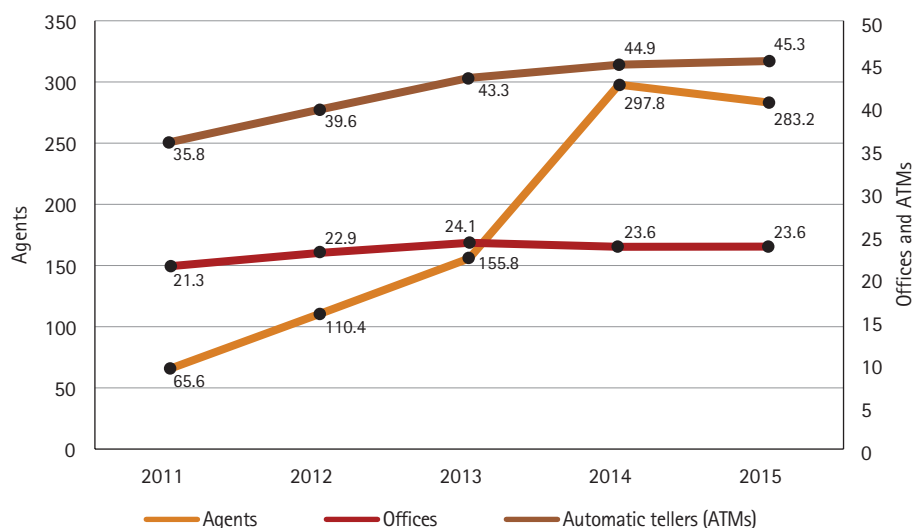
Finally, the indicator for agents increased showed an accelerated performance fashion, particularly between 2013 and 2014, when it went from 155,8 to 297,8 agents per 100.000 adults. In comparison, between 2014 and 2015, the number of agents per 100.000 adults backed down to 14,7 agents for every 100.000 adults, ending 2015 at a level of 283,2 agents for every 100.000 adults.

CHART 2: Total financial points of access per 100.000 adults



Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

CHART 3: Financial points of access per 100.000 adults



Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

Note: Total points of access does not include points of sale (POS).

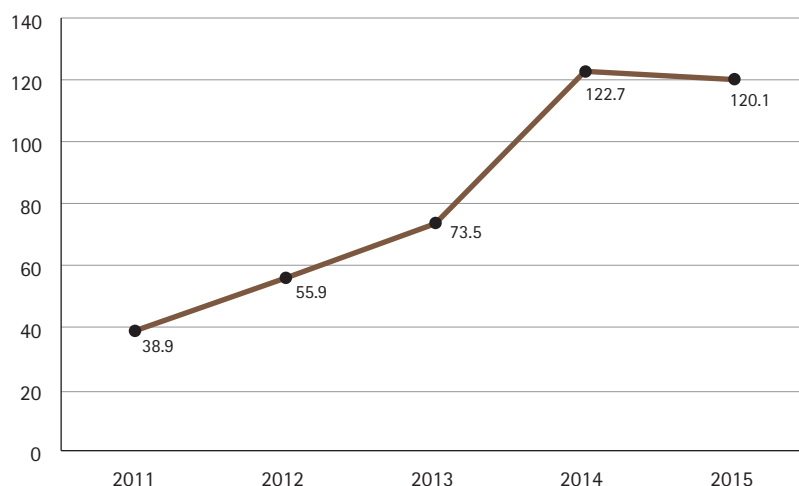
The institutions that accounted for the sharp increase in the number of agents between 2013 and 2014 included Banco BBVA (9.940 agents), Banco de Bogota (8.389 agents), Banco de Occidente (8.140), Banco AV Villas (7.221 agents) and CF Mi Plata (5.960 agents)⁹.

In 2015, however, CF Mi Plata was voluntarily wound up, a situation that explained in great measure the indicator's decrease. As a consequence of the voluntary winding-up of this finance company, the number of agents in the system was reduced in 6.056 points¹⁰.

The behavior of the geographic penetration indicator per 1.000 km² continued on the same pattern described for the case of the demographic penetration indicator. This means that the positive trend that was seen between 2011 and 2015, moving from 38,9 to 120,1 points of access per 1.000 km², is fundamentally explained by the behavior of the agents, for whom this indicator increased from 20,8 to 96,6 agents per 1.000 km².

In the case of the other two points of access considered, although the indicator grew, it did so in less marked fashion. The penetration of offices went from 6,8 to 8,1 branches per 1.000 km² and that for automatic tellers from 11,4 to 15,4 automatic tellers per 1.000 km² during this period.

CHART 4: Total Financial points of access per 1.000 km²

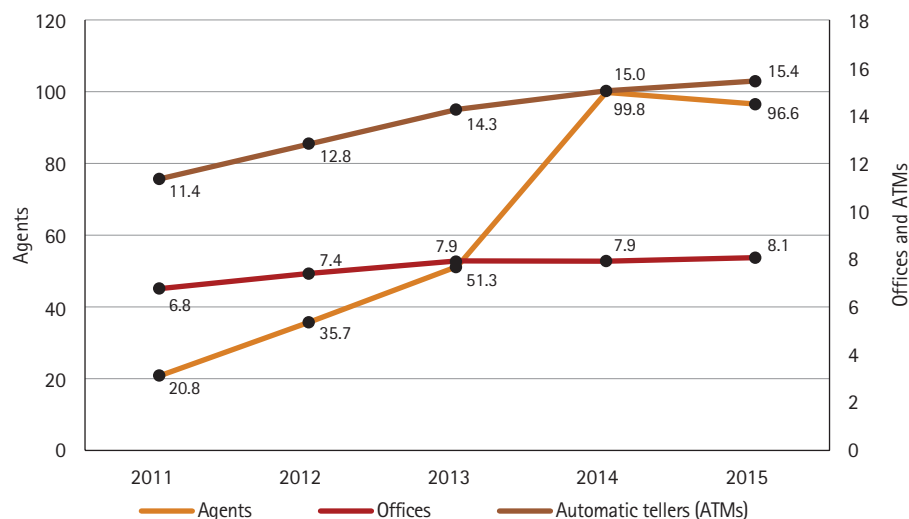


Fuentes: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria y ONGs microcrediticias – elaboración Banca de las Oportunidades

Note: Total points of access does not include points of sale (POS).

⁹ It is important to note there are networks of agent administrators that exceed 8.000 associated retailers. For this reason, to have a single signed contract can generate significant variations in the number of agents reported.

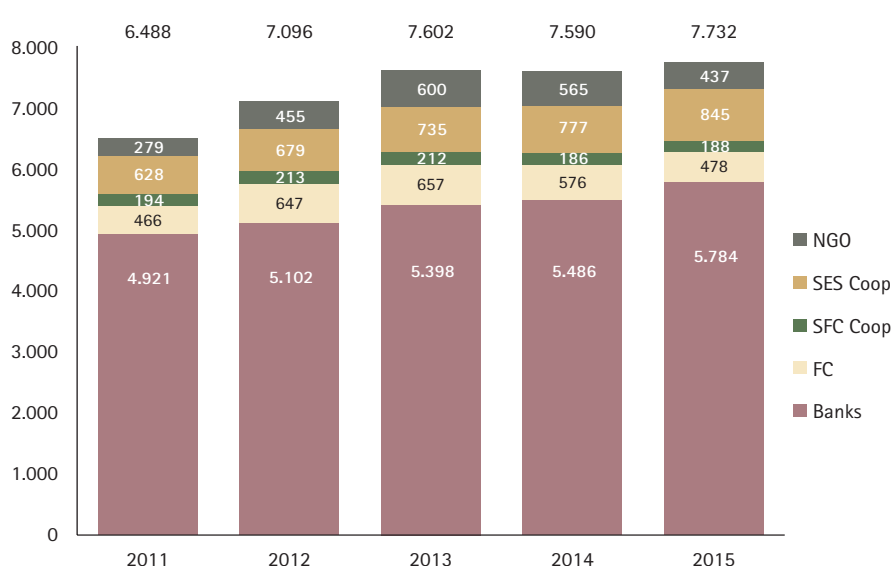
¹⁰ The finance company CF Mi Plata was voluntarily wound up in November of 2015, through Resolution No. 1561 of the Superintendencia Financiera de Colombia

CHART 5: Financial points of access per 1.000 km²

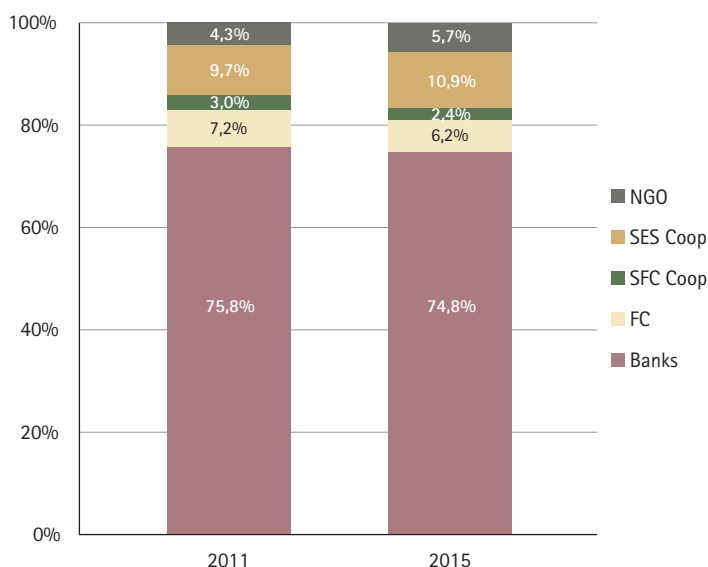
Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

As has been described in previous reports, the majority of financial offices belong to banks, which constitute 74,8% of the total. However, the share of the offices of cooperatives with savings and lending activity under the oversight of the Superintendencia de la Economía Solidaria and of the NGOs has grown.

In the last five years, the number of offices increased in all types of institutions, especially in banks and cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria.

CHART 6: # of offices by type of entity

Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

CHART 7: Composition of offices 2011 versus

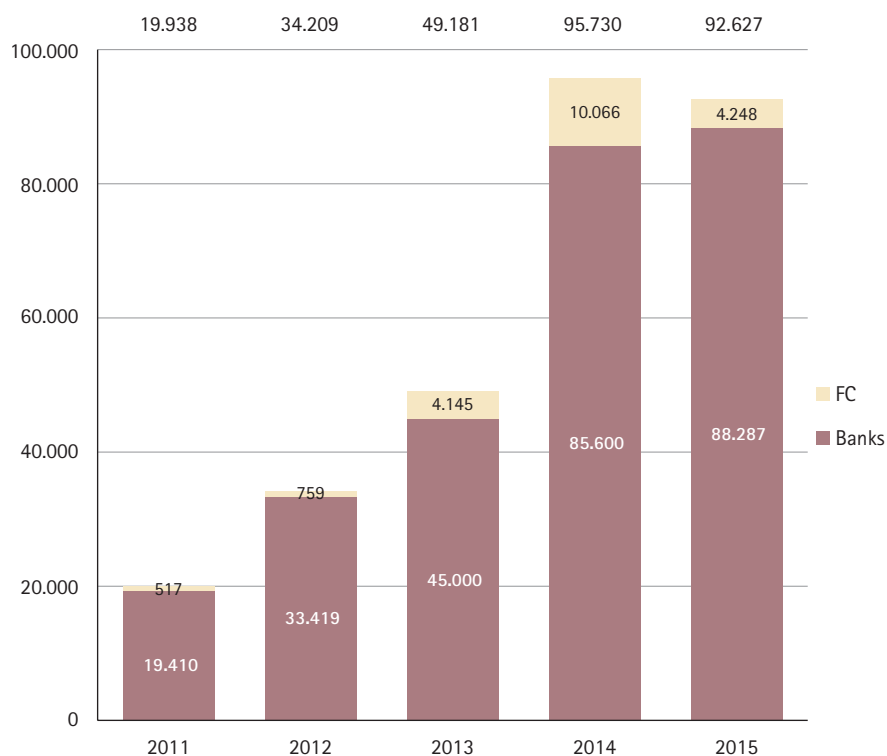
Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

In regard to agents, the vast majority of the points reported belong to banks (93,5%) and to finance companies (4,6%). Although cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria have agents, their number is lower vis-à-vis banks and finance companies, reason why they are not representative of the national total. These cooperatives reported 11 agents in 2011 and ended the year 2015 with 69, that represented 0,1% of the total agents of the system.

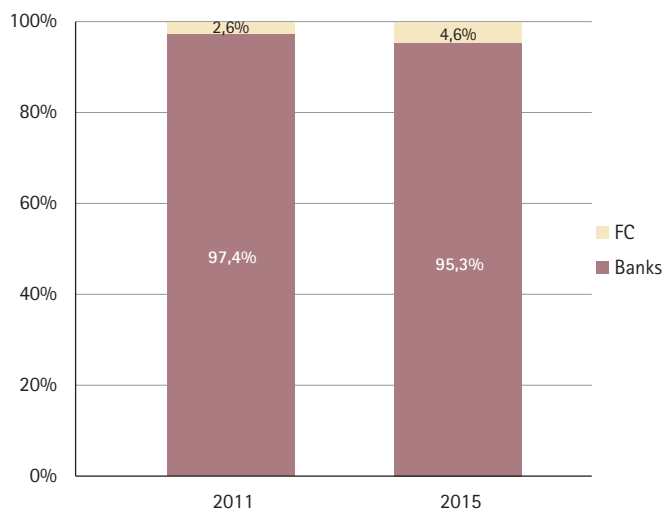
At the close of the year 2015, the banks with the largest number of agents reported were Banco AV Villas (14.035), Banco de Occidente (9.637), Citibank (9.347), Banco BCSC (9.134), Colpatría (8.703), Banco de Bogotá (7.866), Banco BBVA (7.136) and Bancolombia (6.595).

In the case of finance companies, the ones with the largest network of agents were in order CF Giros y Finanzas (3.186), CF Tuya (700) and CF Serfinansa (294).

As already noted, the voluntary wind-up of CF Mi Plata in 2015, largely explains the reduction in the number of agents in the system between 2014 and 2015.

CHART 8: # of agents by type of entity

Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

CHART 9: Composition of agents 2011 versus 2015

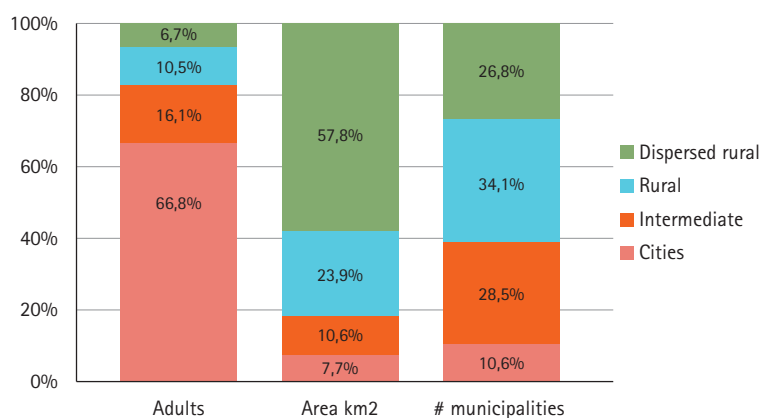
Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs - prepared by Banca de las Oportunidades

Municipal analysis

Colombia is unique in concentrating the majority of its adult population (82,9%) in cities and intermediate municipalities, while the physical area of the country is concentrated in rural and dispersed rural municipalities (81,7%). This situation poses a greater challenge in terms of financial inclusion given that the greatest lag in financial penetration and use of formal financial services happens precisely in rural and dispersed rural municipalities characterized by their lower population density and their higher territorial dispersal.

Overcoming this situation demands developing alternatives in regard to access channels and products, in which the technological component is of the essence in reducing costs, achieving profitability and sustainability in the provision of financial services for this population.

CHART 10: Distribution of the country by rurality level – 2015



Sources: Departamento Administrativo Nacional de Estadística (DANE) and Departamento Nacional de Planeación (DNP) – prepared by Banca de las Oportunidades.

Upon considering the financial penetration information by rurality level, the first aspect to be highlighted is that over the past five years, financial offices grew in number in all types of municipalities of the country. The greatest dynamism was observed in intermediate and rural municipalities.

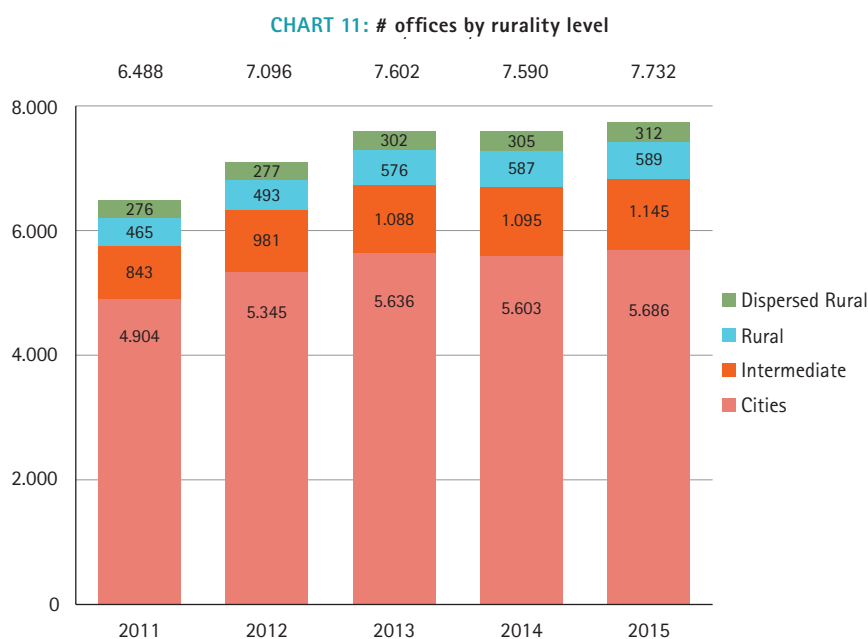
In intermediate municipalities, the number of offices increased from 843 in 2011 to 1.145 in 2015, implying average annual growth of 8,1%, almost double the national average annual growth, which was 4,6%.

In rural municipalities, the number of offices went from 465 to 589 between 2011 and 2015, implying 6,3% average annual growth during the period.

In line with these dynamics, we observed that the penetration indicators for offices for every 100.000 adults and per 1.000 km² improved for all types of municipalities, particularly in the case of intermediate municipalities. Despite the good performance of these indicators, we identified that there are still opportunities to increase access through offices given that there is great dispersal between the office penetration indicators of the national average, of cities and for intermediate municipalities vis-à-vis the indicators for rural and dispersed rural municipalities.

In rural municipalities, although the indicators exhibited an improvement, we observed stabilization in their growth over the past three years. Additionally, we must highlight that the penetration indicator per 1.000 km² of these municipalities is much lower than the national average, a situation explained by their greater extension of area in km².

In the case of dispersed rural municipalities, the office penetration indicator for every 100.000 adults improved moving from 12,8 to 14,3 offices for every 100.000 adults in the last five years, despite the indicator per 1.000 km² remaining unchanged throughout the period (0,6 offices per 1.000 km²).



Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

Table 1: Financial offices per 100.00 adults by rurality level

Rurality level	2011	2012	2013	2014	2015
Cities	24,3	25,9	26,8	26,1	26,0
Intermediate	17,4	19,7	21,4	21,3	21,8
Rural	14,5	15,1	17,5	17,5	17,2
Dispersed rural	12,8	13,0	13,9	14,0	14,3
Total	21,3	22,9	24,1	23,6	23,6

Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

Table 2: Financial offices per 1.000 km2 by level of rurality

Rurality level	2011	2012	2013	2014	2015
Cities	66,8	72,8	76,8	76,3	77,5
Intermediate	8,7	10,0	10,8	10,8	11,2
Rural	2,0	2,2	2,6	2,6	2,6
Dispersed rural	0,5	0,5	0,5	0,5	0,6
Total	6,8	7,4	7,9	7,9	8,1

Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

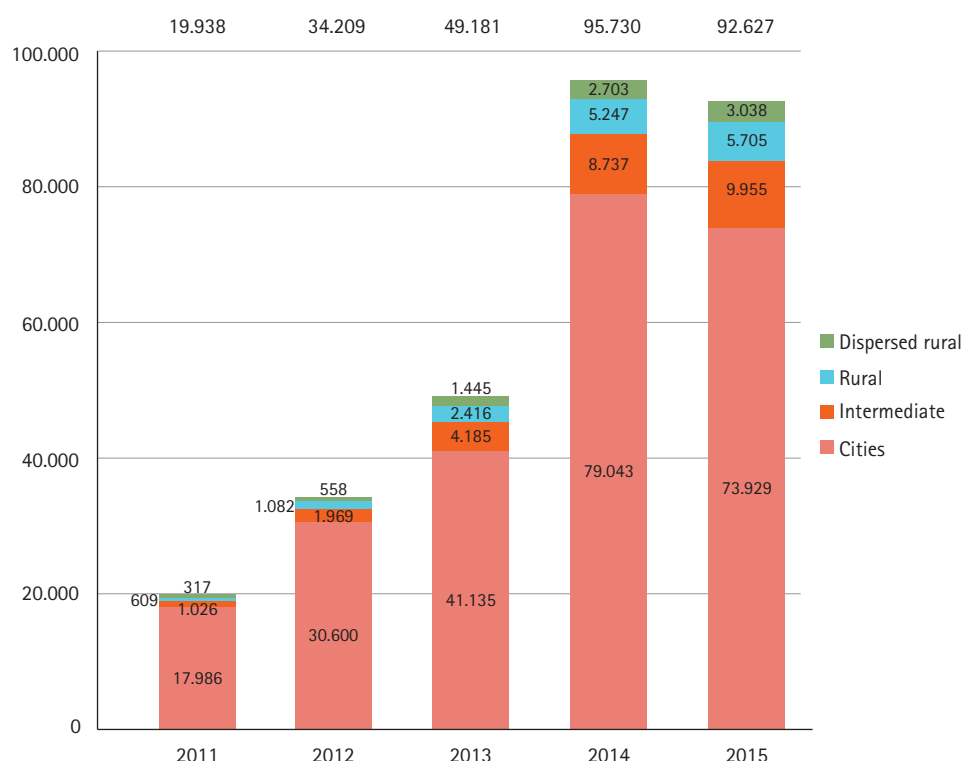
The expansion of agents in the various types of municipalities was notable in the past five years. Between 2014 and 2015, however, the growth of these types of points was stabilized and specifically in cities the number of agents was reduced by 5.114 points. The reduction in the number of agents in cities is reflected in the indicators for the number of agents for every 100.000 adults and per 1.000 km2.

Table 3: Agents for every 100.000 adults by level of rurality

Rurality level	2011	2012	2013	2014	2015
Cities	89,0	148,4	195,5	368,5	338,2
Intermeate	21,2	39,6	82,5	169,6	189,6
Rural	19,0	33,2	73,5	156,2	166,8
Dispersed rural	14,7	26,2	66,6	123,9	139,3
Total	65,6	110,4	155,8	297,8	283,2

Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

CHART 12: # agents by rurality level



Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

Table 4: Agents for every 1.000 km2 according to rurality level

Rurality level	2011	2012	2013	2014	2015
Cities	245,0	416,8	560,3	1.076,7	1.007,0
Intermediate	10,6	20,0	41,7	86,1	97,6
Rural	2,7	4,8	10,7	23,2	24,9
Dispersed rural	0,6	1,0	2,6	4,8	5,5
Total	20,8	35,7	51,3	99,8	96,6

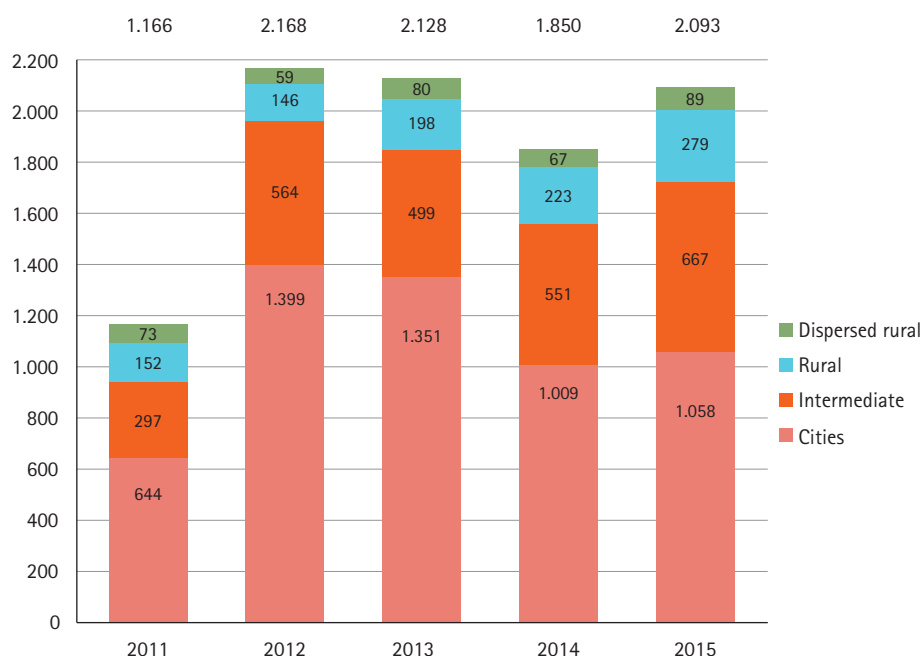
Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

In addition to financial offices and agents, microcredit NGOs report information regarding mobile advisors, who are microfinance advisors who travel to the site where the users of their financial services are located. Given the manner in which these advisors work, they are a very effective option to facilitate access to the financial services of certain segments of the population.

This channel, which had relatively stable performance over the last five years, is characterized by exhibiting lower concentration in the various types of municipalities, a situation in contrast with that seen for offices and agents that are highly concentrated in cities.

The lower concentration of advisors in cities is explained by the nature of their operation, given that they have a greater likelihood of reaching clients more territorially dispersed and located in any type of municipality when travelling.

CHART 13: # mobile advisors by rurality level



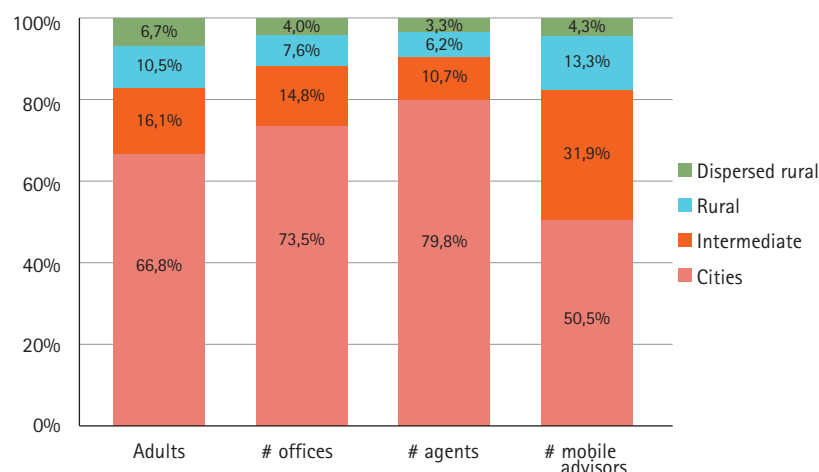
Sources: DANE, DNP and microcredit NGOs - prepared by Banca de las Oportunidades

When comparing the distribution of the country's adult population vis-à-vis the various financial points of access (PoA) by rurality level, cities evidence a concentration of the majority of offices (73,5%) and agents (79,8%). As a matter of fact, in relative terms, these two types of points of access have a greater share of the total points in cities compared with the percentage of adults that reside in cities.

Thus, comparing the distribution of the points of access with adult population, one observes that in all other types of municipalities other than cities, there is a deficit in financial penetration through offices and agents that is heightened in rural and dispersed rural municipalities.

Al final de este Reporte, se incluye un anexo al capítulo de cobertura financiera, en el que se presentan un conjunto de mapas y tablas con el detalle de la cobertura financiera por tipo de punto de acceso y según el nivel de ruralidad. Toda la información de este anexo corresponde a diciembre de 2015.

CHART 14: Distribution of points of access and adult population by rurality level



Sources: DANE, DNP, Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria and microcredit NGOs – prepared by Banca de las Oportunidades

International comparison

This section is prepared on the basis of the information published in the survey on financial access published annually by the International Monetary Fund (FAS Survey, from its initials in English).

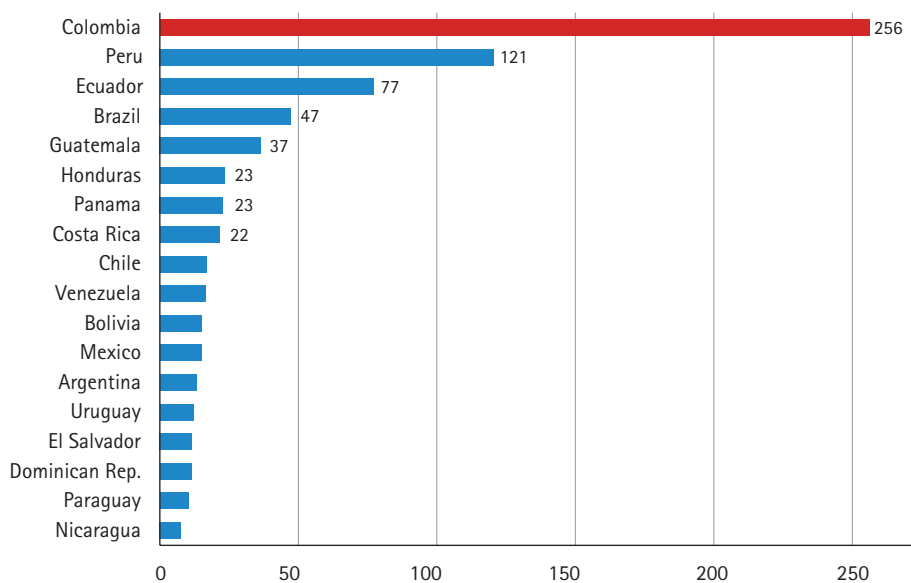
Bank offices and agents:

According to the information reported in the financial access survey (2014), Colombia was the leading country in Latin America in terms of financial penetration through bank offices and agents.

At the close of the year 2014, the latest information available for this survey, Colombia reported 256 financial points of access for every 100.000 adults (jointly considering the offices and agents of banking institutions). This indicator increased between 2013 and 2014, from 144 to 256 points of access for every 100.000 adults. This result is explained by the increase in the number of banking agents that practically doubled between those two years, going from 45.000 (2013) to 85.600 (2014) agents.

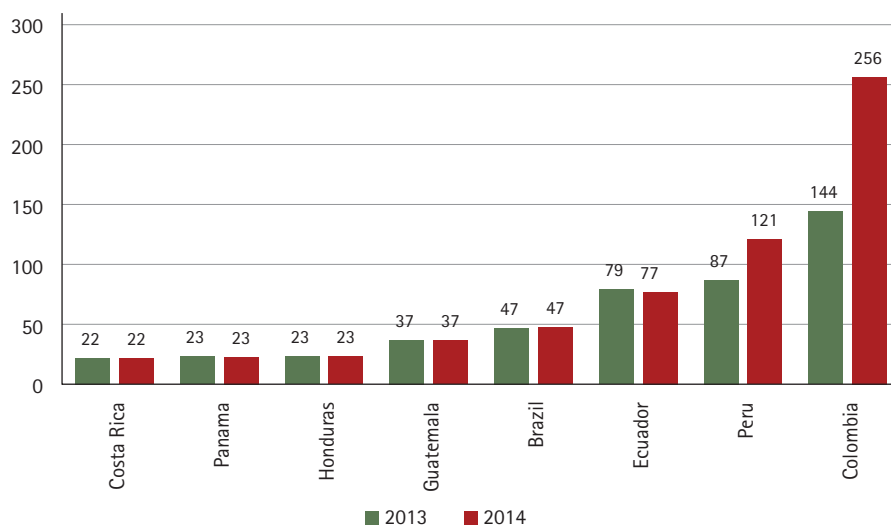
Other countries in Latin America that recorded penetration indicators through the offices and agents of banking institutions higher than 20 points of access for every 100.000 adults were Peru (121), Ecuador (77), Brazil (47), Guatemala (37), Honduras (23), Panama (23) and Costa Rica (22). Of this group, only Colombia and Peru exhibited increases in this indicator between 2013 and 2014.

CHART 15: Bank's offices and agents per 100.000 adults



Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

CHART 16: Comparison 2013 and 2014 of countries with greatest indicators for offices and agents per 100.000 adults



Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

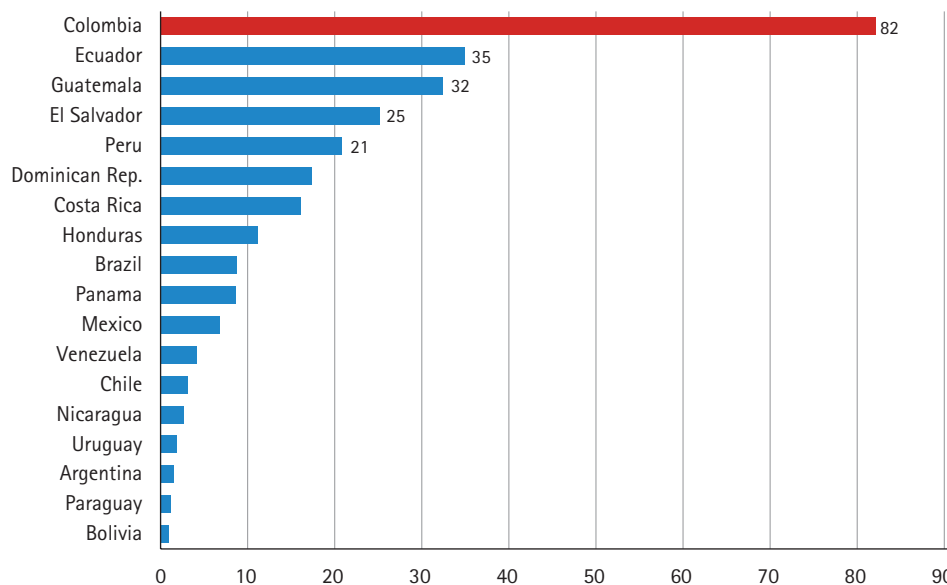
With regard to the points of access indicator per 1.000 km², Colombia was a leader in the region with 82 points of access per 1.000 km² (jointly considering the offices and agents of banking institutions).

For this second indicator, depending on the geographic extension of the countries, we note that certain countries with high population penetration indicators lose leadership in the geographic indicator due to their greater extension.

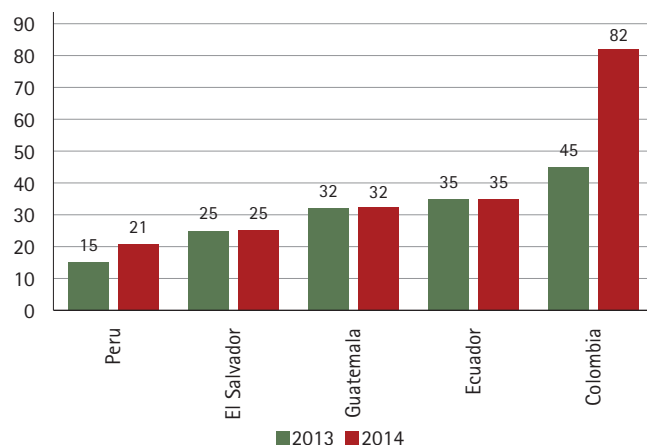
Colombia, Peru, Ecuador and Guatemala maintained high geographic penetration indicators (all these countries also reported the greatest demographic penetration indicators per 100.000 adults). El Salvador, however, stood out for having a good financial penetration indicator per 1.000 km², with 25 points of access per 1.000 km², and not in terms of financial penetration per 100.000 adults.

In this second indicator, Colombia, as evidenced in the population penetration indicator, showed an improvement between 2013 and 2014, going from 45 to 82 financial points of access per 1.000 km².

CHART 17: Banks's offices and agents per 1.000 km²



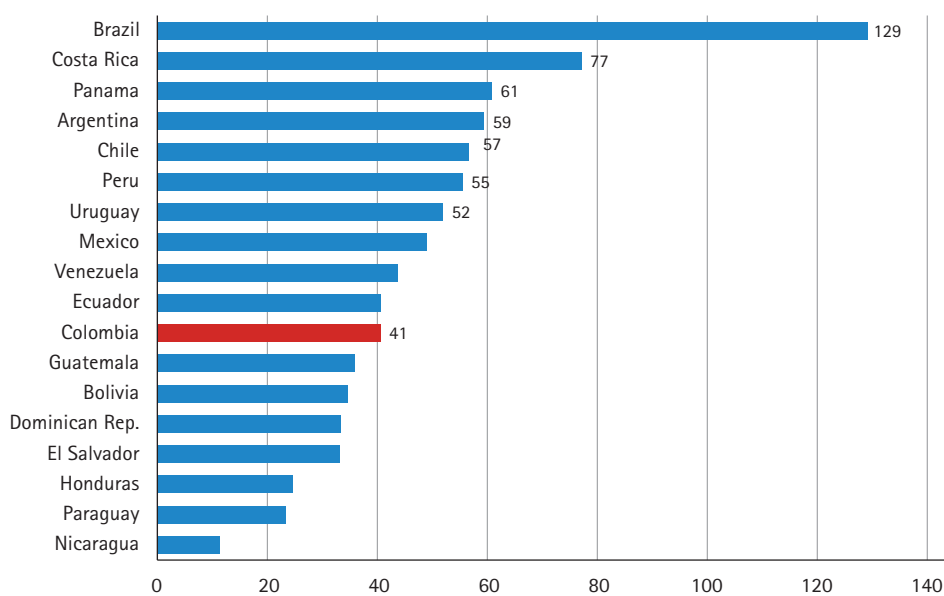
Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

CHART 18: Comparison 2013 and 2014 of countries with greatest indicators for offices and agents per 1.000 km²

Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

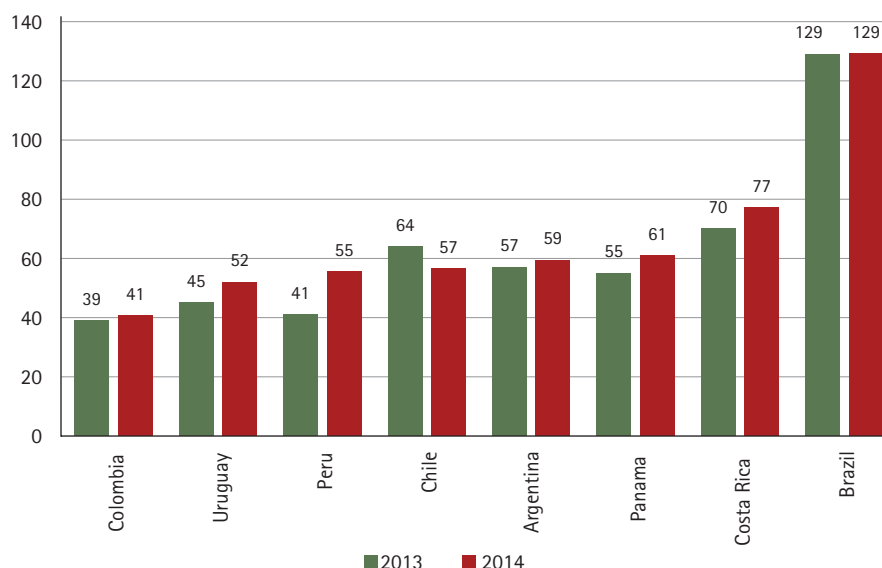
With regard to financial penetration through automatic tellers, the leader in Latin America was Brazil with 129 automatic tellers per 100.000 adults. Meanwhile, Colombia registered an indicator of 41 automatic tellers per 100.000 adults, a level that placed the country in the lower half of all the countries in the region, below Costa Rica, Panama, Argentina, Chile, Peru, Uruguay, Mexico, Venezuela and Ecuador.

Within the group of countries with the highest penetration through automatic tellers, the largest increases between 2013 and 2014 occurred in Peru, Uruguay, Costa Rica and Panama.

CHART 19: Automatic tellers (ATMs) for every 100.000 adults

Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

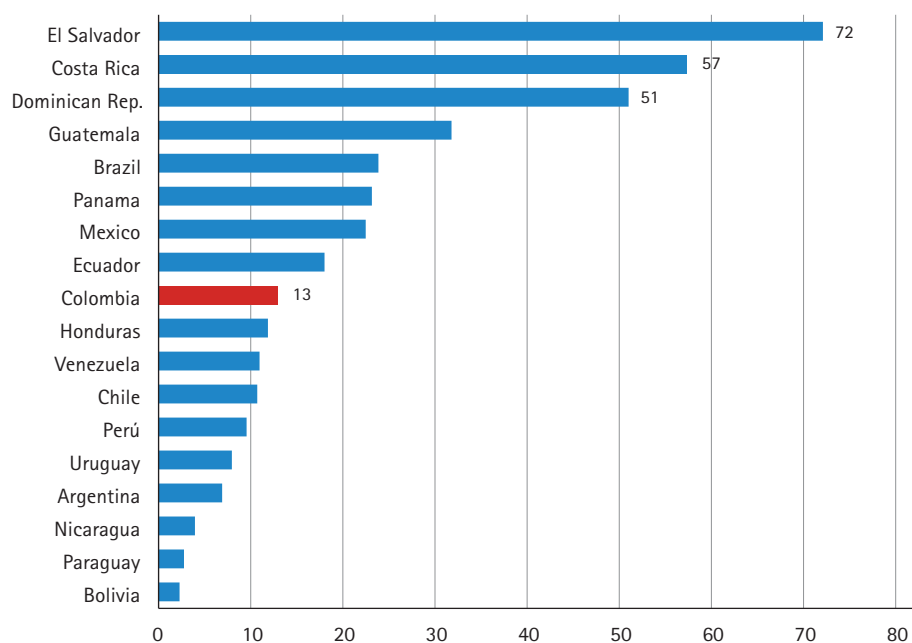
CHART 20: Comparison 2013 and 2014 of countries with greatest indicators for ATMs per 100.000 adults



Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

Financial penetration through automatic tellers for every 1.000 km² was led by Costa Rica (a country that also showed solid penetration through automatic tellers per 100.000 adults), El Salvador and the Dominican Republic. These last two, given their lower geographic extension, occupied a prominent position in Latin America at the level of geographic penetration through automatic tellers with indicators above 50 automatic tellers per 1.000 km² in each case.

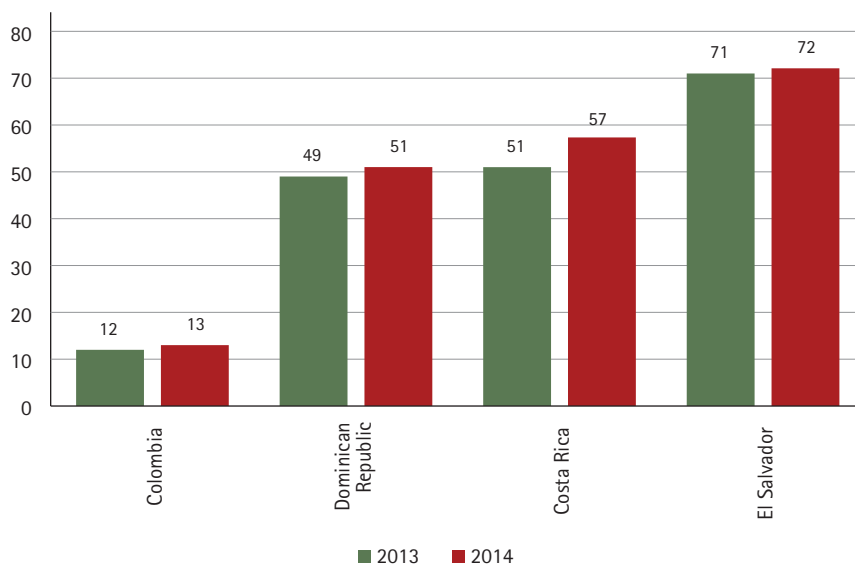
CHART 21: Automatic tellers (ATMs) per 1.000 km²



Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

Colombia, again, ranked in the lower part of the group of countries in the Region, with an indicator of 13 automatic tellers per 1.000 km², an indicator that remained practically the same in 2013 and 2014.

CHART 22: Comparison 2013 and 2014 of countries with greatest indicators for ATMs per 1.000 km²



Source: Financial Access Survey (FAS Survey) - International Monetary Fund 2014, prepared by Banca de las Oportunidades.

Conclusions

Over the past five years, Colombia has exhibited positive evolution in financial penetration. However, between 2014 and 2015 the dynamics of these indicators stabilized.

Of the points of access considered in this year's report, offices were the point that grew the least. Between 2011 and 2015, these grew at an average annual rate of 4,6%.

Automatic tellers grew at an average annual rate almost double that of offices (8,1% average annual growth between 2011 and 2015).

Agents continued to be the most dynamic point of access, with average annual growth of 52% during this period.

Despite the greater dynamism of agents, it is important to take into account certain peculiarities that better explain their behavior and allow interpreting properly their evolution in the country.

It is important to differentiate between the number of agents reported (that corresponds to the official information delivered today by financial institutions) and the actual number of agents or physical points.

From a characterization exercise performed jointly by the World Bank's CGAP and Banca de las Oportunidades, it was estimated that the official figure reported is overestimated by 98%. From this effort it was also identified that 72% of the actual agent points are managed through networks of aggregators or agent administrators who set up contracts with the financial institutions to provide financial services in their name in their retail store networks.

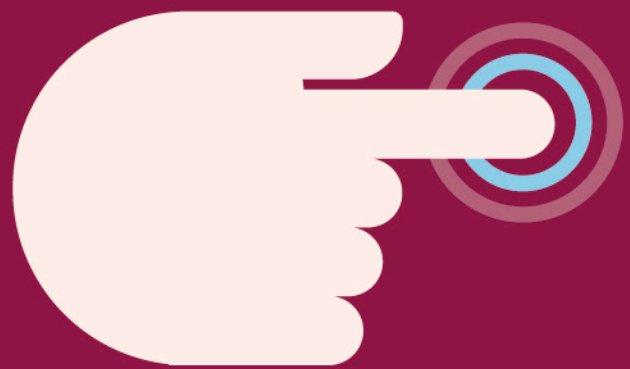
At the municipal level, a deficit in financial penetration was identified in rural and dispersed rural municipalities.

Compared to other countries in Latin America, Colombia holds the leadership in penetration through offices and agents of banking institutions. The most recent information presented in the Financial Access Survey published by the International Monetary Fund corresponds to the year 2014, where it is highlighted that the country improved between 2013 and 2014 in demographic and geographic penetration indicators, fundamentally due to the increase in the number of agents of banks, which was duplicated between 2013 and 2014.

In the case of penetration through automatic tellers, Colombia held a modest place among the countries in Latin America, ranking in the lower half of the group. In this type of access point, the leaders were Brazil in demographic terms with an indicator of 129 automatic tellers per 100.000 adults and El Salvador in geographic terms with 72 automatic tellers per 1.000 km².



People and firms with financial products



People and firms with financial products

An analysis is performed in this chapter regarding the holding of financial products by individuals and companies, where the primary source of information is the CIFIN - TransUnion financial information clearinghouse.

One of the main indicators considered is the percentage of adults with any financial product, since December 2014, it is possible to differentiate this indicator between adults with any product versus adults with any active or current financial product. This distinction is a step forward in measuring levels of activity or use of financial products.

In addition, financial inclusion indicators segmented by type of institution are presented, stressing that financial intermediaries continue to be the institutions that have the highest proportion of adult population linked to formal financial services in Colombia.

2015 is the second year in which it was possible to analyze the holding of financial products taking into account certain socio-demographic variables such as gender and age. Through this type of analysis, it is possible to identify patterns and certain barriers both in terms of measurement as well as in the use of financial products.

This information can also determine the number of adults and companies that each year join for the first time the formal financial system and the type of products through which they enter. Again, in the case of the population, certain socio-demographic characteristics are analyzed to better understand the type of new population in the system.

Finally, despite progress in the quantity and quality of information available, the Report emphasizes that it is necessary to coordinate efforts among various institutions in order to strengthen the measurement of current indicators of financial inclusion incorporating additional socio-demographic information and strengthening the existing one.

Adults with any financial product

The indicator that allows learning of the holding of financial products on the part of the adult population in Colombia is the financial inclusion indicator, which is calculated as the percentage of adults (population older than 18 in Colombia) with any formal financial product.

Since December 2014, this indicator is calculated in two ways: i) as the percentage of adults with any financial product and ii) the percentage of adults with any active or current financial product¹¹. Each one of these indicators may be calculated by type of institution.

It is important to note that from December 2014, in addition to having information from persons linked to any financial intermediary supervised by the SFC, there is information about financial services users of cooperatives with savings and lending activities supervised by the Superintendencia de la Economía Solidaria and of a set of microcredit NGOs.

Initially considering the financial inclusion indicator associated with financial intermediaries¹², we observed that in the last five years, it went from 65% (2011), equivalent to 19,7 million adults with any financial product to 75,4% (2015), equivalent to 24,7 million adults with any financial product in this type of institutions.

This means that between 2011 and 2015, the number of persons with any financial product in financial intermediaries, increased by 4,9 million adults, that is, an average annual increase of 5,7% during this period¹³.

The percentage of adults with any active financial product in a financial intermediary increased from 60,5% (19,4 million adults) to 63,5% (20,8 million adults) between 2014 and 2015¹⁴. In this manner, over the past year, the number of adults with any active or current financial product in this type of institutions increased by 1,3 million adults, which represents 6,7% annual growth.

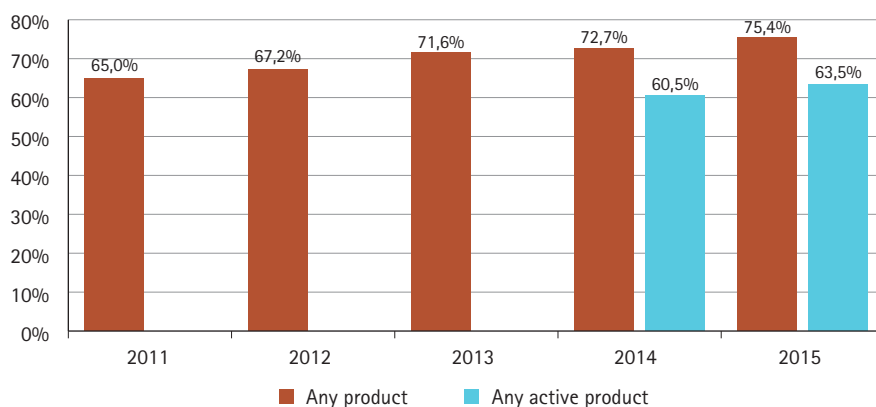
When comparing the number of adults with any financial product with the number of adults with any active product at the close of the year 2015, we conclude that of the total adult Colombian population with any financial product in financial intermediaries, 3,9 million persons do not actively use their products or in the case of credit products, they settled their obligations throughout the year.

11 Active products refer to deposit products such as savings accounts and checking accounts that have been reported by financial institutions to the information clearinghouse in states other than idle, closed or canceled. Specifically, dormant accounts are those that have not recorded any financial movement for a period of six months. For their part, current products refer to credit products that had any sort of balance pending settlement at the cut-off.

12 In some segments of this chapter reference is made exclusively to the users of financial services of the financial intermediaries because for this type of institutions there are longer information series and because they are the institutions that enroll the majority of the Colombian adult population in the formal financial system.

13 We clarify that this increase of 4,9 million persons between 2011 and 2015 is calculated as the difference between the number of adults with any financial product at the end of the year 2015 minus the number of adults who reported having any financial product at the close of the year 2011. This number is different from the number of adults who enrolled for the first time in the financial system. In the second case, the indicator is generated from a specific query that is performed by the information clearinghouse where the national IDs or identification documents are looked up in the historical database and are found out for the first time as having some financial product.

14 The financial inclusion indicator associated to the number of persons and companies with active or current financial products was begun from December 2014.

CHART 23: % adults with any financial product with a financial intermediary

Source: CIFIN, prepared by Banca de las Oportunidades

By the close of 2015, the financial inclusion indicator considering all institutions (financial intermediaries, cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and microcredit NGOs) reached a level of 76,3% adults with any financial product, equal to 24,9 million adults and of 64,5% adults with any active or current financial product equal to 21,1 million adults¹⁵.

As observed upon segmenting the indicators by type of institution, the majority of the Colombian population who have formal financial products are enrolled through a credit institutions.

In the case of cooperatives with a savings and loan section under the oversight of the Superintendencia de la Economía Solidaria, at the close of 2015, added 3,9% of the adults with some form of financial product, that is, 1,3 million adults who had any product exclusively with this type of institution and 2,5% equal to 818.954 adults that reported having active or current products at the end of the year.

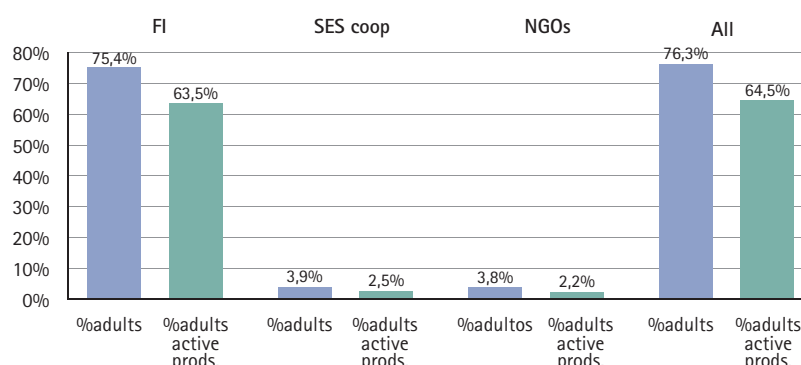
For their part, microcredit NGOs added 3,8% of the adults with any product, equal to 1,2 million adults who reported having any financial product exclusively in these institutions and 2,2%, equal to 732.870 adults who reported having their products active or current at the end of the year.

Between 2014 and 2015, the number of persons with any financial product in the total institutions, grew by 1,2 million adults that constitute 5,1% annual growth,

¹⁵ It is important to clarify that the financial inclusion indicators for the full set of institutions do not correspond to the sum of the indicators of each type of institution. For each type of institution and for the total institutions, these indicators are computed from the count of the national IDs or unique identification number with in each group.

while the number of adults with any active or current product increased by 1,24 million adults, that is, annual growth of 6,3%.

CHART 24: Financial inclusion indicator by type of entity – 2015



Source: CIFIN, prepared by Banca de las Oportunidades

When analyzing the holding of active financial products by gender, the first aspect to be highlighted is that on average 25,5% of the information from all institutions is not discriminated by gender. This percentage varies for every type of institution, and is 25,5% in financial intermediaries (the same percentage of the total institutions because these are the institutions with the greatest number of adults with financial products in the country), 16,6% in cooperatives with a savings and lending section under the oversight of the Superintendencia de la Economía Solidaria and 19,9% in microcredit specialized NGOs.

The existence of genderless information is explained by the growing share of the population whose Identification is the Unique Personal Identification Number (NUIP) whose creation came about in March of 2.000¹⁶ and with which it is not possible to differentiate when an individual is male or female.

From the information available by type of institution, for the total institutions the share of women is greater (39,3%) with active financial products compared with the share of men (35,2%). This circumstance, which had already stood out in the Annual Financial Inclusion Report for the year 2014, is in contrast with a large part of the findings from the demand studies according to which there is a gender gap in favor of men in the holding of financial products¹⁷.

The greatest holding of active financial products by women was common in the various institutions and the greatest difference was observed in microcredit NGOs, where 48,4% of adults with active products are women and 31,7% are men, that is there is 16,7% gender gap in favor of women in this type of institution. This difference for the total institutions, that is, when simultaneously

¹⁶ The NUIP was created through Resolution 0146 of the year 2000, as a number that allows the identification of Colombians from their birth until their death. The NUIP originally had a combination of letters and numbers, but from the year 2003 and to facilitate its adoption on the part of public and private enterprises, it became only a number of ten digits.

¹⁷ According to the Demand Survey performed by Banca de las Oportunidades and the Superintendencia Financiera de Colombia (2015) 71% of men reported having some form of financial product compared with 63% of women. In the case of the Global Findex (2014), it is estimated that in Colombia 43,5% of men have an account with a financial institution compared with 33,6% of women; 16,4% of men formally save compared to 8,4% of women and 17,5% of men have loans with a financial institution compared to 13,7% of women.

considering financial intermediaries, the cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and the NGOs is 4,2%.

In the case of financial intermediaries, 39,4% of the population with active products were women and 35,1% of men (4,3% gap). In cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria, these proportions were 43,1% women and 40,2% men (2,9% gap).

Just as differences were identified in composition by gender according to the type of institution considered, there were also gender differences depending on the type of financial product.

The financial products whose holding is more concentrated in women correspond to CAE accounts¹⁸ whose holders are 76,1% women compared with 9,8% men (66,3% difference)¹⁹; followed by other savings products²⁰ and 30% men (31,9% difference) and by electronic deposits²¹ (ED) with 46,5% women and 21,2% men (25,4% difference).

In the case of CAE accounts and of electronic deposits, the largest proportion of women is explained because many of the active users of those products benefit from Government transfers and among these there is a large number of female's head of household.

In the case of checking accounts, the product was held more by men at 58,6% compared to 36,5% for women (22,1% difference in favor of men).

In the case of credit products, except in microcredit, the majority of the population with a current loan is male. In consumer credit, the proportions were 44,6% men and 35,7% women (8,9% difference), in credit cards 41,5% are men and 39,1% women (2,3% difference) and in mortgage loans 48,3% are men and 44,6% women (3,8% difference).

In the case of microcredit, 39,9% of active users were men compared to 43,6% of women (3,7% difference in favor of women).

18 Electronic savings accounts (CAE accounts) are accounts targeted at SISBEN level 1 persons and to displaced persons enrolled in the Sole Registry of Displaced Populations, a large part of this population are beneficiaries of Government transfers. The goal of these accounts is to promote access to financial services for this population. These have a monthly debit limit of 2 minimum monthly salaries (approximately COP\$1.400.000).

19 The percentages missing to complete 100% of the population holding each product corresponds to the population identified with a NUIP, who cannot be identified as male or female.

20 Included among "other savings products" are the fixed-term savings products such as CDTs and CDATs.

21 Electronic deposits (ED) are sight deposits other than checking accounts and savings accounts, whose holder can be a natural or legal person. Financial intermediaries can offer simplified formality electronic deposits, so long as the limit of monthly debits and the maximum balance does not exceed 3 minimum monthly salaries (approximately COP\$2.100.000), in this case the account can be opened with a cell phone with the national identification number and its date of issue. Many of the beneficiaries of the Government transfers programs are paid through this type of simplified electronic deposits. When the product ceases to comply with the characteristics stated, its formalities cease to be simplified and institutions have to comply with the standard know-your-customer and asset laundering control process.

Adults with active or current financial product by gender

CHART 25: Adults with active or current products by gender – 2015

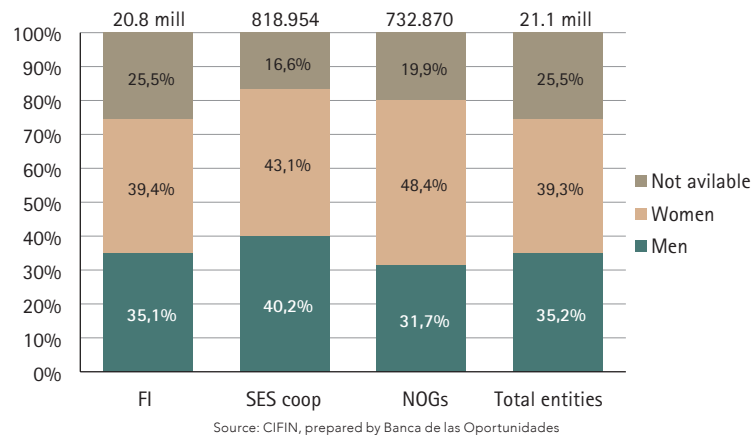


CHART 26: Adults with active deposit products by gender (2015) – all entities

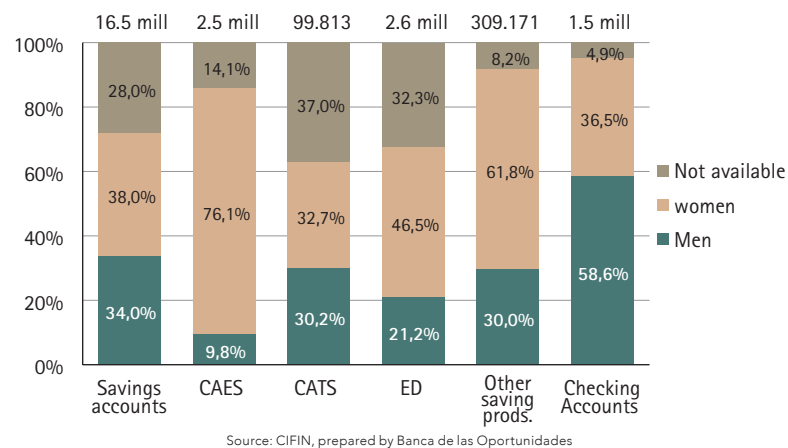
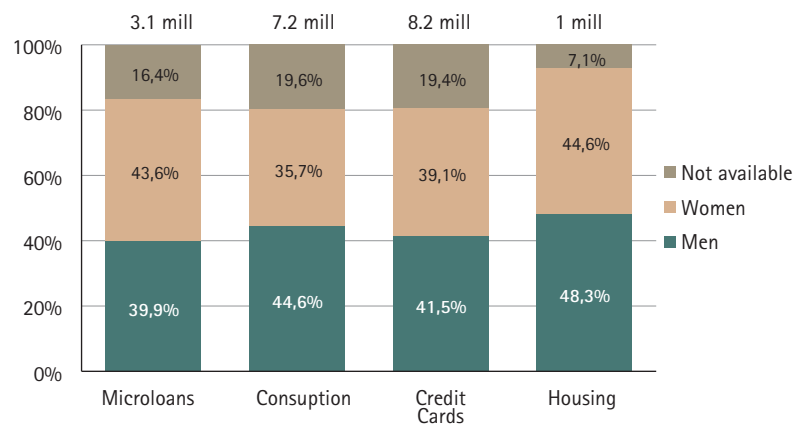


CHART 27: Adults with current credit products by gender (2015) – total entities



Adults with active or current financial products by age range²²

Although in the analysis of holding of financial products reference is essentially made to the adult population, it is important to highlight that to December 2.015, according to the information available in the information clearinghouse, there were 609.226 minors with some form of financial product.

Upon segmenting adults with active financial products, from the total institutions by age ranges, it is noteworthy to see that the majority of individuals with active or current financial products are found in age ranges from 26 to 40 years (38,3%) and between 41 and 65 (42,1%). This means, 80,4% of the Colombian population with active financial products are 26 and 65 years old. The population in this age range is greater in the case of the cooperatives with a savings and lending section under the oversight of the Superintendencia de la Economía Solidaria (86% of the total) and of the NGOs (87,4% of the total).

In contrast to the high concentration of persons with active financial products between ages 26 and 65, it is evident that the proportion of young adults (between ages 18 and 25) and of seniors older than age 65 is low.

For the total of institutions, 11,2% of the population with active financial products is between the ages of 18 and 25 and 8,3% are older than 65. These percentages are lower in the case of cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and NGOs. In the first case, young persons are 5,9% and seniors older than 65 are 8% of the total. In the second case, young persons are 7,2% and seniors older than 65 are 5,4%. Age also exhibits different patterns according to each financial product. For example, 95,5% of the population with active CAE accounts and 95,5% of the population with mortgage loans are between 26 and 65 years of age.

Around 50% of the population with CATS (53%) and with electronic deposits (46,2%) are in the age range between 26 and 40, while more than 50% of the population with other savings products (52,6%), checking accounts (61,3%), microcredit (54,6%) and mortgage loans (55,7%) are between 41 and 65 years old.

Regarding the population located at both extremes of the age ranges considered, certain clear trends are also identified.

²² In population totals by product, differences occur when comparing information segmented by gender versus information segmented by age ranges. This occurs because each one of these information bases is independent and a higher number of records do not have age information of persons and, therefore, they cannot be classified in any of the ranges defined.

Few young adults, for example, have CAE accounts (0,8%), other savings products (3,2%), checking accounts (0,9%) and any type of credit, particularly mortgage loans (0,7%). These indicators suggest an important challenge for financial institutions and for public policy in the sense of looking for strategies to facilitate access to credit and in general terms to the financial inclusion of young people.

Located at the other extreme are products with a lower share of seniors older than 65 such as CAE accounts (3,5%), simplified formality savings accounts – CATS²³ (2,7%), electronic deposits (3,6%) and mortgage loans (3,8%).

Specifically, in the case of simplified products, on one hand, it can be inferred that products managed through new technologies such as cell phones, are less attractive for seniors and, on the other hand, that the population in this age range are not very representative among those receiving Government transfers whose payments are made mainly through CAE accounts and electronic deposits.

CHART 28: Adults with active or current products by age

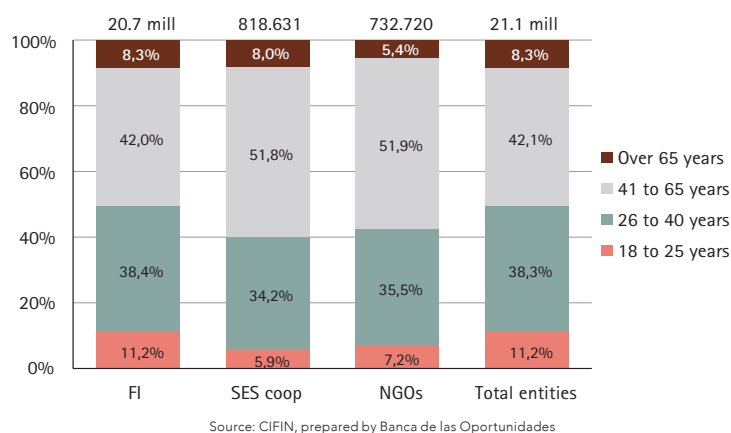
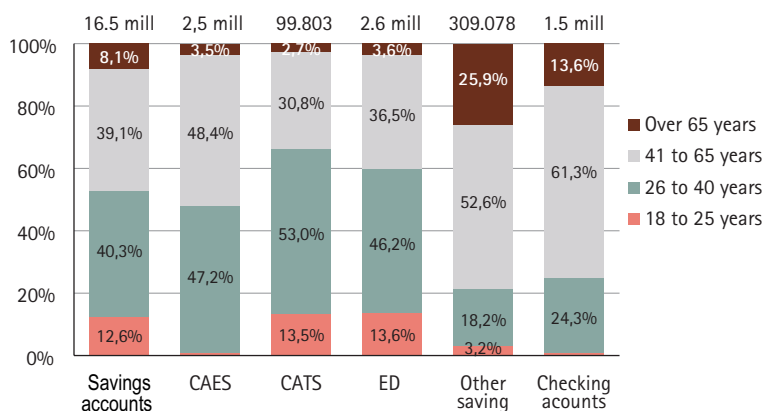
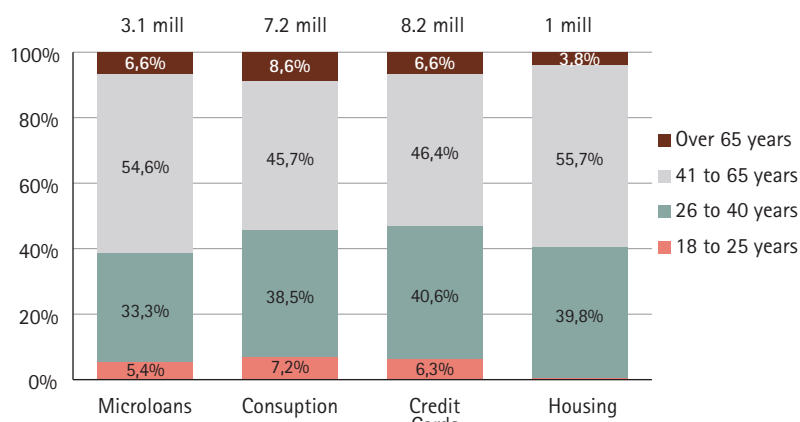


CHART 29: Adults with active deposit products by age – total entities



23 Simplified savings accounts (CATS accounts), despite being traditional savings accounts have a speedier or simplified procedure for account opening. These are sight deposits that can be activated by cell phone, with a national identification number and its date of issue. The monthly debit limit is 3 minimum monthly salaries (approximately \$2,100,000) and the maximum balance is 8 minimum monthly salaries (approximately \$5,500,000).

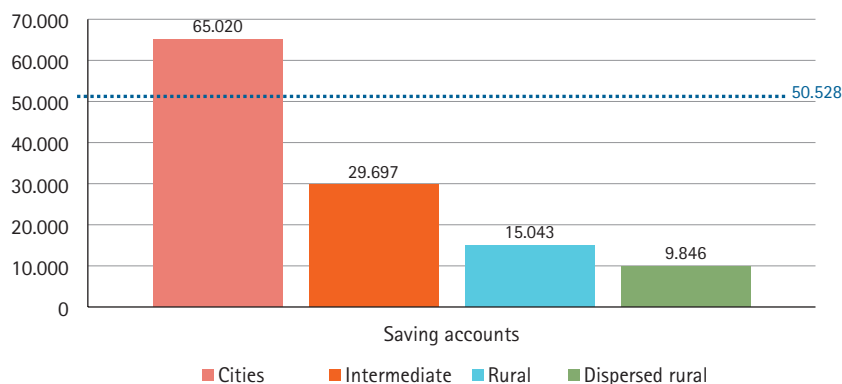
CHART 30: Adults with current credit products by age – total entities

Source: CIFIN, prepared by Banca de las Oportunidades

Number of persons for every 100.000 adults with active financial products

Another set of indicators that help analyzing the levels of financial inclusion at the municipal level are obtained by relating the number of individuals with active or current products for every 100.000 adults according to the rurality level.

According to this indicator, the average national number of people for every 100.000 adults who have an active savings account was estimated at 50.528 to December 2015. When calculating this indicator by type of municipality one the majority of the population with an active savings account is concentrated in cities. While in cities this indicator was 65.020 individuals for every 100.000 adults, a marked reduction in the other types of municipalities was observed, with 29.697 in intermediate municipalities, 15.043 in rural municipalities and 9.846 in dispersed rural municipalities²⁴.

CHART 31: Number of persons per 100.000 adults with active savings accounts to Dec-2015

Source: CIFIN, prepared by Banca de las Oportunidades

24 The rurality level of municipalities is a classification made by the National Planning Department (DNP) that segments by the municipalities of the country in four categories: cities and agglomerations, intermediate, rural and dispersed rural. Included among the variables considered in performing this classification, there is the demographic concentration of municipalities, their roadway connectivity, the production vocation and land use and the various manners of relating property to land. For greater details on this methodology please go to the following link at: <https://colaboracion.dnp.gov.co/CDT/Estudios%20Economicos/2015ago6%20Documento%20de%20Ruralidad%20-%20DDRS-MTC.pdf>.

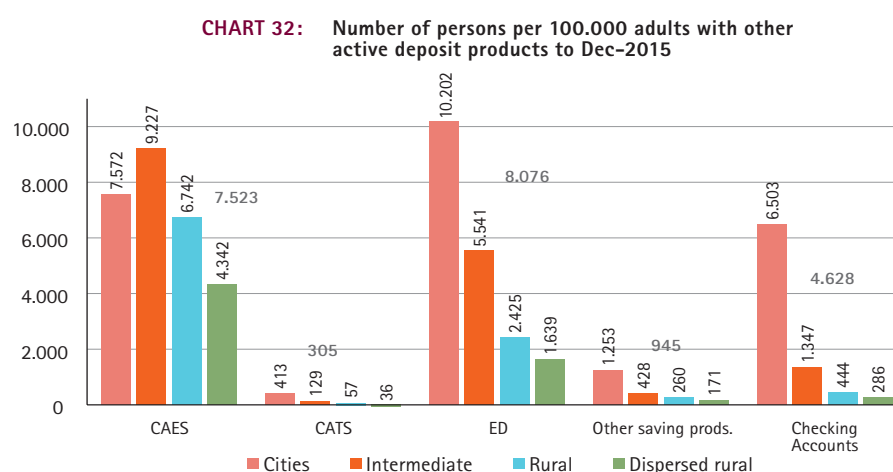
Similar to the savings accounts indicator, it is possible to calculate it for all other deposit and credit financial products. As observed in the case of savings accounts, the majority of adults with all other active deposit products is concentrated in cities and in intermediate municipalities.

For the case of CAE accounts, which reported 2,5 million active users at the end of 2015, an average national indicator was estimated at 7.523 persons for every 100.000 adults with this active product. By rurality level, this same indicator was 7.572 (cities), 9.227 (intermediate municipalities), 6.742 (rural municipalities) and 4.342 (dispersed rural municipalities).

Electronic deposits rose to 2,6 million active users at the end of the year 2015. In this case, the average national indicator of the number of people for every 100.000 adults with the active product was 8.076. According to the type of municipality, this indicator exhibited values of 10.202 (cities), 5.541 (intermediate municipalities), 2.425 (rural municipalities) and 1.639 (dispersed rural municipalities).

For checking accounts that rose to 1,5 million active users at the end of the year 2015, an average national indicator was estimated at 4.628 active users for every 100.000 adults. By rurality level, this same indicator exhibited values of 6.503 (cities), 1.347 (intermediate municipalities), 444 (rural municipalities) and 286 (dispersed rural municipalities).

The details for these indicators for the most representative deposit products, at departmental level, can be seen in the annex at the end of the Report.



Source: CIFI, prepared by Banca de las Oportunidades

Note: For every deposit product the value of the indicator is shown (number of persons per 100,000 adults with an active product) by rurality level and the national average.

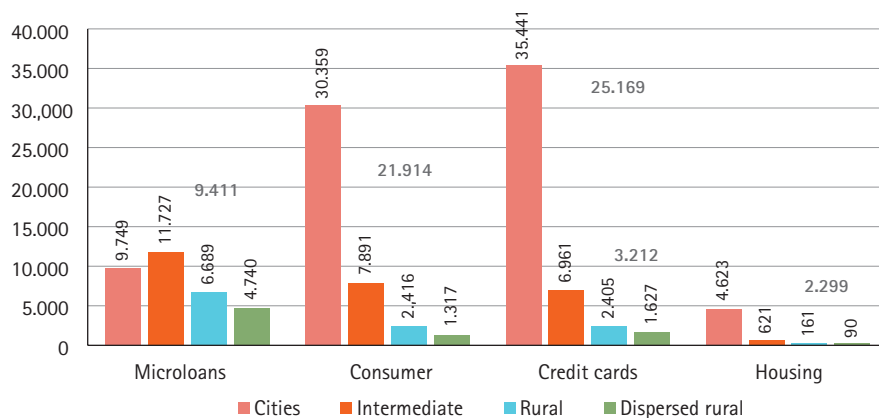
In regard to the holding credit products, as of December of 2015, 15,4 million adults had at least one current consumer loan (8,2 million adults through a credit card and 7,2 million adults through other consumer products). Similarly to that described for deposit products, the majority of the Colombian population with current credit products is concentrated in cities and intermediate municipalities. The average national indicator for persons with current credit products for every 100.000 adults is estimated at 25.169 for credit cards. By type of municipality, the values estimated were 35.441 (cities), 6.961 (intermediate municipalities), 2.405 (rural municipalities) and 1.627 (dispersed rural municipalities).

This same average national indicator for the consumer products (other than credit cards) was estimated at 21.914 persons per 100.000, and the rurality level for the indicators was 30.359 (cities), 7.891 (intermediate municipalities), 2.416 (rural municipalities) and 1.317 (dispersed rural municipalities).

For the other two credit products considered, microcredit and mortgage loans, the average national indicators for every 100.000 adults were significantly lower, with 9.411 for microcredit and 2.299 for mortgage loans.

It is important to highlight that the credit product that exhibits the most homogenous indicator among the various type of municipality is microcredit. This means that these types of loans are not so concentrated in cities, and thus have been able to deepen access to credit throughout the country. The details for these indicators for credit products at departmental level, can be seen in the annex at the end of the Report.

CHART 33: Number of persons per 100.000 adults with current credit to Dec-2015



Note: For every credit product the value of the indicator is shown (number of persons per 100,000 adults with an active product) by rurality level and the national average.

Adults entering the financial system for the first time²⁵

From the year 2014 on, information discriminated by product is available (including simplified products) on the number of adults who entered the financial system for the first time, understood as those persons whose Citizen's identification or identification documents are detected for the first time on the historical database of the information clearinghouse with any product in the financial system.

This analysis of people enrolling in the formal financial system for the first time considers the financial intermediaries under the oversight of the Superintendencia Financiera de Colombia (SFC), the cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and microcredit NGOs.

According to this information, the number of adults who entered the financial system for the first time was reduced between 2014 and 2015. While 1.053.136 adults entered in 2014, in 2015 this number was 945.826 adults. This implied a decrease of 107.310 in 2015, that is to say 10,2% annually.

In the two years, the most common entry products into the financial system were savings accounts and electronic deposits, through which the number of people who entered the financial system for the first time was duplicated over the last two years, passing from 57.802 in 2014 to 114.493 in 2015.

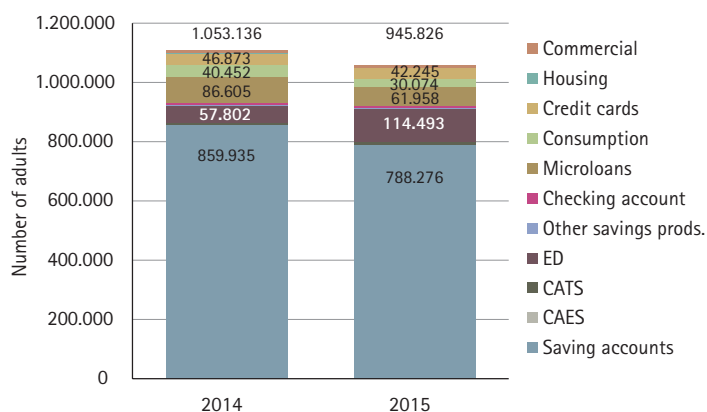
To a lesser extent, people entered the financial system through other products such as microcredit, credit cards and consumer credit.

At the end of the report, more detail is presented at the departmental level on the number of persons who entered the financial system for the first time in 2015.

Besides the entry product, the population that enrolled in the financial system for the first time has its own characteristics according to gender and age, from which certain trends are revealed nationwide and by rurality level²⁶.

²⁵ The number of adults entering the financial system for the first time is done from counting the unique identification numbers that show up with any financial product for the first time on the historical database of the information clearinghouse. This indicator is different to the variation of the number of adults with some form of financial product between a determined period of time (for example between 2014 and 2015), given that this last calculation only considers the identification numbers whose oldest report on the holding of financial products is no older than four years; period which if exceeded, will be excluded from the regular database queried for information.

²⁶ It is noted that the sum of adults that enrolled for the first time in the financial system when the information is segmented by rurality level and gender is 945.826 adults, 405 less adults compared to the national total of persons who entered the financial system for the first time in 2015 which was 945.826. This difference is explained because in municipal information databases there are records without DANE code (it is a unique code which identifies each municipality), reason why it is not possible to identify the municipality to which these records belong.

CHART 34: Adults entering the financial system for the first time – total entities

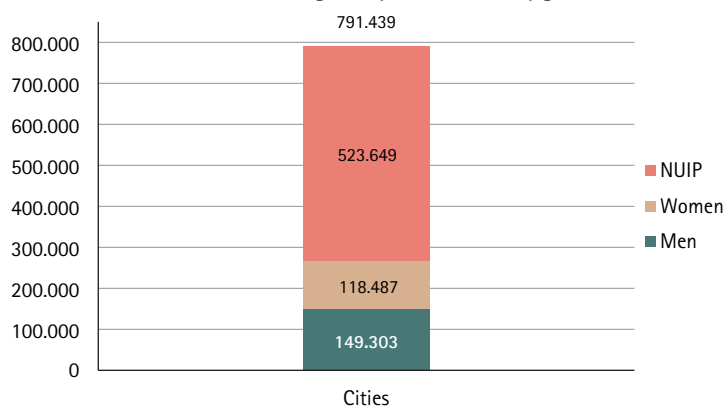
Source: CIFIN, prepared by Banca de las Oportunidades

The first aspect to highlight is that of the total population enrolling for the first time in the financial system in 2015, a high percentage (over 50% of the population in each type of municipality) was identified with the NUIP.

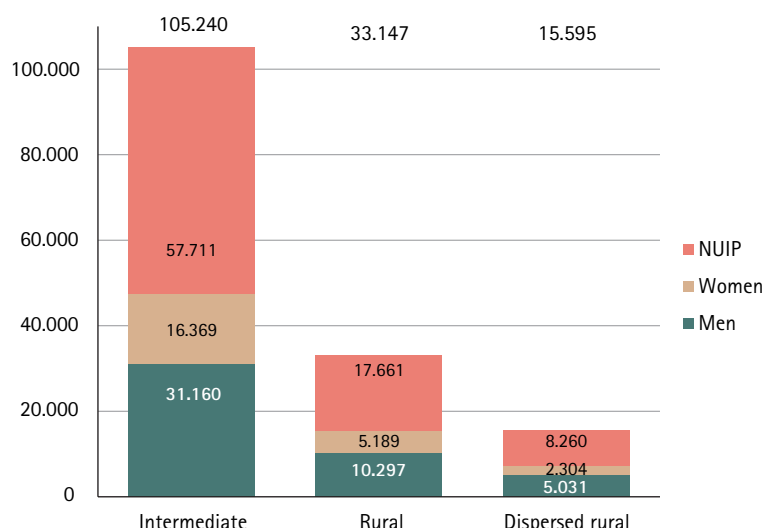
This result is natural if one takes into account that this type of identification is growing among the youngest population. This, however, generates a call to attention on the need to look for institutional cooperation mechanisms to share information between institutions that allow finding out the gender of all the people that is entering the financial system for the first time.

From the gender segmented information the Report highlights that in all types of municipalities the percentage of men is greater compared to that of women who enrolled for the first time in 2015. Additionally, this difference in favor of men is broadened as the rurality level increases, which means that the proportion of men who entered the formal financial system for the first time is greater and growing in the most rural municipalities.

Thus, for example, while in cities the percentage of adults who entered the financial system for the first time by gender was 18,9% men and 15% women, this difference was greater in the most rural municipalities. In intermediate municipalities, these proportions were 29,6% men and 15,6% women, in rural municipalities 31,1% of men and 15,7% women and in dispersed rural municipalities 32,3% of men and 14,8% of women.

CHART 35: Adults entering the system in 2015 by gender (cities)

Source: CIFIN, prepared by Banca de las Oportunidades

CHART 36: Adults entering the system in 2015 by gender (other municipalities but cities)

Source: CIFIN, prepared by Banca de las Oportunidades

In regard to age, new users of financial services in the various types of municipality were mostly young adults, whose ages varied between 18 and 25 years and 26 and 40 young adults²⁷.

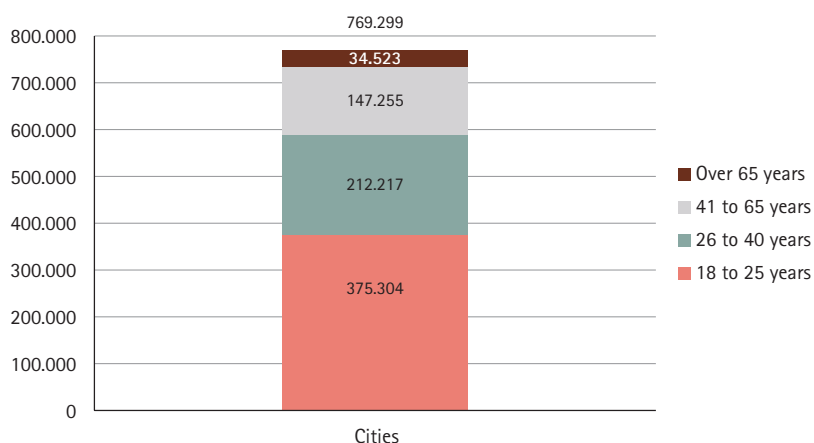
In cities, the new users of financial services whose ages were in the age range between 18 and 40 years old represented 76,4% of the total (48,8% between 18 and 25 years old and 27,6% between 26 and 40 years old).

In all other types of municipalities these proportions were 68,8% in intermediate municipalities (35,3% between 18 and 25 years old and 33,5% between 26 and 40 years old); 69,3% in the rural municipalities (31% between 18 and 25 years old and 38,3% between 26 and 40 years old) and 69,2% in dispersed rural municipalities (31,1% between 18 and 25 years old and 38,1% between 26 and 40 years old).

²⁷ It is noted that once more the total number of new users of financial services nationwide, which is 945,826 adults in 2015, does not coincide exactly with the municipal information segmented by age ranges that totals 921,279 adults. This difference is explained because at municipal level there are certain information records for which there is no DANE code is known for municipalities and in other cases the age of persons is not at hand.

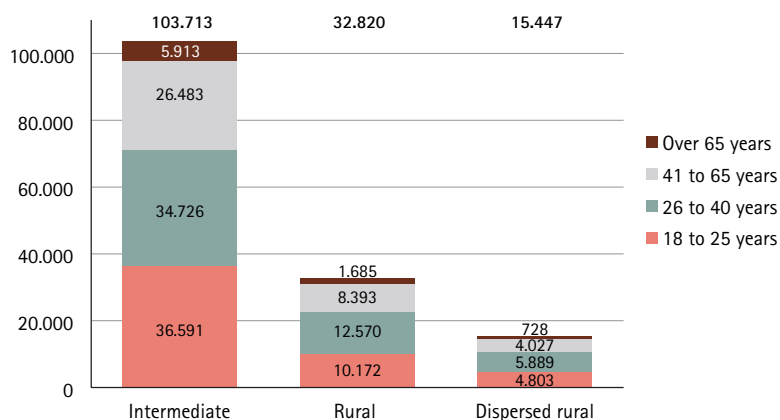
In regard to the segment of persons older than 65 years old who are enrolling for the first time in the financial system, as could be expected, the participation was around 5% in each type of municipality.

CHART 37: Adults entering the system in 2015 by age ranges (cities)



Source: CIFIN, prepared by Banca de las Oportunidades

CHART 38: Adults entering the system in 2015 by age ranges (other municipalities but cities)



Source: CIFIN, prepared by Banca de las Oportunidades

Companies with any financial product

This section presents information on the number of companies with financial products. It is important to be noted that this information is not available by firm size.

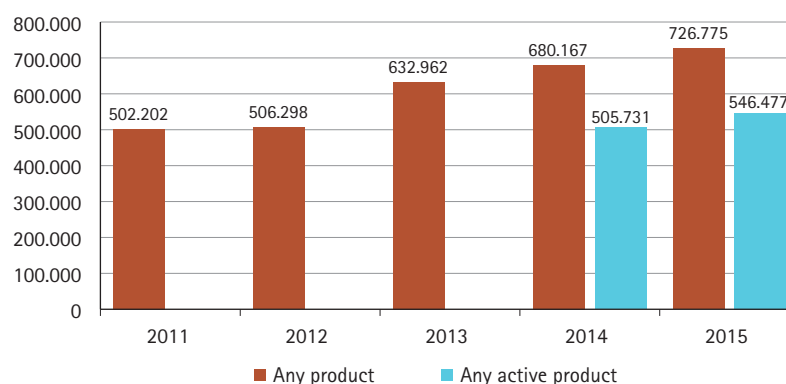
The number of companies with any financial product in financial intermediaries grew in the last five years at an average annual rate of 10%. Thus, between 2011

and 2015, the number of companies with any financial product increased from 502.202 to 726.775 companies.

For the last two years there is additional information on companies with active or dormant financial products. Only taking into account the companies with active products, between 2014 and 2015, their number increased in 40.746 companies going from 505.731 in 2014 to 546.477 in 2015, which meant an 8,1% annual increase. This result remains stable when in addition to financial intermediaries the other two types of institutions are considered. When taking into account all institutions, the increase in the number of companies with active financial products was 40.917 companies which equals annual growth of 8,1%.

This result is explained because the participation of cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and of NGOs in the supply of financial services to companies is lower²⁸.

CHART 39: Companies with any financial product with financial intermediaries



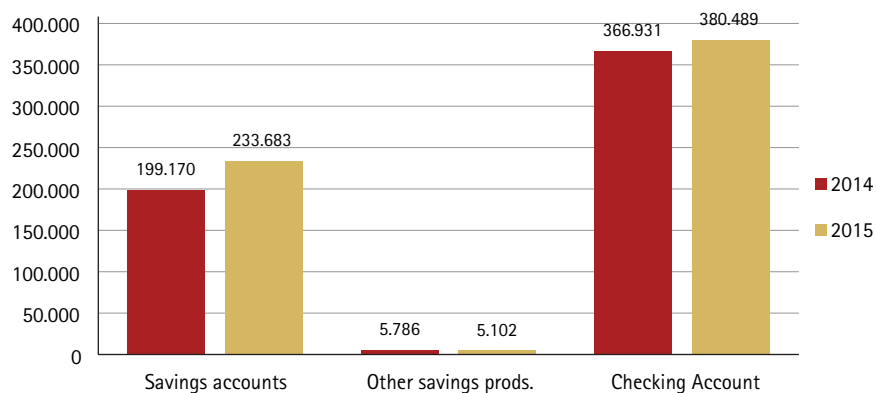
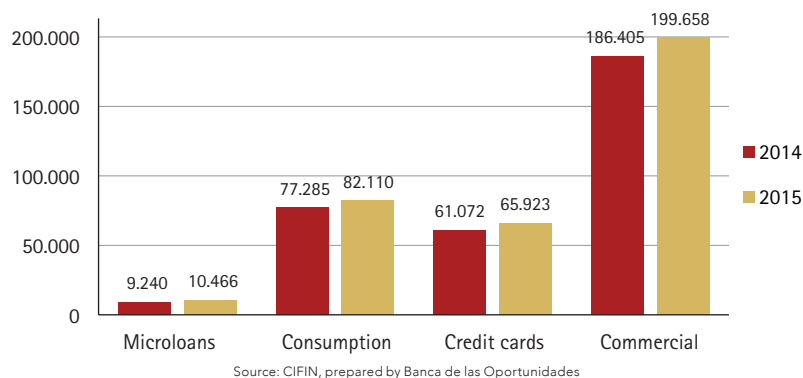
Source: CIFIN, prepared by Banca de las Oportunidades

The most common financial products during 2015 among the companies were checking accounts (380.489 companies), savings accounts (233.683 companies) and commercial credit (199.658 companies).

Between 2014 and 2015, the number of companies holding various financial products increased, except companies with the so-called "other deposit products", among which are included definite term certificates of deposit such as CDTs and CDATs, whose number was reduced in 684 companies.

The products for which a greater increase was observed in the number of companies were for savings accounts and microcredit, with average annual growth of 17,3% and 13,3%, respectively.

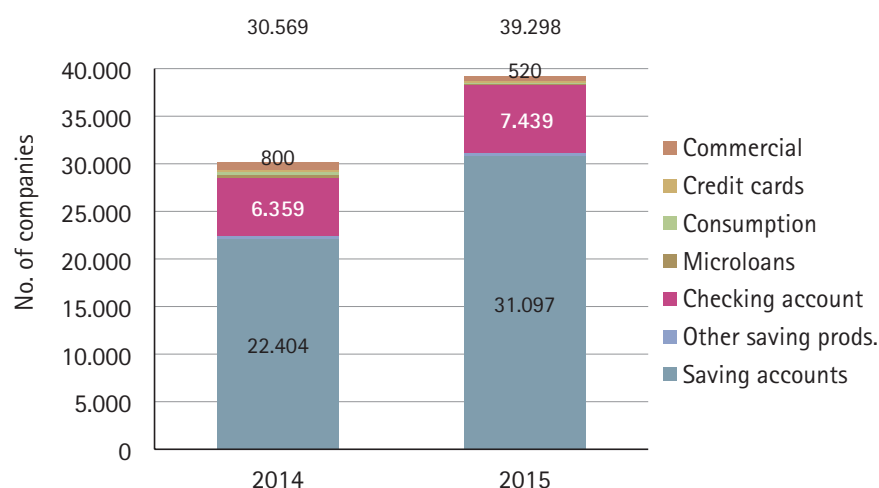
²⁸ For December 2015, the cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria had 3.605 companies enrolled, of which 1.876 had active or dormant financial products at the end of the year. For their part, NGOs had 546 companies enrolled of which 321 had current financial product at the end of the year.

CHART 40: Companies with active deposit products – total entities**CHART 41: Companies with current credit products– total entities**

Companies entering the financial system for the first time

In opposition to that observed in the case of the persons who enrolled for the first time in the financial system whose number was reduced between 2014 and 2015; the companies that entered the financial system for the first time in 2015 increased their number in 8,729 companies, recording annual growth of 28,6%.

The most common gateway products to the financial system for companies were savings accounts, checking accounts and commercial credit, which are precisely the products that registered the greatest number of companies with active financial products.

CHART 42: Companies entering the financial system for the first time

Source: CIFIN, prepared by Banca de las Oportunidades

Conclusions

Between 2011 and 2015 the percentage of adults with any financial product through financial intermediaries increased from 65% to 75,4%, which meant that an additional 4,9 million adults were reported with some form of financial product during this period of time.

For their part, the percentage of adults with any active or current product in financial intermediaries, information available from December 2014, increased from 60,5% (2014) to 63,5% (2015), a variation that implied that an additional 1,3 million adults with any active financial product in this type of institutions.

From December 2014, it is possible to know the number of adults with financial products of cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria and NGOs.

When all these institutions are considered jointly, the percentage of financial inclusion at the end of 2015 rose to 76,3% of adults with some form of financial product (24,9 million persons) and to 64,5% adults with some form of active or dormant financial product (21,1 million persons).

From these indicators, it can be deduced that the majority of the Colombian population who have formal financial products are enrolled in a financial intermediary of some form.

Considering socio-demographic variables such as the gender and age of the population it is possible to highlight certain trends:

- 25,5% of the information available to date cannot be segmented by gender because this share of adults is identified by the Unique Personal Identification Number (NUIP).
- The share of adults identified by NUIP rose to 50% in the case of persons who entered the financial system for the first time in 2015.
- Despite the information that was segmented by gender, what was set out in the Annual Financial Inclusion Report for the year 2014 is ratified, in that a larger proportion of women compared to men have active financial products.
- For the total institutions, the percentage of adults with active products by gender was 35,2% men and 39,3% women (a 4,2% difference in favor of women). This difference is heightened in microcredit NGOs, where users with active products were 31,7% men and 48,4% women (a 16,7% difference in favor of women).
- The composition of the population by gender also changes by type of product. Good examples in favor of women are electronic savings accounts or CAE accounts whose active users were 9,8% men and 76,1% women, electronic deposits with 21,2% men and 46,5% women and the other savings products with 30% men and 61,8% women.
- These three examples suggest on the one hand the high representation of women as beneficiaries of the Government transfers program, which are paid mostly through CAE accounts and electronic deposits; on the other hand, the habit of women to save more in fixed term products that are grouped under the category of "other savings products".
- Likewise, there are products whose active holders are mostly men. A few examples include checking accounts with distribution of active users at 58,6% men and 36,5% women and consumer credit with 44,6% men and 35,7% women.
- Although a difference was identified in all other credit products in favor of men, this is not as large as in the case of consumer credit.

- The age variable also sets the stage for highlighting certain trends. For example, in the various types of institutions most of the population with active products is concentrated in age ranges between 26 and 40 and between 41 and 65 years old. These two segments concentrated more than 80% of the adult population with active products.
- In cooperatives with a savings and lending section under the oversight of the Superintendencia de la Economía Solidaria and in NGOs, the smallest percentages were identified of young adults with active products. While in the total institutions young adults (between 18 and 25 years old) represented 11,2%, in cooperatives with a savings and lending section under the oversight of the Superintendencia de la Economía Solidaria they represented 5,9% and in NGOs 7,2%.
- Similarly, the senior adults segment (over 65 years old) represented 8,3% in the average for all institutions for adults with active products, a percentage that is reduced to 5,4% in NGOs.
- Products with very small percentages of young active users (between 18 and 25 years old) were identified. Some examples were CAE accounts (0,8%), other savings products (3,2%), checking accounts (0,9%) and all credit products, with a particularly low participation rate in the case of mortgage loans (0,7%).
- Despite the fact that the low percentage of young adults with credit tends to be the norm given the higher hurdles this population group faces in terms of a lack of a credit history and unstable income, this aspect calls attention to the need to search for mechanisms that allow improving the conditions to access to financing of the younger population.
- At the other extreme, the 65 year-old senior adults, evidenced low participation in active holding of simplified formality products (CAE accounts, CATS accounts and electronic deposits) which could be associated to the lower interest of this group in using financial products that are handled through technologies such as cell phones or other electronic mechanisms.
- In the case of credit products, it is common to see the highest percentage of users concentrate in the 41 and 65 years old age range. In the various credit products, this segment represented 50% or more of the total for adults with current credit.

Between 2014 and 2015, a reduction was observed in the number of adults who entered the financial system for the first time with this indicator going from 1.053.136 adults in 2014 to 945.826 in 2015.

The number of companies with financial products grew in recent years. At the close of 2015, 726.775 companies had some form of product in financial intermediaries and 546.477 companies had their active or current financial products with this type of institutions.

Most of the companies reported with some form of financial product are enrolled with a financial intermediary.

When comparing the years 2014 and 2015, the number of companies that enrolled for the first time in the financial system increased going from 30.569 to 39.298 companies. The most common gateway products among companies are checking accounts and savings accounts.

Characterization of the banking agents model in Colombia: Top findings from the study performed by Banca de las Oportunidades and CGAP of the World Bank Group.²⁹

One of the major achievements of Colombia's financial inclusion strategy has been reaching 100% financial penetration in the 1.102 municipalities that the country has. This achievement has been driven by the great dynamism of banking agents through which financial institutions have been able to arrive with a lighter operational structure to all the corners of the country.

In general, there are two banking agent models in the world. The first one is where financial institutions directly manage the commercial sites that act as agents and the second where a third party carries out his duty.

From the study carried out jointly by Banca de las Oportunidades and CGAP from the World Bank Group, where the banking agents model in Colombia was characterized, it was established that 72% of the agency sites that operate in the country are managed by third parties.

These "agent administrators" establish contracts with financial institutions so that the stores provide financial services to the population in the name of financial institutions.

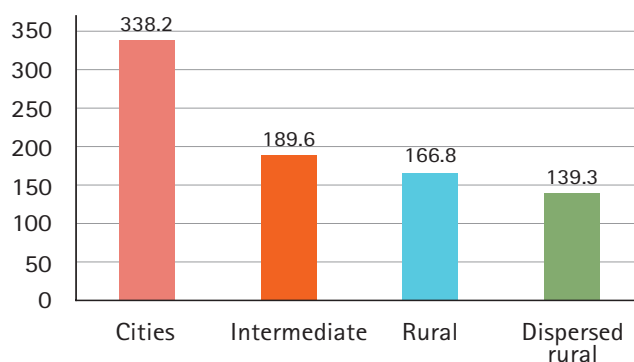
29 This study was performed on the basis of information from banking agents reported by financial institutions to the financial oversight authorities in the month of November 2014. The full results of the characterization can be viewed at the following link: <http://www.bancadelas oportunidades.com/contenido/contenido.aspx?catID=302&contenidoID=1366>.

These actors play a very relevant role in Colombia, not only because they manage the majority of the agent sites, but also because they add a variety of financial and non-financial services to the services offered by small shopkeepers to the population in their areas of influence.

Some of the services that are offered in these agent sites include collections for public utilities and private services, cell phone reloads, reloads for prepaid cards, such as those for the public transportation system (SITP in Spanish), postal services and domestic remittances and sales of hazard games or lottery.

This condition of adding multiple services to the offerings of the same shop generates greater operational efficiencies for the shops and places the agent administrators into a privileged position vis-à-vis financial institutions to continue extending the network of banking agents, especially in the municipalities where financial penetration is still lagging behind average national levels.

CHART 43: Agents for every 100.000 adults



Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, DANE and DNP. Calculations by Banca de las Oportunidades.

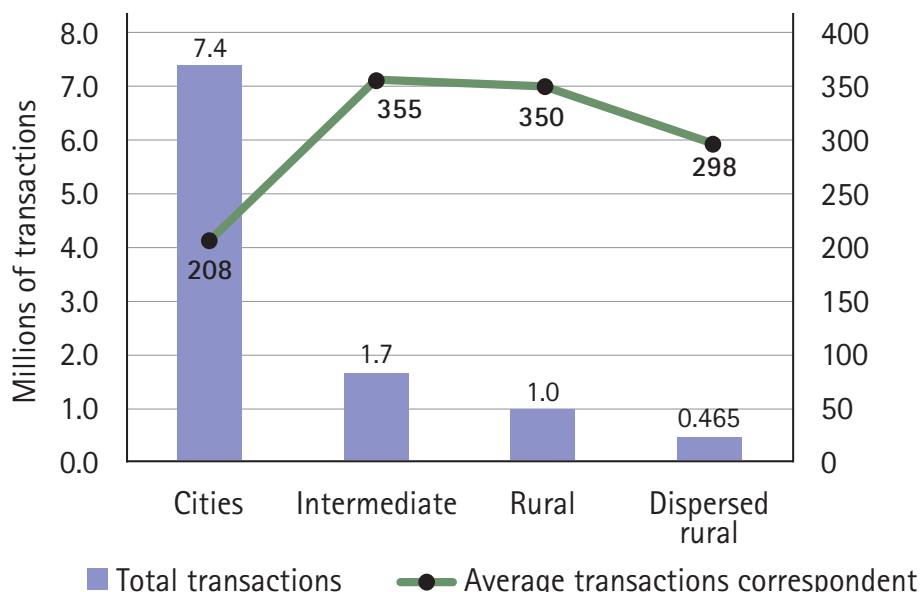
Two reasons explain why agent administrator networks are in privileged position. On the one hand, they set up contracts with a number of financial institutions at the same time, which allows them to offer financial services from a variety of institutions in a single shop.

On the other, they have technological platforms through which they enroll small shopkeepers to perform a large volume of transactions (financial and non-financial) online.

Precisely because in Colombia there is non-exclusivity in the establishment of contracts between networks and financial institutions, the study was able to establish that the information reported by

financial institutions on the number of agents is overestimated 98%³⁰. This occurs because each financial institution reports points in the networks as their own and these last in turn provide services for a variety of financial institutions simultaneously through the same small retailers.

CHART 44: Total and average transactions per agent Nov-2014



Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, DANE and DNP. Calculations by Banca de las Oportunidades

Analyzing the transactional volume (by amount and number of transactions) through agents in each municipality, we were able to establish there are opportunities to increase the number of agents in close to 38% of the municipalities classified as rural and dispersed rural³¹. These opportunities arise because the volume transacted in these municipalities is sufficient to allow opening new agents without hurting the sustainability of those already existing.

In contrast, in close to 22% of the municipalities classified as rural and dispersed rural, although the penetration levels through agents are low compared with the national average, joint actions are required among the public and private sectors to extend penetration through banking agents in sustainable fashion. This because in this second group of municipalities the transactional volume is smaller as there are no incentives for the private sector to open new agent sites in a manner that is profitable and sustainable.

30 In November 2014, according to the official information reports there were 87,887 banking agents throughout the country. After cleaning the information to eliminate double accounting, the actual number of agents that turned out for that date was 44,494.

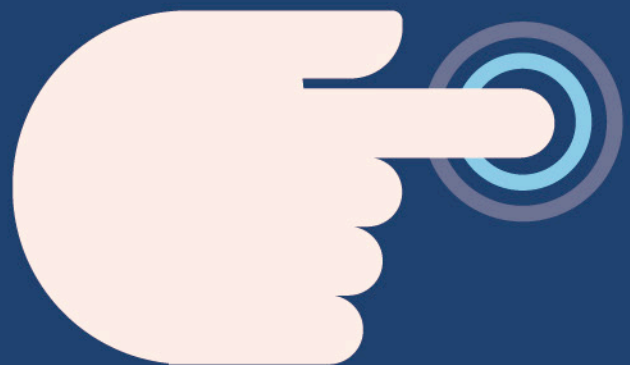
31 Of the 1,102 municipalities in the country, 671 are classified as rural or dispersed rural.







Transactional analysis



Transactional analysis

Throughout the years the Financial Inclusion Report has been published, and from experience in both the market as well as from supervision, it has been possible to see that supply and use of products and financial services have evolved from a face-to-face modality to a digital one, allowing the consumer to conveniently carry out all types of electronic transactions.

Understanding the need to facilitate the incorporation of technology in the offer of financial services to promote greater transactionality, Colombia has progressed in initiatives tending to energize the use of mobile financial services as an instrument to reach the population excluded from the financial system. For example, with the creation of a new category of financial institution called Specialized Deposit and Electronic Payments Companies (SEDPE in Spanish)³², the purpose is to make payments, cash collections, money orders and transfers more convenient for financial consumers. These institutions will be supervised by the Superintendencia Financiera de Colombia and their deposits will be backed by FOGAFIN deposit insurance.

The objective of these new institutions is to generate positive effects on financial inclusion. On the one hand, the expectation is that they allow increasing the supply of transactional services in remote places through the use of new technologies and leveraging already extant networks, and on the other, creating a record of client's payments, facilitating their access to other products in the financial system. The rise of the SEDPE allows the entry of new players in the system, increasing competition and contributing to the offer of low-cost, quality financial services.

In this same line, from its implementation, the simplified savings accounts and electronic deposits have facilitated the performance of transactions using mobile banking products, which has been reflected in the increase in transactions performed through this channel.

32 Law 1735 of 2014, regulated through Decree 1491 of 2015.

To keep track of the evolution of the use of the various channels, this chapter collects trends from 2015 from the main indicators on the number of transactions and the amount transacted.

Number of transactions and amount transacted

During 2015, in aggregate, financial³³ transactions exhibited a positive evolution compared to the previous year. At the end of the year, the total number rose to 4.333 million transactions and \$6.742 billion were moved, with annual growth of 17% and 6% respectively.

The internet channel continued to have the greatest share in number of transactions, representing 37% in 2014 to 44% in 2015 and was the second that moved more resources with a transacted amount of 33% over the total, proving to be a crucial instrument for financial inclusion because of its potential to speed up and reduce the costs of rendering the service³⁴, and from facilitating financial transactions from any place.

Upon analyzing the evolution of the amount of transactions, one finds that although the offices channel continued to be the means that mobilized the greatest volume (47%), the trend through this channel exhibited a decrease between 2011 and 2015, given that the share over the total amount transacted during 2011 was 57%.

Automatic tellers and points of sale (POS) maintained a substantial share of the number of transactions compared to 2014 with 17% and 11% over the total, respectively, but lower in amounts, contributing 2,9% and 1,2% of the amount of money mobilized.

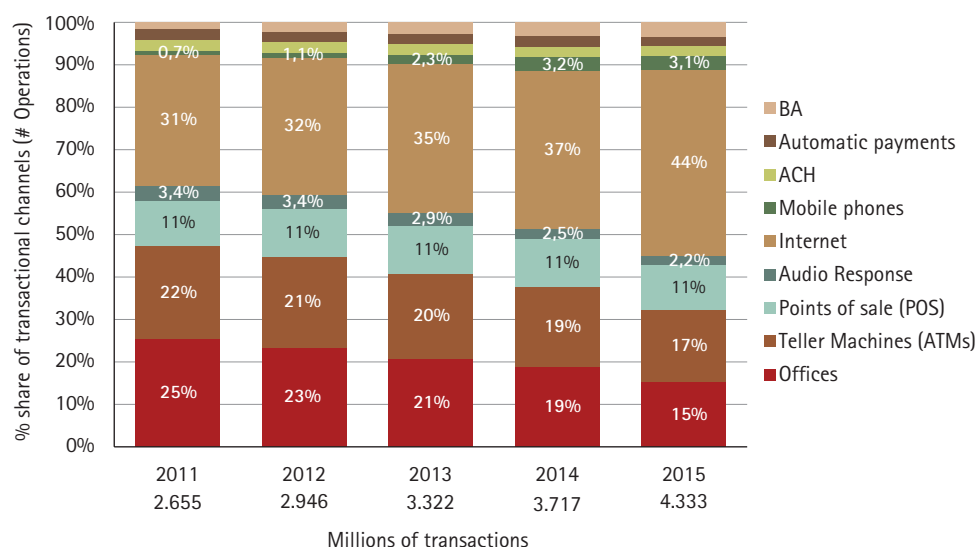
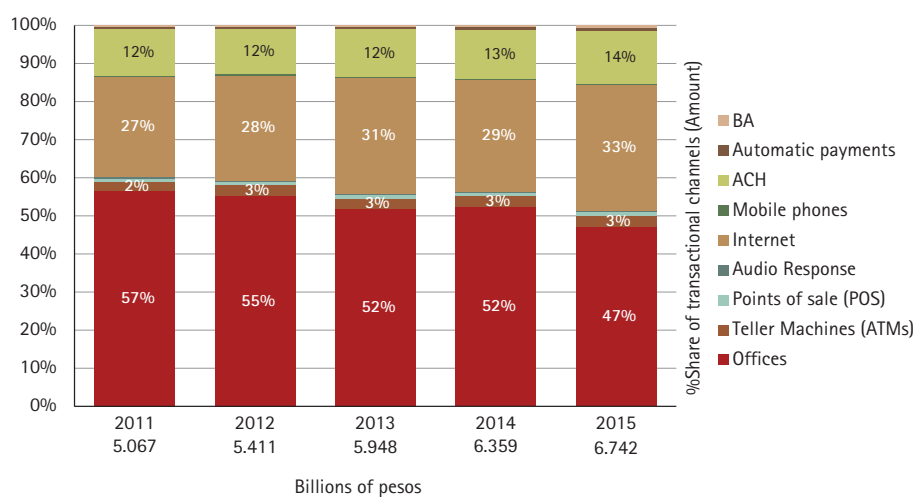
For its part, the electronic transfers (ACH) channel did not prove to be representative in terms of the number of transactions (2,3%), but rather in terms of the amount (14%). The growing share over the total amount transacted through ACH³⁵ leads to concluding that financial consumer's perception has strengthened in terms of trust and convenience.

33 Includes information on the transactions performed through the distribution channels provided by the supervised institutions. This has been defined by means of nine channels: offices, banking agents (BA), automatic tellers (ATM), points of sale (POS), audio response system (IVR), automatic payments, electronic transfers (ACH), Internet and mobile phones.

34 Alliance for Financial Inclusion (2016), Why financial inclusion? Kuala Lumpur, Malaysia.

In the recent AFI study, the main barriers to financial inclusion include the high transaction costs for rendering financial services at small scale over large geographical distances, the infrastructure limitations, such as the lack of roads, fixed phone lines and the identification systems and insufficient information between vendors and consumers.

35 According to the diagnosis for Colombia by the Better Than Cash Alliance in Colombia, for ACH over "pagos seguros en línea" [safe online payments] or PSE, allow clients (companies or persons) to debit their accounts in financial institutions and pay for services and goods offered by the Government or by private companies. PSE is now used by many institutions in the private sector for their electronic transfers, above all in electronic trade. A more secure environment was created for electronic transfers and their impact on companies has been considerable.

CHART 45: Share of transactional channels Total number of transactions³⁶
number of transactions**CHART 46:** Share of transactional channels Total amount transacted
Total amount transacted

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

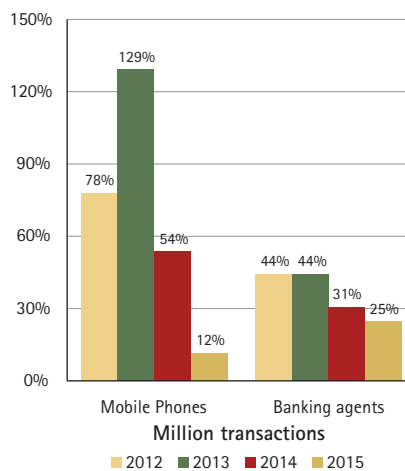
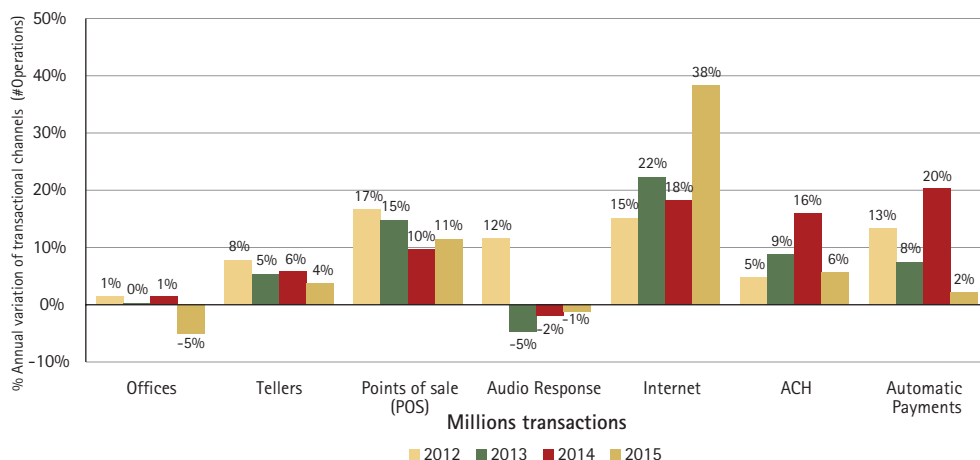
Dynamics of transactions by channel

In terms of annual growth, over the last five years the channel that showed the greatest growth in number of transactions was mobile telephony (599%), going from 19 million in 2011 to 133 million transactions in 2015. In the same way, the Internet channel exhibited 131% growth going from 826 million in 2011 to 1.905 million transactions in 2015.

³⁶ The figures that are presented in this chapter are taken from templates 444 and 398 of the SFC and information provided by Cooperatives oversight by the Superintendencia de la Economía Solidaria.

Between 2014 and 2015, the most dynamic channel at the end of the year was the internet, with a 38% increase compared to the previous year, followed by banking agents and mobile telephony with 25% and 12% respectively. For their part, offices and ACH channels exhibited a reduction in the number of transactions performed, with 5% and 1% respectively, compared with 2014.

CHART 47: Annual change in transactions (number)

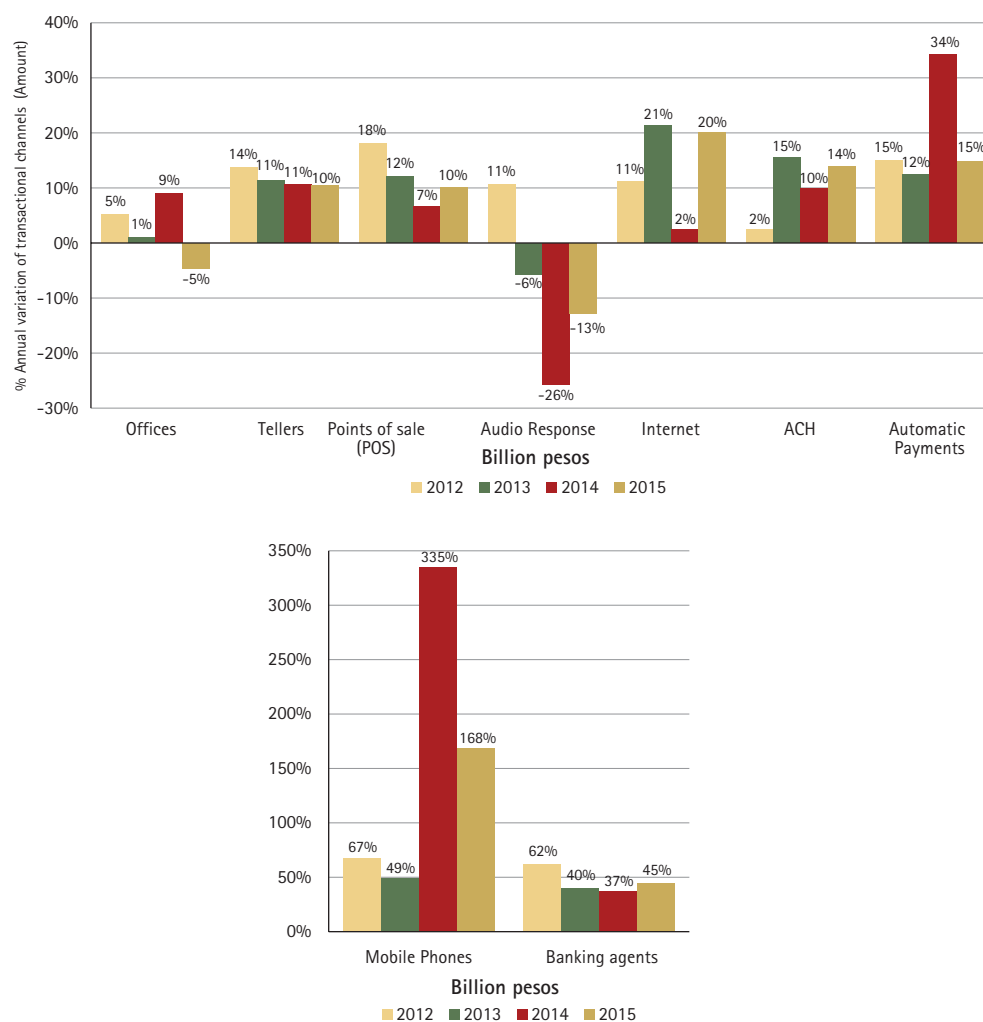


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

In terms of amounts, mobile telephony exhibited the greatest dynamism in the past five years, going from \$85 thousand million in 2011 to \$2 billion in 2015, exhibiting growth of 2.803%. Similarly, it is observed that the amounts of transactions carried out through internet grew during the last five years, going from \$1.356 to \$2.252 billion, with 66% growth.

Between 2014 and 2015, the largest growth in terms of amounts was in the mobile telephony channel with 168% (but with a decrease of 167pp compared with the growth from 2013-2014), followed by banking agents at 45% and internet with 20% (with an increase of 18pp compared to 2013-2014). In opposition, the audio response and offices channels showed a reduction in the amount transacted of 5% and 13%, respectively, compared with 2014.

CHART 48: Annual change in transactions (amount)

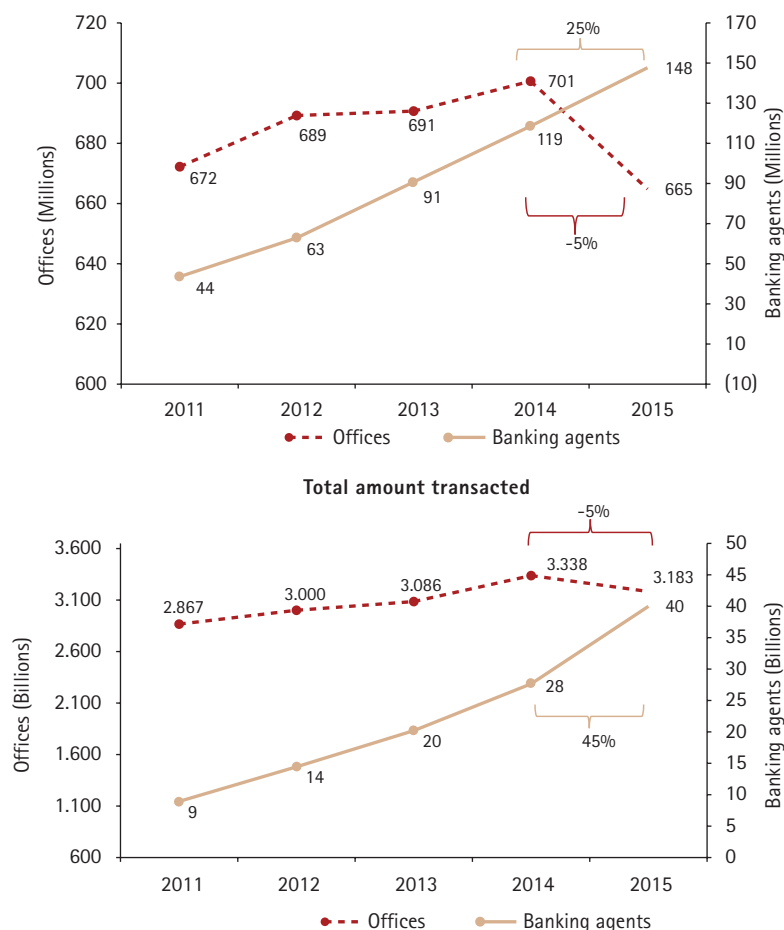


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

It is worthwhile to highlight the case of offices as mentioned, continued to be the channel with the most extensive financial services portfolio. Its share, both in number of transactions as well as in the amount transacted, decreased throughout the years (5,1% and 4,6%, respectively, between 2014 and 2015). This

proves that the other channels absorbed the burden of the offices by facilitating access to the population, particularly in the case of banking agents who gained share, both in number of operations as well as in the amount transacted (25% and 43%, respectively) and in number of points of access as highlighted in the penetration chapter.

CHART 49: Transactions through the branch and banking agent networks Total number of transactions

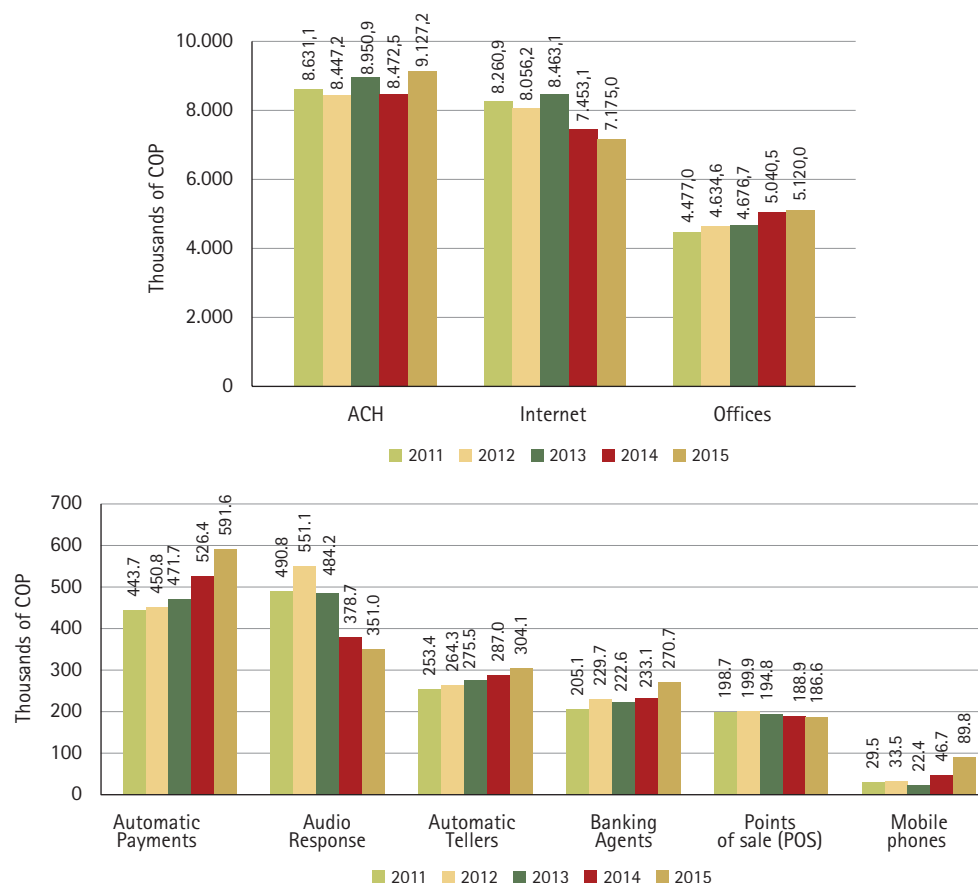


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

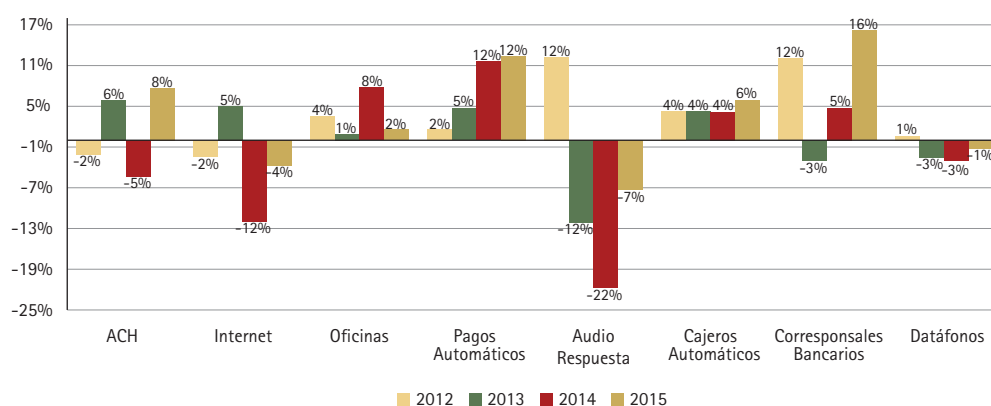
Average amount of transactions per channel

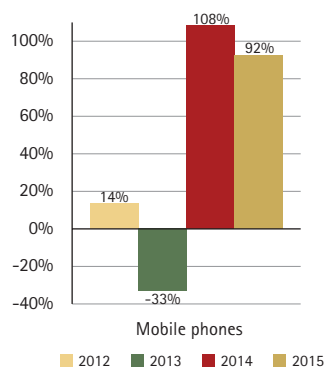
Upon assessing the average amount of transactions by channel that results from the remainder between the total amount transacted and the number of monetary transactions, it was seen that the highest value in the average transacted corresponds to the ACH channel³⁷ with \$9,13 million, followed by the Internet channel with \$7,17 million and offices with \$5,12 million.

³⁷ According to the study performed by the Better Than Cash Alliance in Colombia, Colombian banks have come together to create an efficient and economical manner of making electronic payments online through bank transfers, the PSE platform of Colombia showed an alternate approach where the vision of the Government can stimulate the private sector to collaborate and innovate. As is the case with many electronic payment options, the PSE allows a considerable cost reduction compared to payments in cash for financial institutions.

CHART 50: Average amount of the transactions

In turn, the change in the average amount of transactions is worth to be highlighted. In particular, when comparing 2014 with 2015, the mobile telephony channel showed the greatest growth at 92% followed by banking agents at 16% and automatic payments at 12%. To the contrary, the internet and audio response channels stood out for the reduction in the average amount transacted, at 4% and 7%, respectively.

CHART 51: Change in the average amount of the transactions



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

Transactions by channel and type of operation

Financial consumers can make use of financial services such as payments, transfers, withdrawals, deposits, international transactions and balance inquiry, among others, through the various transactional channels of the financial system. Offices and banking agents are the channels offering a greater variety of financial services, among them cash collections, receipt and forwarding of drafts and advisory in savings accounts opening and loan applications.

Although the internet, mobile telephony and audio response channels showed that the greatest share corresponded to balance inquiries (84%, 79% and 94%, respectively), this behavior has been changing, mainly in the mobile telephony channel, where this type of transaction decreased in 4pp compared with 2014 giving way to payments, that began to take on relevance in their participation at 18% in 2015 and increasing 3pp from 2014. The foregoing shows the potential from this channel to continue extending the scope of financial services.

In the transactions performed in offices, payments had the greatest share (42%), followed by deposits (33%), withdrawals (15%), balance inquiries (6%), transfers (2%), and international transactions (0,9%). These transactions did not present a change in composition from 2014, although withdrawals and deposits decreased 2pp, payments increased 2pp and balance inquiries increased 1pp over the last year.

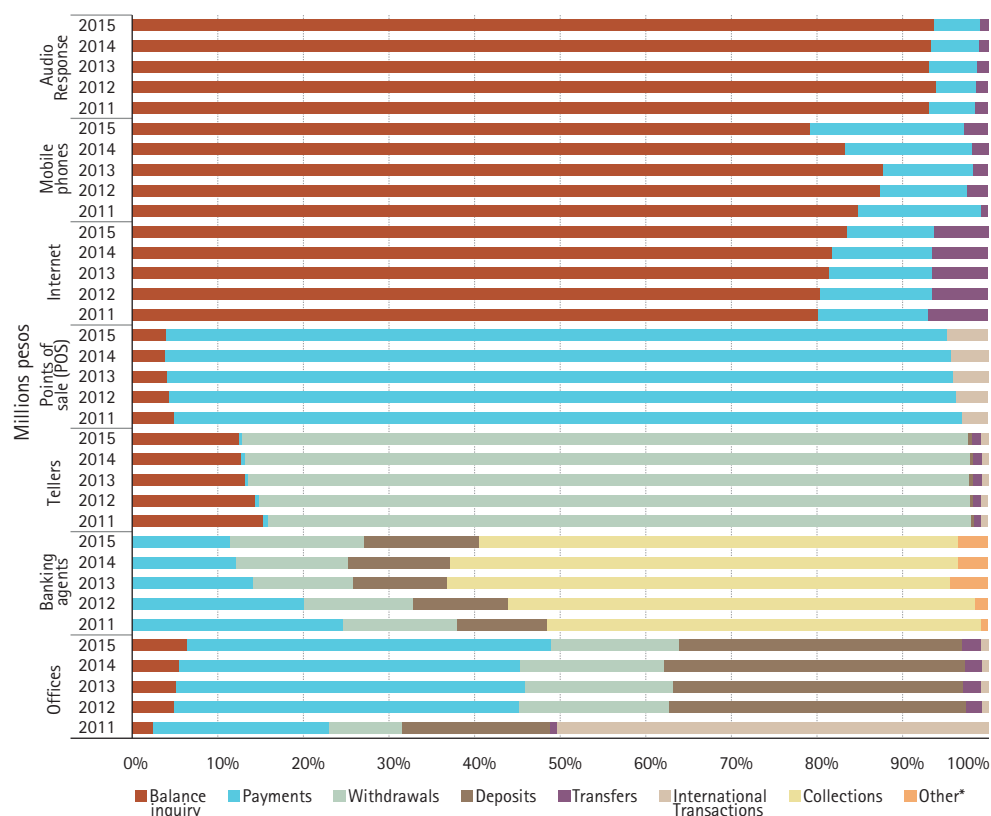
In respect to the banking agents channel, cash collections were the most frequent type of transaction during 2015 with 56% of the total, followed by withdrawals (16%), deposits (13%), payments (12%), and to a lesser extent, by

receipt of drafts (2,6%), money transfers (0,9%) and sending drafts (0,01%). Although the share of collections decreased 3pp compared to 2014, withdrawals and deposits increased 2pp. To that extent, it is important to further promote the popularization of this channel, especially to boost channeling transactions between individuals and businesses.

Regarding tellers, the most frequent transaction corresponded to withdrawals with 85% of transactions performed and to a lesser extent, balance inquiries (12%), transfers (1%), international transactions (0,8%) and payments (0,4%). These transactions exhibited stable behavior over the past five years.

The most representative transaction in points of sale (POS) were payments and transfers at 91%, and to a lesser extent, international transactions (4,8%) and balance inquiries (4%). As in the case of ATMs, the trend in the share of transactions performed through the points of sale (POS) channel has remained constant in recent years.

CHART 52: Share of transactions by type and channel (number)



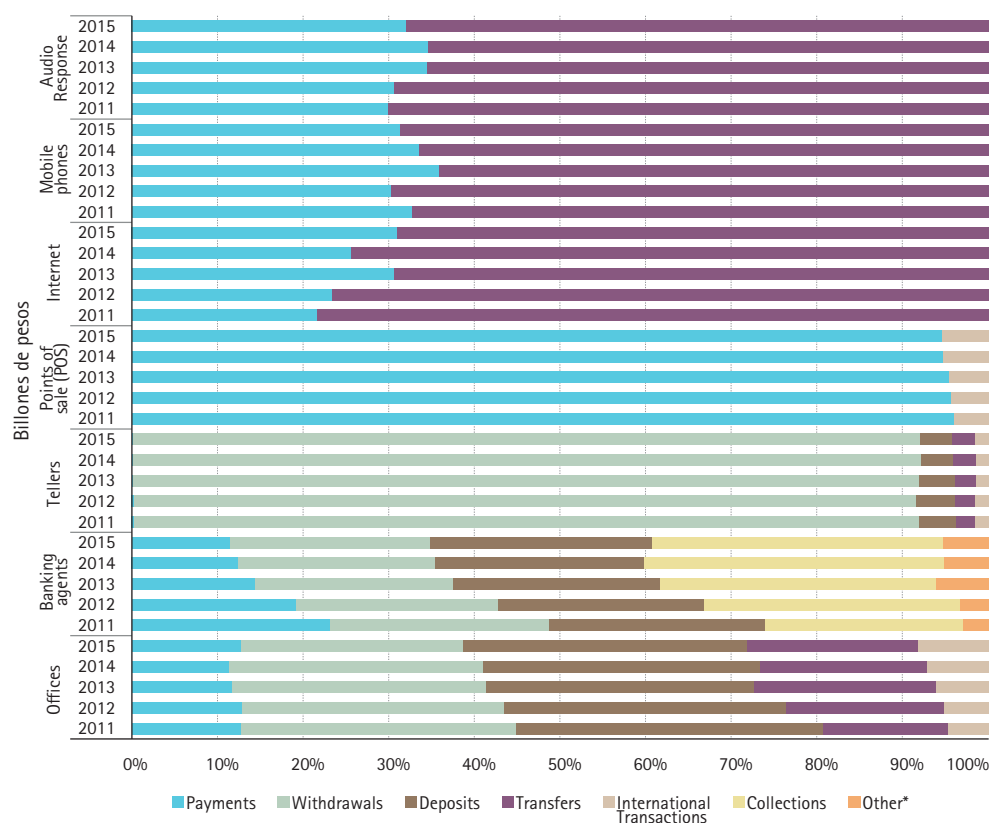
Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

In terms of amount, for the internet, mobile telephony and audio response channels, the largest share corresponded to transfers with 69% of the total transacted. Meanwhile, in the audio-response, mobile telephony and internet channels, payments were the monetary transaction that mobilized the most resources, with 31%, 31% and 32%, respectively. In the case of the internet channel, between 2014 and 2015, payments increased 5pp, while the mobile telephony and audio response channels decreased by 2pp and 3pp, respectively.

For transactions conducted through offices, deposits accounted for 33% of total amount transacted, followed by withdrawals (26%), transfers (20%), payments (13%) and international transactions (8%). Compared to 2014, deposits and international transactions increased 1pp and payments 2pp. Withdrawals, in contrast, decreased by 4pp.

In the case of banking agents, most resources were mobilized through collections (34%), followed by deposits (26%), withdrawals (23%) and payments (11%) and to a lesser proportion by transfers (3%) and receiving drafts (2%).

CHART 53: Type of transactions performed and share (amount)



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

With regard to ATMs, the transaction that mobilized the most resources was withdrawals, with 92% of the resources transacted. Other transactions such as deposits (4%), transfers (3%), international transactions (2%) and payments (0,2%) participated to a lesser extent but steadily over time.

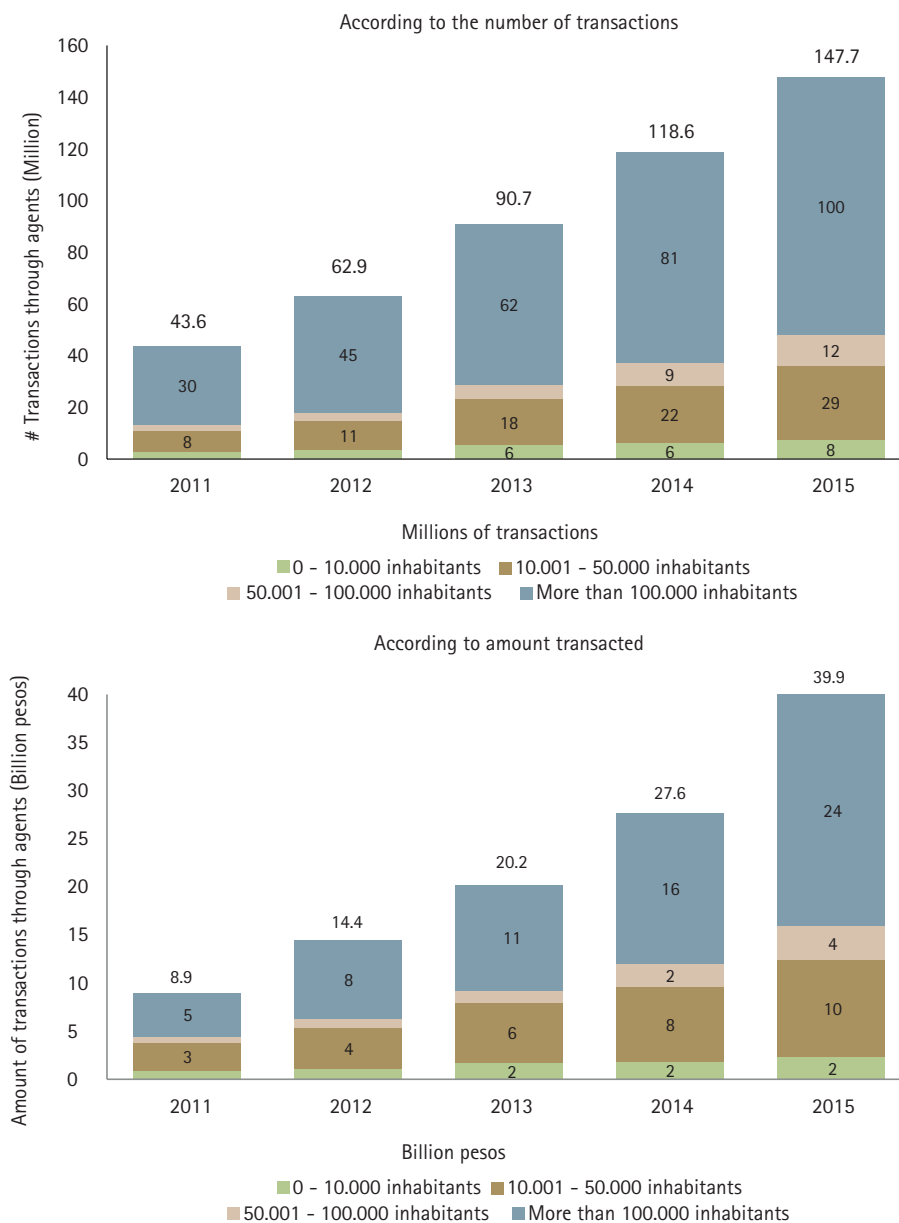
Points of sale (POS) maintained the same rate as during 2014 in the amount of transactions: payments accounted for 95% and 5% for international transactions.

Analysis of transactions in banking agents by population size

As already shown in the penetration chapter, although banking agents are primarily an urban phenomenon, they have proved to be a key tool to bring financial services to the entire population, to lower costs for financial institutions. This section seeks to make a brief analysis of the evolution of transactionality or use that is being given to these points of access throughout the country.

When analyzing transactions through agents according to the population size of the municipalities, it was found that in line with the highest concentration of number of agents in municipalities with more than 100.000 inhabitants (72% of the total), most of these took place in these municipalities, with 100 million transactions in 2015 and growth of 22% compared to 2014, followed by transactions in municipalities with population between 10.001 to 50.000 inhabitants with 29 million and growth of 28%, slightly higher than the 26% growth recorded between 2013 and 2014. In smaller municipalities, from 0 to 50.000 inhabitants, the growth in the number of transactions increased from 9% in 2014 to 25% in 2015.

As for the amounts transacted in the banking agents, municipalities with population sizes greater than 100.000 inhabitants mobilized more than half of the resources, with \$24 million transacted in 2015. In municipalities of 50.000 to 100.000 inhabitants, the amount transacted doubled in 2015, from \$2 to \$4 billion.

CHART 54: Transactions performed through agents by population size

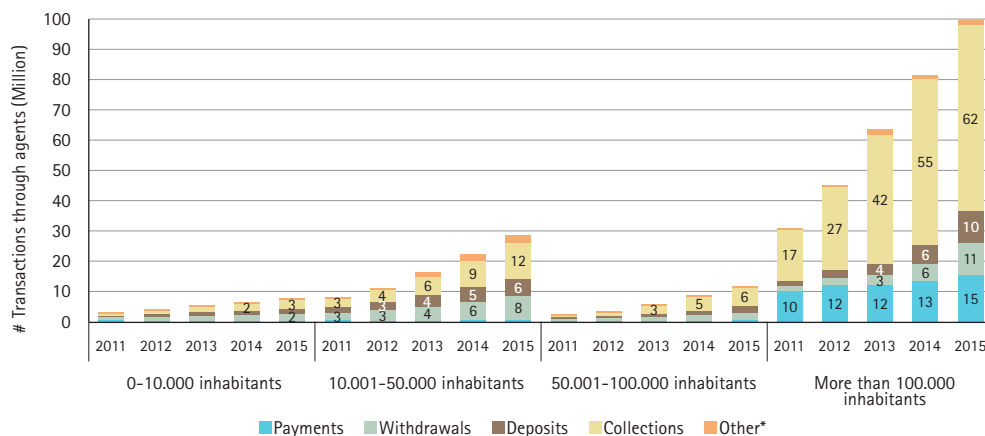
Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

In conducting the analysis of the transactionality of banking agents by type of operation and according to population size, it was found that collection was the most frequent transaction in all population sizes, with a greater share in municipalities with more than 100,000 inhabitants (62%), followed by the municipalities of 50,001 to 100,000 inhabitants with 51% and those of 10,001 to 50,000 inhabitants with 42%.

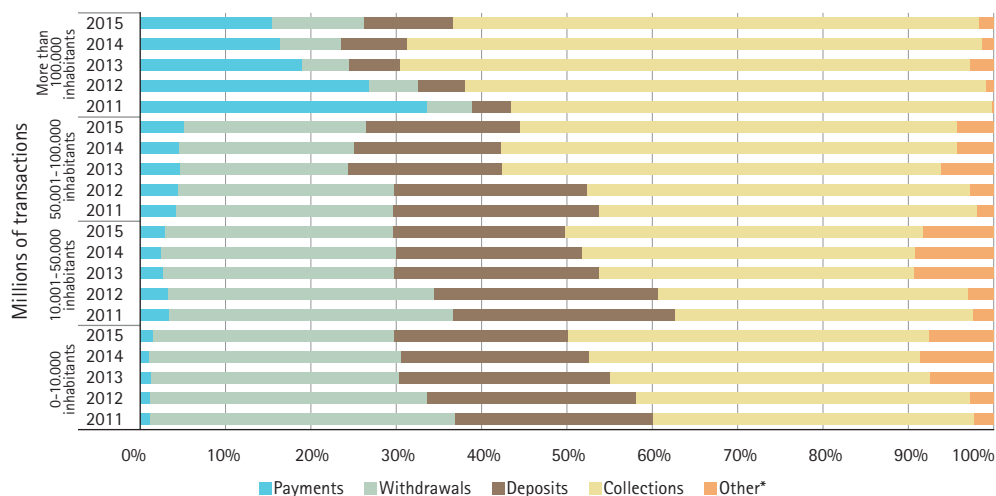
Notwithstanding the foregoing, deposits and withdrawals were also a significant portion (about 20% and 25%, respectively) of transactions performed, especially in banking agents in municipalities with a population size less than 100.000 inhabitants.

CHART 55: Transactions performed through agents by population size

According to the number of transactions



By share

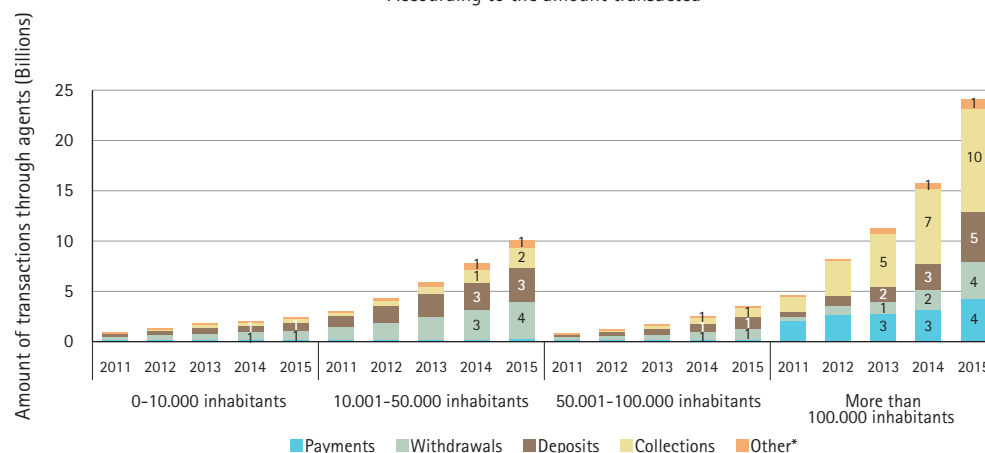


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

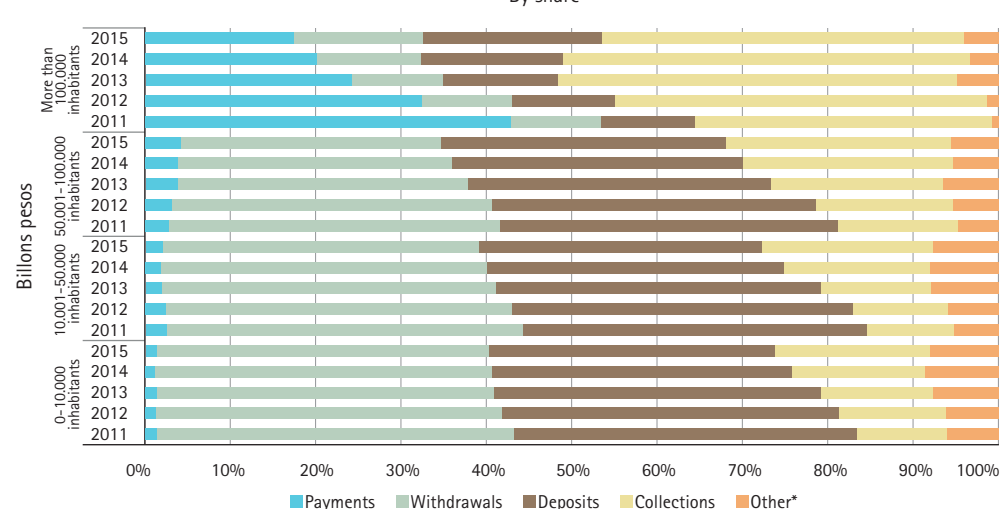
As is the case of the number of transactions, collections in municipalities with population sizes greater than 100.000 inhabitants mobilized 42% of the resources in these municipalities. In municipalities with a population size of less than 100.000 inhabitants, deposits and withdrawals mobilized the most resources, with average shares of 33% and 35%, respectively.

CHART 56: Transactions performed through agents by population size

According to the amount transacted



By share

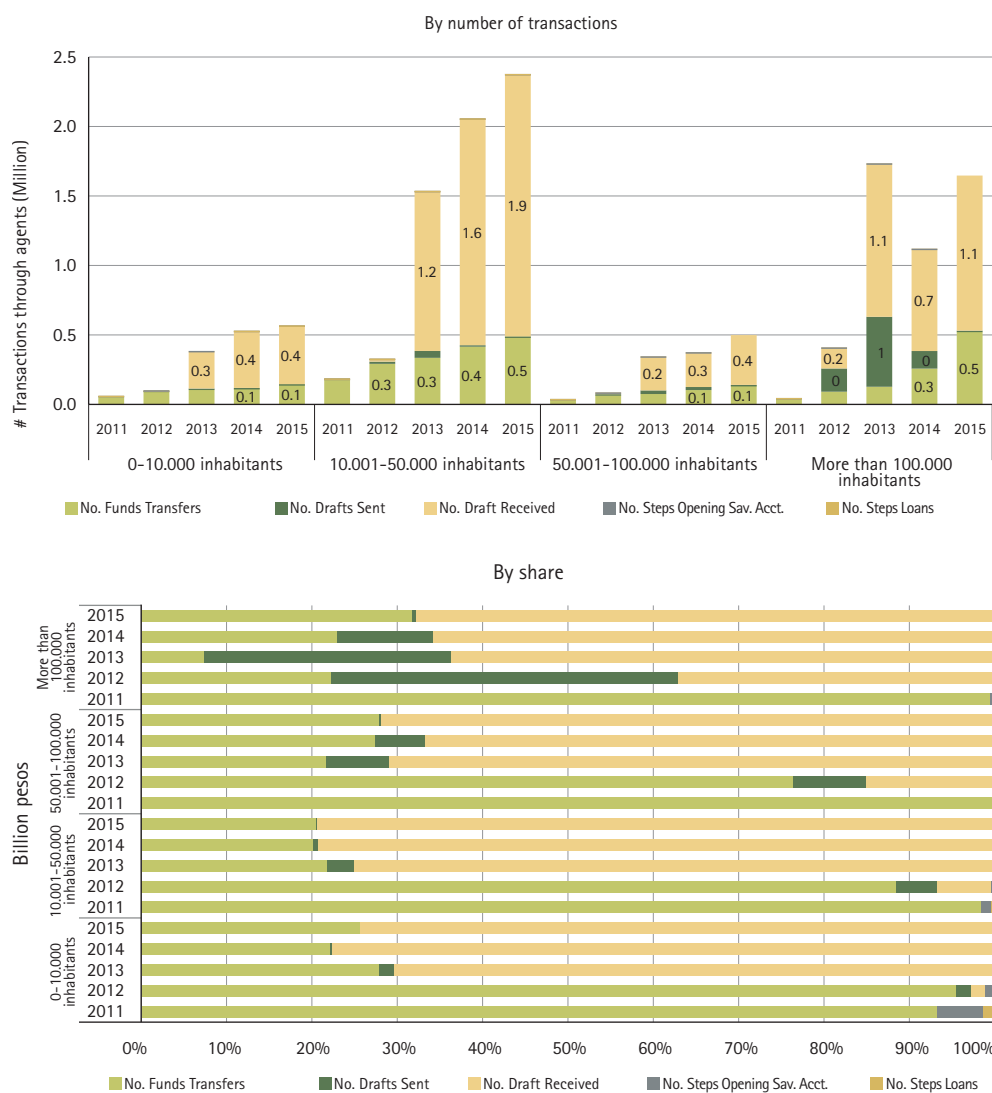


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

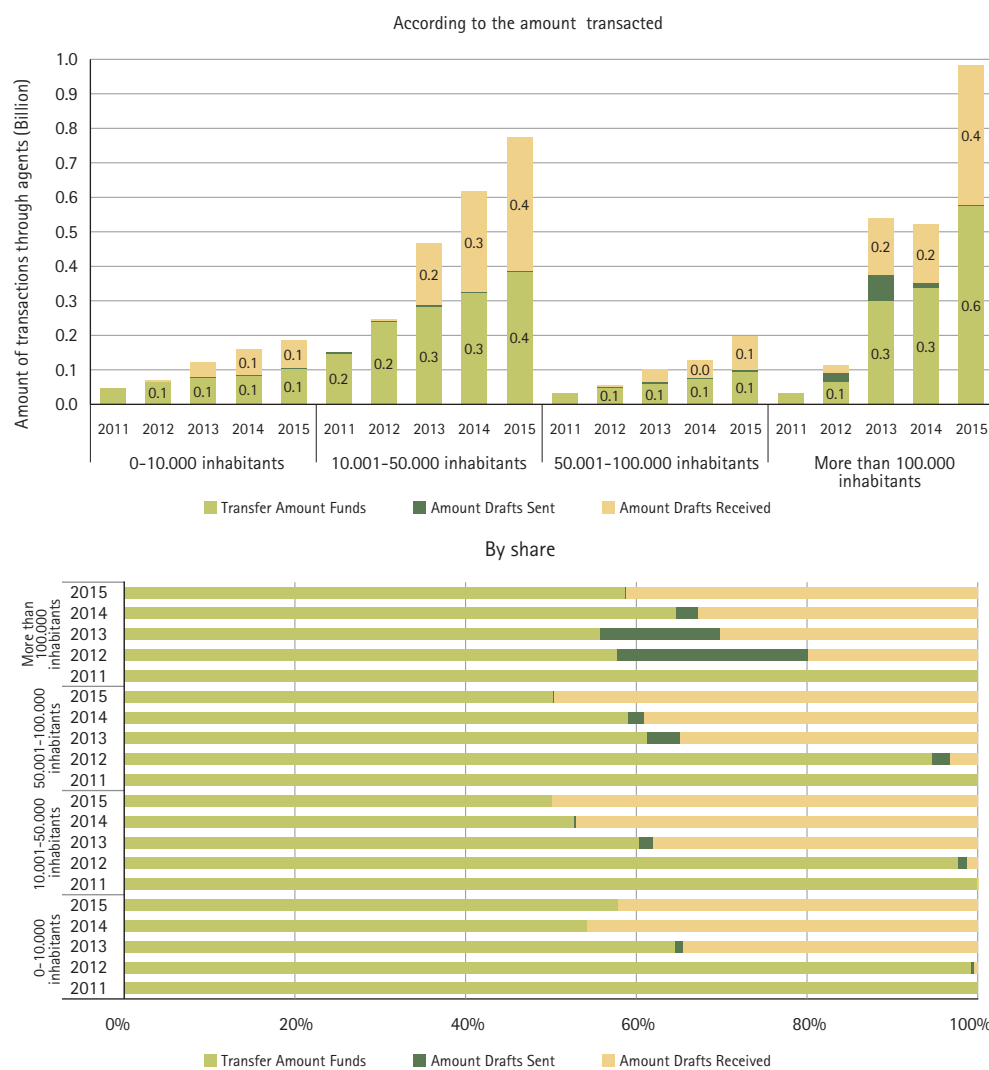
As for transactions that are under the category of "other"³⁸, the receipt of drafts was the most frequent transaction in all municipal sizes, contributing about 73% of total transactions.

While the number by type of transactions of the "other" category has been increasing since 2011, the increase, both in number of transactions as well as in participation, stood out in all population ranges, for the money order receipt transaction, particularly between 2013 and 2015.

38 The "other" category includes number of funds transfers, sending drafts, receipt of drafts, savings account opening process and credit applications.

CHART 57: Transactions performed in other categories³⁹ through agents by population size

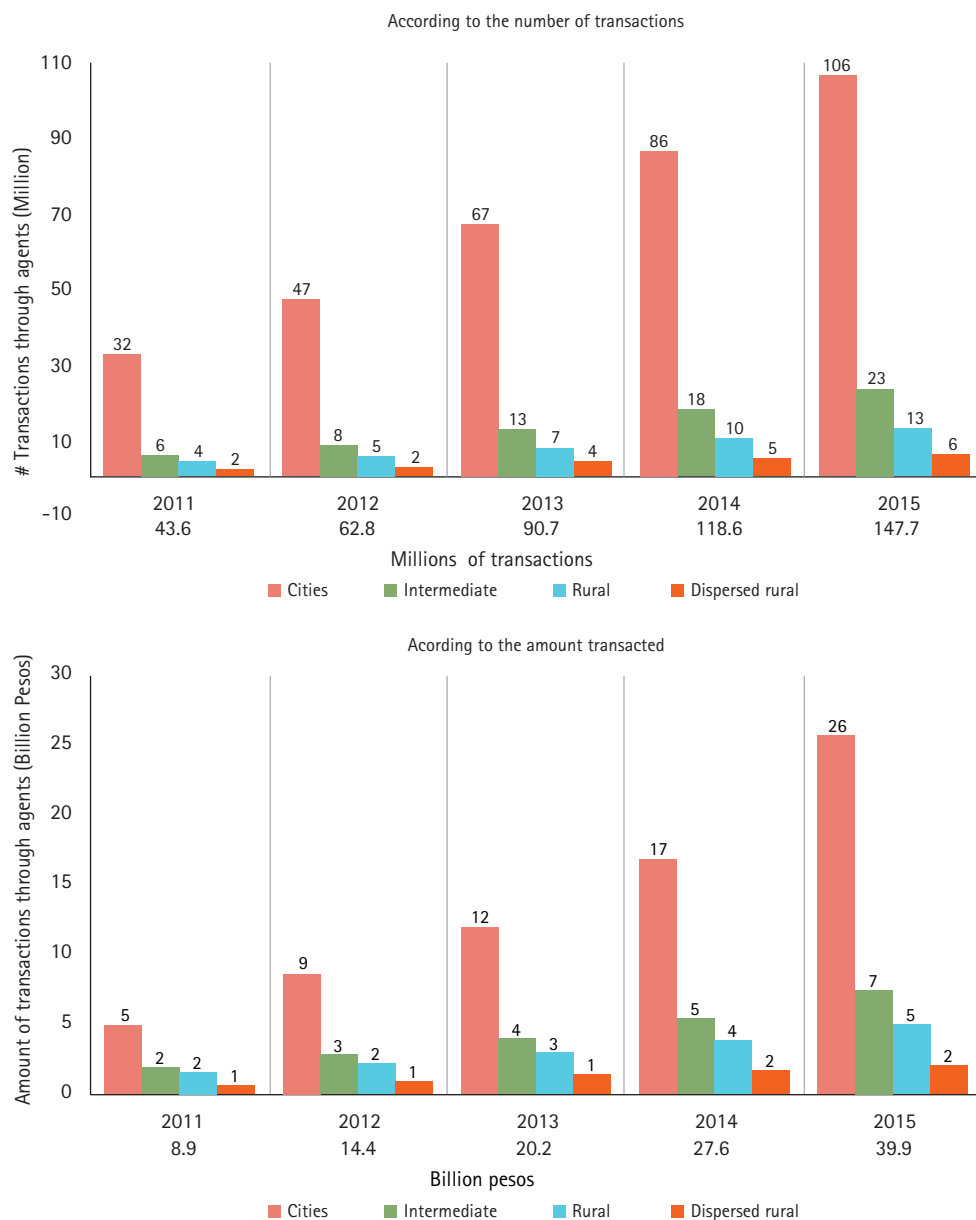
Regarding resource mobilization, the most important transaction under this categorization from 2011 to 2015 corresponded to transfers of funds, which by 2015 accounted for about 54% in all population sizes. Meanwhile, receiving orders also participated evenly among different population sizes with an average of 46%.

CHART 58: Transactions performed in other categories⁴⁰ through agents by population size

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

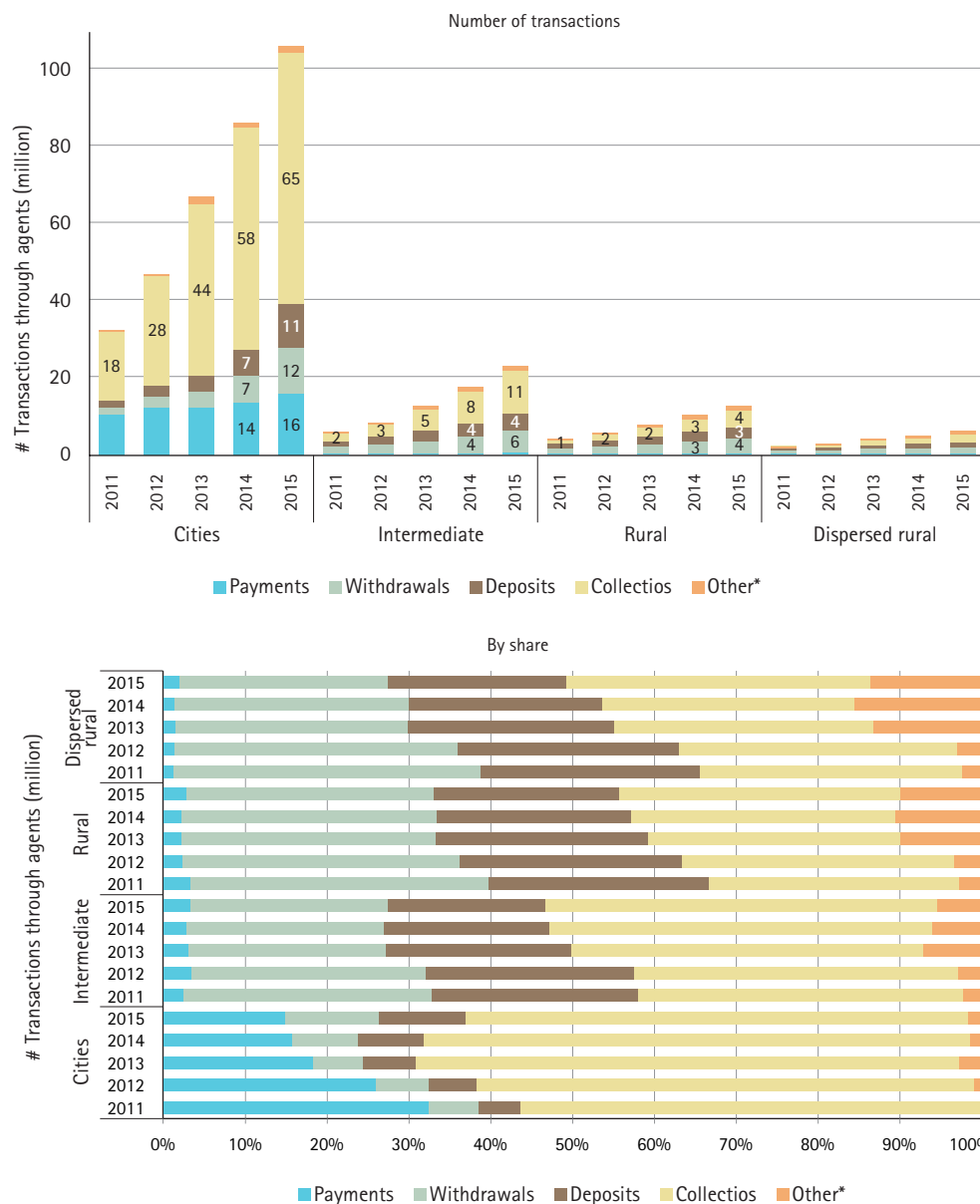
Analysis of transactions through agents by rurality level

When analyzing the evolution of transactions by rurality level, it was found that although the cities and agglomerations accounted for 72% of total transactions with 106 million, intermediate municipalities increased their share to 16% of the total and growth between 2011 and 2015 of 283%.

CHART 59: Transactions performed through agents by rurality level

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

As for the type of transactions, collections were the most commonly performed transaction, especially in cities and agglomerations and intermediate municipalities, with 61% and 48%, respectively. Meanwhile, the share of withdrawals and deposits was more frequent in intermediate, rural and dispersed rural municipalities respect to the total transactions performed in cities and agglomerations, with an average share of deposits of 21% and 27% for withdrawals.

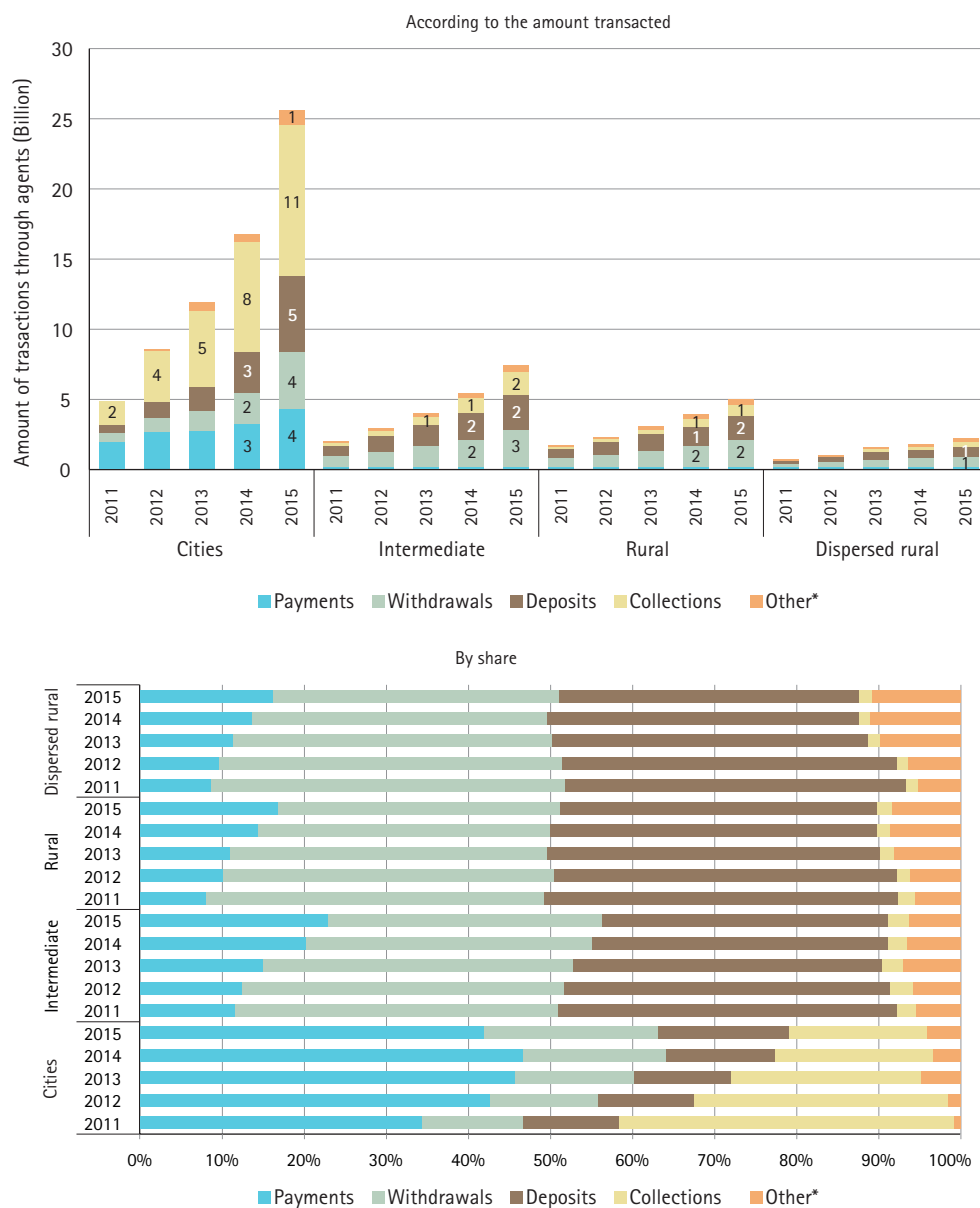
CHART 60: Transactions performed through agents by rurality level

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

When analyzing transferred amounts, agents in cities and metropolitan areas mobilized over 60% with COP 17 billion, followed by mid-size municipalities that mobilized 20% with COP 5 billion, 14% and 6% in rural and dispersed-rural municipalities respectively. Compared with 2014, the amount of transactions in 2015 also showed an increase over the previous year, from 41% in 2014 to 53% in 2015 in cities and agglomerations and 19% in 2014 to 21% in 2015 in dispersed rural municipalities.

By type of transaction, collections mobilized the largest share of resources, especially in cities and agglomerations, reaching 42%. In intermediate, rural and dispersed rural municipalities, most resources were transacted through withdrawals and deposits (around 37% for withdrawals and 34% deposits).

CHART 61: Transactions performed through agents by level rurality



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

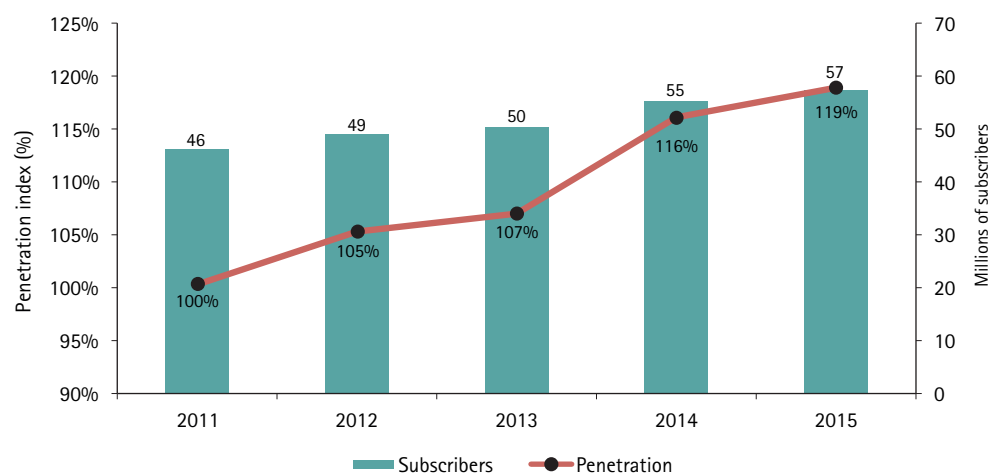
Technology access and use

Financial consumers are getting closer to technological services that contribute effectively in improving their life quality. In the case of internet and mobile telephony, these products promote the use of mobile transactional services that can be used from anywhere without having to commute, saving time and transportation costs.

For example, the high penetration of mobile phones allows reaching the population using the same transactional services normally done at an ATM or office, including balance inquiry, payments and cash withdrawals via mobile phone.

On the supply side, and particularly regarding the penetration of cell phone services, according to information published by the MINTIC⁴¹ to the fourth quarter of 2015 it amounted to 118,9%⁴², exhibiting an increase of 2,8pp compared to 2014.

CHART 62: Number of mobile phone subscribers and service penetration

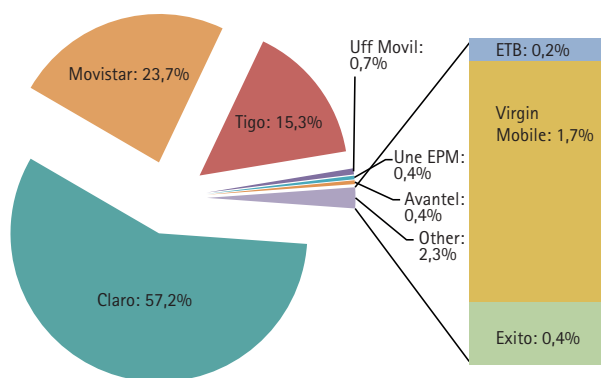
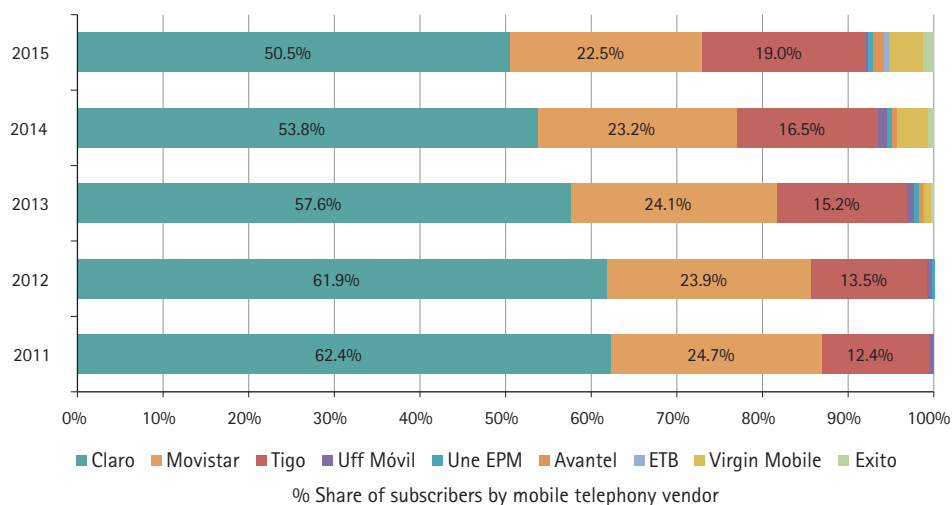


Source: Ministerio de Tecnologías de la Información y las Comunicaciones, Boletín Trimestral de las TIC-4T 2015.

The provision of mobile telephony services was concentrated in three large vendors: Claro, Movistar and Tigo, with average penetration over the last five years of total subscribers of 57%, 24% and 15%, respectively.

41 Ministerio de Tecnologías de la Información y las Comunicaciones, figures from the fourth quarter of 2015, <http://colombiatic.mintic.gov.co/602/w3-article-15179.html>

42 Indicating there are 118,9 users for every 100 inhabitants.

CHART 63: Percentage share of subscribers by mobile phone vendor

Average share 2011 - 2015

Source: Ministerio de Tecnologías de la Información y las Comunicaciones, Boletín Trimestral de las TIC-4T 2015.

Technology use on the part of the population

The following analysis presents information from the "Encuesta de Calidad de Vida 2015 [Quality of Life Survey] of the Departamento Administrativo Nacional de Estadística, which includes different aspects of the welfare of Colombian households including information corresponding to the percentage of households that have information technology products and services.

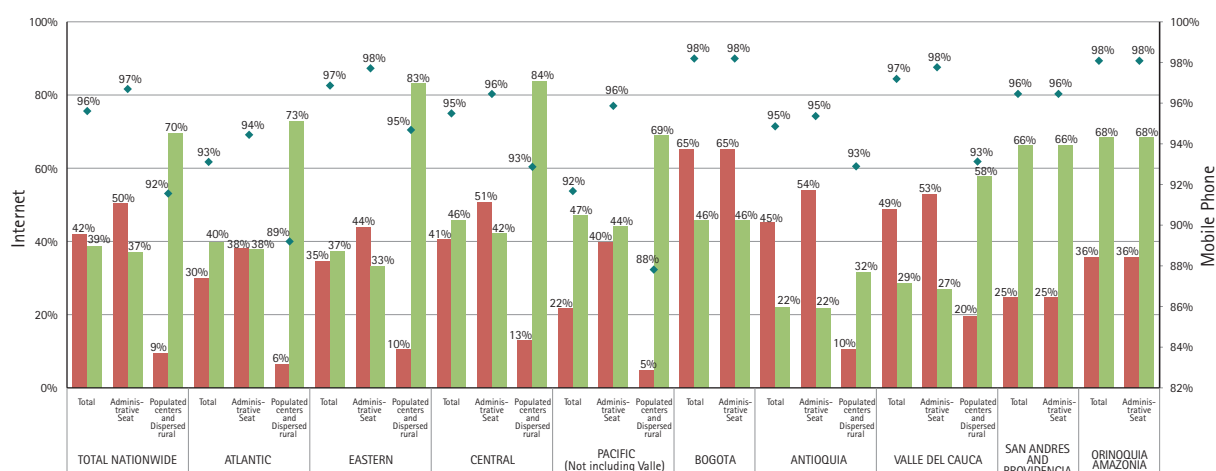
At a national level, 96% of households reported having a cell phone in 2015, with 97% in the municipal administrative seats and 92% populated areas and dispersed rural municipalities. As for internet, 42% of households reported having connection; although the internet has similar behavior to the national average

in the municipal administrative seats (50%), the usage gap for this service in populated areas and dispersed rural municipalities is substantial, with 9% of households connected.

The greatest internet penetration was recorded in the regions of Bogotá, Valle del Cauca and Antioquia, with 65%, 49% and 45%, respectively, and the Pacific region (excluding Valle del Cauca) recorded the lowest percentage at 22%.

In the case of households with internet by type of connection, 39% reported having mobile internet connections. While this behavior is similar in municipal administrative seats, it is different in populated areas and dispersed rural municipalities where the percentage is higher (70%) than the national average.

CHART 64: Households with cell phone and internet



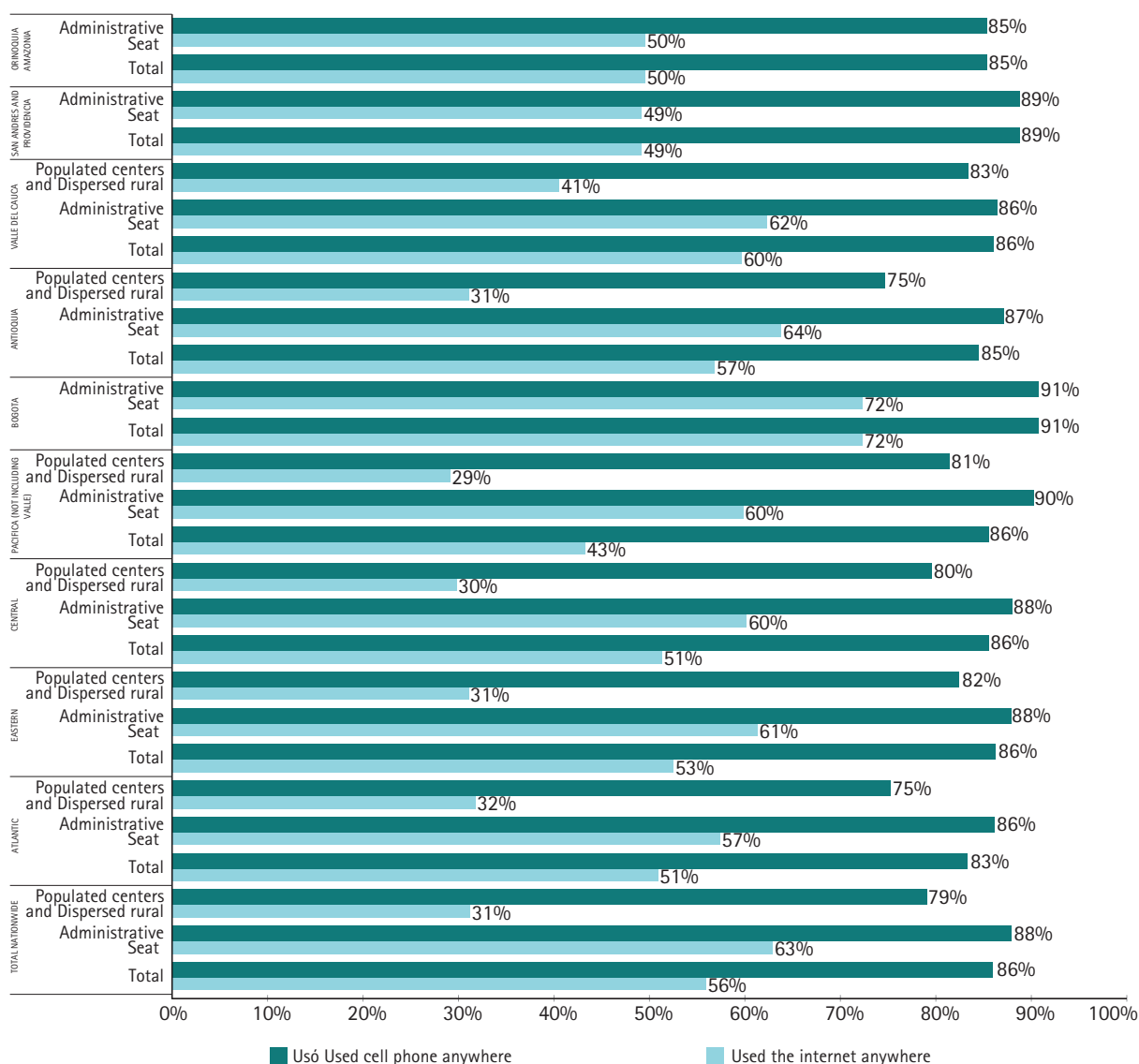
Source: DANE, Quality of Life Survey 2015

Regarding the use by age, the survey concluded that 86% of the population over the age of 5 (37,7 million Colombians) uses cell phones, with this behavior being similar in municipal administrative seats and dispersed populated centers and rural areas. In the case of internet service, an estimated 56% (24,6 million Colombians) used it, a behavior that was similar in the municipal administrative seats and populated areas and dispersed rural municipalities.

A similar situation was evidenced in the results of the Financial Inclusion Demand Survey (2015), although the population knows that cell phones (74%) and the internet (80%) can be used to perform financial transactions, their usage is low,

since fewer than two people out of every ten have used them. Upon analysis the decisive barrier is mistrust because people believe it is unsafe to perform financial transactions over these channels.

CHART 65: Use of Internet and Cell Phone by region and area (2015)

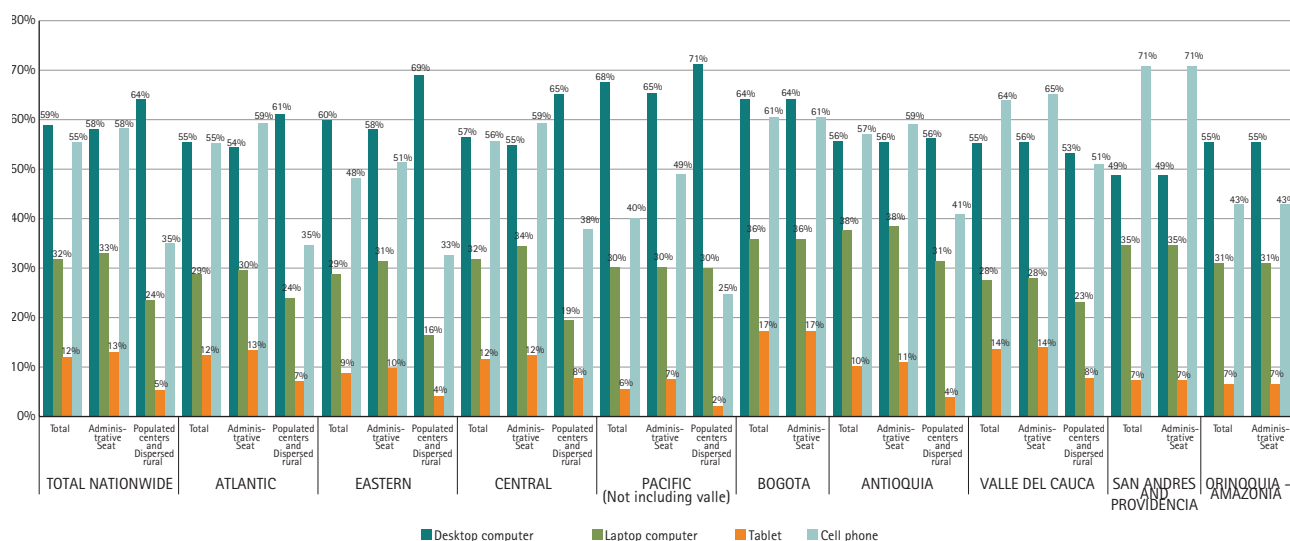


Source: DANE, Quality of Life Survey 2015

Proportion of the population more than five years old using the services

The data showed that desktop computers are the device through which the Colombians most commonly access internet services, with a national average of 59% of households. In regions such as San Andres and Providencia and Valle del Cauca, cell phones are more relevant, at 71% and 64%, respectively.

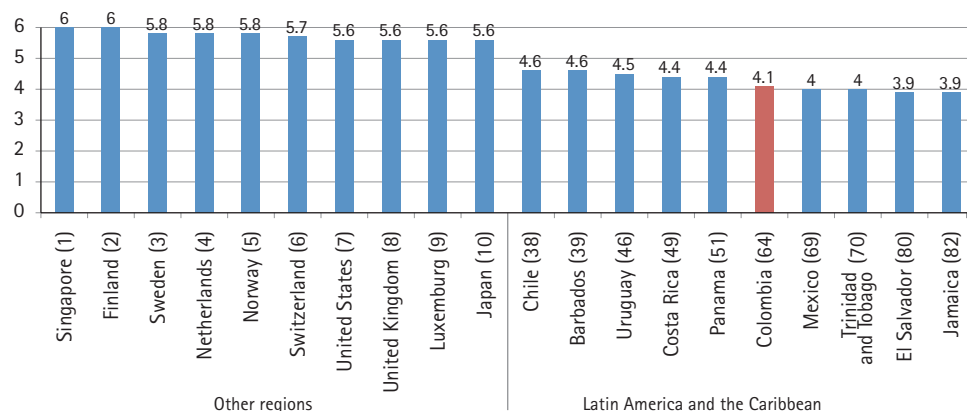
CHART 66: Use of devices to access the Internet, by region and area



Source: DANE, Quality of Life Survey 2015.

The Development of Information and Communications Technologies in Colombia compared to the world

The World Economic Forum's Global Information Technology Report presents the Networked Readiness Index for 143 economies measured on a scale of one to six, one being the value for the least ready countries and six for the readiest. This indicator covers six aspects or pillars in each of the economies of the sample, including the environment (political, regulatory and for innovation), readiness (infrastructure, costs, skills of the population), usage (individual, business, government) and impacts (economic and social). When comparing the values for ten countries in Latin America and the Caribbean with the top ten countries in the world, a one-unit difference is seen in scores and a difference of more than 28 units between country number ten (Japan) and the number one country in Latin America (Chile), showing how our region lags the rest of the world. Colombia, for its part, stood in sixth place in Latin America and the Caribbean in 2015, and was ranked 64th worldwide.

CHART 67: Score and ranking of readiness of information and communications technologies

Source: World Economic Forum (2015). Global Information Technology Report

Conclusions

Financial services, both in Colombia and in the world, are in a process of evolution towards digitization. Proof of this is the growing share of total transaction volume and amount transacted for channels such as mobile phones, the internet and ACH.

As in previous years, financial transactions recorded positive development over the past year. Total transactions through the financial system increased 17% and the amount transacted 6%. This behavior was driven at the level of the number of transactions through the internet channel with a 44% share of total volume and at the level of the amount transacted through the offices channel with 47% of the total amount.

The channel that registered the highest increase by number of transactions was the internet with 38%, and by amount transacted, mobile telephony at 168%. These channels are becoming a key instrument for financial inclusion for their potential to further expand the reach of financial services for the population.

The channel that has demonstrated the highest drive is the cellphone. This channel recorded a 599% increase in the number of operations compared with 2011 and 2,8% in transaction value. Payments and transfers stood out among the total transactions through mobile telephony, which increased 2.679% and 2.863% respectively between 2011 and 2015.

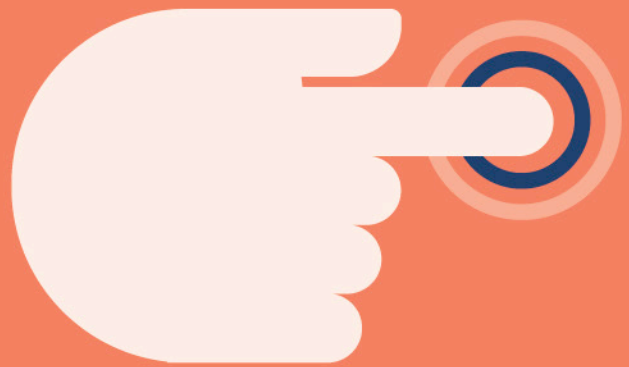
The transactionality analysis of banking agents by population size allows us to conclude that their activity is concentrated in large municipalities. Both the number of transactions and the amount showed that the largest share is represented by municipalities with more than 100.000 inhabitants, among which collections are the most common transaction and the one driving more than half of the resources in all municipalities. In reviewing transactions that are under the classification of "other", receipt of orders is the most common transaction in all municipal sizes, focusing mainly in the municipalities of 10.001 to 50.000 inhabitants with 50%, while the transaction more mobilizes resources is the transfer of funds, mainly in the municipalities of more than 100.000 inhabitants with 49%.

By rurality level, a pattern similar to the behavior by population size was observed in transactions through banking agents. Cities and agglomerations concentrated 72% of total transactions and 64% of the mobilized resources. As for population size, collections are the most common transaction mobilizing more than half of the resources in all municipalities, while withdrawals and deposits are more common in intermediate, rural and dispersed rural municipalities.

So far there has been progress in access and use of information and communications technologies, but the country is still lagging behind other economies. In Colombia, although there is a high level of access and use of technologies such as mobile phones, with a penetration rate of 118,9% and it is additionally estimated that 86% of the population older than five (37,7 million Colombians) use cell phones in both municipal administrative seats as well as populated and dispersed rural areas, there is still a way to go in terms of moving towards a greater level of access and use of information and communications technologies, which will result in greater financial inclusion.



Saving products



Saving products

Savings are important because they support future obligations, they allow people's access to goods and services that improve their life quality and facilitate the achievement of goals. As mentioned at the beginning of this Report, savings products remain the main gateway into the financial system.

Regarding the use of the resources that are the product of savings, priorities differ between men and women, although in both cases the savings goals are mainly concentrated on meeting short-term obligations. According to the results of the Demand Survey (SFC and BDO, 2015), men have handling of emergencies and contingencies, consumption and investment in assets such as housing, businesses, cars or motorcycles as priorities and goals of saving. In the case of women, the priorities are consumption, household expenses and the ability to cover emergencies and contingencies.

When analyzing the main reasons for satisfaction of formal savers (users who have their savings or investments in a financial institution), the study found that the security of the money saved is the factor with the highest weight, as well as the immediate availability of resources. On the side of dissatisfaction, the variable with highest importance is the low returns offered by financial institutions and the fact that management costs absorb savings. Ignorance and bad advice are the backdrop that led financial consumers to choose products that do not meet their needs.

As stressed in previous Financial Inclusion Reports, the design and supply of financial products needs to comply with the transactional and savings needs of people, also accompanied by reasonable costs and user-friendly platforms so that they can access more products and benefits offered by the financial markets.

In line with the above, while savings products are the first gateway into the financial system, there is great potential for implementing synergies with technological developments that allow more efficient transactions, with flexible hours, and greater knowledge of user purchasing and payment habits, so that products are offered under better terms and a new relationship is created with consumers. This will promote a more sustainable financial inclusion and greater use of the products.

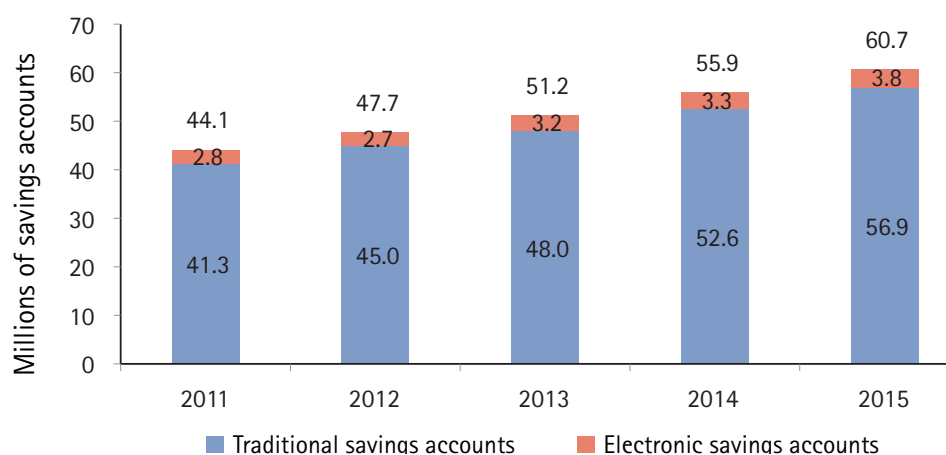
User preferences regarding the use of cash and informal savings are still some of the barriers to encouraging the use of deposit products, as well as ignorance about the existence of accounts.

This chapter summarizes the main results of the use of savings products, taking into account both those of financial intermediaries supervised by Superintendencia Financiera de Colombia as well as savings and lending cooperatives supervised by the Superintendencia de la Economía Solidaria.

Number of savings accounts and activity evolution

As of December 2015, the number of savings accounts rose to 60,7 million, equivalent to an annual growth of 8,7% which is mainly explained by the 8,3% increase in the number of traditional savings accounts, contributing 90% of the increase in total savings accounts. During the past year, 4,8 million accounts were created, of which it should be noted, 10% corresponded to CAE, with an increase of 15% over the previous year and an average annual growth of 8% since 2011.

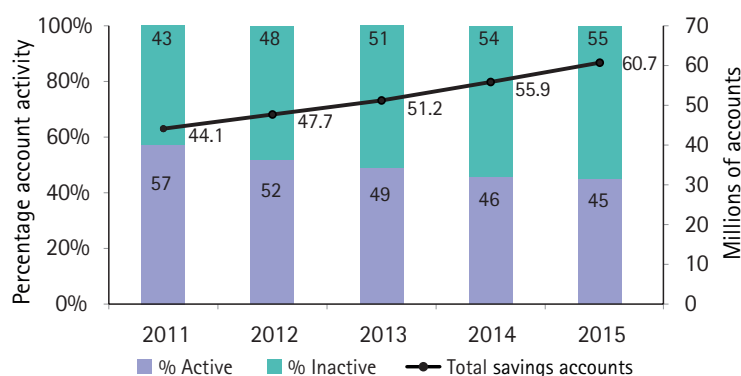
CHART 68: Evolution of the number of savings accounts by type of product



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

When analyzing the last three years, the indicators show that dormant accounts continued to be greater than active accounts; at the end of 2015, 45% of the accounts were active, that is to say, they had at least one movement in the last six months. Compared to 2014, the percentage of active accounts was reduced by 1pp and against 2014 by 12pp, which represents a challenge for financial institutions to drive the sustainable use of accounts through the use of technological means such as cell phones and the Internet, among others.

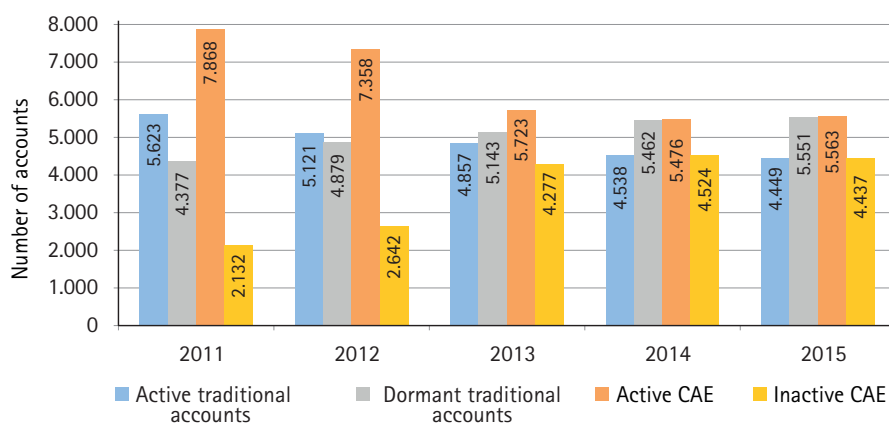
CHART 69: Number of savings accounts and activity



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

When analyzed by type of product, we observe that for every 10,000 traditional savings accounts, during 2015 there were 4,449 active (89 less than in 2014), maintaining the downward trend of recent years. In contrast, the activity in the CAE increased versus 2015 as for every 10,000 accounts, 5,563 showed activity with an increase of 87 accounts per 10,000 over 2014. While the CAE decreased their activity compared to the levels reached in 2011, this product has proven to have greater activity than traditional savings accounts because certain government subsidies are dispersed and benefits offered in terms of ease in handling money and to the costs associated with the product.

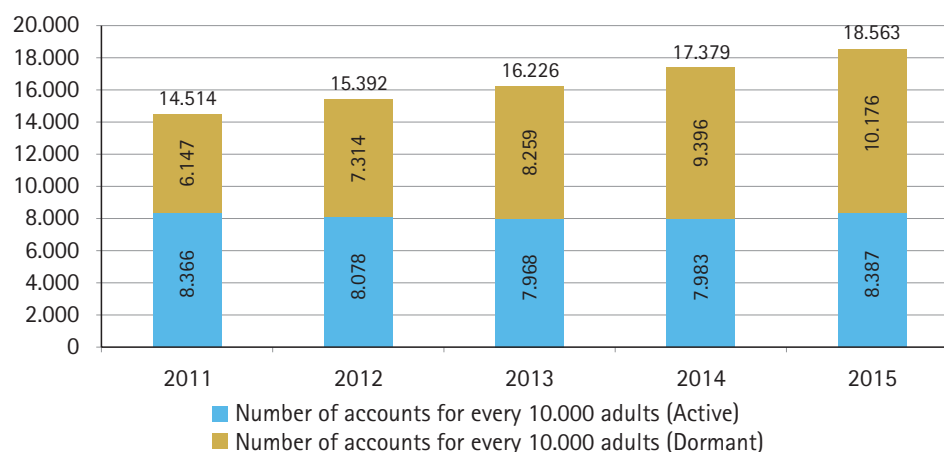
CHART 70: Activity for every 10,000 savings accounts



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

At the close of 2015, the number of accounts for every 10.000 adults increased, reaching a value of 18.563, a higher figure than that recorded a year before, when 17.379 accounts were registered for every 10.000 adults.

CHART 71: Total and active savings accounts for every 10.000 adults



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

Following the trend of previous years, the savings accounts of financial intermediaries which accumulate most of all accounts increased 9,3% over the previous year, showing the biggest change in the last five years. The accounts of finance companies showed a decrease of 54,8%, a product of the conversion and/or liquidation of four institutions, as already mentioned in previous chapters.

Table 5: Evolution of number of savings accounts by type of entity

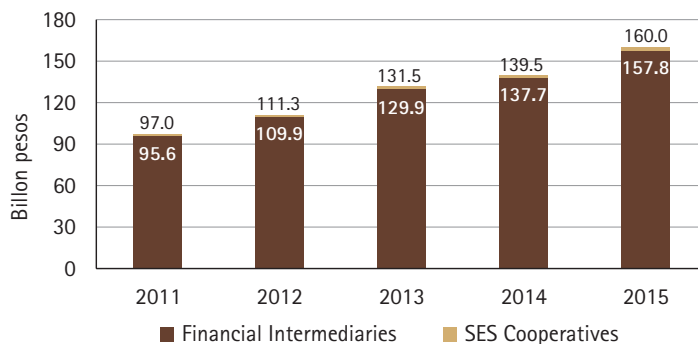
Saving accounts	2011	2012	2013	2014	2015	Participation 2014
Banks	41.528.445	44.796.786	48.051.382	52.338.535	57.218.150	94,23 %
Financial corporations	148	174	347	405	415	0,0 %
Finance Companies	263.519	379.353	515.654	700.054	316.288	0,52 %
Financial cooperatives - SF	688.423	713.482	703.698	711.074	759.343	1,25 %
Cooperatives - SES	1.636.909	1.803.032	1.951.527	2.110.773	2.427.180	4,00 %
Total savings accounts	44.117.444	47.692.827	51.222.608	55.860.841	60.721.376	

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

Evolution of balances in savings accounts

With regard to the balance of savings accounts⁴³, at the end of 2015 it amounted to \$160 billion, showing a real annual increase of 7,4%. Financial intermediaries supervised by the SFC contributed 98,6% of the total balance, with an evidently increased share of banks compared to other establishments.

⁴³ Includes banks, financial corporations, finance companies, financial cooperatives supervised by the Superintendencia Financiera de Colombia and cooperatives supervised by the Superintendencia de Economía Solidaria.

CHART 72: Evolution of balances in accounts

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE

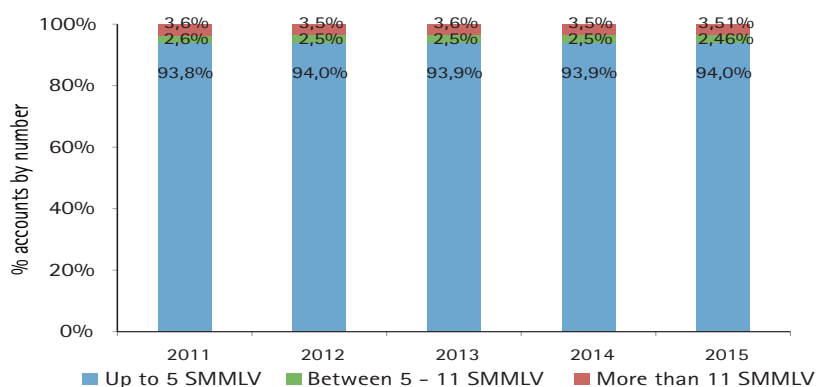
During 2015, the balance of savings accounts in banks had an increase of \$19,4 billion, equivalent to a real annual growth of 7,0%, the highest in the last five years. Meanwhile, the CAE recorded an increase in real annual balance of 17,7% (amounting to \$170,8 million).

Table 6: Evolution of balances in savings accounts by entity

Saving accounts	2011	2012	2013	2014	2015	Participation 2014
Banks	95'018.472	108'948.058	128'940.674	136'757.665	156'257.544	97,68 %
Financial corporations	97.820	337.597	394.197	214.356	795.236	0,50 %
Finance Companies	105.918	125.320	160.802	268.998	250.347	0,16 %
Financial cooperatives - SF	382.437	432.835	447.105	416.101	478.003	0,30 %
Cooperatives - SES	1'391.837	1'438.474	1'596.772	1'834.147	2'188.484	1,37 %
Total savings accounts	96'996.484	111'318.284	131'539.550	139'491.267	159'969.614	

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE

When analyzing savings account segmentation by balance at the end of each period, 51,3 million accounts (94,04%) were classified in the range of 5 SMLMV. However, they concentrated around 4,7% of total funds raised through this product, maintaining the trend of recent years.⁴⁴

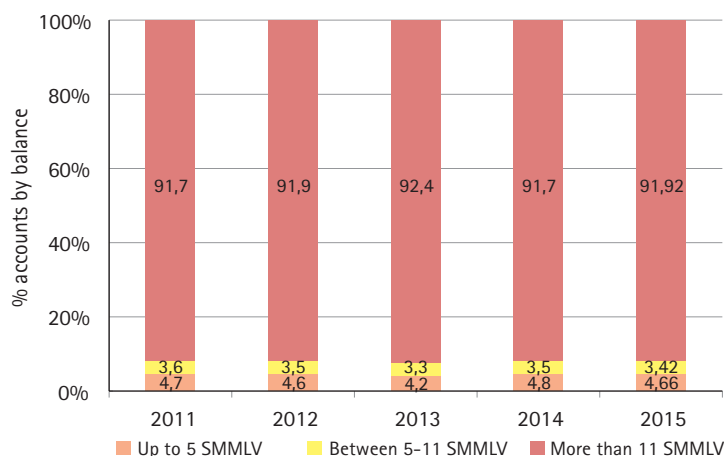
CHART 73: Share of saving accounts according to balances

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

44 Only includes information from institutions supervised by the SFC, as this type of segmentation is not available on the savings accounts of cooperatives with savings and lending activities under the oversight of the Superintendencia de la Economía Solidaria

Accounts which recorded a balance higher than 11 SMMLV had a share of 3,5% of total savings accounts, remaining stable over the last five years. However, these accounts accumulated 91,9% of total deposits following the trend of previous years.

CHART 74: Distribution of balance in savings accounts by range



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

When analyzing the average balance of savings accounts by range, one finds that in the range up to 5 SMMLV, this amounted to \$ 143.325, \$5.167 higher than that recorded a year ago. For its part, the range above 11 SMMLV showed an average increase over the past year in excess of \$5.000.000.

Table 7: Evolution of average balances in savings accounts

Rank	2011	2012	2013	2014	2015
Up to 5 SMMLV	121.613	124.728	127.463	138.158	143.325
5 to 11 SMMLV	3'346.522	3'544.988	3'682.039	3'815.315	4'028.877
More than 11 SMMLV	61'218.023	66'899.264	72'897.311	70'692.230	75'788.312

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

By type of institution, the average balance of the accounts of finance companies was \$791.515, \$407.262 higher than in 2014, resulting from the conversion of two institutions into Banks, a voluntary liquidation and an institution in receivership. Meanwhile cooperatives supervised by the SFC had real annual growth of 0,8%. Accounts in banks had an average balance the reached \$2,7 million, with a real annual variation of -2,1%.

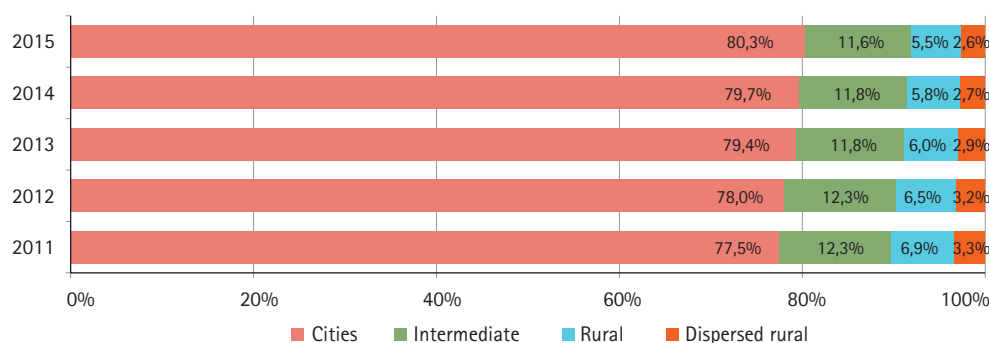
Table 8: Average balance in savings accounts by type of entity

Type of institution	Average balance				
	2011	2012	2013	2014	2015
Finance Companies	401.936	330.351	311.841	384.253	791.515
Cooperatives - SES	850.284	797.808	818.217	868.946	901.657
Financial cooperatives - SFC	555.526	606.652	635.365	585.173	629.495
Banks	2'288.033	2'432.051	2'683.392	2'612.944	2'730.909
Financial corporations	660'945.473	2.147'107.718	1.136'014.983	529'273.630	1.916'231.361

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

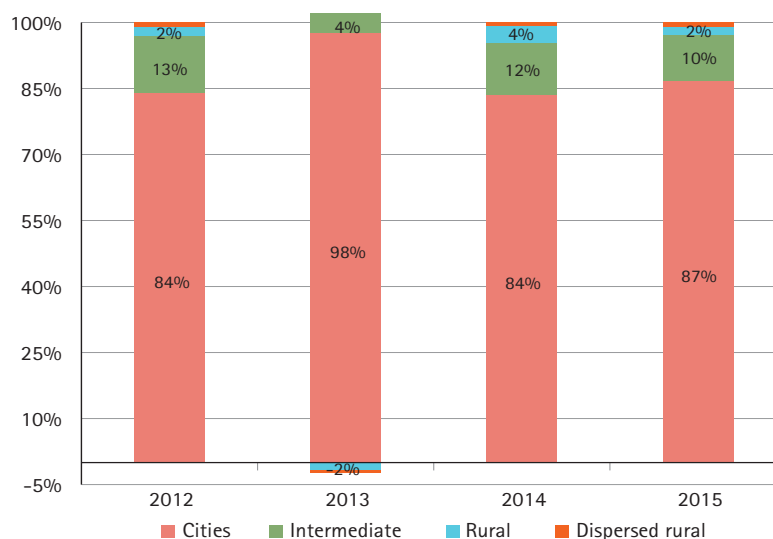
Breakdown of savings accounts by rurality level

By analyzing the distribution of accounts by type of municipality, it was found that 92% concentrated in cities and agglomerations and intermediate cities, a share that has been increasing over the past five years. As for the rural and dispersed rural segments, although the share has been declining, the number of accounts increased 2,8% and 3,1% respectively over the last year.

CHART 75: PShare of savings accounts by type of municipality

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

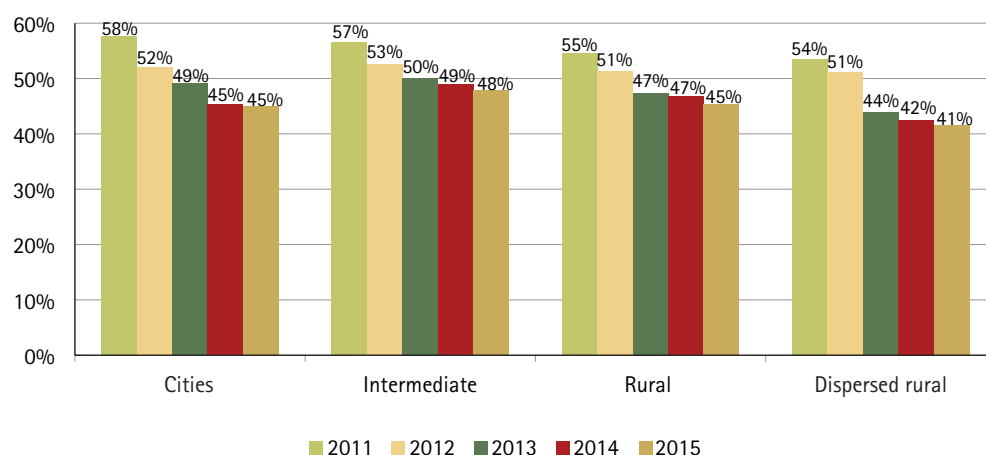
When analyzing the evolution of the contribution to the growth of savings accounts by rurality level, it was found that cities and agglomerations continue to determine most of the overall growth in savings accounts, accounting for 87% of total growth. However, despite contributing less than cities and agglomerations, intermediate municipalities contributed 10% of the growth in savings accounts during 2015. Meanwhile, the rural and dispersed rural municipalities had lower contributions to overall growth, despite having increased in number of accounts, as noted in the explanation of the previous chart.

CHART 76: Evolution of the contribution to growth of accounts by type of municipality

Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

As for the number of accounts for every 10.000 adults and by rurality level, during 2015 22.303 savings accounts were recorded in cities and agglomerations and 9.753 were recorded in rural municipalities, showing growth of 7,4% and 1,0%, respectively, over the last year.

Analyzing the activity of accounts by type of municipality, in all cases this percentage has been declining over the past five years. Areas with lower activity corresponded to the dispersed rural, where the percentage of activity decreased by 12pp compared to the value reached in 2011.

CHART 77: Percentage of active savings account by type of municipality

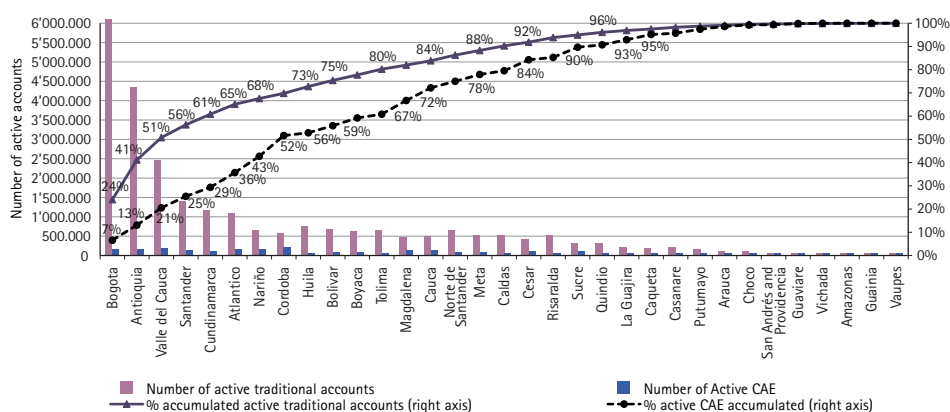
Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

Breakdown of savings accounts by department

Geographical distribution by type of deposit product reflected, for traditional savings accounts, that 75% of active accounts are concentrated in ten departments, including Bogota, Antioquia and Valle del Cauca, which in aggregate concentrated 51% of the national total. In Bogota, Antioquia and Valle del Cauca, the number of active accounts amounted to 12,8 million, 740.000 more than in 2014, representing an increase of 6%.

In analyzing the CAE at department level, 42% of active accounts are concentrated in Antioquia, Valle del Cauca, Atlántico, Nariño, Córdoba and Magdalena, with 886.000 accounts and equivalent to growth of 11% over 2014. It is worth noting the influence of programs like Más Familias en Acción that had a liquidated value that rose to \$142.000⁴⁵ million, equivalent to 39% in the regions mentioned before for 2015. In this sense, this program is a way to bring financial products and services meeting the needs of the most vulnerable communities.

CHART 78: Active accounts by department (December-2015)



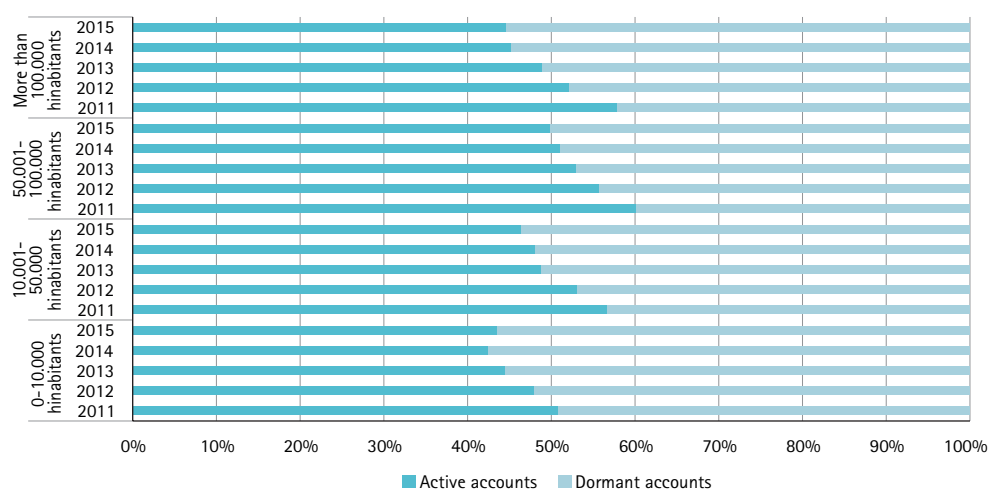
Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

Breakdown of savings accounts by population size

Upon analyzing the activity of accounts by population size, there is a substantial difference in terms of use between inhabitants of large municipalities and small ones. In the case of municipalities with up to 10.000 residents, the number of active accounts for every 10.000 adults was 3.664, while in the municipalities with over 100.000 residents, the same indicator was 10.229.

The inactivity of savings accounts by population size during the last year did not change significantly. However, it should be noted that in the range of 10.001 to 50.000 inhabitants, account dormancy amounted to 54%, representing an increase of 2pp versus 2014.

CHART 79: Percentage of active and dormant savings accounts by size of municipality for every 10.000 adults



Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria. Includes CAE.

Conclusions

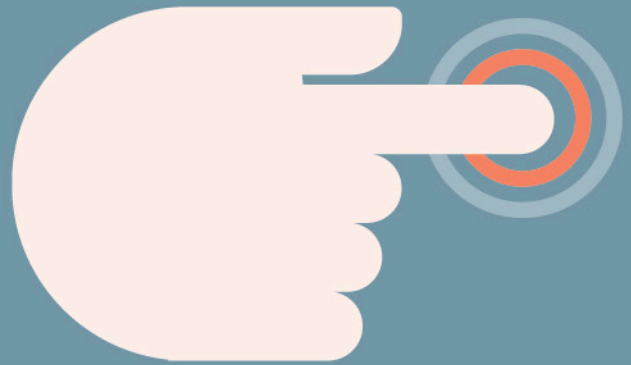
In recent years, the growth of dormant accounts has exceeded that of active. Analyzing the number of accounts per 10.000 adults found that the value is about 19.000, higher than the previous year's value. This demonstrates the need for financial institutions to design products that meet the needs of the population, so that consumers use the products regularly and benefit from them.

CAE maintain higher activity than traditional savings accounts. When assessing the activity per 10.000, accounts the CAE have 5.563 active accounts than traditional products which stand at 25%. The increased use of CAE is explained mainly by subsidies provided by the government through such instruments.

As in previous years, the vast majority of existing savings accounts corresponded to those with the lowest average balances. According to the distribution of the number of accounts, 94% had balances of less than 5 SMMLV and accounted for 4,7% of total funds raised through this product. Savings account use exhibited substantial differences in terms of the rurality level. In rural and dispersed-rural areas, there is lower use of accounts with an indicator below 5.000 for every 10.000 adults, while in cities and agglomerations the same indicator is 10.018.



Microcredit as a tool for financial inclusion



Microcredit as a tool for financial inclusion

Having access to financial services at all times and at reasonable prices, among which credit is included, has become one of the biggest challenges of global economic development in recent years. Several studies have closely followed the relationship between the financial system and the reduction in the level of poverty, without the State having to go directly to subsidize in order to maintain a standard of living of the most vulnerable populations in socio-economic terms. To this extent, measures such as financial inclusion policies, and in particular those for access to credit, encourage the population to decide for themselves how to improve their economic situation through business initiatives and risk coverage with resources provided by the financial system.

In line with this, several studies have found a direct relationship between the levels of access to financial services poverty and hunger reduction, even in environments with corruption problems, insecurity and poor infrastructure, among others, which determine today the low level of economic development of a country. To this extent, microfinance, including a wide range of services such as credit, convenient savings, transfer payments, insurance, and in some countries the development of micro pension products constitute a tool in today's world which can be efficient in eradicating poverty and inequality.

However, microcredit as a mechanism for improving the quality of life of people and as a means for poverty alleviation, is conditioned on resources being efficiently allocated and that they actually boost the productivity of the activities of the population, contributing to the reliable generation of income, thus achieving sustainable financial and economic inclusion. Otherwise, the improper allocation of resources could result in a deterioration of the quality of life of people by representing for them a financial burden that they cannot overcome.

Within this environment of financial inclusion, developing products that are appropriate and tailored to the needs of a group of persons who are vulnerable socioeconomically is essential for them to be profitable for the financial institution, as well as accessible and appropriate to the needs of the population. This not only in terms of interest rates, transparency of information, fair rates and adequate risk levels, but also at the level of spatial distribution and identification of needs, in order to ensure the correct choice of the recipients of the inclusion programs driven by government or industry.

In this sense, in the early 90's financial inclusion began to thrive as an engine of development through entrepreneurship, where being a small business owner, leveraged on microcredit, turned out to be the best access option for low-income population to the financial system. Since then, there have been many paths and results to improving the welfare of the low-income populations excluded from the financial system. In this regard, since 2000 and after the definition of Microcredit through Law 590 of that same year, not only was the economic and social welfare of a group individuals sought, but also including them along with their economic activities in the financial system.

Empirical evidence regarding microcredit as a mechanism for poverty eradication

In recent years, financial inclusion developed through microcredit as a tool for poverty eradication has become one of the main topics in the agenda of a variety of countries and organizations globally. Studies conducted in this regard by internationally acknowledged institutions, in collaboration with local governments, have spotlighted some of the benefits to reducing poverty levels through microcredit.

While any project or economic program is susceptible to failure, the success of most of them depends on an effective design that is clear and accurate in terms of needs, which in turn, will allow being efficient to the extent that program's execution is being constantly monitored. Reference is made to some of the microcredit case studies as an effective mechanism in reducing poverty.

- In Bolivia, the Institución Financiera de Desarrollo CRECER, has managed to achieve two thirds of the objective of financial inclusion of the population through microcredit, focused mainly on women, 90% of the target population, increasing their income after being included in such a program. Likewise, an increase in savings was observed for 86% of program users, while 78% of individuals went from having no savings to saving after being part of the institution's target clients⁴⁶.

- In Ghana, through a financial inclusion program based on microcredit, program users recorded income of \$36 compared to the \$18 income of individuals without microcredit. Additionally, the former exhibited diversification of their sources of income. The implementation of this program focused on the participation of women in the development of family microenterprises⁴⁷.

- In Indonesia, the financial inclusion strategy developed, among other things, a program called Tabunganku (my saving program) through which funds were raised through low-denomination deposits without management charges, in order to include some 80% of the population without access to the financial system in this country. To this end, microcredits were offered through specialized lending institutions, commercial banks and NGOs. Following a study tracking microcredit clients, an average increase of 12,9% was found in their income (Hadad, 2010). Additionally, in a study focusing on the income of individuals with microcredit, an increase of 112% was observed in those who remained in the system, with 90% of them managing to escape poverty. Also, in this country between 1997 and 1999, consumption of foods with high levels of protein increased among microcredit clients living in extreme poverty, pointing to the influence of financial inclusion in the quality of life of individuals⁴⁸.

- Finally, from 2006 the activity of microfinance institutions was regulated in Bangladesh. Since then, the growth of this type of financial sector institutions has been accompanied by more NGOs providing financial services primarily to poor women in rural areas. This led to a further deepening of microcredit in the country, with positive effects on the population to the extent that users of this modality who remained in a program for more than four years increased their spending by 28% and assets in 112% compared to the starting point⁴⁹.

46 Institución Financiera de Desarrollo CRECER. Assessment of the FFH- CRECER comunal banks program.

47 Bauchet, J., Marshall, C., Starita, L., Thomas, J., & Yalouris, A. (2011). Latest Findings from Randomized Evaluations of Microfinance. Access to Finance FORUM, 32

48 National Strategy for Financial Inclusion Working Group. (2012). National Strategy for financial Inclusion Fostering Economic Growth and Accelerating Poverty Reduction. Hak Cipta dilindungi Undang y Hadad, M. (2010). Developing a financial inclusion strategy: The case of Indonesia. The AFI Global Policy FORUM. , 6-32.

49 Mujeri, M. (2015). Financial Inclusion of the Poor in Bangladesh: Challenges and Opportunities.

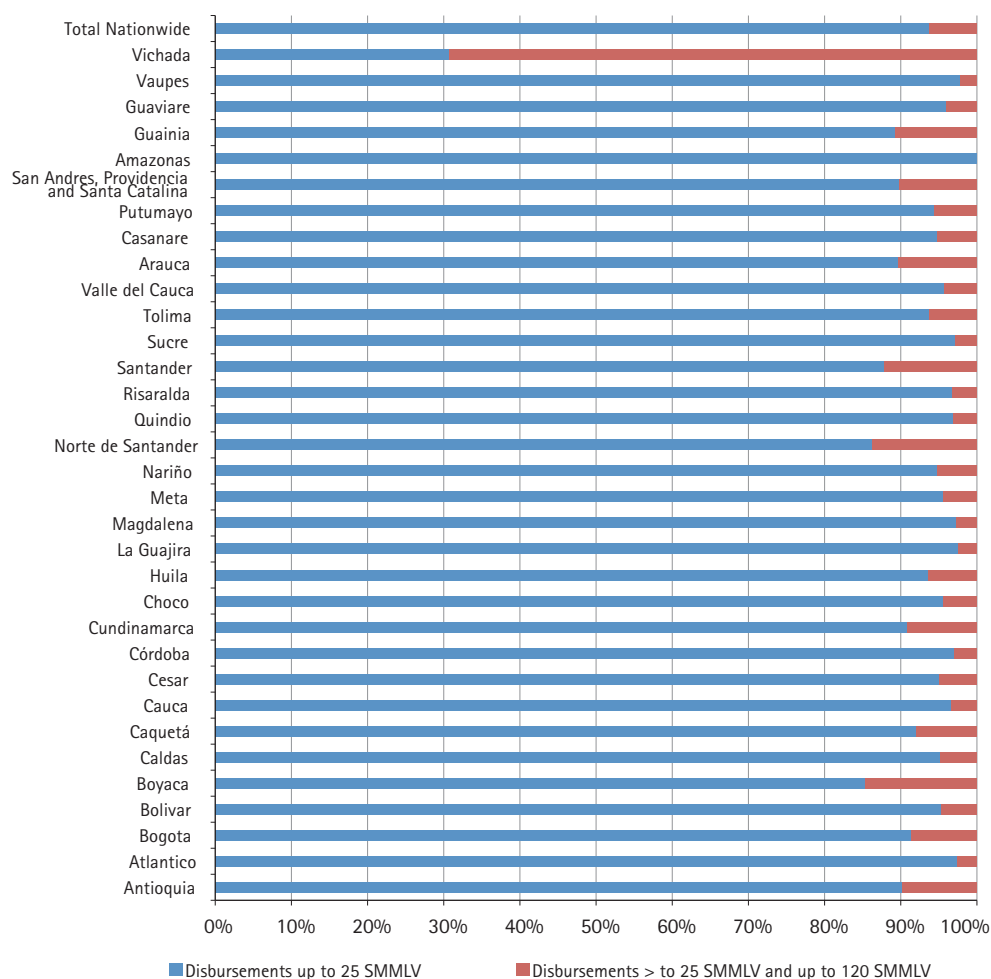
Microcredit through banking agents

Banking agents are a mechanism through which microfinance reaches populations which are difficult to reach with traditional access points such as offices. Institutions interested in expanding their business reaching the population excluded from the financial system do so by hiring third parties to provide certain financial services, helping an institution's customers to perform transactions and payments taking into account their geographical location and basic needs.

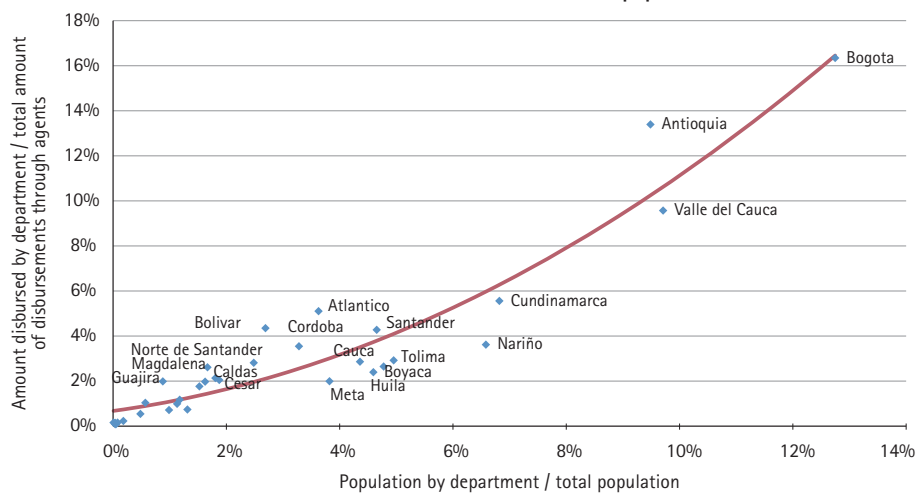
The number of microcredit through banking branches registered 131.145 disbursements, the highest number observed over the last five years. Among these, disbursements up to 25 SMMLV represented 94% at the end of 2015, a slightly higher value than that observed at the end of 2014 when it was 92%.

While disbursements up to 25 SMMLV accounted for the largest share of total loans disbursed at national and department level, the places where the largest number of disbursements of microcredits was observed, with amounts from 25 to 120 SMMLV, corresponded to large metropolitan areas like Cundinamarca (including Bogotá D.C.), Antioquia and Santander, behavior that could be related to the level of per capita income of these departments. Particularly, Vichada is the only department that behaves differently from the national norm, because the number of disbursements up to 25 SMMLV presented a 31% share compared the number of disbursements from 25 and up to 120 SMMLV that corresponded to 69%.

From the distribution of the amounts disbursed for microcredit by department, a direct relationship was observed between population density of the department (number of inhabitants per department) and the total amount of microcredit disbursements. Bogotá D.C., with a population density of 4.965 people per km² corresponded to the area with the highest amount of disbursed microcredit with \$42,6 thousand million, a city where 16% of the total population concentrated in 2015. This share was followed by the departments of Antioquia with 13%, Valle del Cauca with 9,57%, three departments that accounted in total for 39% of the total amount disbursed for microcredits through banking agents.

CHART 80: Disbursements of microloans by department through banking agents

Source: Superintendencia Financiera de Colombia

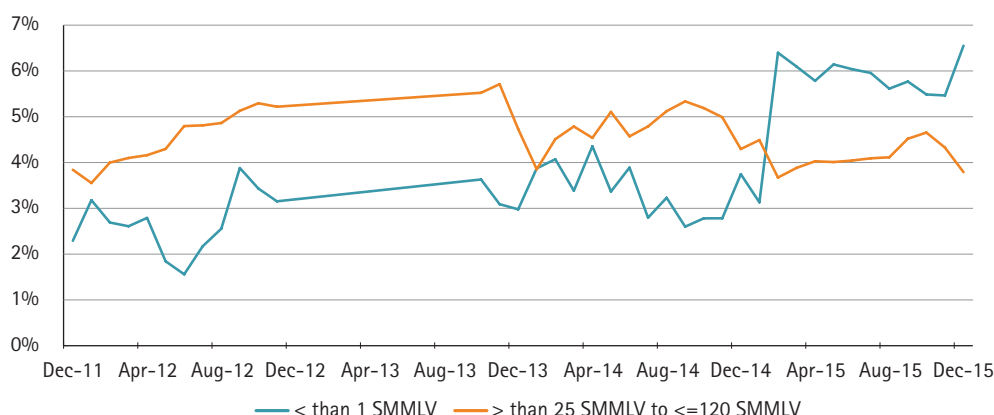
CHART 81: List of microloan disbursements - population

Source: Superintendencia Financiera de Colombia

Dynamics of microcredit disbursements in recent years

While the number of disbursements up to 25 SMMLV represented 94% at the close of 2015, a transfer of microcredit resources from higher to lower amount of disbursement has been seen over the past five years in this breakdown, which could generate greater representation of family microenterprises within the financial system. Particularly, in 2011 credits of between 4 and 25 SMMLV corresponded to 54% of total loans disbursed worth up to 25 SMMLV. At the close of 2015, the number of credits between 4 and 25 SMMLV accounted for 43% of total disbursements, a decrease offset by higher disbursements in ranges less than or equal to 2 SMMLV. The largest number of disbursements, therefore, has been accompanied by a greater share of microcredit of lower amounts.

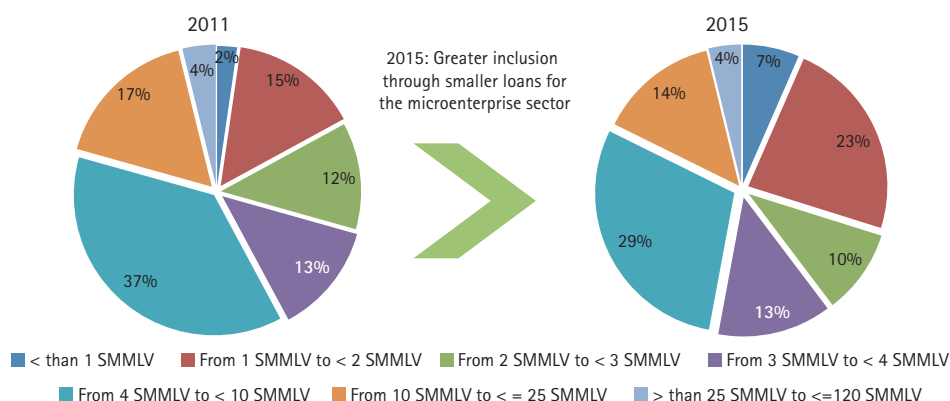
CHART 82: Disbursements by range



Source: Superintendencia Financiera de Colombia

During 2015 an increase was seen in disbursements of microcredit, especially in low-denominations. The greater share of disbursements below 1 SMMLV was specifically observed from February 2015, which led to 2.442 disbursements of microcredits below 1SMMLV to 8.025 loans between January and February 2015. Similarly, in February 2015 the largest share of disbursements was seen between 3 and 4 SMMLV going from 8.515 disbursements in December 2014 to 17.791 disbursements in the second month of 2015⁵⁰, growth supported in the conversion of the NGO Mundo Mujer into a bank specializing in microcredit in February 2015.

⁵⁰ Information taken from template 503: Microcredits and SME Commission of the Superintendencia Financiera de Colombia.

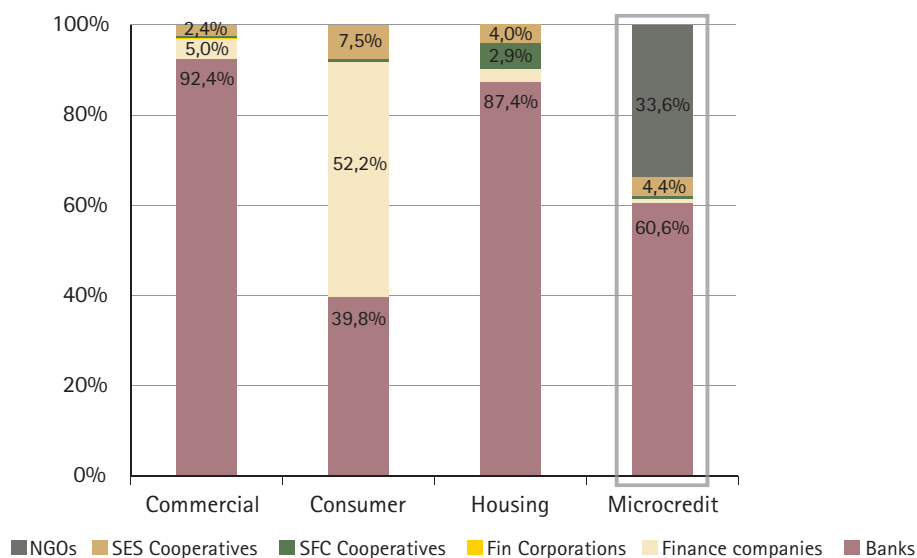
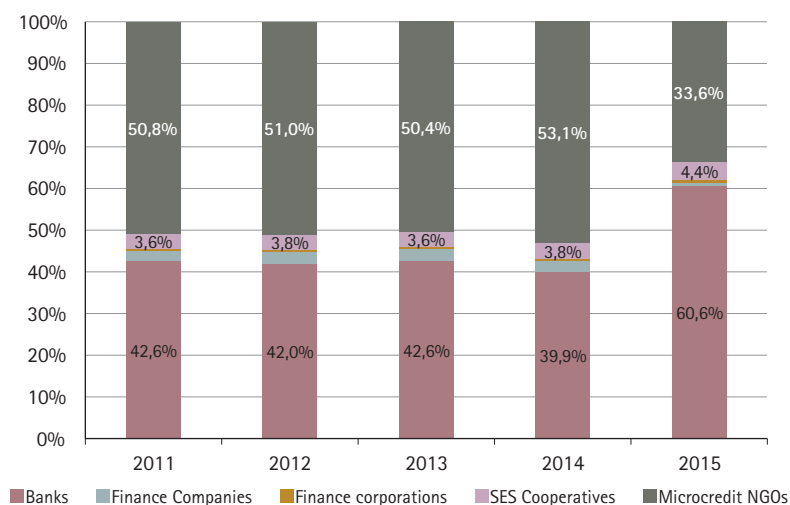
CHART 83: Disbursements of microloans by range of SMMLV

Source: Superintendencia Financiera de Colombia. Not including NGOs or SES Cooperatives.

Total microcredit disbursements by type of intermediary

During 2015, 2.360.948 microcredits were disbursed, of which the largest part were made through financial intermediaries. Of the total, 60% of microcredits during this same year were granted by banking institutions, followed by NGOs with 34%. Meanwhile, the SES Cooperatives participated with 4,4% of total disbursements of microcredits. Banks participated with 75% and NGOs with 17% of the total amounts disbursed vis-à-vis the amounts disbursed in the microcredit modality.

In the last five years, a larger number of microcredits were disbursed by banks, such that they went from representing 43% in 2011 to 61% in 2015. This behavior was influenced by entry into the market of Banco Mundo Mujer in February 2015 given its conversion from NGO to bank. In this regard, the increased share of banks was partly offset by a lower representation of NGOs in microcredits, which went from representing 51% to 34% of microcredit disbursements in the period mentioned before.

CHART 84: Percentage of loans by intermediaries (2015)**CHART 85: Evolution of share of microloans by intermediaries**

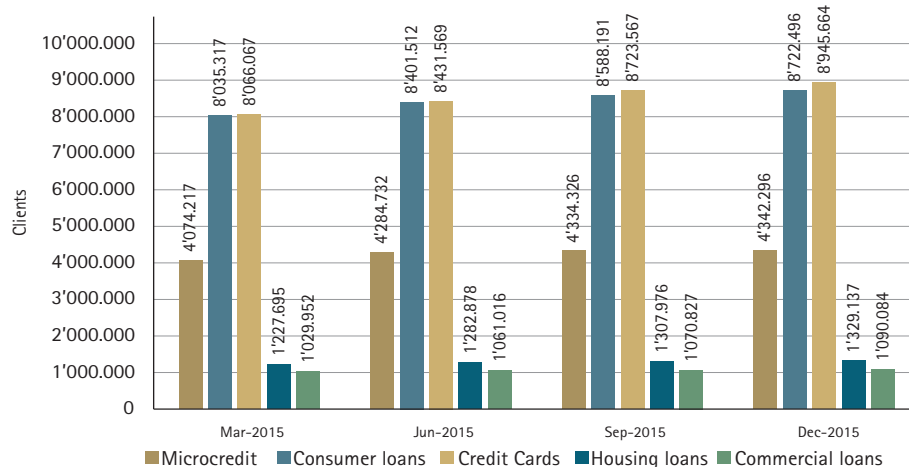
Number of clients

The degree of financial inclusion of a country's inhabitants in relation to financial services institutions constitutes one of the determinants of economic development. This section discusses financial inclusion viewed from the access

to one of the services of the financial system, specifically to microcredit, to be recognized as an engine of financial deepening in low-income populations.

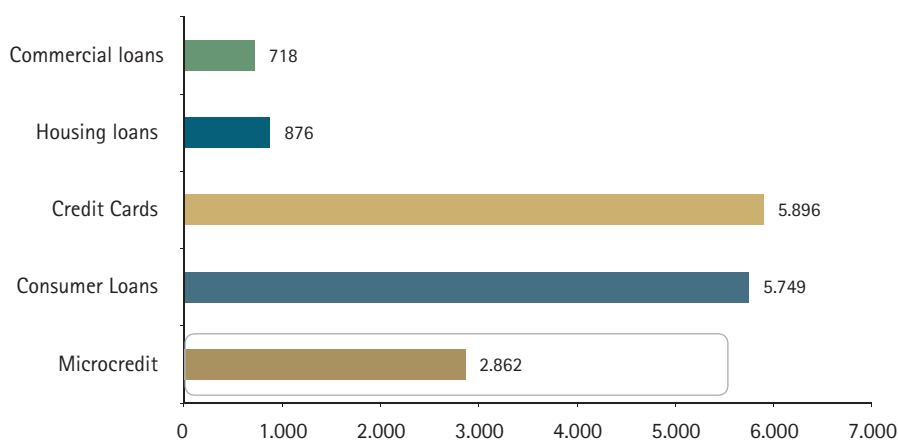
In 2015 portfolio growth was supported by the increased share of adults with access to credit, mainly in the consumer modality. Particularly, in December 2015 the number of adults with credit cards totaled 8.945.664⁵¹. Other consumer loans, additionally, such as payday, revolving credit, free investment, and vehicles, among others, recorded 8.722.496 customers at the end of the year mentioned. After the consumer modality, microcredits had the largest number of customers, with 4.342.296 to December 2015, so that for every 10.000 adults, 2.862 had at least a microloan.

CHART 86: Number of clients by loan modality



Source: CIFIN

CHART 87: number of adults⁵² with loans for every 10.000 adults



Source: CIFIN

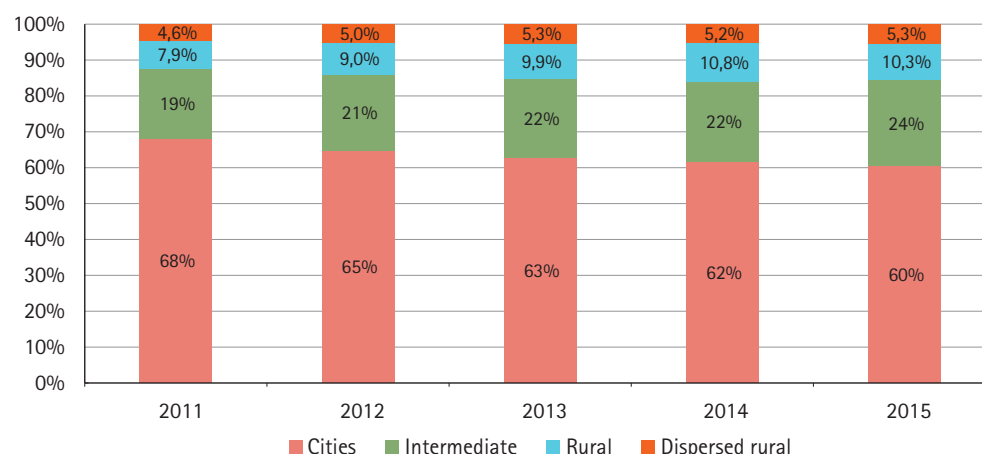
51 Information taken from the report prepared by Banca de las Oportunidades based on TransUnion (CIFIN) information.

52 DANE. People over 17 years old in 2015 according to the gran encuesta integrada de hogares [large-scale household survey] (GEIH) 2015 survey, which corresponded to

Rurality in financial inclusion

One of the biggest challenges for financial inclusion is to carry credit to hard-to-reach populations. In this regard, during the past five years, Colombia has seen an increase in disbursements of microcredits in intermediate⁵³ and rural areas. In 2011, 68% of the number of microcredits concentrated in cities and agglomerations, while 19% and 12% were represented by the intermediate and rural areas, respectively. Meanwhile, in 2015 the figures mainly favored the intermediate zones with a share of microcredits disbursed of 24%, followed by rural areas with 16%, and access in dispersed rural locations or those harder to reach accounted for 5,3% compared to 4,6% in 2011.

CHART 88: Percentage of disbursement of microcredit by rurality level



Source: Banca de las Oportunidades - CIFIN.

Credit to victims of the conflict in Colombia

From the definitions of microfinance, financial inclusion not only focuses on lending to the population at the base of the pyramid, but is rather the design of products that meet the needs of the general population in the face of social and economic contexts that are less favorable to the economic development of a country.

Among the factors that disrupt economic development we have found social problems related to social exclusion, inequity, inequality and violence. Referring to the latter, in Colombia persons considered victims are "those persons who individually or collectively have suffered harm from events from 1 January 1985

⁵³ This refers to intermediate cities with populations between 100,000 and 1 million inhabitants.

as a consequence of violations of International Humanitarian Law or serious and manifest violations to international Human Rights standards that occurred during the internal armed conflict" (Article 3 of Law 1448 of 2011).

To this end, a credit institution needs to immediately include individuals qualified as victims of conflict who become delinquent in a special internal category that allows identifying and classifying them, differentiating their treatment or rather the demands against the rest of the population that is not immersed in such situations. Some of the features of this special category are: the non-payment of late payment interest for up to one year, payment agreement and the suspension of accrual of interest on grace periods.

From the above, this section discusses the evolution of financial inclusion for the victims of the armed conflict in Colombia by department. An analysis is performed in this regard on the number of loan applications from people considered victims of armed conflict who were actually served by disbursements from financial intermediaries supervised by the Superintendencia Financiera de Colombia, reason why information on cooperatives supervised by the Superintendencia de la Economía Solidaria or NGOs is not included.

In this sense, from the information on victims of armed conflict the Sole Victims Registry (RUV) of the National Information Network and data from the Superintendencia Financiera de Colombia related to loans to victims, an indicator of access to credit was created that is equivalent to the relationship between the number of people identified as victims of the conflict with at least one loan per 1.000 victims nationwide and by department per year.

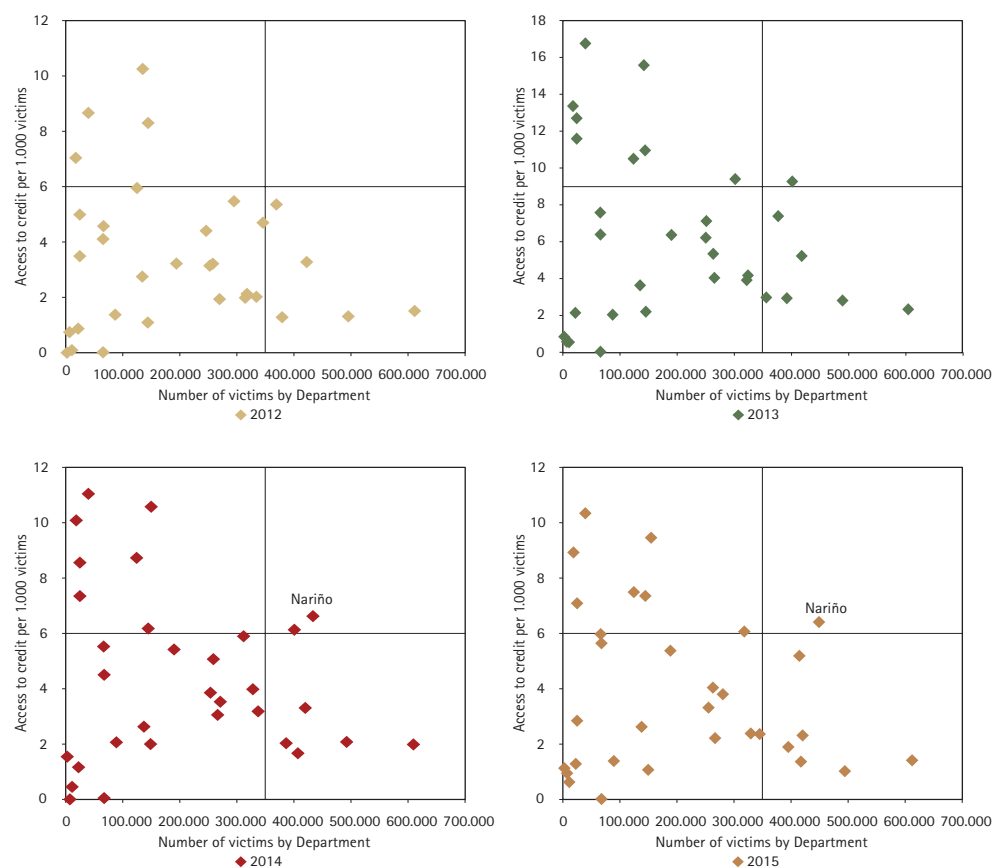
The number of loan disbursements to victims in more critical regions in terms of greater target population as in Antioquia, Cauca, Chocó, Norte de Santander, Valle del Cauca, among others, had a lower share of access to at least one loan granted by financial intermediaries supervised by the Superintendencia Financiera de Colombia compared to departments with lower target population such as Caldas, Cundinamarca, Boyacá, Santander and Casanare. It is worth mentioning that in the first case, the behavior could have been determined by the difficulty of access to the financial system in regions where the severity of the armed conflict is such that it makes it almost impossible to reach these places, hindering the inclusion of the victims in these regions.

Given the enforcement of the victims' law mentioned above, in 2013, as an effect of knowledge about the program, a larger number of registered victims, behavior that was accompanied by an increase in access to at least one loan per individual at national level. According to the access to credit indicator, 2013 corresponded

to the year of greatest inclusion of victims through credit in the last three years. Thus, while in 2012 for every 1.000 victims, three had at least one loan, in 2013 this ratio was 5 of every 1.000 individuals who complied with the characteristics of victims of armed conflict. In 2015 the ratio was similar to that of 2012.

According to the chart of the access to credit indicator for victims of the conflict, and although the level of coverage of victims of the conflict at the national level is low, in this context departments that are located at the top would exhibit better levels of the inclusion indicator for loans to the extent that access to credit is greater. While between 2012 and 2013, no department was located in the upper right zone, in 2014 and 2015 Nariño stood out as the department with the greatest inclusion according to its share of population affected by the conflict. It is worth mentioning that although Antioquia was the department with the highest number of victims with a total of 1.659.540, it exhibited an indicator of three victims for every 1.000 inhabitants.

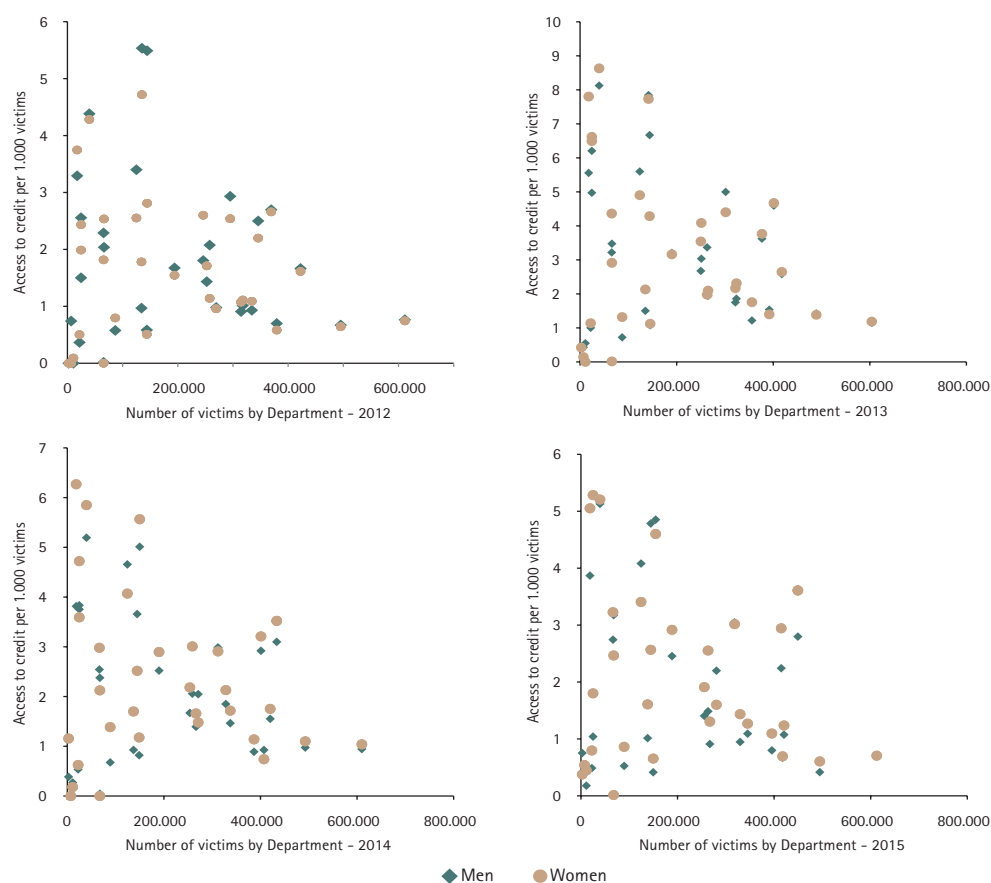
CHART 89: Access to credit indicator for victims of armed conflict ⁵⁴



Source: Superintendencia Financiera de Colombia. Victims corresponds to the number of persons affected by armed conflict registered in the RUV of the National Information Network each year.

By observing the access to credit indicator by gender, in 2012 at a national level, per 1.000 women victims of armed conflict, one of them recorded access to at least one loan. In 2015, for every 1.000 women victims, 2 had at least one credit. While the vast majority of departments increased the share of women in access to credit in the last three years, Santander, Quindio, Nariño and Cauca led this performance with increases equal to 2 women per 1.000. With regard to male victims of armed conflict, between 2012 and 2015 an increase of 1 male victim per almost 1.000, this being lower than in the case observed for women.

CHART 90: Access to credit indicator for victims of armed conflict by gender



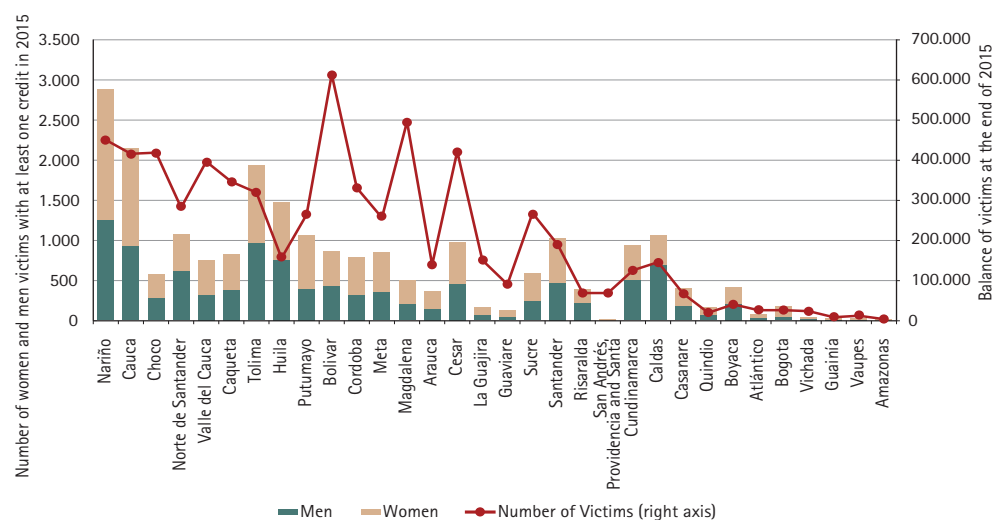
Source: Financial Superintendence of Colombia. Victims corresponds to the number of persons affected by armed conflict registered in the RUV of the National Information Network each year.

According to the above, between June 2012 and December 2015 125.980 loan disbursements to victims of armed conflict were observed, of which 51% were targeted to men and 49% to women. In the last three years, an increase was observed in the share of women among victims with loans going from 46% in 2012 to 50% in 2015, which means that although there is a need to deepen the problem of the target population and include the system, the work is being

directed towards financial inclusion for vulnerable populations with gender equality.

Particularly throughout 2015, 27,518 loans were disbursed to victims, with a share of women of 50% and 50% men. Of the 33 departments, women had the highest share among victims with loans in 24. Bogotá, D.C. recorded a share of female victims of 75%, followed by Vaupes with 71%, Putumayo 63%, Guaviare 62%, Guajira, Arauca and Atlántico with a 61% share, were among the departments with the greatest share of women in disbursements of loans to victims. For the particular case of Antioquia, women, as holders of at least one loan, accounted for 37% of a total of 4,968 disbursements in 2015, while male victims with at least one loan recorded a share of 63% over the total.

CHART 91: Credit to victims by department and by gender⁵⁵



Source: Superintendencia financiera de Colombia and RUV.

Victims: Persons affected per year.

Finally, of the total loans disbursed to victims of armed conflict in Colombia over the past three years, on average, 91% were microcredit, pointing out that this modality is the most commonly used and perhaps most appropriate mechanism for reaching the population affected by violence in Colombia.

⁵⁵ The chart does not include Antioquia given the wide difference in the number of victims of this department compared to others.

Conclusions

Credit has served as a crucial tool in financial inclusion. In Colombia, during the most recent years, access to credit as a mechanism of financial inclusion has been, as in other jurisdictions, one of the challenges of economic development and a sustained and inclusive financial system with better standards of financial regulation on issues of financial consumer protection and innovation.

Achieving physical coverage of the financial system has been key to increase access to credit. In Colombia, the financial inclusion development policy through credit has been accompanied by a steady increase in the share of the population living in inaccessible places not only in terms of infrastructure, but of security, such as rural areas that are often very dispersed. In this sense, through banking agents and the program for victims of armed conflict, it has been possible for credit to reach inaccessible areas.

Microcredits disbursed through channels easily accessible to populations in remote areas from the metropolis are related to population density. Noting the distribution by amount disbursed of microcredit by department through banking agents, a direct relationship was observed between the density of the department and the total value of disbursements of microcredits observed through banking agents. The disbursements of this modality through banking agents accounted in December 2015 to 131.145, the highest number observed over the last five years.

During the past five years, a greater share has been observed of lower microcredit disbursements below 2 SMMLV. This could involve greater representation of microenterprises or small family businesses within the financial system. Particularly, in 2011 loans below 2 SMMLV corresponded to 17% of total loans disbursed. At the close of 2015, the number of loans in these ranges accounted for 30% of total disbursements.

Most microcredit disbursements continue to be made through banking institutions. 60% of microcredits during 2015 were granted through banking institutions, followed by NGOs with 34%. Banks participated with 75% and NGOs with 17% of the total amounts disbursed vis-à-vis the amounts disbursed in the microcredit modality. In the last five years, a larger number of microcredits was disbursed by banks. These went from representing 43% in 2011 to 61% in 2015, which influenced behavior in the conversion of two NGOs, WWB in 2011 and Banco Mundo Mujer in 2015, to banks.

The victims of the conflict in Colombia have been of particular interest in financial inclusion initiatives. From Law 1448 of 2011, victims of armed conflict have been included as a population with particular features, such that remaining in the system after its new economic conditions is not easy. In this regard, and in order to ensure the stability of credit users affected by armed conflict, from 2012 financial intermediaries had to generate special conditions to not only to keep victims of the armed conflict in the system, but also to allow access to new individuals who complied with these characteristics. Thus, in 2013, the year in which the most victims were recorded, 5 out of every 1.000 nationwide, had at least one loan under special conditions from the institutions supervised by the Superintendencia Financiera de Colombia.

Financial inclusion through credit aimed at women victims has been increased since its implementation. While the vast majority of departments increased the share of women in access to credit in the last three years, Santander, Quindío, Nariño and Cauca led this behavior with increases equal to two women for every 1.000.

In the case of credit, it is also considered necessary to continue working on innovative products. While progress has been made in the development of products that seek financial inclusion, it is necessary to continue working closely with other trade groups, in the financial innovation project to bring it ever closer to the realities of the various population groups, to the extent that the services demanded align not only with their needs for accessibility, but also through tracking so that the products effectively acquired actually generate social and economic wellbeing to vulnerable populations.

In the specific case of microcredit, its relative importance in the development of financial inclusion programs is seen just as in other countries. Of the total loan disbursements targeting the victims of armed conflict, 91% were microcredits. However, it is important to continue working to not only expand the level of inclusion, but rather to offer credit products with technologies appropriate to the peculiarities of economic activities and the socio-economic characteristics of the population, such that it serves as a tool for productive drive and contributes to a sustainable financial inclusion generating economic development.

Agricultural microcredit methodology and its potential for increasing financial inclusion

The development and implementation of innovative methodologies to facilitate access to and use of financial products by the rural population of the country is one of the priority issues in the National Development Plan (2014 - 2018) and the National Strategy for Financial Inclusion.

Various indicators show the backwardness and sluggishness of the agricultural sector in the national economy. For example, the GDP of the agricultural sector has lost share in the national GDP; between 1965 and 2014 it dropped from 9% to 6%. Likewise, the average growth of this sector has been lower than the national economy; in the last 40 years, this sector grew at an average annual rate of 2,9% compared to 4,2% of the national GDP.

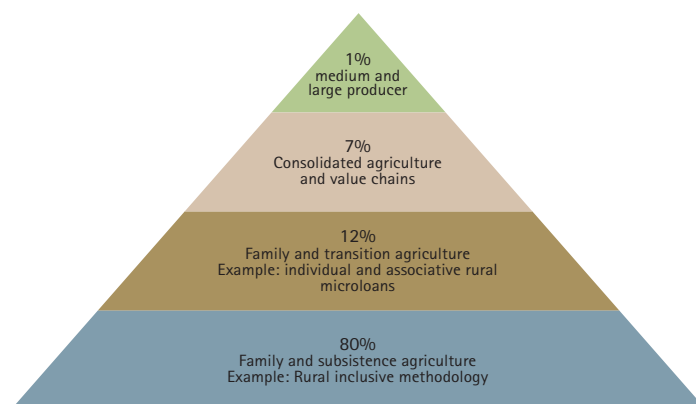
The area planted in Colombia has remained at similar levels since the nineties, in 1990 the country had 4,8 million hectares planted and in 2014 it reached 4,9 million hectares.

These modest indicators affect about 2,2 million small farmers, who together with their family groups constitute 80% of the rural population⁵⁶.

One of the numerous bottlenecks that affect the Colombian rural sector and help explain its poor performance has to do with the limited access of the rural population to productive assets such as land, credit and technology.

Therefore, it is urgent to rethink traditional methodologies of financing operating in urban contexts but that are not applicable to the rural population, the success of these methodologies depends to a large extent on the fact that they are supported by technological tools adaptable to the realities and characteristics of the rural population and its productive activities.

CHART 92: General composition of agricultural producers



⁵⁶ Misión para la Transformación del Campo – tomo I (2015). Departamento Nacional de Planeación

⁵⁷ This Technical Assistance Project developed by Banca de las Oportunidades with the technical support of WOCCU allowed the transfer of the agricultural microcredit methodology to eight financial institutions including banks, cooperatives with savings and lending activity and NGOs.

Source: Technical Assistance Project for agricultural microcredit, Banca de las Oportunidades - WOCCU ⁵⁷.

An example of these new methodologies constitutes the agricultural microcredit whose basic instruments and principles are described below.

The agricultural microcredit methodology is aimed at facilitating access to financial services to the segments of family subsistence farmers and those in transition, representing more than 90% of farmers in the country. This methodology is based on a set of principles listed below.

Table 9: Basic Principles of the agricultural microcredit methodology

- Based on knowing producers and their families, economic and productive milieu.
- Productive and family activities are integrated.
- Existence of multiple sources of agricultural and non-agricultural income (e.g.: rentals of land and machinery, offer of labor, trading activities, among others).
- Coexistence of several primary sources of income, in the case of agricultural activities coexistence of different production cycles according to the activities performed.
- Specific conditions of the environment that impact productivity, such as climate, access to water, incidence of pests and diseases, local market prices, road and storage infrastructure, among others.
- Risk analysis is not defined according to the destination of credit, but to the projected cash flow that supports the loan application.
- Credit conditions (term and amortization amounts) are defined in terms of the projected cash flow. This implies that in the face of seasonal income, amortizations are seasonal, they change depending on the projected cash flow.

Source: Technical Assistance Project for agricultural microcredit, Banca de las Oportunidades - WOCCU

The identification and application of these principles is based on various diagnostic tools, knowledge and monitoring of the agricultural producer. Some of the most important tools used in the methodology are projected cash flow, the technical spec sheets associated with agricultural and livestock activities and qualitative analysis to assess the character or willingness to pay of the applicant.

What is the projected cash flow?

It is an instrument through which - depending on the "desirable" term of a loan - information is expressed for all income and expenditures of the applicant (including family expenses) to determine the net behavior of the income, its variation over time and the capacity of the applicant to repay.

Unlike cash flow used in the urban microcredit methodology, in this case a "real" flow and not "average" of the applicant flow is projected. The basic components of cash flow include the following:

Table 10: Basic items to be considered in forecasted cash flow

Deadline in months	INCOME			EXPENSES				NET FLOW	SHARE	FLOW WITH SHARE
	Fixed agricultural /livestock	Seasonal agricultural /livestock	Others income	Fixed agricultural /livestock	Seasonal agricultural /livestock	Family expenses	Obligations financial			

Source: Technical Assistance Project for agricultural microcredit, Banca de las Oportunidades - WOCCU.

What are the technical specifications of productive activities?⁵⁸

They are a tool that centralizes information about each of the main activities of the applicant regarding location, characteristics of the productive activity, costs and performance of both agricultural and livestock activities.

From this information, financial institutions can know their own standards for each activity in a given geographical area and provide essential information for validation of information and analysis of a loan application depending on the type of productive activity of the applicant.

The basic information that is contained in these records is presented in the table at the end of this sidebar. Cost information is incorporated there by processes, an economic analysis is performed and additional technical information of each activity is included.

In addition to these two tools, the implementation of the agricultural microcredit methodology has introduced some changes by various financial institutions with the aim of facilitating access to financial services to populations that are located in very remote areas and therefore must incur high costs of travel, time and money to access these services under traditional schemes.

Some of these innovations include:

- On-site collection of savings and lending payments. This process is complemented using mobile printers to provide users with a record of the transactions performed.
- To facilitate the marketing, operating and monitoring processes, the community is called to the same site on set dates agreed with the community, however the analysis and provision of financial services is individual.
- Parallel to marketing activities, product placement and follow-up, the advisor performs various complementary activities for the purpose of transmitting and strengthening community knowledge on issues of economic and financial education.

⁵⁸ It is important to note some considerations on the information contained in the technical specifications: i) the information is expressed for one (1) hectare; ii) overall a tab for financial office associated with each municipality and activity is generated, there will only be more than one tab when there are several varieties of the same product or when crop management, costs and performance vary significantly and iii) in the for long or permanent crop cycle information sheet of the maintenance, is not taken into account the establishment.

- Use of mobile technologies for data capture in the field.
- Change in the profile of Microfinance advisors so that they have specific knowledge of the regions and productive activities, social skills with local communities, and in many cases, their own means of transportation (motorcycle).

DEPARTAMENTO	MUNICIPIO/ CODIGO DANE	VEREDA	FECHA ACTUALIZACION	
NOMBRE DEL PRODUCTO				
COSTOS POR UNIDAD DE ÁREA (Ha)	AREA (Ha)	Hectáreas	CICLO DEL CULTIVO EN FINCA: PERMANENTE/TEMPORAL/SEMIPERMANENTE	
1. PREPARACION DE SUELOS		Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
		Jornales	0 \$ 0	
TOTAL PREPARACION DE SUELOS			\$ 0	
2. SIEMBRA/ TRANSPLANTE/ ESTABLECIMIENTO	AREA (Ha)	Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
	0	Plantulas	0 \$ 0	
	0	Jornales	0 \$ 0	
TOTAL SIEMBRA/ ESTABLECIMIENTO			\$ 0	
3. LABORES CULTURALES (mano de obra)	AREA (Ha)	Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
Control de malezas	0	Jornales	0 \$ 0	
Fertilizaciones al suelo	0	Jornales	0 \$ 0	
Control Fitosanitario químico: aplicación de agroquímicos	0	Jornales	0 \$ 0	
Control fotosanitario manual: podas, deshojes, entre otros	0	Jornales	0 \$ 0	
Riego	0	Jornales	0 \$ 0	
TOTAL DE LABORES CULTURALES			\$ 0	
4. INSUMOS	AREA (Ha)	Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
Agroquímicos control plagas, enfermedades, malezas y desfoliación inducida	0	Global/ha	0 \$ 0	
Fertilizantes químicos	0	Bultos / 50 Kilos	0 \$ 0	
Abonos orgánicos	0	Bultos / 40 Kilos	0 \$ 0	
Elementos de protección personal	0	Unidades	0 \$ 0	
TOTAL DE INSUMOS			\$ 0	
5. COSECHA	AREA (Ha)	Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
Recolección	0	Jornales	\$ 25.000 25 0 \$ 0	
Post cosecha	0	Jornales	\$ 25.000 5 0 \$ 0	
Transporte al centro de acopio	0	Canastilla/20 kl	\$ 500 750 0 \$ 0	
TOTAL EN COSECHA			\$ 0	
6. OTROS COSTOS	AREA (Ha)	Unidad	Vr und Cant/ Ha Cant/ Area VR TTAL	
Imprevistos	0	Global/ha/ciclo	\$ 1.000.000 1 0 \$ 0	
Otros				
TOTAL OTROS COSTOS			\$ 0	
RESUMEN DE COSTOS			INFORMACIÓN TÉCNICA COMPLEMENTARIA	
RESUMEN COSTOS	AREA (Ha)	VR TOTAL	Part %	
TOTAL REPARACIÓN DE SUELOS	0	\$ 0	%	
TOTAL SIEMBRA/ ESTABLECIMIENTO	0	\$ 0	%	
TOTAL LABORES CULTURALES	0	\$ 0	%	
TOTAL DE INSUMOS	0	\$ 0	%	
TOTAL EN COSECHA	0	\$ 0	%	
TOTAL OTROS COSTOS	0	\$ 0	%	
TOTAL COSTO	0	\$ 0	0%	
ANÁLISIS ECONOMICO			Altitud, temperatura, densidades de siembra, tipo de cultivo (temporal, permanente, semi permanente),rendimientos esperados por planta, forma de comercialización del producto, etc.	
ANÁLISIS ECONOMICO	AREA (Ha)	UNIDAD		VALORES
RENDIMIENTOS ESPERADOS	0	KILOS		\$
PRECIO	0	\$KILO		\$
INGRESOS POR VENTAS DE PRODUCCIÓN	0	TOTAL INGRESOS		\$
COSTO TOTAL	0	TOTAL COSTO		\$
COSTO UNITARIO	0	\$COSTO / KL		\$
UTILIDAD BRUTA PROBABLE	0	INGRESO COSTO		\$
RENTABILIDA BRUTA PROBABLE/ COSTO	0	UTILIDAD / COSTO		\$

SERVIENTREGA



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**COOPTENJO PREMIA TU FIDELIDAD
DESEMPEÑO FINANCIERO COOP**

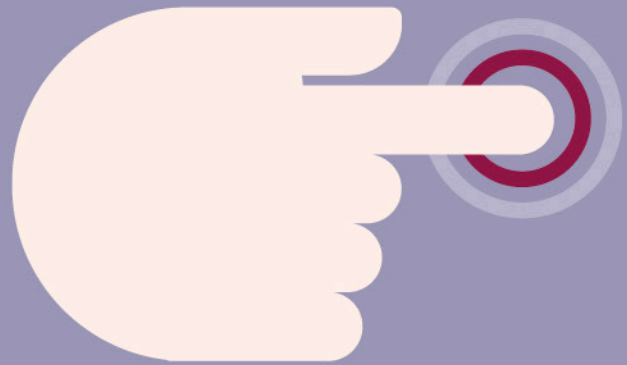
Participa en el sorteo de un espectacular **Apartamento**
Motocicletas cero kilometros, 6 **Tarjetas débito** de
con **Un Millón de pesos** y 17 **Televisores de 40"** de

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Sorteo de 17 Televisores, Diciembre 23 de 2015
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Remittances



Remittances

Remittances are an important source of income for millions of families and foreign exchange earnings in many developing countries. As noted by Dilip Ratha,⁵⁹ "transfers from international migrants represent a lifeline for millions of households in developing countries. In addition, migrants keep more than USD 500.000 million in annual savings. Overall, remittances and savings are an important source of financing for development projects that can improve lives and livelihoods in developing economies".

In this regard, offering products and formal financial services, which enable people to take advantage of these resources and protect themselves against their variability, and that this in turn contributes to a higher level of income and productivity, is another task of the authorities and the financial industry on the subject of inclusion.

This chapter presents an analysis of the behavior of transaction flows in respect of international remittance sending and receiving countries worldwide, the flow of remittances to Colombia, the channels and payment systems through which resources are received and average costs of forwarding registered from Spain and the United States.

To this end, the summary on migration and remittances published by the World Bank in April 2016 was reviewed, which notes that, globally, the growth of remittances fell sharply by 0,4% in 2015, in contrast with the growth of 3,2% recorded in 2014. This is the lowest growth rate since the global financial crisis of 2008-2009 and is due to low oil prices, a situation that is adversely affecting many of the countries of origin of transfers that are oil exporters⁶⁰.

59. World Bank, Slight increase in remittances to developing countries in 2015 (2016)

60. World Bank, Migration and Development Brief 26 (2016)

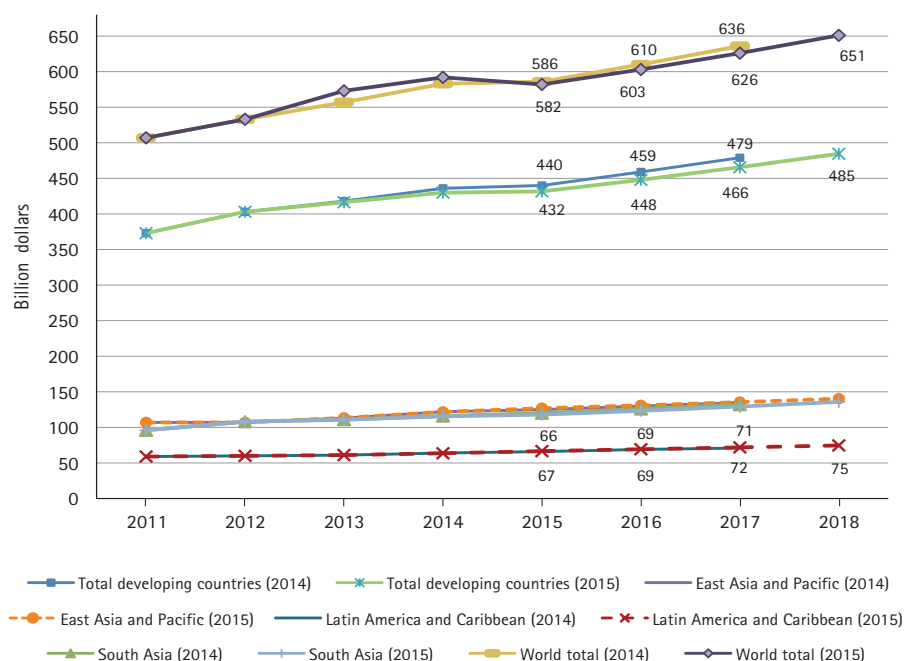
Characterization of remittances⁶¹

According to World Bank figures, globally, in 2015 remittance flows stood at USD 582 billion, with a decrease close to 1,7% over the previous year when USD 592 billion were mobilized. As for remittances to developing countries, they are estimated to have grown to USD 432 billion in 2015 (0,4% compared to 2014). This is the lowest growth rate in recent years.

Despite this behavior in remittance flows worldwide, Latin America and the Caribbean reached the fastest growth rate of remittances received with 4,8% in 2015, due in part to the recovery of labor markets in the United States and the depreciation of the currencies of host countries against the dollar.

The reduction of global remittance flows was also reflected in the estimates of the forecasts for 2016 and 2017. At the end of 2015, the World Bank estimated that remittances from workers in the world would reach USD 610 billion and USD 636 billion for 2016 and 2017, respectively. However, in 2016 the projection was revised, and it predicts that for these same years, remittances will be no higher than USD 603 billion and USD 626 billion respectively.

CHART 93: Worldwide remittance flow estimates and projections (2011-2018)⁶²



61 The values in the report are in USD 1 billion = USD 1.000 million.

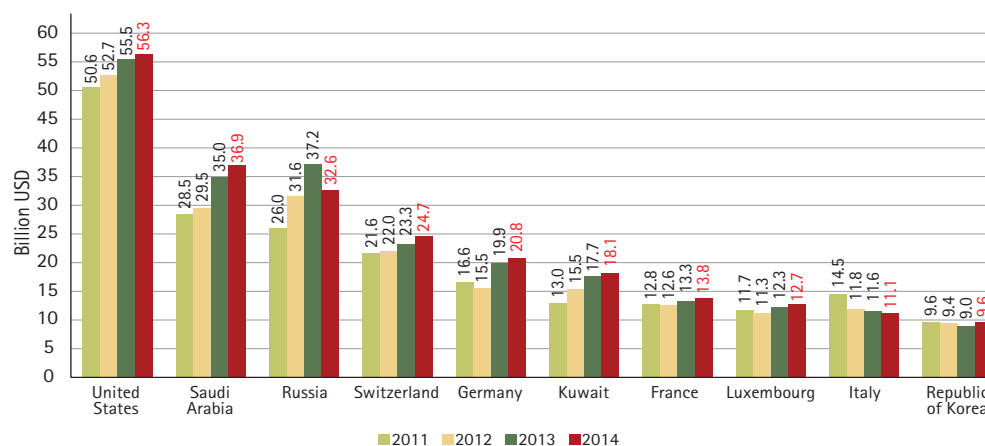
62 World Bank, Migration and Development Brief 26 (2016)

Source: World Bank, Migration and Development Brief 26*. Data for 2016 and 2017 are projected.

Upon 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 2014, money sent from this country was USD 56,3 billion, representing an increase of 1,5% compared to the result of the previous year, followed by Saudi Arabia with USD 36,9 billion, Russia with USD 32,6 billion, Switzerland with USD 24,7 billion and Germany with USD 20,8 billion.

On the other hand, issuer countries whose remittance flows increased from year to year were Switzerland (6%), Saudi Arabia (5,5%) and Germany (4,9%). However, the depreciation of currencies impacted to a greater extent the flows from countries like Russia and Italy, decreasing 12,3% for Russia and 4,1% in the case of Italy.

CHART 94: Major issuer countries 2014



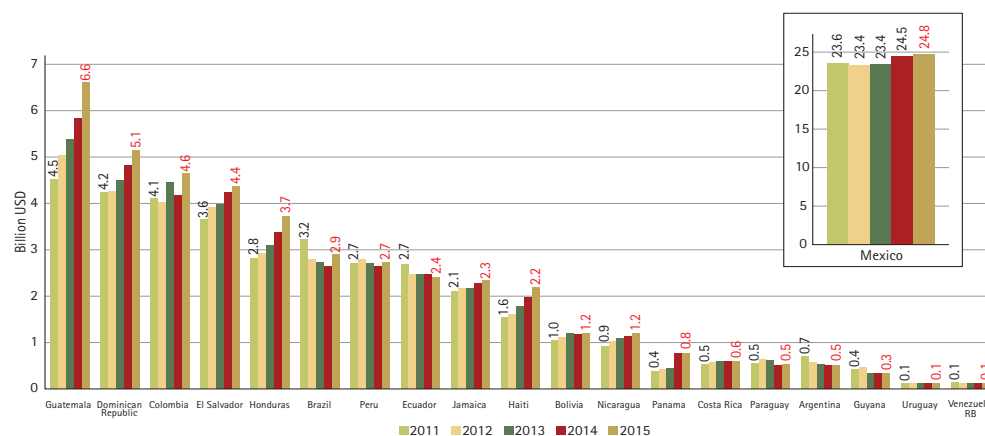
Source: World Bank (April, 2016). "Migrant Remittance Outflows" ⁶³

Among the geographical regions, during 2015 Latin America and the Caribbean had the highest growth rate of remittance income, with an increase of 4,8% over the previous year, reaching values of USD 67 billion and surpassing the record high of USD 65 billion in 2008. As in previous years, Mexico remains the largest recipient with USD 24,8 billion, representing an increase of 1,3% compared to 2014, followed by Guatemala with USD 6,6 billion, Dominican Republic with USD 5,1 billion, Colombia with USD 4,6 billion and El Salvador with USD 4,4 billion.

The flows that increased from year to year significantly correspond to Guatemala (13,2%), Colombia (11,4%), Haiti (11,1%) and Honduras (10,7%), thus leaving Colombia in second place.

⁶³ World Bank - Annual Remittances Data (updated to Apr. 2016) "Migrant Remittance Outflows".

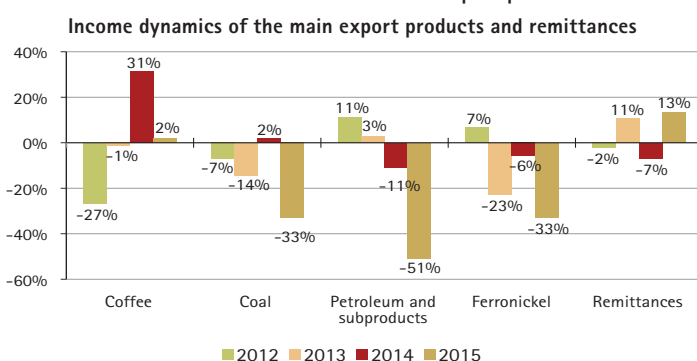
CHART 95: Remittances to countries in Latin America and the Caribbean

Source: World Bank (April, 2016) "Migrant Remittance Inflows" ⁶⁴

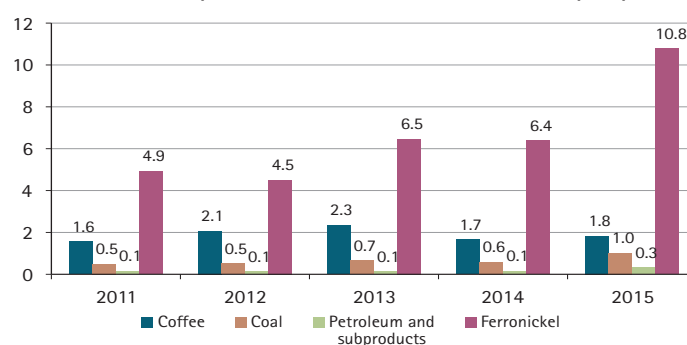
Remittance flows to Colombia

When comparing income to the country from remittances with the main traditional Colombian exports, remittances have increased stability vis-à-vis external economic factors, and even throughout the recent years they have accounted for significantly higher income for Colombia than for products such as ferronickel and coffee and similar to those for coal, particularly in 2015.

CHART 96: Remittances and main traditional export products



Remittances as multiple of revenue from main traditional export products

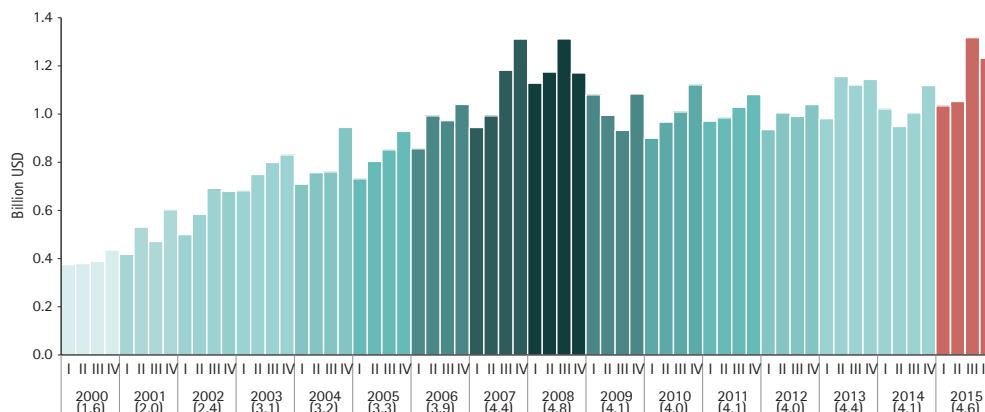


Source: Banco de la Republica

⁶⁴ World Bank - Annual Remittances Data (updated as of Apr. 2016) "Migrant Remittance Inflows".

During 2015, Colombia received a flow of remittances from workers abroad worth USD 4,6 billion, up from USD 4,1 billion a year earlier and mainly driven by the depreciation of the Colombian peso against the dollar. The global economic crisis had a significant impact on the flow of remittances to Colombia, since these resources in 2008 totaled USD 4,8 billion.

CHART 97: Evolution of remittance flows to Colombia (quarterly)

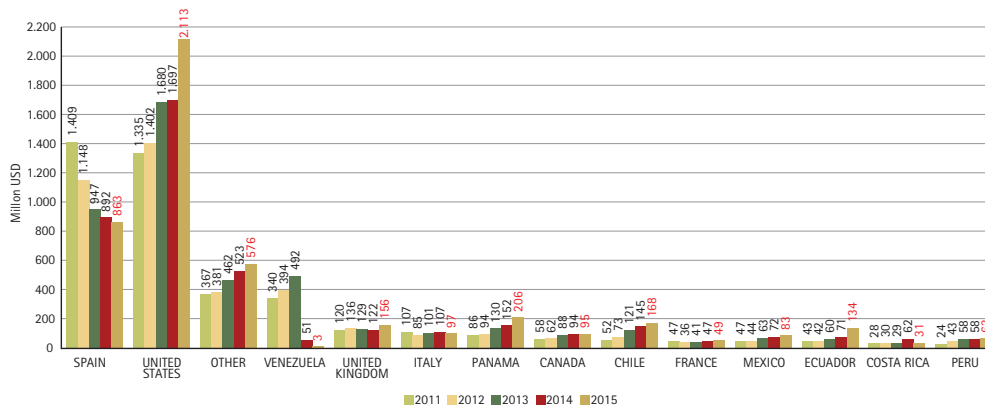


Source: Banco de la Republica "Balance of payments"

When analyzing remittance flows by country of origin, although these increased compared to 2014 in the aggregate, flows from Spain decreased by 39% compared to 2011, equivalent to a decrease of USD 546 million. In contrast, remittances from the U.S. to Colombia increased from USD 1,3 billion in 2011 to USD 2 billion in 2015, equivalent to an increase of 58%.

Meanwhile, flows from Venezuela were significantly reduced 99%, this limited growth is associated with the socioeconomic context that the neighboring country is living. On the contrary, flows from Chile (222%), Ecuador (213%), Peru (162%) and Panama (139%), respectively, increased.

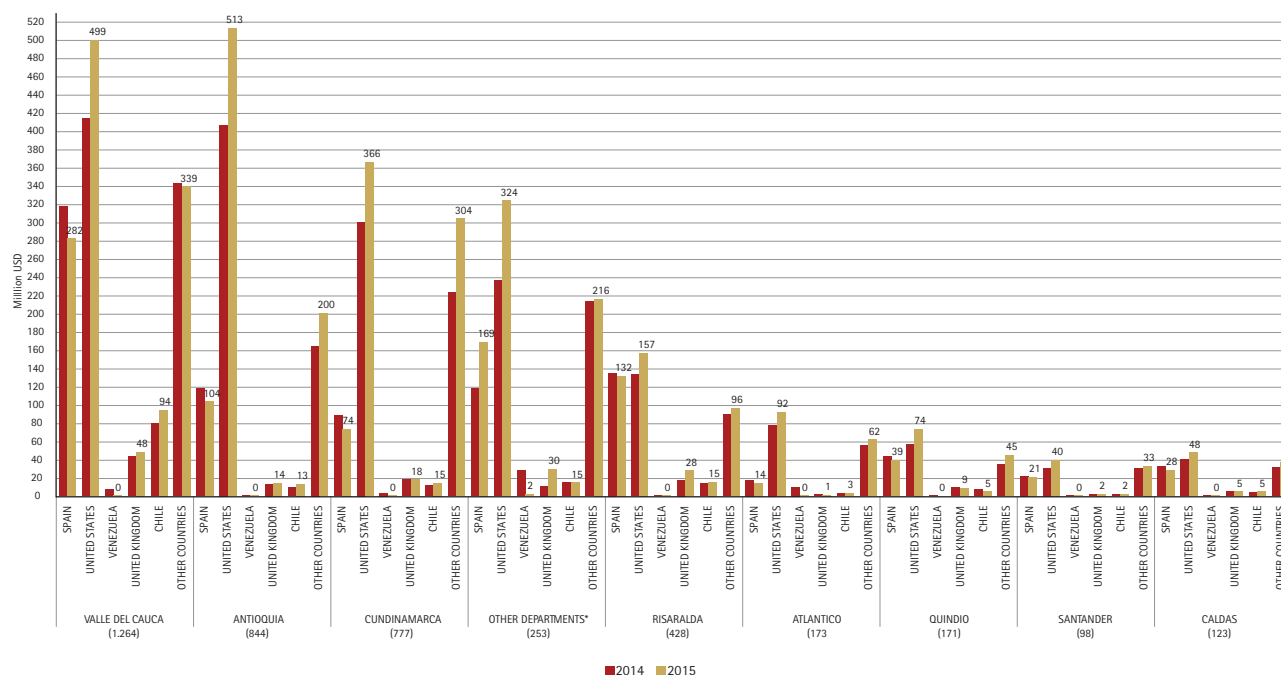
CHART 98: Income from worker remittances to Colombia by main country of origin.



Source: Banco de la Republica "Balance of payments"

The distribution of remittances by department showed a significant concentration in the Valle del Cauca, whose share at the end of 2015 was 27% of the total, followed by Antioquia (18%), Cundinamarca (17%) and Risaralda (9%). Most of the remittances to the departments come from the United States with (46%) and Spain with (19%).

CHART 99: Evolution of remittance flows by country of origin and destination department (2014 vs. 2015)



Source: Banco de la Republica

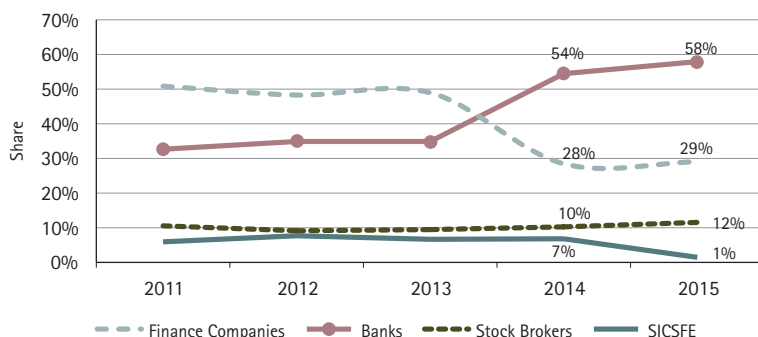
(*) Other departments include: Bolívar, Tolima, Cesar, Magdalena, Huila, Sucre, Norte de Santander, Cauca, Meta, Córdoba, Nariño, Casanare, Boyaca, Guajira, San Andrés, Caqueta, Choco, Arauca, Amazonas, Putumayo, Guaviare and No Breakdown (corresponds to remittances pending payment).

Channels and payment methods

Of the institutions 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 is in contrast with data from 2013, when financing companies accounted for 51% of the total channeled. This behavior could be due to factors of reordering of markets, because in 2014 finance company Macrofinanciera⁶⁵ became a bank and the firm Financiera Cambiamos⁶⁶ was liquidated.

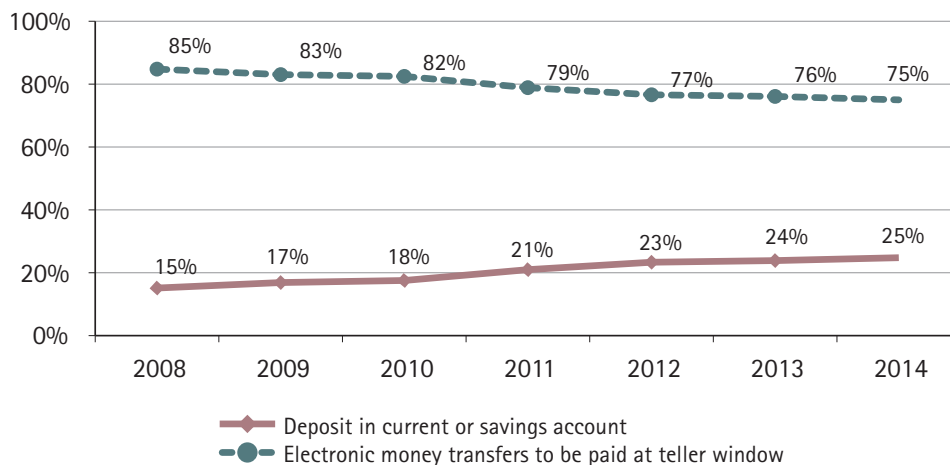
⁶⁵ Resolution 1913 of 2014 "Whereby the conversion of a Finance Company into a Banking Establishment is authorized".

⁶⁶ Resolution 1562 of 2014 "Whereby the compulsory administrative liquidation of FINANCIERA CAMBIAMOS S.A. Compañía de Financiamiento is ordered."

CHART 100: Share by intermediary in payments of remittances ⁶⁷Source: Superintendencia Financiera de Colombia ⁶⁸**SICSFE: Foreign exchange and special financial services companies**

When analyzing the different methods of payment of remittances, it can be seen that at the end of 2015, 72% of remittances were paid through wire transfers of money to be paid over the counter, less than (4%) when compared with 2014. Meanwhile, payments credited to current or savings accounts contributed 29,4%, increasing 19% over the previous year.

Although the share of payments through deposit into checking or savings accounts has been increasing, there is still a need to continue developing compliant financial products according to the needs of Colombian migrants, so that resources remain more in the financial system and that this will help them to access a wider portfolio of financial services.

CHART 101: Remittance payment methods

Source: Banco de la Republica "Quarterly remittances survey" (2016). Superintendencia Financiera de Colombia calculations.

⁶⁷ In Colombia, according to current regulations, only Foreign Exchange Brokers (IMC) are authorized to perform operations with international remittances. External Resolution No. 3 of 2013 the Banco de la Republica, defines in its "Article 58. AUTHORIZED INTERMEDIARIES" sets forth that IMCs are the following institutions: commercial banks, mortgage banks, financial corporations, finance companies, the Financiera de Desarrollo Nacional, the Banco de Comercio Exterior de Colombia S.A. -BANCOLDEX-, financial cooperatives, securities brokerage companies and foreign exchange and special financial services companies.

⁶⁸ Foreign Exchange transactions Purchases (Income) and Payments of Drafts taken from Form 388 of the SFC.

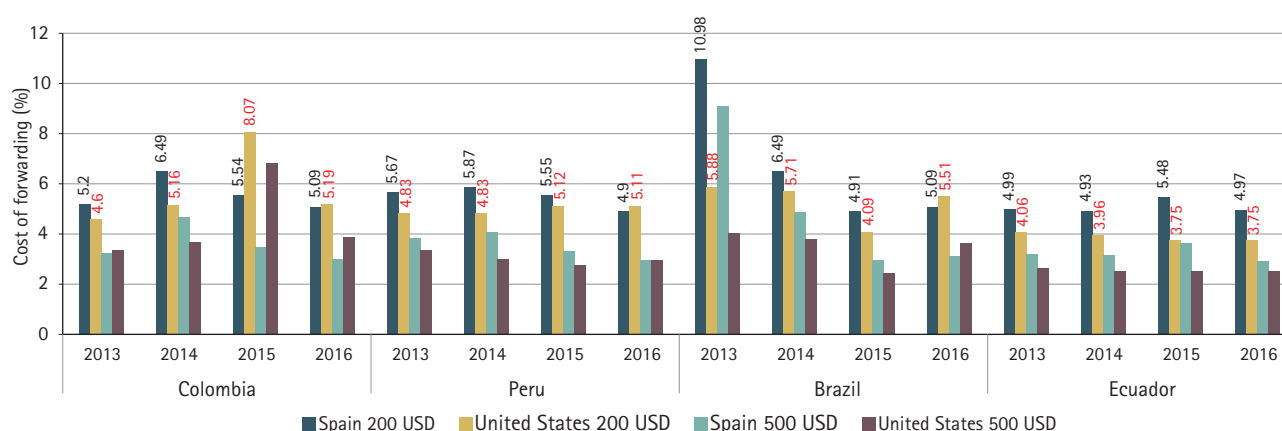
Cost of forwarding remittances

The cost of sending a remittance is calculated based on amounts of USD 200 and USD 500 through a World Bank tool which allows knowing the costs of transfers between different countries. For example, the average cost of sending USD 200 from the United States to Colombia rose to 8,1% in the fourth quarter of 2015, higher than the figure reported in 2014, when the shipping cost was approaching 5,2%. In the case of sending USD 500 to Colombia, while in 2014 the cost was around 3%, in 2015 it reached values of almost 7%. Shipping costs to Ecuador, Brazil and Peru are lower compared to those of Colombia, with 3,8%, 4,1% and 5,1% by the end of 2015, respectively.

On the side of remittances from Spain, at the end of 2015 and compared to 2014, costs decreased for all countries of the region, except for Ecuador. According to what was reported for 2015, the average cost of sending USD 200 from Spain to Colombia was 5,5% and was very similar in the other countries, with 5,5% for Ecuador, 4,9% for Brazil, and 5,6% for Peru.

The evolution of these values also responds to the economic situation both locally and globally. However, the development of financial services technology and the entry of new players into the market are expected to lead to a reduction in these costs.

CHART 102: Comparison of the cost of sending remittances from the United States and Spain to Colombia



Source: World Bank (2016). First quarter data for 2016 are projected.

Conclusions

The United States remained the main source of remittances globally. According to figures for remittances calculated by the World Bank, the United States is the country that sends the most remittances to other countries with a share of about 13% of the total and an increase of 1,5% over 2014.

Remittances to Latin America and the Caribbean grew 4,8% in 2015. Remittance inflows to Latin American countries reached values close to USD 67 billion. Meanwhile, Colombia is ranked fourth in the region in receiving remittances, increasing 11,4% from the previous year.

According to the report of Balance of Payments of the Banco de la Republica, the remittances from workers abroad to Colombia reached USD 4,6 billion. Although this figure was higher than the USD 4,1 billion a year ago, remittance flows have not finished recovering completely, particularly to Latin American countries who receive the largest volume of remittances from countries like the United States and Spain.

Revenue from remittances to Colombia is more stable and, in some cases, exceeds export revenues of some traditional products. In 2015, revenues from remittances are 10,8 times the export revenues from ferronickel, 1,8 times the exports of coffee and equal to those for coal.

The average cost of sending remittances increased in 2015. For a USD 200 amount, forwarding costs in 2015 showed an increase of 56% over the previous year from the United States, and decreased 15% from Spain. However, the development of financial services technology and the entry of new players into the market are expected to lead to a reduction in these costs.

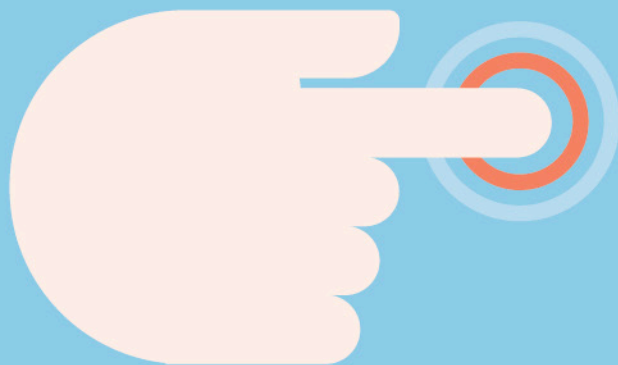
The distribution of income from remittances by department showed a significant concentration of income. Specifically, the departments of Valle del Cauca (27%), Antioquia (18%), Cundinamarca (17%) and Risaralda (9%), equal 46% of total remittances entering the country mainly from the United States and 19 % from Spain.

Banking institutions were the intermediaries who handled much of the remittances. Operations with international money orders, forwarding and

receiving remittances are being channeled mostly through banks with a 58% share, this behavior is partly explained by some certain market reordering processes, according to which a finance company became a Bank and another was liquidated.



Inclusive insurance



Inclusive insurance

The insurance industry worldwide is facing a major technological revolution whose effects will have an impact on the penetration of risk management tools in the coming years. Cost reduction and increased capabilities of technological advances are changing all elements of the insurance value chain, fostering the creation of innovative products, the use of new distribution channels and the inclusion of new consumers, previously excluded from this market.

Colombia is not oblivious to international trends. The entry of new players is increasing competition, encouraging the proliferation of innovations at all levels that are aimed at reducing costs to create efficiencies and generate added value to attract customers in new market niches. Additionally, a regulatory environment that is aware of these dynamics seeks to evolve in novelty and creativity at the same time as the industry, thereby promoting its long-term development.

This chapter aims to provide an overview of the insurance industry, particularly regarding the role it is playing in financial inclusion in Colombia. To this end, international trends in the insurance industry will be presented first. Second, we will discuss the evolution of recent regulation on the matter. Finally, we present and analyze the main figures concerning the penetration of insurance, the evolution of the various premium lines written, the distribution of the risks insured and distribution by lines, among others.

International trends

Deep changes in the design of insurance are occurring at all levels in the insurance market, caused mainly by cost reductions and increases in the capabilities of

technological advances. Technological innovations are having an impact from the way products are designed and offered, to the way institutions and customers relate with each other, including the way complaints are handled. Mainly, technological developments have made a great impact on the quantification of risk, fraud prevention and cost reduction.

First, technological advances are helping insurers to more accurately calculate insured risks trending toward its customization. With the technologies available, insurers are able to identify behavior patterns of the insured or more accurately size property, in order to properly measure risk. This is bringing about major changes in the way products are designed and priced.

For example, car insurance is gradually taking advantage of developments in telematics technology (GPS, accelerometers, gravity sensors, etc.) to transmit real-time information on vehicle usage and segment the risk of each insured party. With these tools, the pioneering insurers are creating business advantages by customizing the insurance based on the convenience and needs of the insured.

The impact of technology has also allowed insurers to have more robust information about their insured on their health products. In these, the use of mobile applications is allowing monitoring the health of the insured, more accurately measuring risk and reducing health care costs. These technologies are enabling the collection of quality information and promoting a preventive approach that has made this insurance more profitable.

Additionally, it is important to highlight the proliferation of tools to prevent fraud, in particular, the growing use of Big Data to process claims and to perform cross-referencing. For example, insurers are turning to various sources of information (social networks, databases, etc.) for profiling and categorizing customers. Similarly, the use of drones to check the occurrence and magnitude of claims is experiencing great success in more developed insurance markets like the United States and England. These developments are having an impact in the speeding processing of claims and fraud control.

Finally, technological innovations are bringing about various ways to reduce the costs of insurance companies, allowing greater efficiency in resource investment. A general trend is the use of technology to monitor the status of the insured risk, transferring real-time information and processing it to quantify risk and price products. This has resulted in better identification of the

needs and risks of individuals and businesses, greater precision in quantifying the price of products, reduction in the frequency and severity of claims and reducing management costs by requiring fewer human resources in monitoring and risk quantification.

All these trends will play a major role in the development of inclusive insurance that incorporates not only the low-income population, but generally, those that have not been reached by the insurance market. It is through these industry developments that the doors have been opened to energize the insurance market by making previously unattractive market niches attractive and allowing more demand.

Given all these developments, the Colombian financial sector has the challenge of adopting international trends with responsibility and restraint. Naturally, in any technological development, one is bound to generate friction with the current state of the industry and regulation, and in that sense, the authorities need to have the ability to channel the new movements within a framework of legality, always respecting common objectives, such as maintaining confidence in the insurance market, protecting financial consumers while promoting at the same time the development of competition and innovation.

Regulatory developments

Since the enactment of Law 1735 of 2014, called the Law on Financial Inclusion, the focused efforts of the Government to achieve an effective inclusion have become tangible. Specifically, this Law formally acknowledges the entry of new players to stir of competition in all sectors in order to encourage the development of appropriate products at competitive prices.

In line with the above, Decree 034 of 2015 continued the trend of new players entering the market. This decree lays the groundwork to allow agents to market insurance contracts, in addition to existing channels such as insurance brokers and using the network of financial institutions supervised by the Superintendencia Financiera de Colombia.

In order to maximize the potential of this new channel, the Superintendencia Financiera de Colombia is completing a consultancy engagement with Micro Insurance Centre, which is part of the project for "Implementation of Regulation and Supervision Standards in Micro insurance Markets in Latin America", carried out in hand with the Access to Insurance Initiative, IDB-MIF, GIZ and even with the support of the Banca de las Oportunidades Program at certain stages. The main objective of this project is to facilitate the development of inclusive insurance markets in Colombia, Peru and Jamaica, diagnosing the current state of the market and from this, designing policy solutions that facilitate access to insurance products to the underserved population.

It is worth highlighting the three standards that will impact in the coming years the development of financial inclusion in insurance. First, External Circular 49 of 2015 regulated insurance marketing through the use of the network of institutions supervised by the Superintendencia Financiera de Colombia. This standard established criteria and procedures that seek to develop this channel within a framework that ensures the protection of financial consumers.

Second, External Circular 50 of 2015 regulated various aspects of insurance intermediation in Colombia, it established eligibility requirements to be observed by all natural persons practicing insurance placement, either as agents or employees of insurance agencies, brokerages or underwriters. Additionally, the Unified Insurance Brokers Queries System (the SUCIS) was created to provide consumers with tools that let them know that the person advising them meets the requirements and is effectively linked to an authorized institution. On the other hand, the content of the information was developed, which by virtue of Law 1328 of 2009, must be disclosed to insurance consumers. Finally, this rule established various functions at the head of the governing bodies to strengthen policies and internal controls for quality in intermediation.

The aforesaid external circular is aimed at strengthening the confidence of financial consumers in the insurance sector, particularly in regard to those products that require advice because of their contractual complexity. With these steps towards the professionalization of the broker's job, the intent is to achieve greater financial inclusion enhanced by the confidence generated by transparency in the commercial management of insurance products. Only through minimum standards of suitability is it possible to achieve improvements in the quality of intermediation and only through responsible and transparent intermediation is it feasible to attract customers who have traditionally been skeptical of insurance products.

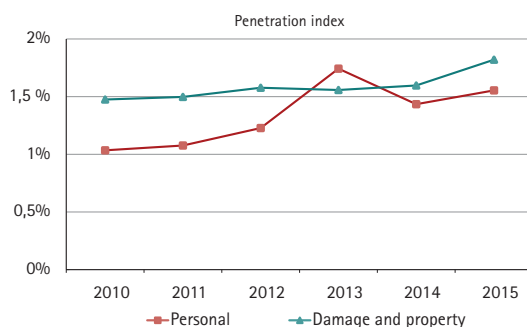
In third place, External Circular 034 of 2015 simplified the regime for the Money Laundering and Financing of Terrorism Risk Management System (SARLAFT) applicable to certain insurance products. This standard facilitates the marketing of mass consumer products by excluding certain know-your-customer obligations from insurance whose insured value is equal to or less than 135 SMMLV⁶⁹ and whose maximum bi-monthly premium payment is equal to or less a ninth of than 1 SMMLV. Thus, regulatory barriers to the marketing of these products were reduced, encouraging the development of these products and the responsible use of the mass channels. The standards referenced strengthen the Colombian legal system and provide clear evidence of the importance the authorities have granted to driving development, dynamism and innovation in the insurance market, learning of trends in the sector, maintaining an ongoing dialogue with the industry and ensuring the protection of financial consumers.

Main figures of the insurance industry

In recent years the insurance industry has seen steady growth in the value of premiums written. Thus, the penetration rate, as measured by the value of premiums written to GDP, stood at 2,7% corresponding to an increase of 17pb compared to the level observed a year ago. In particular, the penetration rates for property insurance⁷⁰ and persons accounted for 1,4% and 1,3% in 2015, compared with indicators of 1,3% and 1,2% in 2014, respectively.

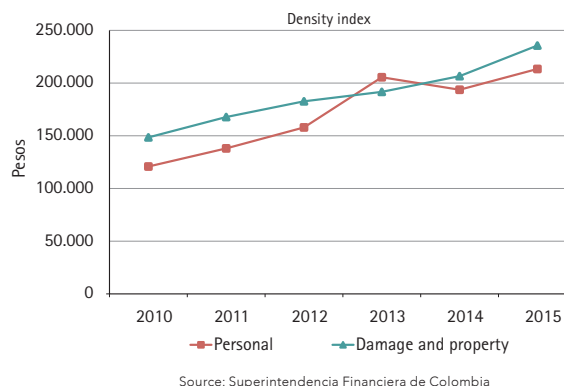
Similarly, there has been an increase in the monthly average insurance spending by individual measured through the density index (premiums written/total population). In 2015, the average expenditure per individual on insurance was \$448.986, up 12,2% compared to the value recorded a year ago. Specifically, individual spending on personal insurance was \$213.381 and the average expenditure per individual on property insurance accounted for \$235.605.

CHART 103: Density and penetration index



⁶⁹ The Minimum Monthly Legal Wage in force (SMMLV) in 2015 was COP \$644,350

⁷⁰ General Insurance

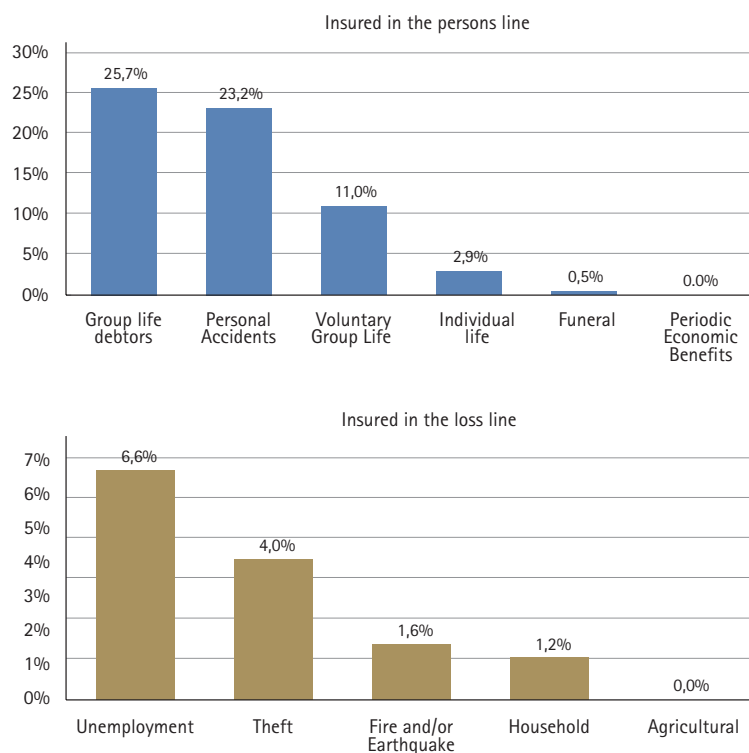


Personal insurance recorded a higher market share, according to the results of Superintendencia Financiera de Colombia's insurance financial inclusion survey⁷¹. It found that in 2015 the number of insured in the group life debtors line corresponded to 25,7% of the total population, followed by the personal accidents line with a 23,2% share. Meanwhile, loss insurance, unemployment insurance and theft insurance registered a number of insured corresponding to 6,6% and 4,0% of the total population of Colombia in 2015.

It is worth mentioning that in the group life debtors' line, the greater share insured was supported in part by lower costs offered by this sector to ensure a group or community against risks of accidents and illness, if these are compared with those for individual life. The monthly average price estimated for the Group Life Insurance debtors line was \$9.923, compared to \$47.660 for individual life premiums. Additionally, the dynamics of financial system credits influenced the upward trend in recent years, as credit institutions continue to be the main marketing channel.

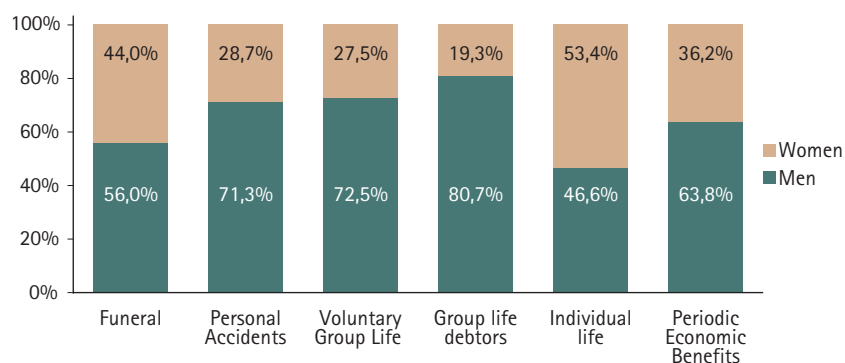
In loss insurance, the largest share was registered by unemployment insurance, a line that exhibited an annual increase in share of 24pb. Prior growth was associated with access to this service, because it is an insurance that has been designed so that the user of loans or of products that generate monthly payment is able to continue paying on time should they suffer total, temporary disability or involuntary job loss, for a certain period. Given the above, this insurance has been channeled mostly by financial intermediaries, which is favorable for these institutions because it allows them to reduce credit risk by ensuring the payment of financial obligations.

⁷¹ Mandatory damage insurance was not included. SOAT (mandatory automobile insurance) represented 17,3% of total policies written. Along with auto insurance the share was 40,7% in December 2015.

CHART 104: Insured for persons and damages

Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

By gender, in 2015 it was observed that the highest number of insured in each of the lines were men except for individual life, where women had the largest share with 53,4%, due in part because mothers are better at managing risk and for that reason they are covered to protect the financial stability of their family. Compared with 2014, the increase in the share of females in this sector corresponded to 20 bp.

CHART 105: Number of insured by line and gender 2015

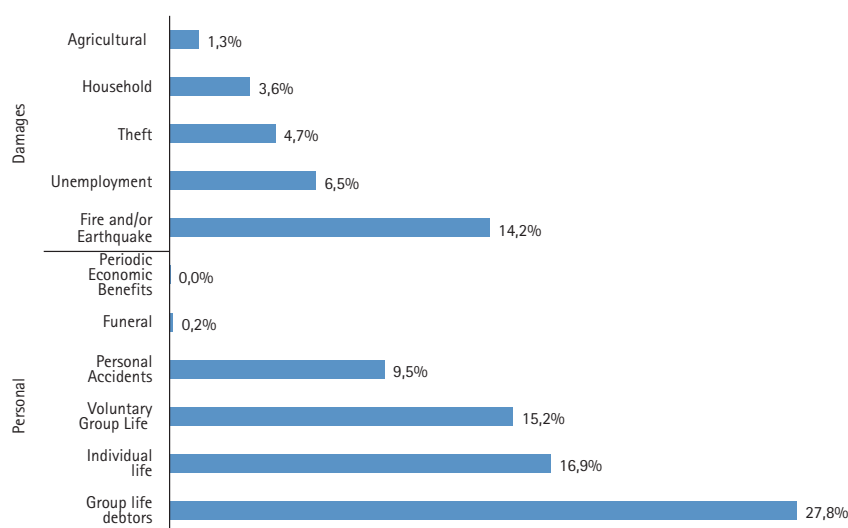
Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

Written premiums

At the close of 2015, total premiums written for lines included⁷² in the financial inclusion survey totaled \$ 5,24 billion⁷³ with personal insurance concentrating most of the premiums written after registering total value of \$3,7 billion. It is noteworthy that debtors group life insurance accounted for 27,8% of total premiums written presented in this chapter.

The loss lines included in the survey, at the end of December 2015, recorded a total premium value of \$1,6 billion, with Fire and/or Earthquake insurance accounting for 14,2% of total premiums, followed by cumulative premiums written for unemployment insurance which recorded a 6,5% share. It should be noted that share exhibited by earthquake insurance is related to the value premiums for this insurance according to the insured value of their risks.

CHART 106: Share of premiums issued 2015



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

Average value of monthly premiums issued

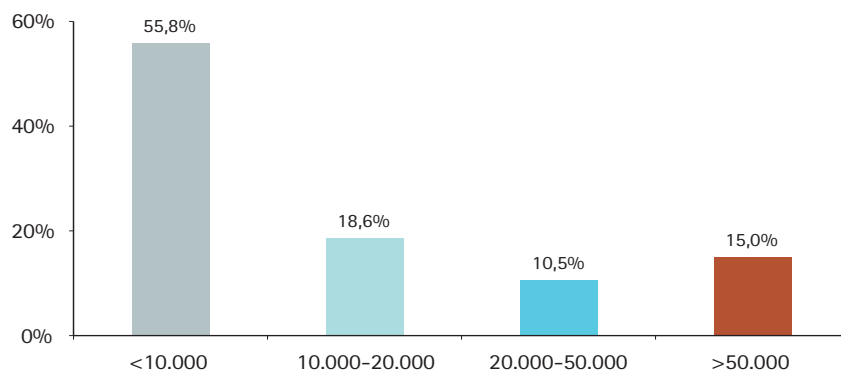
The value of insurance premiums is one of the most important components for fostering the financial inclusion of insurance, since it is a limiting factor especially for people with lower incomes. In 2015, the value of premiums written paid monthly by the insured was seen to focus mainly on those with a value under \$10.000, equal to 55,8%. Within this range, insurance associated with

⁷² Personal Insurance: Funerals, personal accident, voluntary group life, group life debtors, individual life and BEPS. Property and casualty insurance: Fire and/or earthquake, theft, unemployment, household and agriculture.

⁷³ Premiums written by the total lines accounted for \$21.5 billion at the end of 2015.

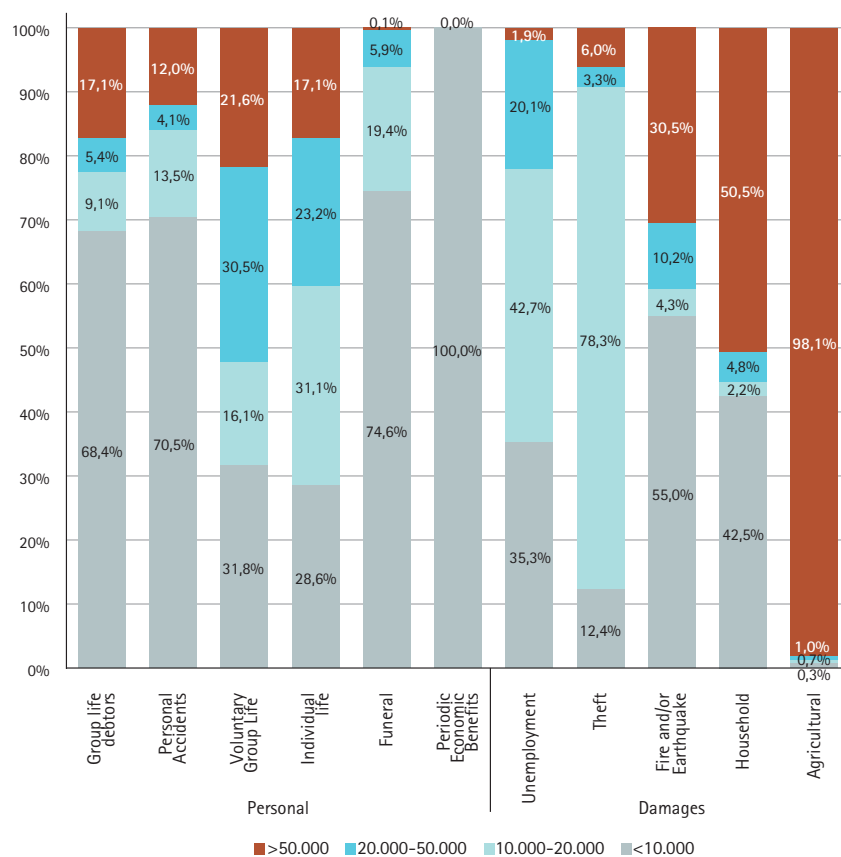
Periodic Economic Benefits (BEPS)⁷⁴ and funeral registered shares of 100% and 74,6% over the total insured in each line. Meanwhile, agricultural and household insurance registered a significant contribution in the number of insured who pay a value greater than \$50.000 in monthly premiums, exhibiting shares of 98,1% and 50,6%, respectively.

CHART 107: Insured by range of monthly premium 2015



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

CHART 108: Range of monthly premium by line



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

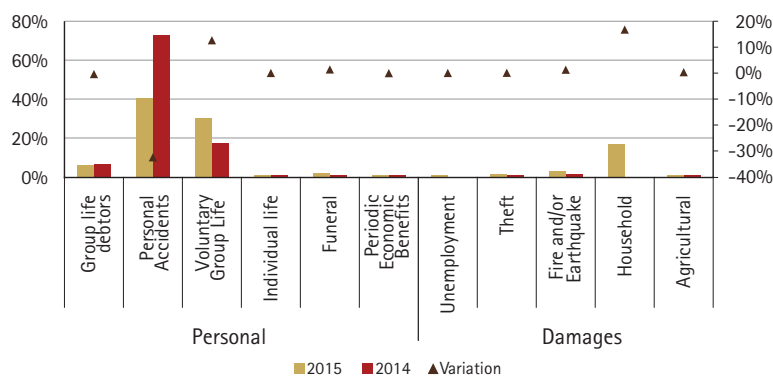
74 BEPS: is a flexible alternative mechanism that aims to protect during old age, through independent, autonomous and voluntary individual savings

Current risks insured by zone

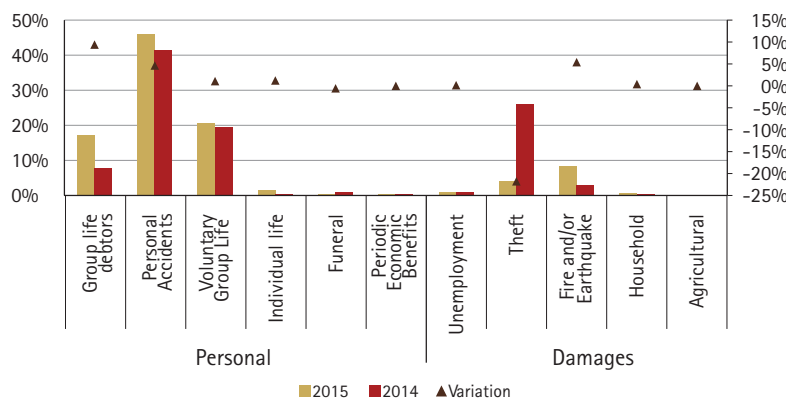
The gap between rural and urban areas remains a fixture in the insurance industry since of the total current risks insured, 93,8% corresponded to those located in urban areas. However, in the last year an increase in the use of insurance in rural areas, has mainly been driven by the growth observed for the household and voluntary group life, which points to significant progress in terms of an insurance culture. In particular, at the close of 2015 the number of risks existing in rural areas, identified by insurance companies, accounted for 625.084 risks compared with 423.350 in 2014, equal to an annual growth of 47,7%.

By line, the greatest number of risks insured in rural areas was seen to correspond to personal accidents with 251.947, the same observed in urban areas which were of 4.375.718. It is worth mentioning that within loss insurance, unemployment and agriculture insurance were the lines that filed the lowest number of risks insured in rural areas.

CHART 109: Current risks insured rural zone - urban



Share of risks insured the urban zone



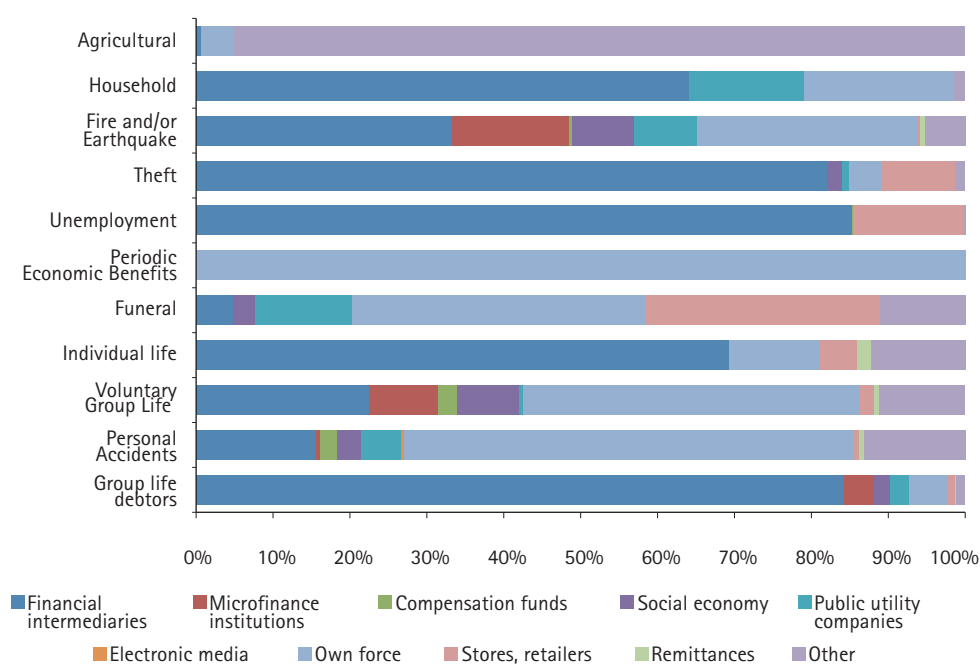
Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

Inclusive insurance distribution channels

Financial intermediaries supervised by the Superintendencia Financiera de Colombia were positioned as the main distribution channels for the inclusion through insurance in Colombia. In 2015, unemployment, group life debtors, theft and individual life were the main lines acquired through this channel. Agricultural insurance, for its part, stood out by being marketed by other channels⁷⁵, while the insurance associated with BEPS used its own salesforce for marketing in this line.

In particular, of the total insured per channel, 52,2% corresponded to financial intermediaries, followed by own salesforce (27,5%) and other agents (6,7%), all other distribution channels contributed in a smaller proportion. In this regard, the average number of insured through financial intermediaries accounted for 42% of total insured through the channels specified and identified in the sector's financial inclusion survey.

CHART 110: Insured by line and channel 2015



Source: Superintendencia Financiera de Colombia. Insurance financial inclusion survey

Own sales forces are the second channel through which more individual clients are enrolled, and remains the avenue of choice for distributing of personal accident insurance (58,4%) and voluntary group life (43,8%). In addition, insurance

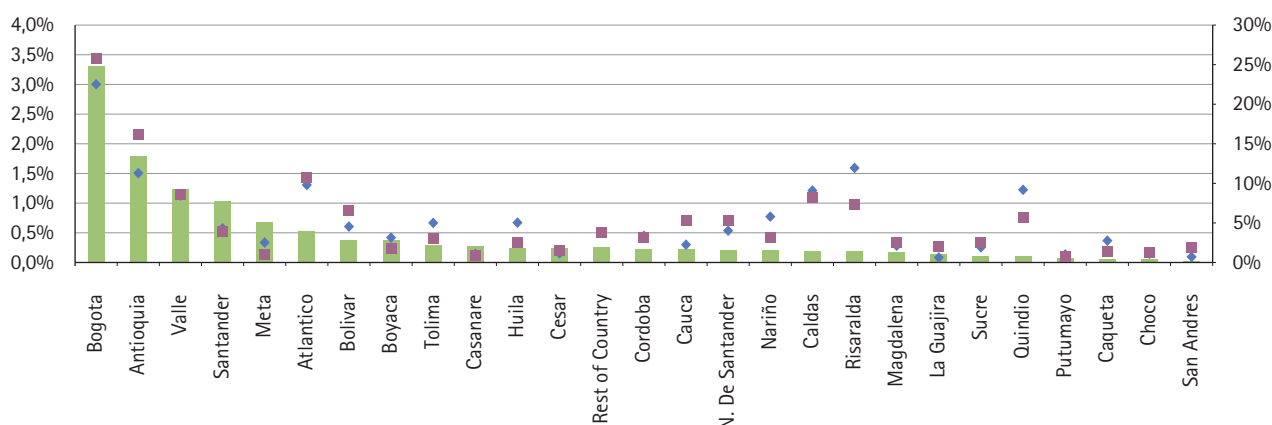
⁷⁵ Marketing channels aside from those identified in the financial inclusion survey. Particularly, these relate to insurance brokers.

associated with BEPS, stood out for using this channel as its exclusive avenue for marketing. In this way, an average 28,6% of all insured came in through own salesforces.

Financial deepening of insurance by department

The largest insurance penetration in Colombia was influenced largely by the economic performance of each of the departments. In particular, Bogotá, D.C., which contributes a quarter of the national GDP, exhibited the highest penetration rate at the regional level with an indicator for loss insurance of 3%. While for personal insurance penetration was 3,5%. In contrast, departments like Bolívar, Cauca and Magdalena, that had a low share of national GDP of 2,9%, 1,6% and 1,3%, respectively, were some of the exceptions showing a level of penetration above the economic performance of each region.

CHART 111: Penetration index by department



Source: Fasescolda and DANE. In-house calculations. Due to availability of information, GDP by department was taken at the close of December 2014.

The personal insurance group stood out for reaching a penetration indicator higher than that seen in loss insurance, performance that was supported largely by the individual and group life lines and personal accident.

Regarding the share of total premiums written by department, Bogotá D.C. accumulated on average 56% of loss and personal insurance. Meanwhile, Antioquia averaged 17% of premiums written. These two regions together concentrated 74% of total premiums written in the country. In contrast, regions such as Amazonas and San Andres recorded a minimum share of total premiums, due to population distribution.

Main indicators of insurance in financial inclusion

Although a variety of insurance products is observed with differing characteristics, an attempt was made to develop certain indicators to standardize and compare services between each other. Given the above, the estimated value of the average monthly premium⁷⁶ stood within a range of \$3.087 to \$47.847 in personal insurance, not including the BEPS line, which recorded an average value of \$290.491. The value of the estimated average monthly premium for property and casualty insurance moved in a range of \$9.018 to \$81.681, not including agriculture that recorded a value above of the other lines⁷⁷. In the case of personal insurance, personal accident and funeral, these proved to be the insurance with the lowest average monthly premiums, while in the case of damages, the lines were unemployment and theft.

Additionally, within the personal insurance group, the line that recorded a higher loss ratio⁷⁸ in 2015 was Funeral given the estimated value for claims paid value was \$2.758.488. Meanwhile, in loss insurance the greatest ratio of loss rates was from agricultural insurance given its nature.

Meanwhile, the highest rate of objections, that happen when the insurer, in the event of a claim for payment of the loss, indicates that it is not obliged to compensate for circumstances excluding it from liability, arose in unemployment insurance (32,1%), followed by the objections for theft and individual life with rates of 18,1% and 14,0%, respectively.

Table 11: Main Indicators

Seguros personales						
	Vida grupo Deudores	Accidentes Personales	Vida grupo Voluntario	Vida individual	Exequias	Beneficios Económicos Periódicos
Prima estimada promedio mensual	9.917	3.087	11.837	47.847	3.356	290.491
Valor asegurado promedio	32.089.236	80.752.512	68.852.234	125.707.759	5.798.379	80.508
Siniestralidad bruta	34,07%	21,34%	36,37%	20,57%	41,86%	9,71%
Valor promedio siniestros pagados	8.000.086	887.515	7.291.604	10.556.565	2.758.488	334.927
Frecuencia	0,04%	0,07%	0,06%	0,09%	0,05%	8,42%
Tasa de objeciones	8,91%	8,37%	11,03%	14,02%	4,19%	0,00%
Tasa de cancelaciones	15,50%	28,58%	18,81%	39,78%	24,39%	1,84%

Seguros de daños					
	Desempleo	Sustracción	Incendio y/o Terremoto	Hogar	Agropecuaria
Prima estimada promedio mensual	9.018	10.661	81.681	27.077	1.051.100
Valor asegurado promedio	2.696.380	17.822.573	428.447.719	102.815.516	143.112.982
Siniestralidad bruta	18,39%	17,96%	38,15%	14,20%	143,96%
Valor promedio siniestros pagados	2.158.943	1.860.114	3.718.990	2.608.026	11.235.762
Frecuencia	0,06%	0,06%	0,39%	0,14%	11,62%
Tasa de objeciones	32,14%	18,12%	2,52%	9,06%	6,85%
Tasa de cancelaciones	24,5%	14,83%	9,2%	7,09%	39,7%

76 Estimated average monthly price of an insurance premium. Note that this is not an exact calculation, but an estimate from the figures sent by the companies in the survey. Corresponds to:

$$p.prom. \text{ mensual} = \frac{\text{Primas emitida acumuladas}}{\# \text{ riesgos asegurados vigente } 12}$$

77 The cost of agricultural insurance premium is determined by different factors and depends on the policies of each insurance company. However, some of the variables that influence the price of insurance are: crop type, insured value, covers contracted, location of the crops, among others.

78 It is the ratio between premiums written by the insurance company and what it has to pay out in respect of claims paid.

Conclusions

The insurance market in Colombia continues to have great potential. This is because in recent years, new players have entered the industry, which has led to increased levels of depth. In 2015, the value of premiums written to GDP, stood at 2,7% corresponding to an increase of 17pb compared to the level observed a year earlier.

The lines with the greatest share according to the financial inclusion survey conducted by the Superintendencia Financiera de Colombia corresponded to those associated with personal insurance. The foregoing happened especially in the group life related to loans and personal accidents lines, which recorded the highest number of insured.

Individual life, was the line where the share of women stood at 53,4%. This performance was supported largely by risk management attitudes of mothers (particularly heads of household), as they need to cover the economic needs of their families in case of death, disability or illness.

The main distribution channel for insurance in Colombia was financial intermediaries. Unemployment, group life insurance related to loans, theft and individual life were the main lines acquired through this channel.

Insurance coverage in rural zones continues to be very low versus that observed in urban areas. Of the total insured risks in force, 93,82% corresponded to those located in the latter area. However, in the last year an increase was seen in the use of insurance in rural areas driven mainly by the household and voluntary group life lines.

One of the important factors of inclusion through insurance is the value of premiums written. In 2015, the value of premiums written paid monthly by the insured mainly involved those with a value under \$10.000, equal to 55,8%. Periodic Economic Benefits (BEPS) and Funeral were the lines that were below that level.

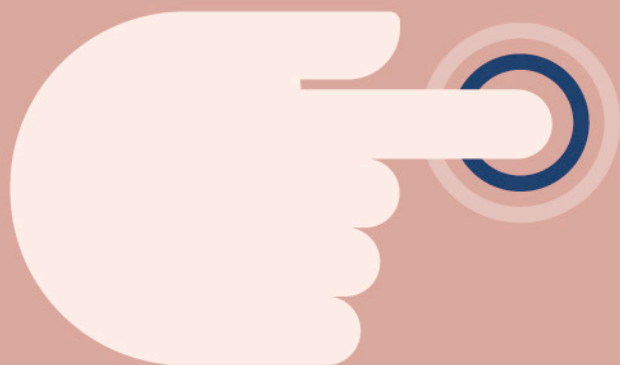
The share of Bogotá D.C. over national GDP influenced the deepening of insurance in Colombia. One quarter of the national GDP was recorded in Bogota, D.C., which favored the deepening of the level of insurance after exhibiting the highest penetration rate in the country (6,5%), 3,5% corresponded to personal insurance and 3,0% to loss.

Unemployment insurance was the line with the highest objection rate (32,1%) given that, in most cases, the insurer states it is not obliged to compensate a loss claimed, because it is outside its liability and is exempted from it.



Approach to the quality dimension of financial inclusion:

Protection of Financial Consumers



Approach to the quality dimension of financial inclusion: *Protection of Financial Consumers*

Technology-based financial services

In recent years, technology has revolutionized the way products and services are offered to the population. The various technology platforms today not only allow consumers to have more information available for decision making, but they can also purchase products and services in an easy, efficient manner, at lower cost.

Faced with this new technology an interconnected and digital society has developed, with a generation of consumers with greater ability to interpret information and to demand services according to their needs and quality requirements, consumption patterns have changed rapidly and steadily, often leaving the efforts of regulators behind in achieving the desired balance between innovation and consumer protection.

Financial services and consumers have not been oblivious to this digital transformation. Today, services ranging from digital identity verification, loans between individuals (peer to peer lending), loans to SMEs, collective financing of projects (crowd funding), digital currencies, payment systems and processors, insurance, accounting and risk management, Automated investment advisory services (robo-advisors), among others. The most mature Fintech segments correspond to payment services, showing a moderate annual growth and an increased cumulative number of trades. Meanwhile, the segments with the greatest development potential are loans and investments to businesses, SME financing, insurance and digital currencies⁷⁹.

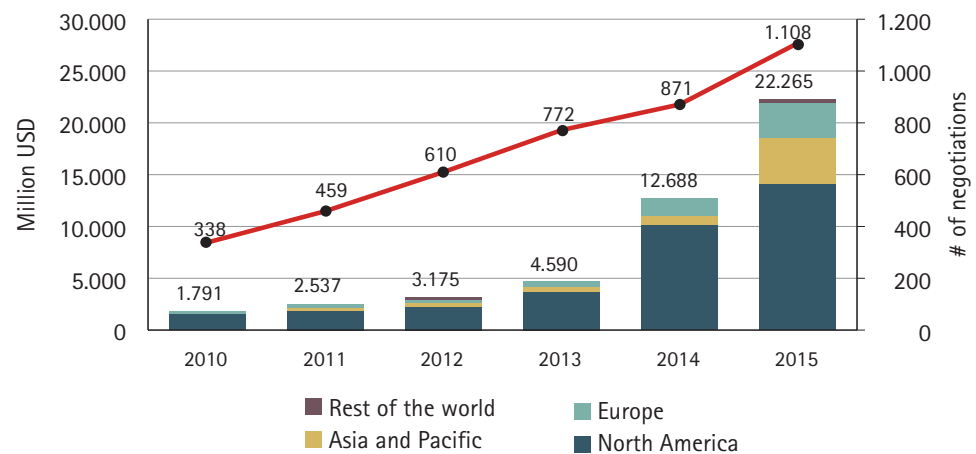
These innovations or ventures have had accelerated growth in recent years based on growing demand by managing to offer financial solutions aligned with the needs and aptitudes of the population, a concept known as contextual banking⁸⁰. Proof of this is the constant evolution of global investment in Fintechs, which

79 Accenture (2016), Fintech and the Evolving Landscape: Landing points for the industry

in 2015 recorded a total of USD 22,3 billion⁸¹ with an average annual growth rate since 2010 of 73%. Likewise, the number of deals they have made with institutions seeking to use their services, whether through acquisition or merger, have increased from 338 in 2010 to 1.108 in 2015.

The largest proportion of investment in these developments has taken place in North America, with 63% of total investment in 2015. Europe and Asian and Pacific countries have also been involved, but to a lesser extent, with 15% and 20% of total investment in 2015, respectively. Between 2014 and 2015 investment in Fintechs in Asia and the Pacific quintupled.

CHART 112: Total investment in Fintech worldwide and by regions

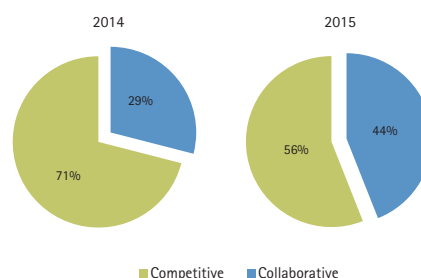


Source: Accenture (April, 2016)

*Includes partnerships, mergers or acquisitions

These investments and negotiations are made by all kinds of organizations from different sectors, including financial, from seeing in these new technologies business opportunities that can be backed to evolve, while allowing them at the same time to service unmet demand without modifying their original business model. This is reflected in the increased investment in collaborative versus competitive, whose share increased between 15pp between 2014 and 2015⁸².

CHART 113: Total investment in collaborative and competitive Fintech



Source: Accenture (April, 2016)

80 Indra (2016), Identity Management, contextual banking and value-added services for the SME sector need to lead digital strategies in the financial sector

81 USD 1 billion = USD 1,000 million

82 Competitive Fintech are those offering financial products or services that compete with financial institutions

Although the total investment in Fintech and even in collaborative Fintech has increased, these developments could better capture the attention of banks. It is estimated globally, that in 2015 banks spent \$50 billion in financial technology, of which \$22 billion were invested in Fintech and of these USD 5 billion were allocated to doing outside deals where banks are investors. The low involvement in foreign investment by financial institutions, together with the existence of internal barriers to transformation towards digitization, represents a risk for them by not letting them change their service offerings at the necessary pace and improve efficiency in their platforms⁸³.

The data shows that investment in Fintech globally has great growth potential that will surely continue materializing in the coming years, either by offering different alternatives or by complementing traditional banking. Therefore, regardless of the speed and mode of adoption by financial institutions of Fintech, it is clear that they must generate new ways to reach, interact and satisfy their consumers to remain in the market.

Technological innovation to provide financial solutions has the potential to bring both benefits and risks to financial consumers, and is considered a key tool to continue including the population in the financial system. However, this innovation, along with its rapid growth and the scant information available about it, creates a challenge for regulators and oversight bodies in detecting as early as possible changes in the market with a dual purpose: to create an optimal environment that encourages innovation, but at the same time not endangering financial stability and consumer protection in the digital environment.

In that sense, the task of the authorities is first of all to understand how innovations work, what kind of companies offer them and what are the determinants driving their potential for growth. Secondly, it is necessary to study different aspects of how these innovations affect the financial stability of institutions and industry, and how they affect the information security of people and their interests. All this requires that the authorities have a new lens to observe the market, allowing them to translate their evaluation into effective regulation and supervision while not limiting the free development of the market and innovation⁸⁴.

The assessment each country must make, especially financial authorities, needs to include how these developments affect financial stability and financial consumer protection. As for stability, the authorities will have to evaluate

83 Accenture (2016), Fintech and the Evolving Landscape: Landing points for the industry.
84 Financial Stability Board (April, 2016).

micro factors, such as changes in risk exposure by the supervised financial institutions to adopt new technologies, the state of regulation on the matter, the requirements in terms of quality and information security and business continuity of operations and an internationally connected digital environment. On the side of the macro analysis, the authorities need to assess the potential systemic effects of innovations, changes in the transmission channels, and effects on liquidity, transparency and leverage, among other factors ⁸⁵.

In this regard, countries worldwide have questioned what their role will be, taking into account the particularities of their local financial sectors. The United States, for example, through the Director of the Consumer Financial Protection Bureau⁸⁶ publicly called developers of technology products and financial services to sign agreements in which the Government agency says it does not intend to make use of its powers to impose sanctions against companies that introduce new financial services; a sort of "safe harbor" under certain operating conditions, including a commitment to engage in discussions with the regulator to present their initiatives. In the case of the United States, the authorities taken on the role of facilitators and have taken measures considered appropriate for their industry. However, keep in mind that to address these developments there is no single solution; each country will have to learn about these new issues and adjust its regulation and supervision.

In terms of financial consumer protection, there is a need to move forward on standards taking into account the evolution of financial services towards digitization. Firstly, it must be considered the core recommendations issued by the OECD⁸⁷, which suggest that jurisdictions need to have an appropriate legal, regulatory and supervisory framework, that there should be a supervisory body for consumer protection, fair treatment to financial consumers, protection against fraud and safeguard of personal information. All these are the fundamentals of any appropriate protection system able to address the challenges of the new environment. A level of fine-tuning will probably be required to existing rules to maintain transparency of markets and allow consumers to understand the conditions and risks of any new products.

It is worth noting that the OECD itself, when updating its consumer protection in

⁸⁵ Ibidem

⁸⁶ Consumer Financial Protection Bureau

⁸⁷ OCDE (2011), G20 High-Level Principles on Financial Consumer Protection

electronic commerce recommendations⁸⁸, recently presented developments that are fully applicable to the financial environment. Among these we can highlight:

- **Mobile phones.** The growing use of mobile phones brings a number of technical challenges for information disclosure to be effective, for example, when you have small screens that can also limit the consumer's ability to keep a proper record. Recommendations are included that highlight the need to account in regulations for technological limitations or special features of the phones used by certain consumers.
- **Protection in payments.** The level of protection of certain payments may vary depending on the type of mechanism used. The recommendation asks interested parties to work together to develop minimum requirements across all payments platforms. In this specific point and for the Colombian case, the Superintendencia Financiera de Colombia has been working on a project for supervised institutions to require certain assurances of a technical nature of payment gateways⁸⁹ so they can do business with these institutions.
- **Non-cash transactions.** More and more consumers acquire goods and "free" services in exchange of personal information. The recommendation endeavors to establish mechanisms for compensating consumers who have problems with these types of transactions.

Beyond the products offered, which depend on a more or less fixed regulatory policy, and also understanding that some of them have the potential to change the way certain financial services are provided, a developed consumer protection structure will always require some adjustments at policy level to adapt to new market conditions and certainly improve their information systems to understand as quickly as possible the new products, their promises to financial consumers, for financial inclusion, while adequately addressing inherent risks.

Economic and Financial Education

The digital environment in our country has been consolidating rapidly, as it was mentioned. Given this reality, and considering that the investment in education by all stakeholders in the consumer protection chain is an important tool for protecting financial consumers, the Superintendencia Financiera de Colombia, in addition to continuing the duties entrusted to it by the existing legal and

⁸⁸ OCDE (2016), Consumer Protection in E-commerce: OECD Recommendation. Paris. OECD Publishing

⁸⁹ Tools that facilitate payments or negotiations in electronic commerce.

institutional framework for consumer protection, has been developing important efforts on Economic and Financial Education.

First through its participation in the inter-sector commission established by Decree 457 of 2014 by which the National Administrative System for Economic and Financial Education is organized, within which work has been done in the construction of the document containing the National strategy for Economic and Financial Education and all additional elements to operationalize the aforesaid committee. Additionally, conceptual papers have been worked on with content that will be part of financial education programs on issues such as consumer protection mechanisms, fraud, financial planning, savings, pension education, debt management and over-indebtedness prevention.

On the other hand, the Superintendencia Financiera de Colombia continues to advance financial education programs within a generic education program called "Learning from the Super: Planting a Prevention Culture". In the implementation of the various programs, the SFC reached 6.337 attendees in the year 2015, with a compound population group of students, staff and the general public, with an increase in attendance of 82% compared with those fulfilled in the year 2014, which translates into conducting 153 training, 65% more between lectures and workshops.

Finally, the SFC signed an agreement with the Development Bank of Latin America – CAF, for the purpose of having a diagnosis from the experience of institutions supervised by the SFC and the results achieved in the implementation of financial education programs for adults, youths and children, in line with the products and services offered.

The survey took into account the variables of greatest impact on programs, from the location area and empowerment, through channels, up to their measurement with the following objectives:

- Characterizing the set of institutions supervised by the SFC in terms of the strengths and weaknesses of their financial education programs.
- Defining key variables in the development and implementation of a financial education program.
- Assessing the status of the key variables in the set of institutions supervised by the SFC.

The survey was conducted with 144 supervised institutions and the interview to drill down on the results was performed according to the criteria of size, specialty, results, type of institution, etc., which allowed obtaining information regarding the relative importance granted to the subject of financial education within the supervised institution, the type of audience, the channels used for the dissemination and promotion of their actions and strategies developed for monitoring the achievements of the program targets.

Some of the preliminary results of the survey, conducted in 2014, are as follows:

43,2% of all institutions surveyed said they started their program three or four years ago, that is, around the middle of 2010, just one year after the enactment of Law 1328 of 2009, which enshrined having financial education programs as an obligation of supervised institutions. Similarly, when analyzing the execution times of financial education programs, 25,2% of surveyed companies were shown to have decided to take immediate actions about creating programs in the field on the subject.

According to survey results, the insurance industry has made major efforts in this process given that 72,7% of its members began their programs over four years ago and 18,2% started them three or four years ago. Only very small percentages include those who have recently begun programs.

In the case of banks, the fact that 50% of them created their programs over a period of three or four years ago stands out. In contrast, 43,5% of the educational programs of the trust sector were created less than two years from the date of completion of the survey period.

According to the information reported in some institutions, the financial education program is led by a senior official of the company. However, programs led by middle managers or low level positions in the organization were also found, which limits the freedom that the program has to be modified or expanded.

Within supervised institutions, the department that is most often in charge of financial education programs is Customer Service with 31,5%. However, 16,7% of the Marketing departments lead these types of programs, which in principle could divert the primary objective of financial education programs.

It was also shown that the insurance sector is the one with the largest changes since 91% reported having a financial education program and the remaining 9% were developing it. The institutions in the sectors of Pension Fund Administrators and Cooperatives stood out since 100% of institutions already had financial education programs. On the other hand, 21% of the brokers and 8% of the trust companies did not even have programs under development.

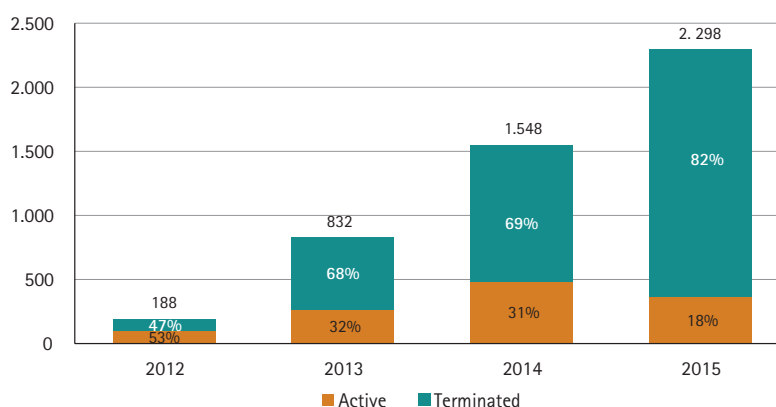
Progress in implementing the jurisdictional powers of the SFC

The SFC continues to exercise jurisdictional powers that were conferred on it by Law 1480 of 2011 successfully managing the steady increase in demand. These powers have enabled the institution to rule in law and with the powers of a judge regarding disputes arising in the implementation and fulfillment of the obligations of contracts by its controlled institutions and it performs the duties of Office of the Delegate for Jurisdictional Powers, an area that reports directly to the Office of the Financial Superintendent.

The Office of the Delegate for Jurisdictional Duties recorded, in what is already a clear trend since it began its work in 2012, an increase of 48% in the number of claims received in 2015 over the previous year, establishing itself as an important instance for financial consumers seeking to defend their rights in the exercise of the action of consumer protection enshrined in Law 1480 of 2011.

From April 2012 to December 2015, the SFC has received a total of 4.866 claims of which 82% were completed. In 2015 alone, 2.298 claims were received; out of those, 1.934 (84%) were closed by the end of the year.

CHART 114: Evolution of claims in 2012-2015

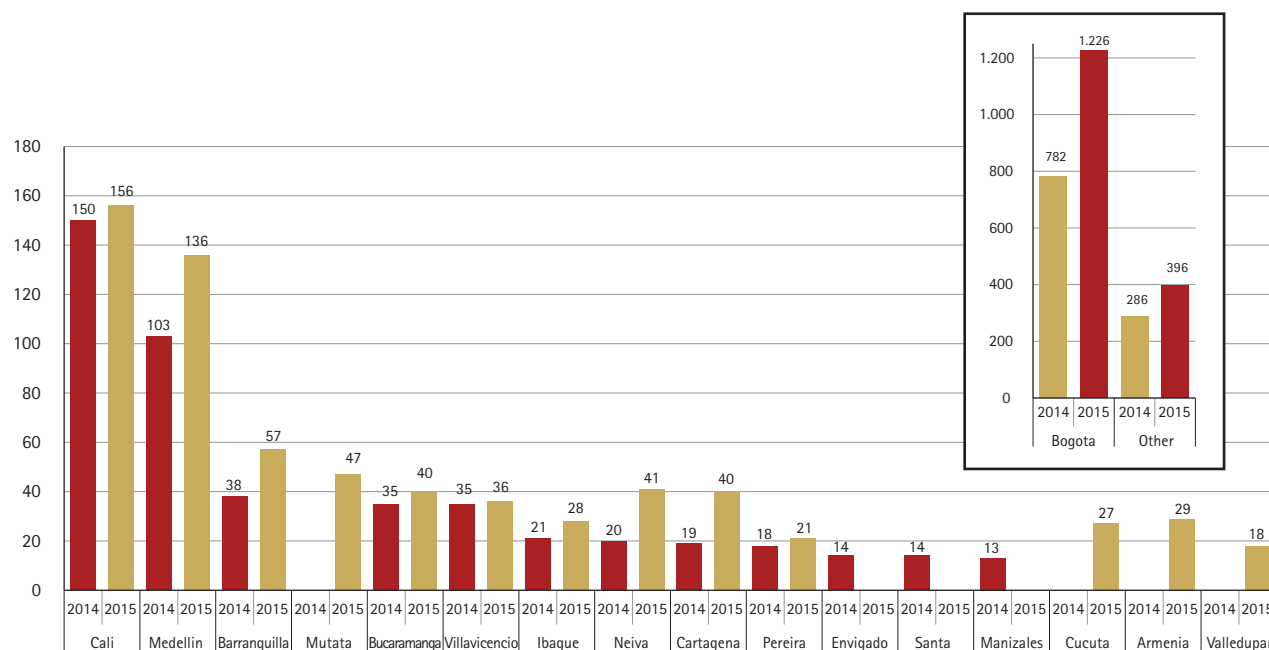


Source: Superintendencia Financiera de Colombia.

It should be noted that the possibility of virtual hearings, in addition to the mechanisms available to file suite, such as the SFC's website and other facilities users have at their disposal to query status and their daily transfers as well as real-time consultation of records, has become a genuine decentralization mechanism that continues to consolidate throughout the national territory. In the same vein, the search for improvement in the provision of services, the Office of the Delegate for Jurisdictional Powers publishes on the website of the SFC the major sentences that may be of interest to financial consumers, conveniently categorized by mass usage products and other relevant topics. This information, in addition to publicizing the most important case law is a valuable pedagogical exercise on the rights and duties of financial consumers and is very useful for consumers who wish to file a complaint with the SFC.

All this has allowed greater access to exist in regions to the service of the SFC. For example, 47% that is, 1.078 of the total 2.298 complaints received during 2015, were filed from cities other than Bogota, D.C. It is also worth highlighting the increase over 2015 in complaints in cities like Medellin (32%), Barranquilla (50%), Neiva (105%) and Cartagena (111%), and also the reactivation of complaints in cities like Mutata, Cucuta, Armenia and Valledupar.

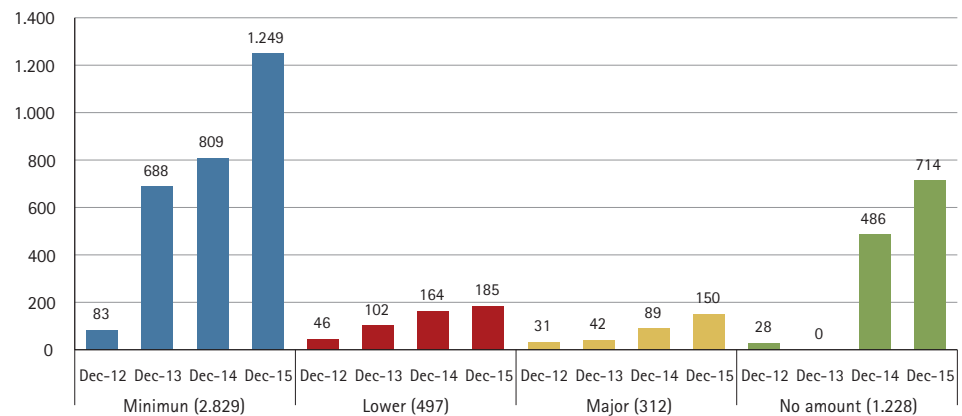
CHART 115: Evolution of claims in cities 2014–2015



Source: Superintendencia Financiera de Colombia.

Of the complaints filed in 2015, 1,249 (54%) were small claims (less than 40 SMMLV). This type of claim may be filed verbally, which has favored small claims as evidenced by the use given by financial consumers to this expedited and effective process for settling contractual disputes with the supervised institutions. This implies a growth rate of 81% in the number of small claims since 2013, the first full year of operations of the Office of the Delegate, and 2015.

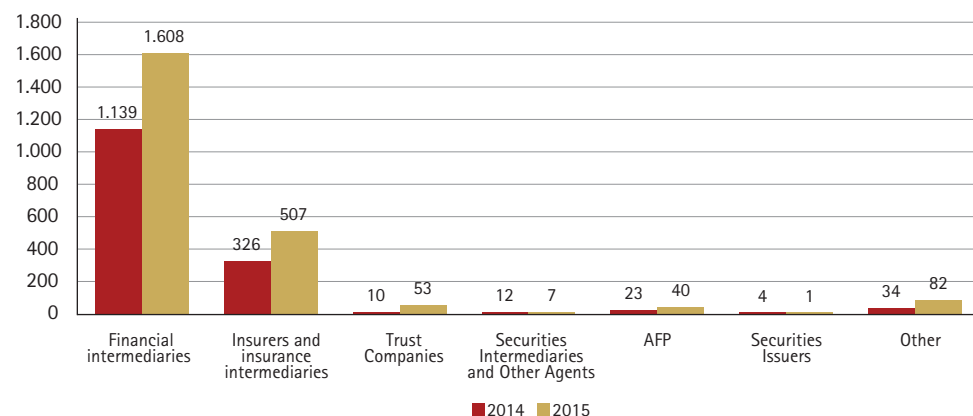
CHART 116: Total Claims by amount 2012-2015



Source: Superintendencia Financiera de Colombia.

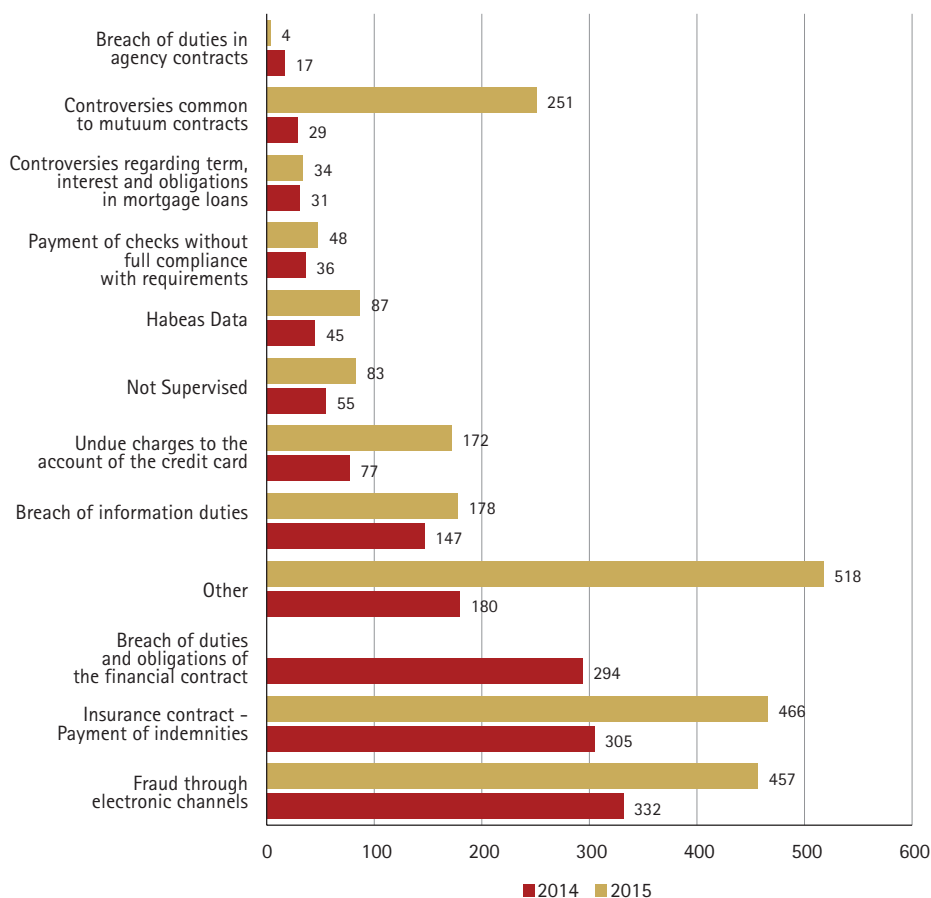
Of the total complaints filed during 2015, 1,608 that is, 84% - concentrated on financial intermediaries, followed by insurers and insurance brokers with 12%. On the issue of demands, the three main topics were fraud through electronic channels (20%), insurance contract - payment of compensation (20%) and controversies common to mutual agreements (11%) which accounted for 51% of claims filed. It is worth mentioning the increase over 2014 of claims for issues such as disputes common to mutual agreements (766%), improper charges by credit card (123%), insurance contract-payment of compensation (53%), fraud through electronic channels (38%).

CHART 117: Claims by sector and by topic



Source: Superintendencia Financiera de Colombia.

CHART 118: Claims by issue 2014–2015



Source: Superintendencia Financiera de Colombia.

Progress in servicing complaints

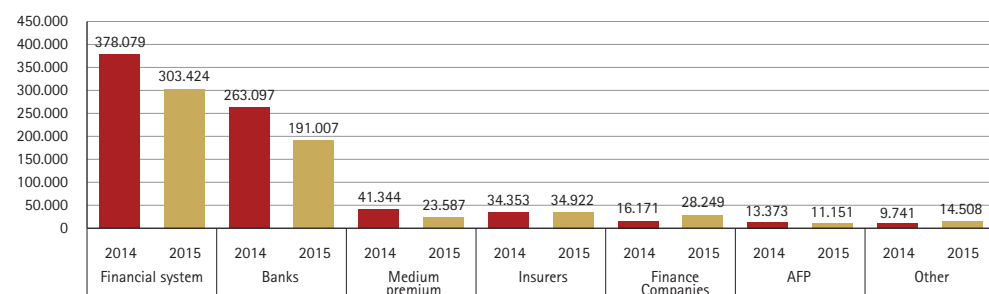
The SFC, as financial consumer protection instance in Colombia, receives, channels and addresses complaints filed by financial consumers, tracking reports of complaints reported by supervised institutions and financial consumer advocates. One of the purposes of the SFC over the medium term is to begin to collect process and analyze information on complaints against supervised institutions applying data mining techniques to identify and assess trends to protect financial consumers more effectively and for supervisory purposes.

Using these tools will be a step forward to discovering the pieces of information required for use in helping to chart the course of future policy before the appearance of so-called "disruptive technologies" in financial matters, requiring

the quick reaction of regulators and supervisors in seeking a balance between modernization and the stability of financial markets, coupled with consumer protection.

As for developments in addressing complaints the SFC, supervised institutions and the financial consumer ombudsmen, the number of complaints pending settlement in the financial system by 2015 showed a 20% reduction, from 378.079 in 2014 to 303.424. This reduction is explained by the decrease in complaints pending settlement in banking establishments, average contribution and AFP. Meanwhile, out of the total complaints filed against finance companies, there was a significant increase of 74,6% in the number of complaints settled over the previous year. This is in line with the market exit of two such institutions.

CHART 119: Total complaints pending settlement (December 2014 vs. December 2015)

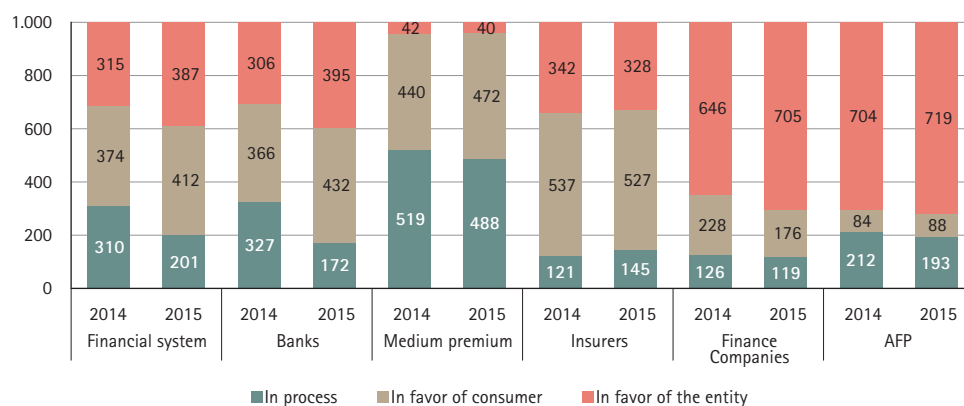


Source: Superintendencia Financiera de Colombia.

The chart presented below shows the timeliness of the handling of complaints and how decisions were handed down for every 1.000 complaints in process. This indicator establishes a reliable comparison between industries regardless of the number of complaints received.

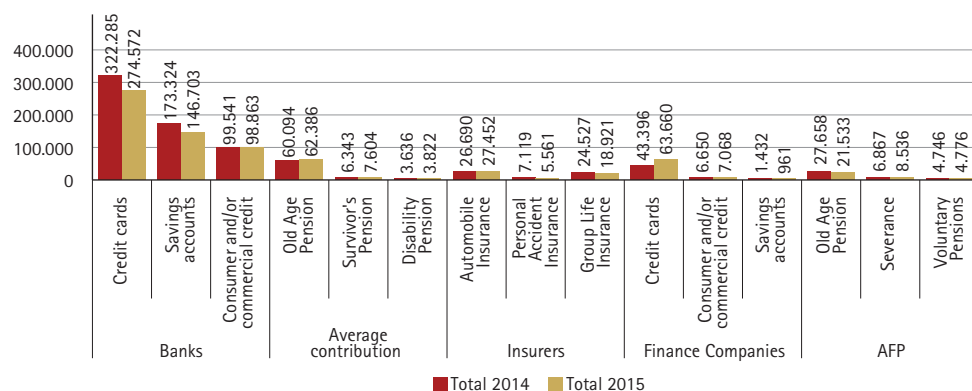
A reduction is evident in general in the percentage of outstanding complaints by the end of each period, where the sectors that traditionally manage the most complaints (banks and insurance) are closing the largest number of complaints per quarter, going from 310 complaints in process per 1.000 complaints pending in 2014 to 201 per 1.000 at the end of 2015.

The ultimate direction of the decision of the complaints addressed highlights that throughout all industries, a significant proportion is settled in favor of financial consumers with the exception of finance companies and AFP, where decisions on behalf of financial consumers are less favorable compared with those in favor of the financial institution.

CHART 120: Servicing of claims for every 1.000 pending settlement by type of entity (quarterly average 2015)

Source: Superintendencia Financiera de Colombia.

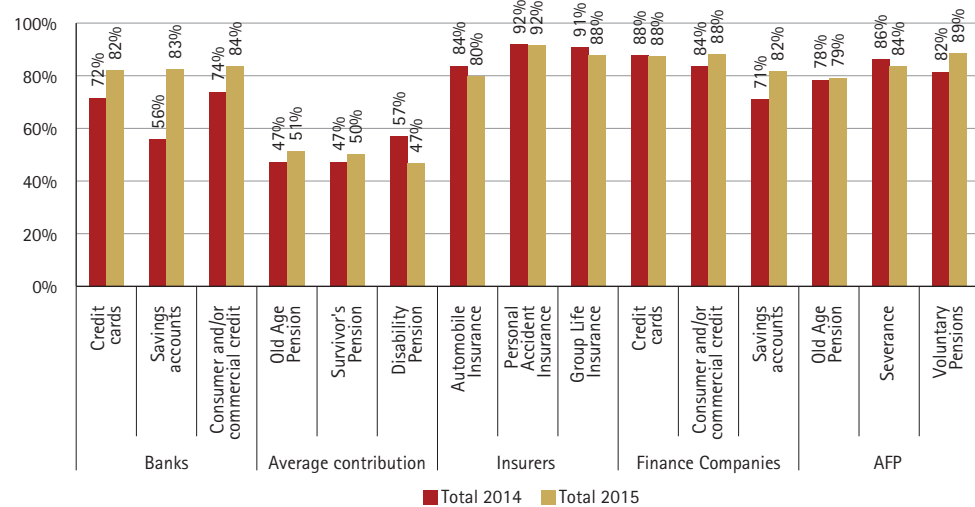
Complaints closed by product during 2015 decreased compared to 2014 taking as reference the products with the highest number of claims, i.e., credit card, savings accounts and consumer and commercial credit.

CHART 121: Number of complaints terminated by product and entity

Source: Superintendencia Financiera de Colombia.

As noted above, although the finalized complaints by product decreased in 2015 compared to 2014, the quarterly average of complaints completed by product and institution as a proportion of average complaints settled was consistently higher in 2015 compared to 2014, in particular regarding the products of financial intermediaries. In other words, the management carried out by the institutions receiving the highest number of claims, such as banks and finance companies, improved for 2015.

CHART 122: Quarterly average of complaints terminated by product and entity as a share of average complaints pending settlement



Source: Superintendencia Financiera de Colombia.

The decision for or against financial consumer complaints per 1.000 completed by product and type of institution yields different results in regard to which it is considered appropriate to emphasize the following:

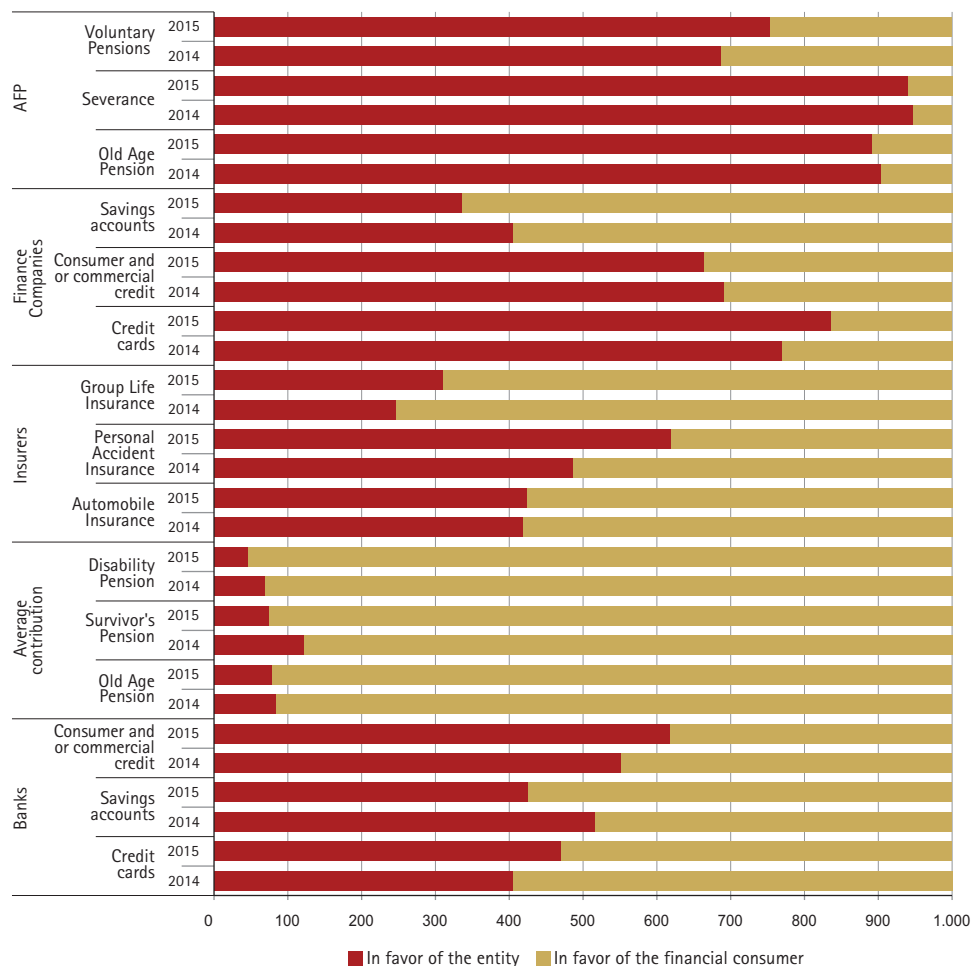
Banks: the products that were subject to measurement were credit cards, savings account and consumer credit. Although the proportion varies due to the product in credit card and savings accounts, more than 50% of claims were resolved in favor of financial consumers. In the case of credit cards, 529 of 1.000, and savings account 574 of 1.000. The same did not happen with consumer credits which were resolved in favor of consumers at a rate of 381 per 1.000 consumer complaints handled.

Average contribution and AFP: the proportion of complaints settled in favor of financial consumers for the three concepts of old age pension, survivors, and disability is over 90%, which is explained by the specific situation involving Colpensiones and the very nature of the benefit. These figures contrast with the results of the AFP where the share of complaints settled in favor of financial consumers is invested in old-age pensions and severance pay where about 10% of complaints are settled in favor of financial consumers.

Insurance sector: considering auto insurance, personal accident and group life, in 2015, per 1.000 completed complaints settled in favor of the financial consumer were higher than for other lines, presenting an increase of about 100 complaints per 1.000 completed. In the case of auto insurance, the sense of

completed complaints was similar to that in 2015 over the previous year, with a little over 400 per 1.000 settled in favor of the consumer. In the case of group life, complaints completed in favor of consumers increased by about 50 out of 1.000 complaints settled.

CHART 123: Direction of number of complaints for every 1.000 terminated by product and type of entity



Source: Superintendencia Financiera de Colombia.

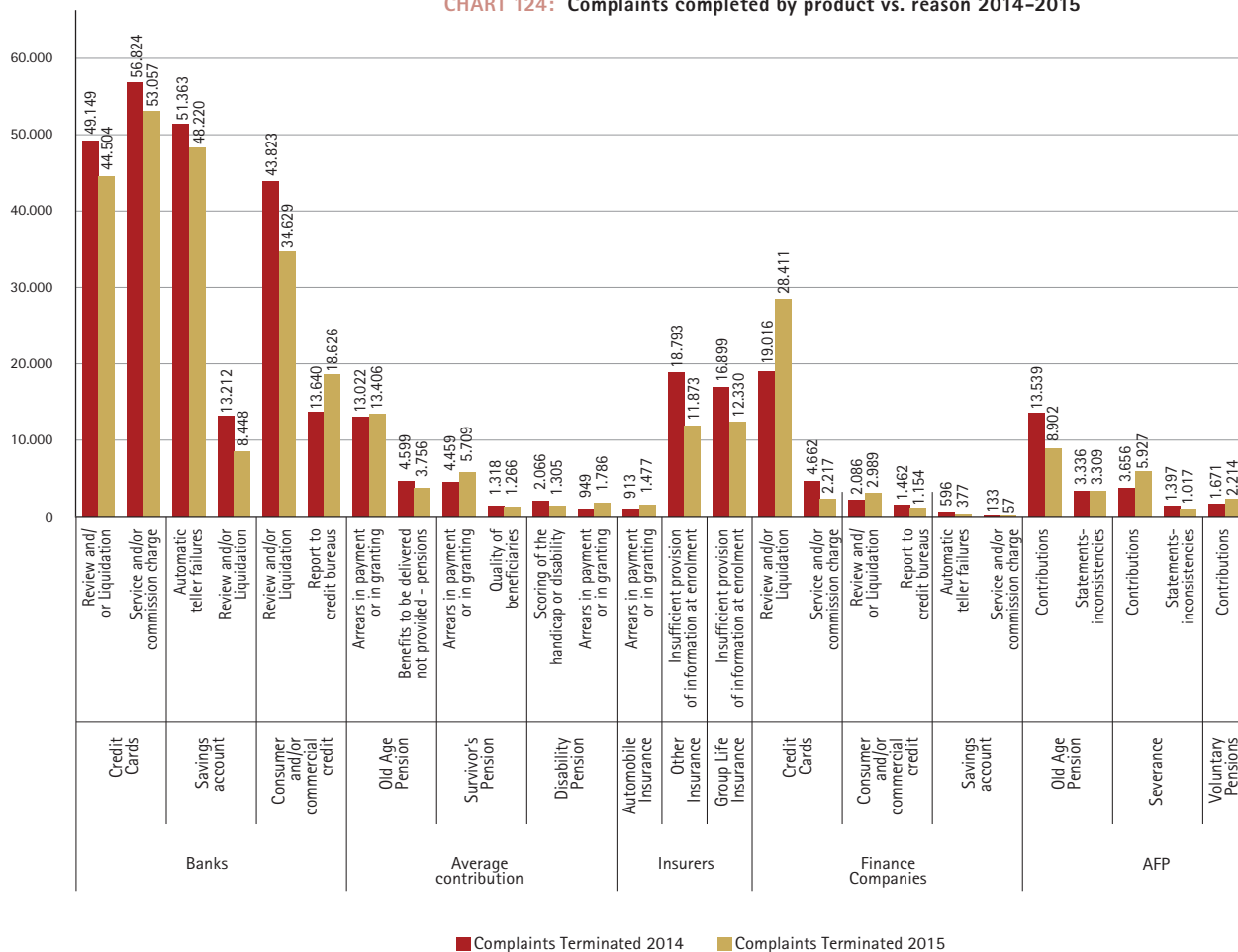
When analyzing the evolution of complaints by institution, product and reason, between 2014 and 2015, and stating that the total of completed complaints declined to the extent that the number of complaints settled also decreased in 2015, it is evident that the vast majority of complaints are associated with credit institutions, particularly banks, and are mainly concentrated in credit cards, whose main reason is the collection of services and commissions in the case of banks, and the review and settlement in the case of finance companies, which in

2015 increased significantly compared to the previous year. It is worth noting the significant increase in the number of completed complaints regarding reporting to credit bureaus for consumer and commercial loans. As for savings accounts, the main reason for complaints remains the failure of ATMs, and as for consumer and commercial loans, the main complaint remains the revision or liquidation.

Both for institutions of the average premium plan, as well as for AFPs, the main product under complaint remains the old-age pension, but in the first case, the main reason is the delay in payment of recognition, while the second reason is that of contributions.

Complaints filed against insurance companies focused on life insurance and other insurance group, in both cases being the inadequate supply information when committing the main complaint.

CHART 124: Complaints completed by product vs. reason 2014-2015



Source: Superintendencia Financiera de Colombia.

Conclusions

The continuous development of innovative financial services requires an evolution in the way of protecting financial consumers, ensuring financial stability and boosting innovation. While in Colombia there are important developments in the field of consumer protection, effective protection requires constant improvements that impact the regulation on the basis of a better understanding of the needs of the population. This is how regulation needs to continue to promote product innovation thereof and correcting market failures that may arise.

In regard to innovations in financial services, financial consumer empowerment is key. In this line, the search for more effective mechanisms to empower consumers when receiving information, and that this helps them make sound financial decisions should be continued, based on recommendations such as those made by the OECD involving specific structuring of relevant content and appropriate education, according to the population segment to be impacted.

More work is required so that the public knows about the various actors of consumer financial protection. Notwithstanding the foregoing, the various mechanisms for resolving complaints and demands made publicly available by the SFC have been effective in facilitating access to the functions of the institution to the population throughout the country. This has been evidenced not only in the management of complaints carried out by the SFC, but also in the growing number of lawsuits solved through the SFC since 2011, which also have representation of various other cities aside from Bogota D.C.

Index to measure the progress of financial inclusion: A methodological proposal from the Alliance for Financial Inclusion - AFI⁹⁰

In April 2016 the Alliance for Financial Inclusion (AFI) published the methodological guide number 18, which contains a proposal for the construction a financial inclusion index that allows a single number to integrate different indicators of financial inclusion and measure progress of financial inclusion in various countries.

The proposed index is constructed from a set of selected indicators that are part of the group of developed key indicators for the various countries

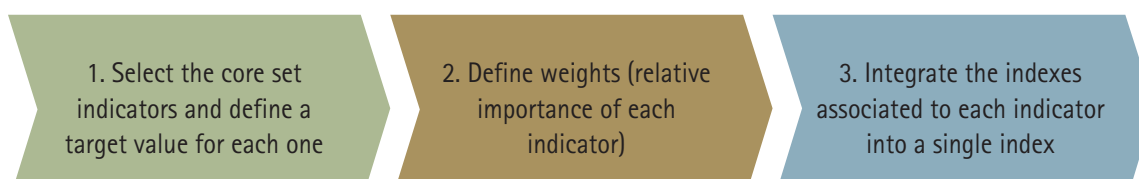
90 AFI (April 2016), "A financial inclusion index to measure the progress of financial inclusion". The full document is available through the following link: <http://www.afi-global.org/library/publications/financial-inclusion-index-measure-progress-financial-inclusion>.

belonging to AFI and now constitute the common monitoring indicators of financial inclusion by these countries including Colombia.

This proposal initially provides indicators of the dimensions of access and use and warned that its implementation should serve only as a diagnostic tool and no comparison between countries.

For the construction of this index the following steps are followed:

CHART 125: Steps for the construction of the financial inclusion index proposed by AFI



Source: AFI (April 2016), Guideline note No 18.

The indicators selected for the calculation of the index are five, three for access and two for usage of formal financial services. The following table presents the relation between the indicators selected, their target value and the weightings established in the methodology for each one.

It is important to point out that the methodological guide notes that both the target value as well as the weightings assigned to each indicator can be modified by each country, according to the interests and specific priorities on the subject of financial inclusion they each have.

Table 12: Indicators, target values and weighting considered in the financial inclusion index

Dimension	Indicators	Weighting by indicator	Value objective
Access	Number of PoA per 100.000 adults	0,50	250
	% of municipalities with at least one PoA	0,25	100
	% of population living in municipalities with at least one PoA	0,25	100
Usage	% of adults with at least one formal savings accounts	0,40	95
	% of adults with at least one formal lending product	0,60	40

Source: AFI (April 2016), Guideline note No 18.

PoA corresponds to Financial Point of Access.

In accordance with the methodological guide, each of the two dimensions considered has relative importance equal to 50% of the index.

Within each dimension, each indicator has relative importance such that the sum of these for each dimension is equal to one. Thus, for example, in the access dimension the weightings defined are 0,5 (PoA per 100.000 adults), 0,25 (% of municipalities with at least one PoA) and 0,25 (% of the population who live in municipalities with at least one PoA).

According to the value of the total index, which varies between zero and one, it is possible to determine the level of financial inclusion for each country at a certain moment in time. The following table presents the cut-offs associated to each one of the levels of financial inclusion defined.

Table 13: Possible results of the financial inclusion index and interpretation

Index values	Interpretation
$0 \leq \text{index} < 0,25$	Low financial inclusion
$0,25 \leq \text{index} < 0,5$	Moderate financial inclusion
$0,5 \leq \text{index} < 0,75$	Above average financial inclusion
$0,75 \leq \text{index} \leq 1$	High financial inclusion

Source: AFI (April 2016), Guideline note No 18.

The following Tables show the calculations of the index for Colombia for the years 2011 and 2015.

Table 14: Financial inclusion index for Colombia – 2011

Dimensión		Indicadores	Ponderación	Valor objetivo	Indicadores de Colombia 2011	Índices Colombia	Índice por dimensión	Índice total
Acceso	Número de PdA por 100.000 adultos	0,50	250	86,9	0,3	0,5	0,47	
	% municipios con al menos un PdA	0,25	100	99,2	1,0			
	% población que vive en los municipios con al menos un PdA	0,25	100	99,7	1,0			
Uso	% de adultos con al menos una cuenta de ahorros formal	0,40	95	61	0,6	0,4		
	% de adultos con al menos un producto de crédito formal	0,60	40	14,3	0,4			

Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, NGOs and CIFIN – calculations by Banca de las Oportunidades.

Table 15: Financial inclusion index for Colombia – 2015

Dimensión		Indicadores	Ponderación	Valor objetivo	Indicadores de Colombia 2011	Índices Colombia	Índice por dimensión	Índice total
Acceso	Número de PdA por 100.000 adultos	0,5	250	308,6	1,2	1,1	0,85	
	% municipios con al menos un PdA	0,25	100	100	1,0			
	% población que vive en los municipios con al menos un PdA	0,25	100	100	1,0			
Uso	% de adultos con al menos una cuenta de ahorros formal	0,4	95	70,4	0,7	0,6		
	% de adultos con al menos un producto de crédito formal	0,6	40	20,9	0,5			

Sources: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, NGOs and CIFIN – calculations by Banca de las Oportunidades.

Starting from the calculation of the financial inclusion index for Colombia, it is observed that the country went from a level of moderate financial inclusion (0,47) to high (0,85), between 2011 and 2015, a result explained through the improvement of all the indicators considered, especially those related to the access dimension.

In the three indicators considered in the access dimension, Colombia reached the target value, even exceeding the 250 points of access per 100.000 adults suggested in the AFI methodological guide. This makes this dimension better explain the improvement in the total index.

With regard to usage indicators, we note challenges persist given that Colombia is still far from the proposed target values in respect to having savings accounts and for access to formal credit on the part of the adult population.

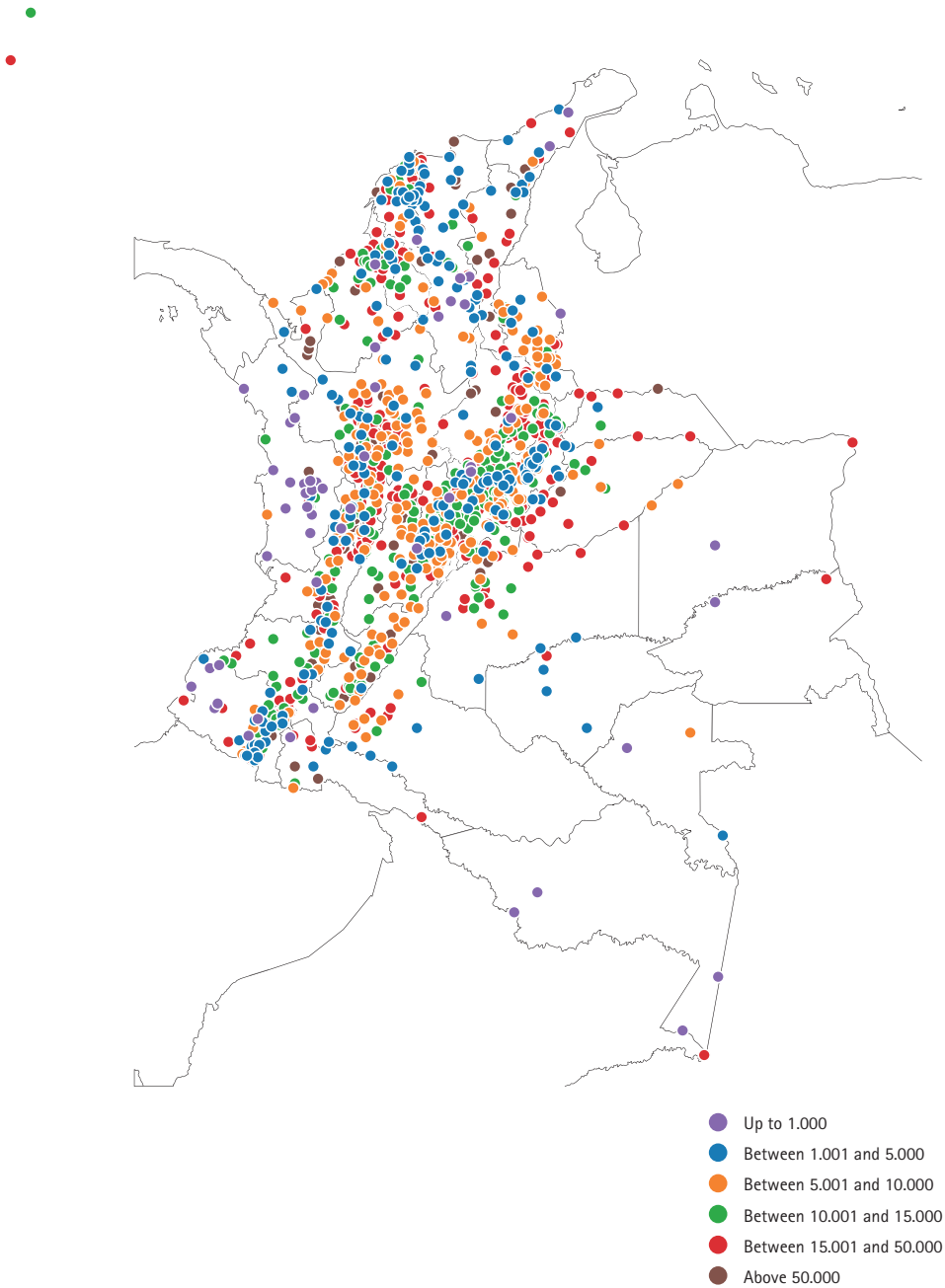
In addition to sharing the results for Colombia applying the methodology for building a financial inclusion index proposed by AFI, this is an invitation to analyze whether the indicators suggested, their weightings and their target value respond to the country's challenges and priorities on the subject of financial inclusion.

It is likewise necessary to continue working to identify how indicators on the quality and wellbeing dimensions can be incorporated into these types of measures and how to define their ideal or target values; taking into account that these two dimensions have a greater component of subjectivity and that for their construction it is necessary to know the perceptions of consumers vis-à-vis financial services and their impact on their living conditions and wellbeing, which is achieved through demand studies.

Annexes



MAP 6: People with active savings accounts per 100.000 adults by level of rurality – 2015



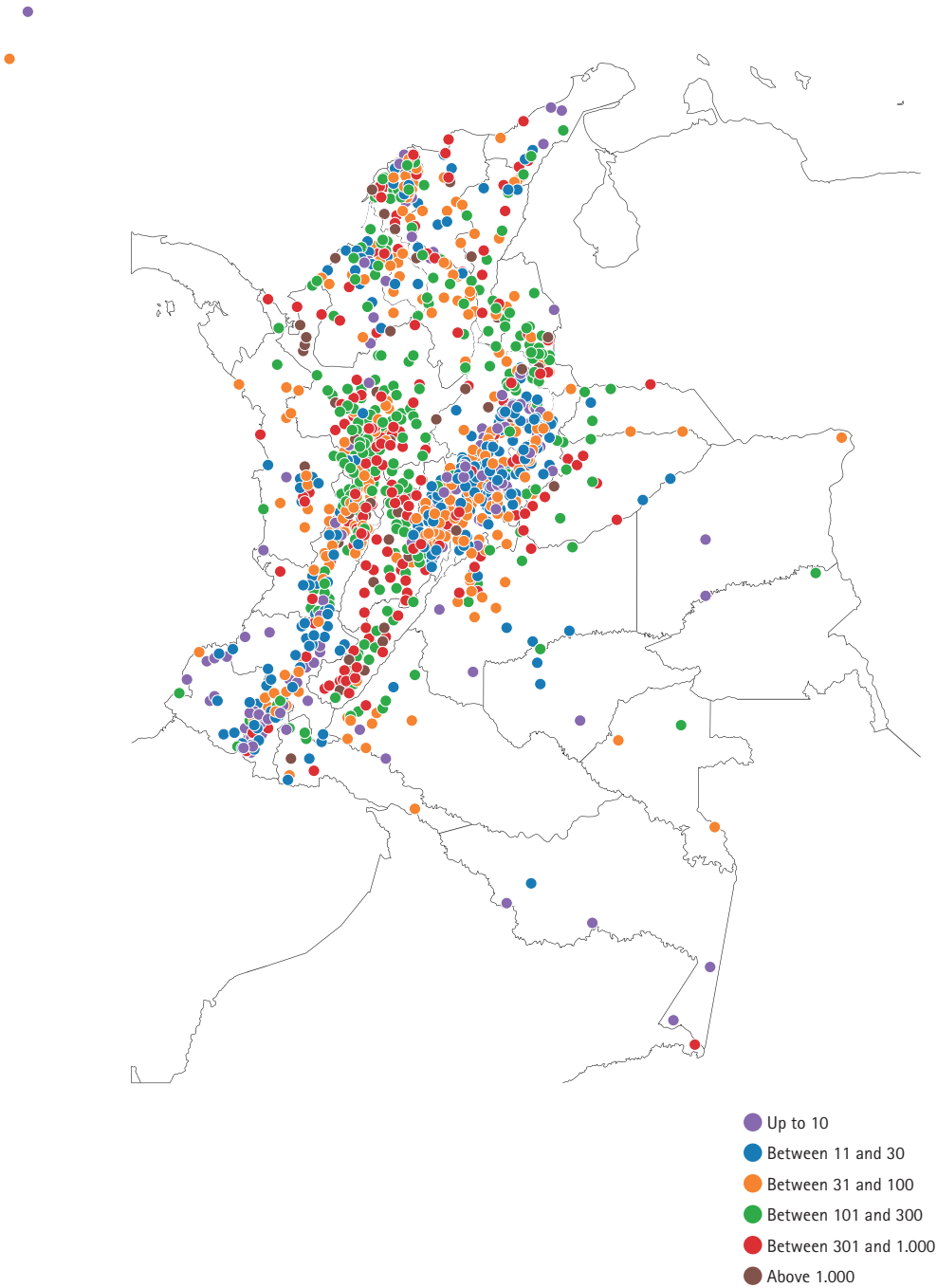
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

**People with active savings accounts per 100.000 adults by level of
rurality – 2015**

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			45.167	275
Antioquia	69.012	25.033	13.295	10.523
Arauca		46.901	12.622	14.475
Atlantico	48.316	12.422	3.959	
Bogota	83.668			
Bolivar	54.797	27.606	5.257	3.140
Boyaca	72.273	30.394	8.768	10.238
Caldas	66.137	29.799	15.839	14.293
Caqueta	49.714		12.528	5.152
Casanare	86.905	17.774	26.951	15.992
Cauca	70.193	25.475	10.524	10.257
Cesar	56.069	51.664	40.074	4.569
Choco	66.421	1.011	7.365	1.608
Cordoba	61.396	32.551	9.084	10.352
Cundinamarca	45.331	19.605	10.805	9.130
Guainia				15.234
Guaviare			21.810	2.522
Huila	73.755	50.819	9.101	9.371
La Guajira	37.302	14.684	27.457	959
Magdalena	57.164	39.122	8.098	6.312
Meta	64.525	52.781	15.359	17.781
Nariño	53.550	12.224	8.328	6.941
Nte de Santander	52.529	5.158	7.643	5.922
Putumayo	52.994	20.521	40.600	8.601
Quindio	44.340	22.415	8.909	
Risaralda	65.861	14.748		6.528
San Andres		32.176		
Santander	70.773	61.712	34.140	23.413
Sucre	54.750	20.491	16.078	14.050
Tolima	63.720	39.354	10.717	10.779
Valle del Cauca	52.075	37.140	9.145	7.506
Vaupes				5.844
Vichada				10.046
Grand total	65.020	29.697	15.043	9.846

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 7: People with active electronic deposits per 100.000 adults by level of rurality 2015



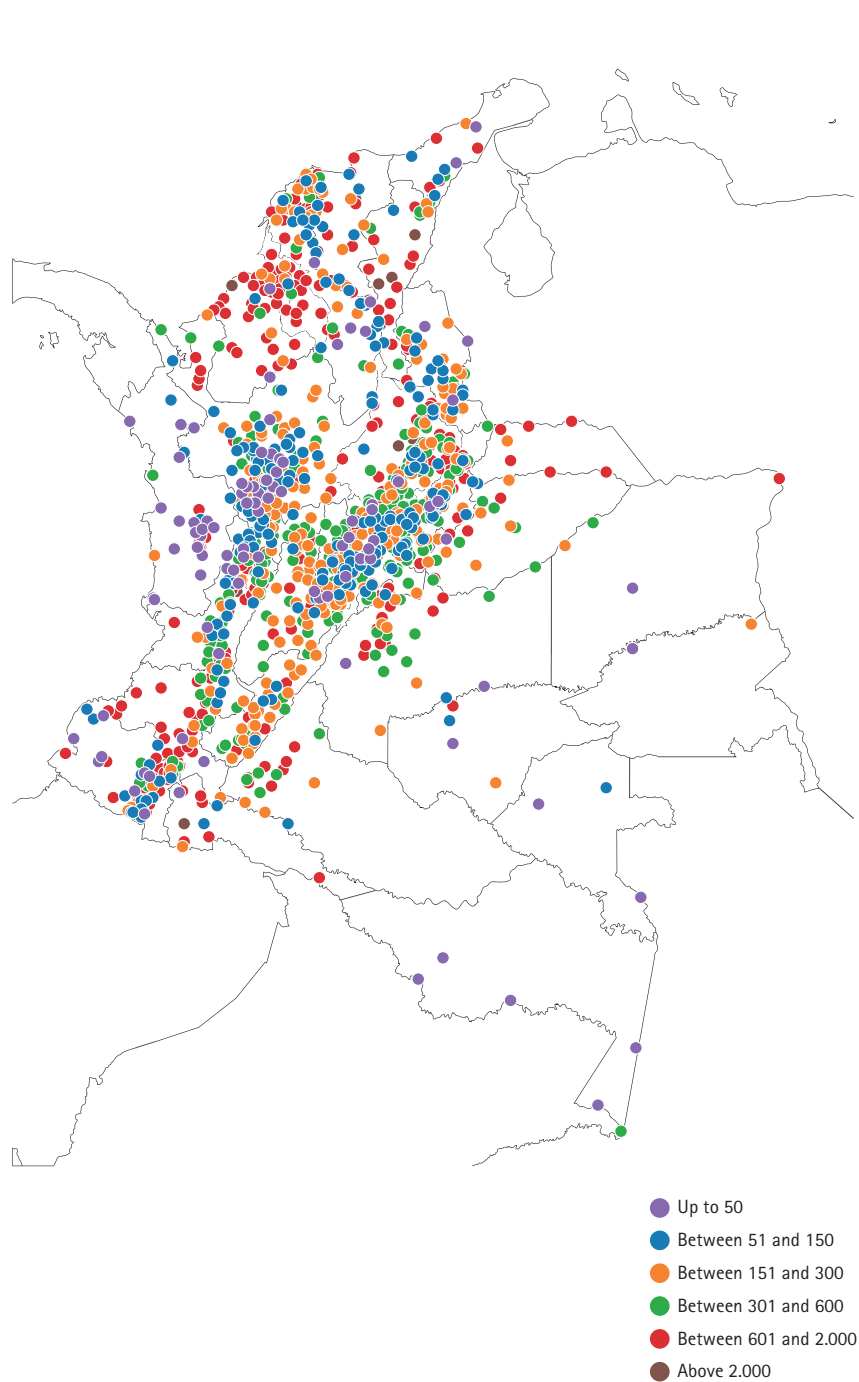
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

**People with active electronic deposits per 100.000 adults by level of
rurality – 2015**

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			9.961	50
Antioquia	9.577	7.222	3.685	3.618
Arauca		4.807	1.120	2.124
Atlantico	6.993	514	124	
Bogota	15.754			
Bolivar	11.437	14.029	2.718	1.639
Boyaca	7.822	2.323	234	259
Caldas	12.580	4.577	3.135	2.321
Caqueta	7.316		1.118	641
Casanare	24.290	4.800	8.037	5.679
Cauca	5.357	1.524	235	244
Cesar	6.934	8.923	6.239	355
Choco	27.034	668	3.045	668
Cordoba	10.038	2.622	499	53
Cundinamarca	4.872	1.543	452	319
Guainia				2.481
Guaviare			2.228	89
Huila	17.879	18.124	3.698	4.193
La Guajira	3.976	1.535	3.425	84
Magdalena	7.451	6.817	581	411
Meta	7.289	5.853	1.351	1.252
Nariño	4.885	897	214	405
Nte de Santander	15.787	1.269	2.916	2.201
Putumayo	8.554	1.320	7.293	539
Quindio	5.377	2.410	751	
Risaralda	14.627	3.835		1.631
San Andres		460		
Santander	5.778	6.760	4.789	2.795
Sucre	9.694	2.204	1.331	408
Tolima	14.493	12.903	3.575	3.811
Valle del Cauca	4.344	4.601	575	368
Vaupes				1.109
Vichada				189
Grand total	10.202	5.541	2.425	1.639

Sources: CIFI and DANE, prepared by Banca de las Oportunidades

MAPA 8: people with active CAES per 100.000 adults by level of rurality 2015



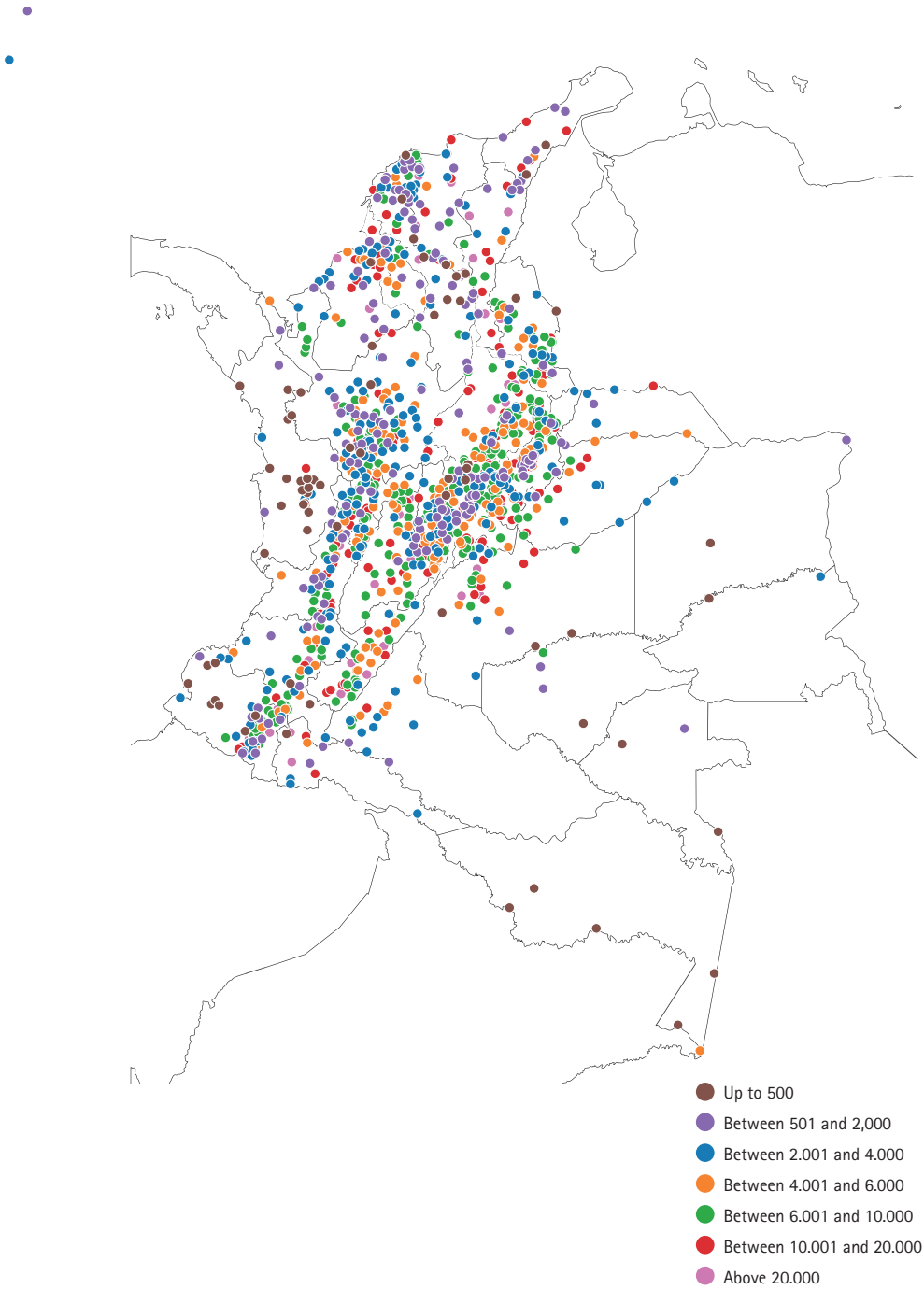
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

People with active CAES per 100.000 adults by level of rurality – 2015

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			5.212	
Antioquia	5.423	3.507	2.355	2.698
Arauca		15.913	6.751	9.137
Atlantico	9.173	11.347	2.815	
Bogota	5.973			
Bolivar	12.163	10.042	2.719	1.990
Boyaca	7.964	7.426	3.637	5.136
Caldas	4.239	5.610	4.170	6.197
Caqueta	19.908		7.394	3.426
Casanare	15.893	3.846	6.502	4.483
Cauca	15.494	8.817	6.486	7.413
Cesar	12.012	20.221	19.856	2.075
Choco	17.057	267	3.010	803
Cordoba	18.007	16.080	7.387	9.521
Cundinamarca	4.481	4.617	3.404	4.240
Guainia				1.935
Guaviare			12.989	1.779
Huila	10.856	10.227	2.977	3.095
La Guajira	10.693	4.180	9.005	422
Magdalena	13.410	19.369	6.136	5.673
Meta	9.295	12.062	5.316	5.780
Nariño	14.462	7.656	5.467	4.472
Nte de Santander	8.518	1.206	2.650	2.154
Putumayo	19.839	11.062	20.276	5.672
Quindio	5.618	5.575	3.317	
Risaralda	6.139	1.694		1.233
San Andres		2.253		
Santander	9.715	19.865	14.368	10.144
Sucre	18.209	12.086	13.513	12.512
Tolima	7.157	6.598	3.246	3.684
Valle del Cauca	5.285	12.560	2.649	2.706
Vaupes				694
Vichada				3.122
Grand total	7.572	9.227	6.742	4.342

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 9: People with current micro-loans per 100.000 adults by level of rurality 2015



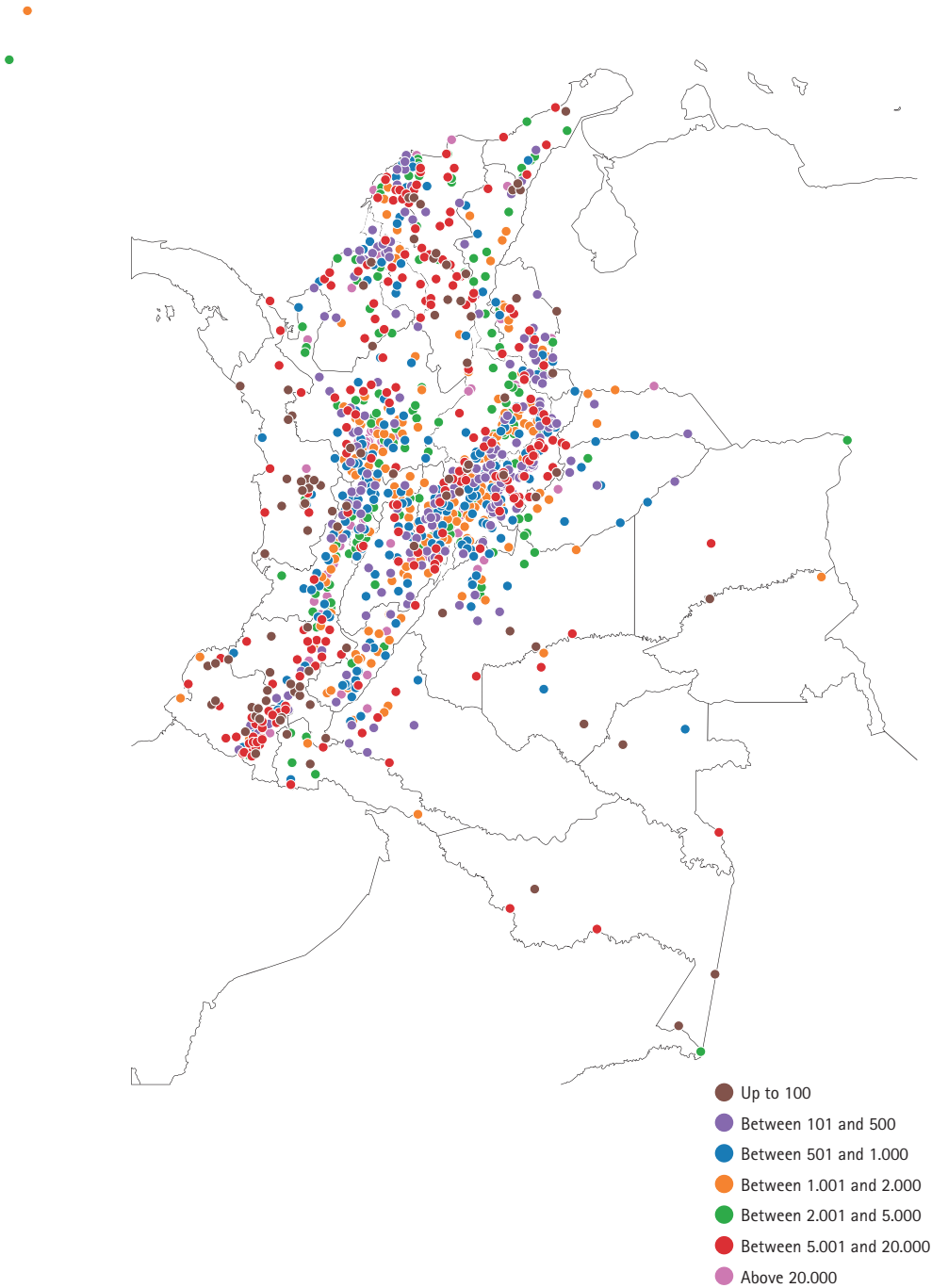
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

People with current micro-loans per 100.000 adults by level of rurality – 2015

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			5.592	75
Antioquia	7.497	5.698	4.728	2.875
Arauca		9.562	1.646	3.298
Atlántico	8.371	4.475	2.351	
Bogotá	6.330			
Bolívar	9.422	11.890	3.068	1.280
Boyacá	17.700	12.608	5.360	5.960
Caldas	7.308	10.786	5.937	5.874
Caquetá	14.998		4.289	2.216
Casanare	19.858	6.493	11.337	6.139
Cauca	23.087	12.074	5.104	4.355
Cesar	16.494	24.853	19.285	1.592
Chocó	11.344	95	1.884	491
Córdoba	15.351	12.586	2.053	3.030
Cundinamarca	7.619	7.486	4.881	5.682
Guainía				2.446
Guaviare			6.500	451
Huila	18.362	29.108	7.201	9.111
La Guajira	10.346	3.331	6.936	823
Magdalena	14.443	17.142	3.868	3.336
Meta	13.727	23.676	7.696	6.712
Nariño	26.011	8.307	4.407	4.449
Nte de Santander	13.894	2.192	5.269	4.168
Putumayo	17.808	9.761	19.232	2.739
Quindío	8.853	6.202	3.737	
Risaralda	8.744	5.630		3.496
San Andrés		3.706		
Santander	18.474	30.659	16.942	12.673
Sucre	15.617	7.775	5.293	3.019
Tolima	14.499	15.450	6.061	7.317
Valle del Cauca	7.563	14.569	3.194	2.564
Vaupés				592
Vichada				1.195
Grand total	9.749	11.725	6.688	4.740

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 10: people with current consumer loans per 100.000 adults by level of rurality 2015



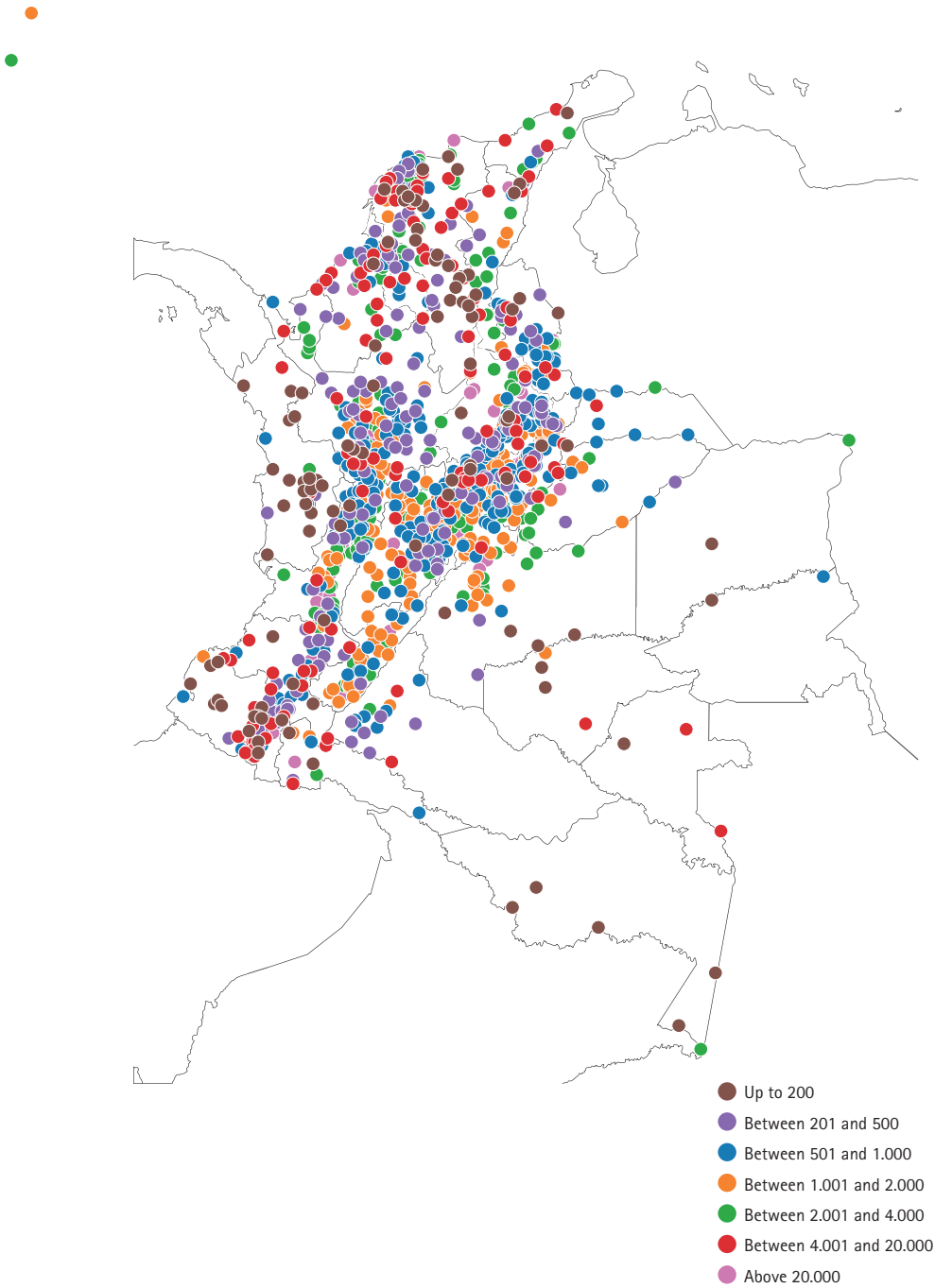
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

**People with current consumer loans per 100.000 adults by level of
rurality – 2015**

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			18.458	225
Antioquia	35.406	7.987	3.445	2.464
Arauca		17.949	1.664	2.281
Atlantico	22.978	886	526	
Bogota	39.750			
Bolivar	22.253	5.287	849	465
Boyaca	32.450	8.306	769	654
Caldas	31.472	7.884	1.972	897
Caqueta	21.773		1.442	538
Casanare	37.509	4.845	9.056	2.916
Cauca	28.336	6.999	484	145
Cesar	21.190	12.924	6.089	794
Choco	22.603	401	1.455	110
Cordoba	20.467	6.234	351	168
Cundinamarca	19.992	5.798	1.784	889
Guainia				4.633
Guaviare			4.914	455
Huila	41.462	17.553	2.012	1.392
La Guajira	11.768	4.067	7.750	116
Magdalena	20.057	7.143	507	119
Meta	30.407	18.282	2.738	3.577
Nariño	19.851	1.086	351	244
Nte de Santander	22.344	1.454	1.467	859
Putumayo	12.172	4.430	6.122	1.833
Quindio	19.943	7.149	1.543	
Risaralda	28.067	4.141		935
San Andres		10.913		
Santander	34.557	17.226	5.445	3.214
Sucre	20.898	4.001	596	583
Tolima	30.992	11.292	1.584	1.079
Valle del Cauca	25.255	10.367	2.295	1.599
Vaupes				932
Vichada				2.431
Grand total	30.359	7.890	2.416	1.317

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 11: People with current credit card per 100.000 adults by level of rurality 2015



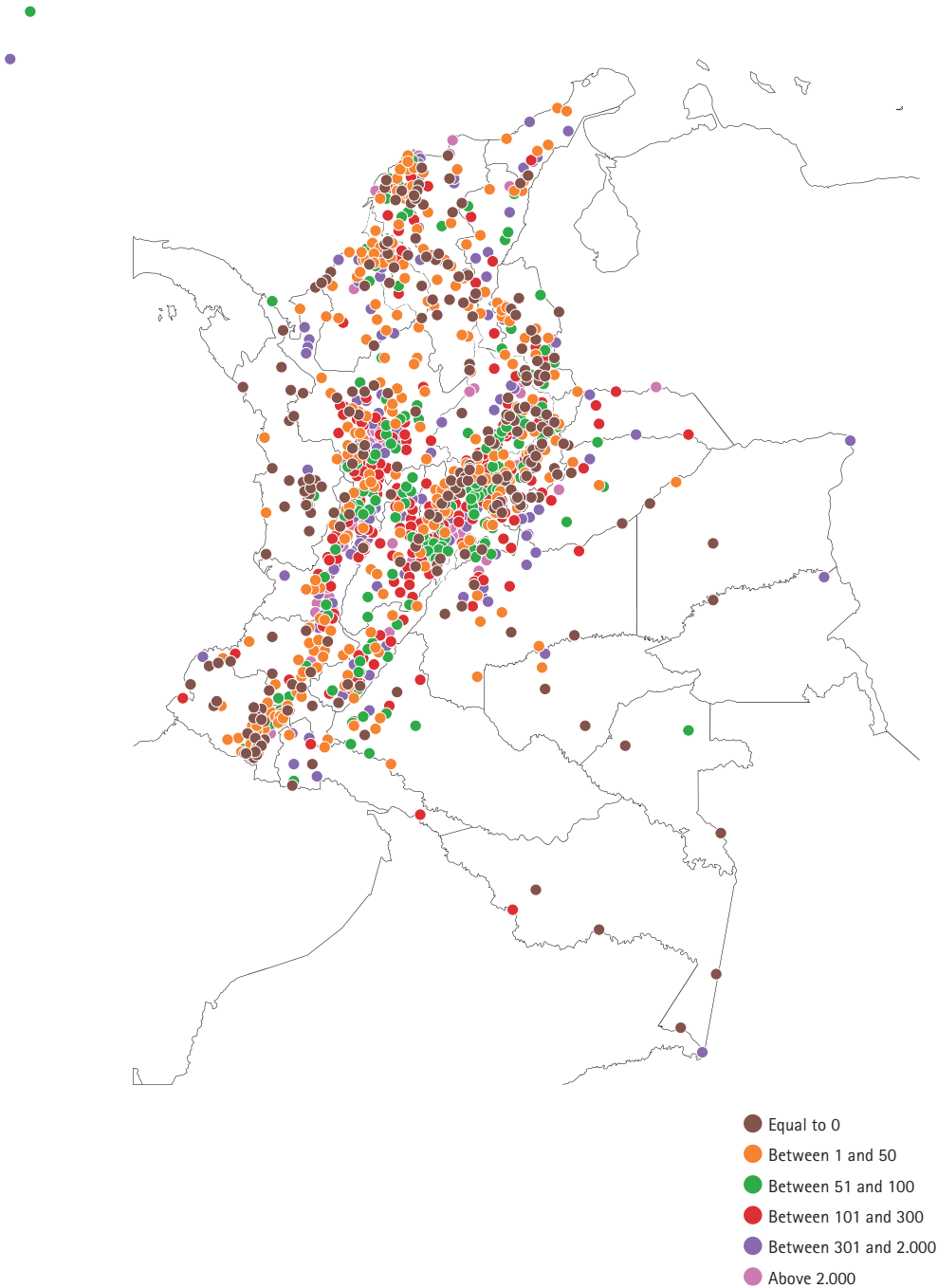
Sources: CIFI and DANE, prepared by Banca de las Oportunidades

People with current credit card per 100.000 adults by level of rurality – 2015

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			15.643	50
Antioquia	30.435	5.300	2.085	2.267
Arauca		11.273	1.200	1.290
Atlantico	29.709	963	773	
Bogota	52.626			
Bolivar	25.866	5.285	588	501
Boyaca	37.803	8.692	1.670	1.595
Caldas	28.894	6.640	2.121	1.007
Caqueta	16.187		1.404	678
Casanare	41.485	3.764	8.391	2.971
Cauca	27.099	5.431	863	527
Cesar	26.374	10.700	6.011	560
Choco	13.200	248	1.031	137
Cordoba	23.337	6.611	472	463
Cundinamarca	23.935	4.949	2.184	1.797
Guainia				1.544
Guaviare			2.164	111
Huila	47.475	15.431	2.438	2.524
La Guajira	9.883	3.280	6.150	95
Magdalena	28.448	6.546	655	257
Meta	46.267	20.144	3.815	4.500
Nariño	15.970	1.010	726	482
Nte de Santander	25.955	1.139	1.010	846
Putumayo	7.870	1.641	10.909	804
Quindio	22.656	7.543	2.295	
Risaralda	33.588	3.954		1.439
San Andres		11.265		
Santander	38.790	12.262	4.656	3.354
Sucre	22.566	4.094	824	819
Tolima	33.709	10.973	2.458	2.630
Valle del Cauca	30.436	10.122	2.238	1.831
Vaupes				395
Vichada				1.808
Grand total	35.441	6.960	2.405	1.627

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 12: People with current mortgage loans per 100.000 adults by level of rurality 2015



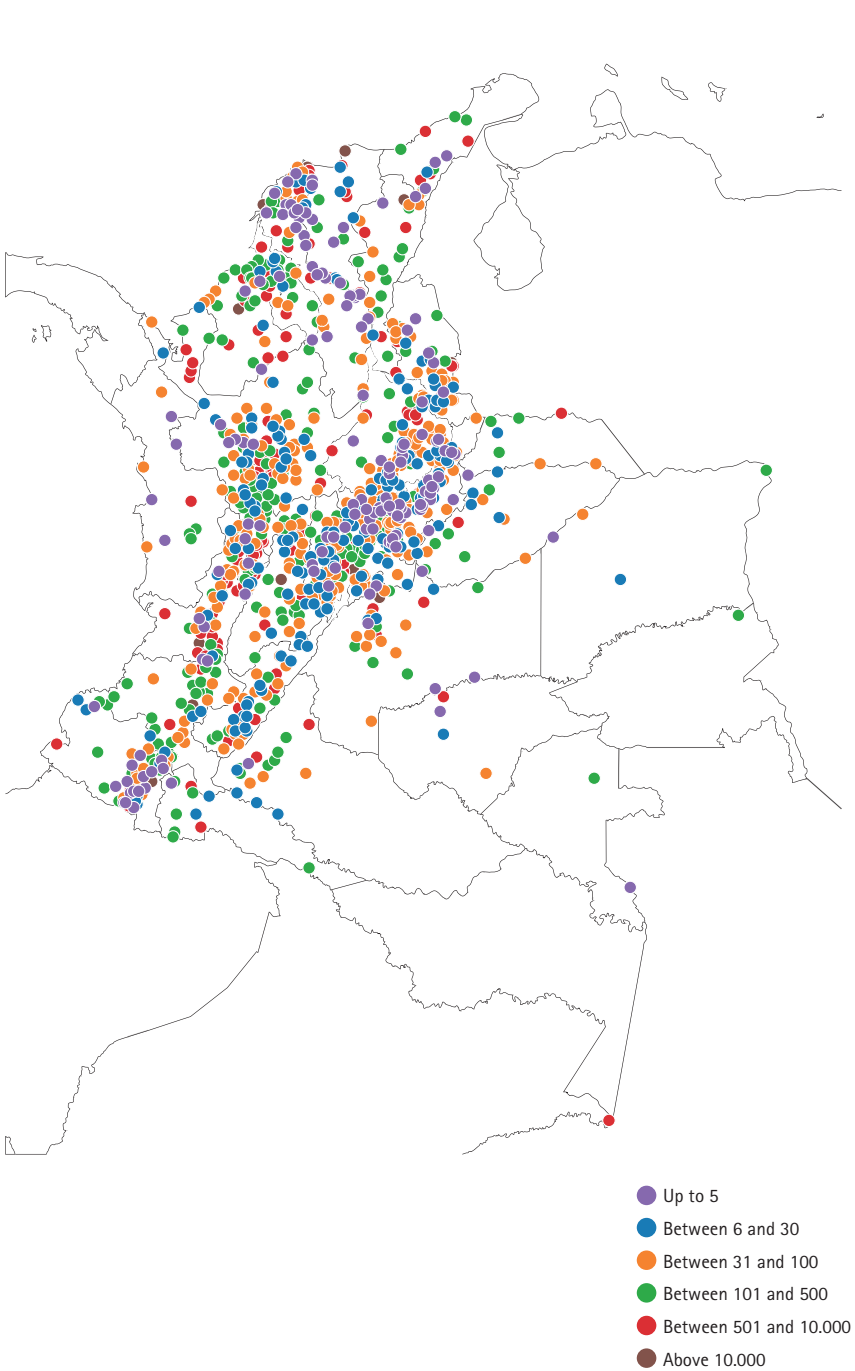
Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

People with current mortgage loans per 100.000 adults by level of rurality – 2015

Department	Cities	Intermediate	Rural	Dispersed rural
Amazonas			1.890	75
Antioquia	3.927	648	245	158
Arauca		1.901	157	249
Atlantico	2.095	39	31	
Bogota	8.264			
Bolivar	1.903	343	33	29
Boyaca	4.764	862	64	38
Caldas	5.236	672	167	52
Caqueta	1.999		103	40
Casanare	3.357	277	849	222
Cauca	3.402	488	31	16
Cesar	3.171	628	292	24
Choco	1.440	-	48	3
Cordoba	2.017	352	15	
Cundinamarca	3.795	382	103	56
Guainia				998
Guaviare			723	4
Huila	5.175	1.025	84	48
La Guajira	989	280	597	5
Magdalena	2.107	543	40	10
Meta	4.459	2.163	203	333
Nariño	2.427	74	31	13
Nte de Santander	2.658	77	51	22
Putumayo	1.296	269	434	49
Quindio	2.772	821	142	
Risaralda	4.525	274		14
San Andres		413		
Santander	4.347	1.281	294	142
Sucre	1.919	173	16	26
Tolima	4.214	1.155	143	90
Valle del Cauca	3.383	1.093	131	42
Vaupes				81
Vichada				279
Grand total	4.623	621	161	90

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

MAP 13: People entering the financial system for the first time by level of rurality 2015



Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

**People entering the financial system for the first time by level of
rurality – 2015**

Department	Cities	Intermediate	Rural	Dispersed rural	Total nationwide
Amazonas			859		859
Antioquia	122.039	14.496	4.091	720	141.346
Arauca		2.459	204	540	3.203
Atlantico	45.773	621	3		46.397
Bogota	246.668				246.668
Bolivar	24.254	6.218	441	168	31.081
Boyaca	10.843	5.035	964	844	17.686
Caldas	10.899	4.543	652	173	16.267
Caqueta	3.963		1.527	302	5.792
Casanare	3.535	368	404	1.183	5.490
Cauca	11.522	5.022	2.920	1.371	20.835
Cesar	10.976	5.525	2.955	72	19.528
Choco	2.987		776	230	3.993
Cordoba	10.668	12.274	1.568	50	24.560
Cundinamarca	28.054	5.224	1.844	791	35.913
Guainia				265	265
Guaviare			819	77	896
Huila	9.048	6.988	1.177	640	17.853
La Guajira	7.236	1.608	1.242	361	10.447
Magdalena	13.513	4.518	1.202	192	19.425
Meta	12.129	3.956	788	2.364	19.237
Nariño	19.397	2.528	1.050	1.267	24.242
Nte de Santander	22.892	115	1.166	557	24.730
Putumayo	1.704	1.612	542	187	4.045
Quindio	9.417	1.164	83		10.664
Risaralda	18.427	1.361		98	19.886
San Andres		926			926
Santander	33.842	2.397	3.021	1.330	40.590
Sucre	8.039	4.045	1.394	158	13.636
Tolima	12.210	6.844	857	900	20.811
Valle del Cauca	91.404	5.393	598	231	97.626
Vaupes				127	127
Vichada				397	397
Grand total	791.439	105.240	33.147	15.595	945.421

Sources: CIFIN and DANE, prepared by Banca de las Oportunidades

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