THE COLOMBIAN DEVELOPMENT BANKS:
Structure, missions and priorities: four specialized banks

**BANCOLDEX**

**TARGET MARKETS**: BUSINESS DEVELOPMENT

**OBJECTIVES**: Offers financial products and services according to companies’ growth circumstances

**FINAGRO**

**TARGET MARKETS**: RURAL SECTOR

**OBJECTIVES**: Facilitates access to financing and other support tools for rural sector development
THE COLOMBIAN DEVELOPMENT BANKS:
Structure, missions and priorities: four specialized banks

FDN

TARGET MARKETS
INFRASTRUCTURE

OBJECTIVES

Provides and mobilizes resources to address the needs of complex infrastructure projects

First-tier bank

FINDETER

REGIONAL INFRASTRUCTURE

Promote, structure and finance infrastructure projects in the regions

Second-tier bank
THE COLOMBIAN DEVELOPMENT BANKS:

History

**BANCOLDEX AND FINAGRO: CREATED FROM PROMOTION FUNDS MANAGED BY THE CENTRAL BANK**

**BANCOLDEX**

1940
Creation of IFI (industrial development)

1967
Creation of the export promotion fund PROEXPO managed by the Central Bank

1992
PROEXPO was split into two entities: BancolDEX (foreign trade bank) and PROEXPORT (non financial export promotion)

2002/03
The Government decided to cease IFI’s operations and BANCOLDEX took over a large part of the assets and liabilities of IFI

2006
Creation of the Program [Banca de las Oportunidades]

2015/16
New strategy/ transformation process

**FINAGRO**

1951
The Central Bank assumed the role of credit supplier for the development of certain sectors of the economy

1966
Creation of the Agrarian Financial Fund, managed by the Central Bank

1973
Creation of the Agricultural Financial Fund FFAP – which would be part of the old Agrarian Fund

1990
Creation of FINAGRO and the National Agricultural Credit System SNCA

Its mission was expanded to help finance the national industrial sector
THE COLOMBIAN DEVELOPMENT BANKS: History

FDN AND FINDETER: ORIGINALLY CREATED AS DEVELOPMENT BANKS

1982
Creation of FEN [National Electrical Financing Agency]

1990
Its name was changed to [National Energy Financing Agency], extending its scope to the entire energy sector

2000
As the energy sector was financially strong, the Government began the process of reducing FEN’s capital

2011
Its name, goals and structure were changed. Its name changed to FDN [National Development Financing Agency] for promoting infrastructure

2014/15
FDN was capitalized by IFC, CAF and SMBC

FINDETER was created in 1989 with the aim of promoting sustainable urban and regional development
THE COLOMBIAN DEVELOPMENT BANKS: Impact and size

FEN played a crucial role in the nineties, making possible to finance projects for generating, transmitting and distributing electricity and natural gas.

These development banks represent a relatively small portion of the Colombian GDP.
THE COLOMBIAN DEVELOPMENT BANKS: Impact and size

FINAGRO and BANCOLDEX have reduced their participation over the last years.

FEN’s assets represented around the 10% of the financial sector assets in the early nineties.
MITIGATING MARKET FAILURES:

1. DEVELOPMENT OF INFRASTRUCTURE
DEVELOPMENT OF INFRASTRUCTURE: Financiera de Desarrollo Nacional FDN

COLOMBIA’S INFRASTRUCTURE RANKS POORLY

THE GLOBAL COMPETITIVENESS INDEX
QUALITY OF ROADS IN LATIN AMERICA

Average Cost of Domestic Transport in Latin America
USD 2014

Source: World Economic Forum
Source: BBVA Research and World Bank
DEVELOPMENT OF INFRASTRUCTURE: FDN

COLOMBIA IS IMPLEMENTING AN AMBITIOUS INFRASTRUCTURE PROGRAM SINCE 2010

REFORMS ADOPTED:

1. Institutional framework development
2. PPP standard contract and law
3. Bankable project pipeline
4. Creation of an specialized development bank: FDN

4G PROGRAM

40 PROJECTS
8,000 KMS
USD 17 BILLION

Colombian Government efforts to upgrade the country’s road network
DEVELOPMENT OF INFRASTRUCTURE: FDN

DIFFICULTY TO MOBILIZE CAPITAL REQUIRED, GIVEN THE SIZE AND IMMEDIACY OF THE 4G PROGRAM

- Lack of experience in project finance (do not take project risk)
- Local banks have been the unique funding source of infrastructure, but are insufficient
- Local banks do not lend throughout the life of the infra projects (they only offer loans between 10 to 12 years maximum)

- Currency exchange risk
- Lack of local knowledge
- New banking regulation has affected the ability of banks to provide LT financing

- Infrastructure out of institutional investors’ scope
- High industry concentration (pension funds)
- Fixed income portfolio concentration in public debt
- Unwillingness to invest in securities rated below AA-
- Players, like insurance companies, are not yet strong in local capital markets
- Bad experiences with few previous bonds issuances
FDN WAS CREATED IN 2011 TO CORRECT MARKET FAILURES THAT LIMIT THE CAPITAL AVAILABILITY TO DEVELOP INFRASTRUCTURE

Help public sector clients build a pipeline of new infrastructure projects

- Structuring projects
- Studies
- Project management

Advisory services

Provide and mobilize resources to address the needs infrastructure projects

- LT senior debt
- LT subordinated debt
- Guarantees/ facilities

Financial products

- Debt funds
- Private equity funds

Vehicles

- Promoting regulatory changes
- Establishing project finance best practices
- Standardizing capital markets products
- Enhancing capacity in the industry

Financial services

- Studies
- Project management

- LT senior debt
- LT subordinated debt
- Guarantees/ facilities

- Debt funds
- Private equity funds

DEVELOPMENT OF INFRASTRUCTURE: FDN
DEVELOPMENT OF INFRASTRUCTURE: FDN

THE 4G ROAD PROGRAM HAS PROMINENTLY STARTED

- **30** projects approved
- **28** projects awarded
- **10** projects have reached or are near preliminary financial close

FINANCIAL SOURCES DISTRIBUTION
4G PROJECTS – FIRST ROUND

- **46%** International banks
- **19%** Multilaterals
- **15%** Capital Markets
- **10%** Debt Funds
- **7%** FDN
- **3%** Local banks

*This investment represents a milestone in the effort to mobilize resources*
DEVELOPMENT OF INFRASTRUCTURE:
FDN – Financial results

**ASSETS (% OF GDP)**

**LIABILITY (% OF GDP)**

**EQUITY (% OF GDP)**

**NET INCOME (% OF GDP)**
Additionally, FINDETER provides financial and technical support to public and private entities involved in development of sustainable infrastructure in the regions.
DEVELOPMENT OF INFRASTRUCTURE: FINDETER – Financial results

Source: Superfinanciera.
MITIGATING MARKET FAILURES:

2. PROMOTION OF INNOVATION AND BUSINESS GROWTH
BUSINESSES IN COLOMBIA ARE FACING PROBLEMS ASSOCIATED WITH THE LACK OF GROWTH

- There are no banks or strategic vehicles in Colombia exclusively dedicated to business growth.

- There are two types of business growth in the country:
  
  **Flat or Vegetative Growth:** Businesses that record growth close to a single digit  
  *(real average fall of 2.2%)*

  **Dynamic Growth:** Companies that have sustainable double digit growth  
  *(real average growth of 21.7%)*
PROMOTION OF BUSINESS GROWTH: BANCOLDEX

BUSINESSES WITH GROWTH OF MORE THAN TWO DIGITS HAVE A MULTIPLIER EFFECT IN THE ECONOMY

- Number of companies 2013:
  - Others: 21.60%
  - Double digit growth: 78.40%

- Income 2013:
  - Others: 57.30%
  - Double digit growth: 42.70%

- Operating income 2013:
  - Others: 36.80%
  - Double digit growth: 63.20%

THE COMPANIES THAT RECORD A DOUBLE DIGIT GROWTH (21.6%) PAY 63.2% OF THE TOTAL INCOME TAX IN COLOMBIA

Source: Dian, Análisis Consultores
PROMOTION OF BUSINESS GROWTH: BANCOLDEX

BANCOLDEX IS TRANSFORMING

PURPOSE:
Become a development bank that responds to regional business needs and contributes to the country’s business growth

OBJETIVES:
i) Contribute to enhance productivity
ii) Complement economies of scale
iii) Develop a key role in the creation of production clusters
PROMOTION OF BUSINESS GROWTH: BANCOLDEX

THE NEW BANCOLDEX

MICROINSURANCE
• Life insurance for entrepreneurs

CREDIT LINES (rediscoun)
• Working capital and funding entrepreneurial expenses
  • Entrepreneurial modernization
    • Sustainable development
      • Innovations

FORMATION AND TRAINING
• Entrepreneurial formation
• Entrepreneurial accompaniment
• Structuring projects

OTHER OPERATIONS
• Documents discount
• Purchase of invoices
• International banking operations
• Support to capital private funds

PRODUCTS AND SERVICES
PROMOTION OF BUSINESS GROWTH: BANCOLDEX – Financial results

Source: Superfinanciera.
MITIGATING MARKET FAILURES:

3. FINANCIAL AND SOCIAL INCLUSION
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX and FINAGRO

THE GOVERNMENT HAS BEEN WORKING TO INCENTIVIZE THE ACCESS AND USAGE OF FINANCIAL PRODUCTS

- In 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).

- The total number of savings accounts in the financial system rose to **60.7 million accounts**. Of this total, **45%** were reported as active accounts.

- **2.3 million** microcredits were disbursed. By amount disbursed, banks represented **75%**

Source: Superfinanciera and Banca de las Oportunidades
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

1. PROMOTE THE USE OF FINANCIAL SERVICES

2. INCENTIVES FOR THE USE AND ACCESS OF FINANCIAL SERVICES IN RURAL AREAS

3. IMPLEMENT NEW FINANCING SCHEMES FOR SMEs

4. DEVELOP THE NATIONAL STRATEGY OF FINANCIAL EDUCATION
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

FINANCIAL INCLUSION FOR THE RURAL SECTOR

CURRENT SITUATION:

- Finagro currently provides second tier loans to financial intermediaries so that they can provide financing to agricultural producers.

- Finagro’s resources come from mandatory investments for financial intermediaries (TDA’s).

- Further, a state credit guarantee, provided by the Agricultural Guarantee Fund (FAC), was created as a loan guarantee.

- The loans benefited commercial farmers more than small-scale farmers.

STRATEGY FOR RURAL SECTOR

- Optimize FINAGRO’s credit lines
- Strengthen guarantee scheme for rural credits
- Design of specific products and financial channels for the rural sector
- Strengthen rural management policy risks
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: FINAGRO

FINANCIAL PRODUCTS FOR RURAL INCLUSION

Rural Microcredit Line
• Provide credit to the base of the pyramid
• Offer credits at historically low values (around US$217)

Rural Microfinance Fund
• Provide resources to non-traditional intermediaries like NGOs, associations and cooperatives, which cannot access to rediscount lines
• Offer technical assistance to the development of new products and technologies

AROUND US$ 3 MILLION HAS BEEN DISBURSED WITH THE RURAL MICROCREDIT LINE
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX

BANCOLDEX IS PLANING TO CREATE A NEW SPECIALIZED UNIT FOR FINANCIAL AND SOCIAL INCLUSION

NEW UNIT (PROPOSAL)

- Instrument for financial inclusion
  - Research and Information
  - Inclusive regulation
- Microcredit (second tier)
- Products of Bancoldex
  - Marketing and culture
- Instrument for productive insertion
  - Technical assistance
PROMOTION OF FINANCIAL AND SOCIAL INCLUSION: BANCOLDEX

Additionally, BANCOLDEX manages the special program: The Bank of Opportunities

**BANK OF OPPORTUNITIES**
Creation: 2006

1. Promote access to financial services for low-income families, micro, small and medium-sized businesses and entrepreneurs.

2. Improve the level of financial inclusion and expand coverage to all municipalities with financial products and services

**Granting a determined amount of resources to intermediaries for an activity or product that is not profitable**

**Funding of pilot projects (projects to be promoted are not standardized)**

**Conducting relevant studies or strengthening of cooperatives and NGOs**

**Subsidies to costs**

**Technical assistance and information**

**Cofinancing projects**
CORPORATE GOVERNANCE
## CORPORATE GOVERNANCE

### Shareholders

<table>
<thead>
<tr>
<th>SHAREHOLDER</th>
<th>PERCENTAGE OF PARTICIPATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONAL GOVERNMENT – Ministry of Finance</td>
<td>67.51%</td>
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<tr>
<td>IFC</td>
<td>15.70%</td>
</tr>
<tr>
<td>CAF</td>
<td>8.18%</td>
</tr>
<tr>
<td>SMBC</td>
<td>8.18%</td>
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<tr>
<td>Others</td>
<td>0.43%</td>
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</table>

### Shareholders as of December 2015

- LA NACIÓN - MINISTERIO DE HACIENDA Y CREDITO PÚBLICO
- IFC
- CAF
- SUMITOMO MITSUI BANKING CORPORATION SMBC
CORPORATE GOVERNANCE
Shareholders

<table>
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<th>SHAREHOLDER</th>
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</thead>
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<tr>
<td>NATIONAL GOVERNMENT – Ministry of Commerce</td>
<td>91.87%</td>
</tr>
<tr>
<td>NATIONAL GOVERNMENT – Ministry of Finance</td>
<td>7.85%</td>
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<tr>
<td>Individual shareholders</td>
<td>0.28%</td>
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</tbody>
</table>

SHAREHOLDERS AS DECEMBER 2015

- LA NACIÓN - MINISTERIO DE COMERCIO, INDUSTRIA Y TURISMO
- LA NACIÓN - MINISTERIO DE HACIENDA Y CRÉDITO PÚBLICO
- PARTICULARES
### CORPORATE GOVERNANCE

**Shareholders**

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<th>SHAREHOLDER</th>
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</tr>
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<tbody>
<tr>
<td>NATIONAL GOVERNMENT – Ministry of Agriculture</td>
<td><strong>65.340%</strong></td>
</tr>
<tr>
<td>Banco Agrario de Colombia</td>
<td><strong>12.900%</strong></td>
</tr>
<tr>
<td>BBVA - Colombia</td>
<td><strong>9.090%</strong></td>
</tr>
<tr>
<td>Davivienda</td>
<td><strong>12.670%</strong></td>
</tr>
<tr>
<td>Fondefin</td>
<td><strong>0.001%</strong></td>
</tr>
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</table>

**Shareholders as of December 2015**

- LA NACIÓN - MINISTERIO DE AGRICULTURA Y DESARROLLO RURAL
- BANCO AGRARIO DE COLOMBIA
- BBVA
- DAVIVIENDA
- FONDEFIN
## CORPORATE GOVERNANCE

### Shareholders

<table>
<thead>
<tr>
<th></th>
<th>FDN</th>
<th>BANCOLDEX</th>
<th>FINAGRO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of directors</td>
<td>9 members 33.3% from the Gov.</td>
<td>5 members 40% from the Gov.</td>
<td>5 members 40% from the Gov.</td>
</tr>
<tr>
<td>President of the Board of Directors</td>
<td>Independent member</td>
<td>Ministry of Commerce</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>President of the bank</td>
<td>Appointed by the board of directors</td>
<td>Appointed by the board of directors</td>
<td>Appointed by the President of Colombia</td>
</tr>
<tr>
<td>Decision quorum in the General Assembly</td>
<td>Majority. In some issues (e.g. M&amp;A), IFC and CAF have veto power</td>
<td>Majority</td>
<td>Majority</td>
</tr>
</tbody>
</table>

BANCOLDEX is evaluating its corporate governance practices and policies and assessing the role the national government as the main owner (possibility of attracting strategic investors for their new vehicles).
FUNDING
FUNDING
Different sources of funding

FDN
FDN had no financial liabilities

BANCOLDEX

FINDETER

FINAGRO

LIABILITIES - DECEMBER 2015

- Deposits (certificate deposits and saving accounts)
- External loans with development and international banks
- Bond issuances
THE COLOMBIAN DEVELOPMENT BANKS

JOSÉ ANTONIO OCAMPO AND PAOLA ARIAS GÓMEZ
SEPTEMBER 15TH, 2016, RIO DE JANEIRO, BRAZIL