

FINANCIAL INCLUSION REPORT 2017

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2017

BANCA DE LAS OPORTUNIDADES

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1.

INTRODUCTION

Banca de las Oportunidades and Superintendencia Financiera de Colombia are pleased to present the seventh report on Financial Inclusion with data up to 2017. This report is the result of collective efforts made by the National Government to analyze the current state of financial inclusion in the country. It constitutes a complete and timely tool to continue to implement public policies, which will make help advance towards a greater access and usage of financial services in the country.

Our analysis consolidates data from credit institutions overseen by the Superintendencia Financiera, from financial credit unions overseen by the Superintendencia de la Economía Solidaria (SES), and from NGOs specialized on microcredit, which is reported directly to Banca de Oportunidades. Likewise, data on the number of adults and businesses with fi-

nancial products comes from TransUnion, the credit bureau, while data on dataphones comes from the two low value payment networks, Credibanco and Redeban. The analysis was complemented with information on municipal demographics, provided by the National Planning Department (DNP by its Spanish acronym), and the National Department on Statistics (DANE by its Spanish acronym).

This report comprises six chapters: Advances and Challenges of Financial Inclusion; Financial Infrastructure; Access and Usage of Deposits; Access and Usage of Credit; Access and Usage of Insurance; and Financial Consumer Protection. In particular, for this seventh iteration of the report, the last one to be presented during the Government of President Juan Manuel Santos, we would like to highlight some key achievements and remaining challenges in promoting access



and usage of financial services, as well as strengthening consumer financial protection in Colombia.

First, we strengthened the national policy on financial inclusion by linking them to national development plans. We moved from including a single goal in 2010-2014, to setting a series of goals in 2014-2018, which were aimed at increasing access and usage of financial products. Currently, the National Government's goal is to financially include 84% of the adult population.

Second, we set out to create the National Strategy on Financial Inclusion, coordinating efforts between public entities and the private sector. Within this strategy, five priorities on financial inclusion were established, and the Interinstitutional Commission on Financial Inclusion was created (CIIF, by its Spanish acronym). The CIIF has oriented the regulation targeting financial inclusion, established guidelines for developing financial inclusion initiatives, and created a Consultative Com-

mittee and technical subcommittees to improve articulation. According to *The Economist*, the creation of the CIIF was a key milestone of 2016, as well as a crucial step in articulating governmental policies on the subject.

Third, we launched the National Strategy on Economic and Financial Education, which is aimed at articulating educational projects carried out by public and private sector actors, following quality and objective standards. Its construction was based on international standards and was adjusted in accordance to the challenges presented by the implementation of these types of initiatives in the country. This strategy is set to create an environment under which financial inclusion initiatives redound in adults and businesses making better decisions about their finances.

Overall, the balance is positive, and the Government had notable milestones towards the achievement of its inclusion goals. Not only do the availability of at least one access point in all Colombian municipa-

lities is a reality, but also the significant reduction in the number of municipalities with fragile financial coverage, which went from 34 to 3 last year. On the other hand, the proportion of the population with access to at least one financial product stood at 80.1% by the end of 2017. Finally, the number of adults with active savings accounts grew from 15.3 million in 2015 to 18.4 million in 2017. These results are largely due to the follow-up of the financial inclusion strategy, which has helped prioritize projects aimed at reducing barriers in the adoption of financial services.

Some challenges persist. First, we must intensify efforts to include the 6.7 million adults who are out of the financial system, especially those who live in rural areas. Second, the significant access gap between cities and rural areas must be addressed. While in urban areas access to financial services stands at 87.2%, in rural and scattered rural areas it is 65.1% and 54.7%, respectively.

Likewise, initiatives to promote the usage of financial products must continue, as there are still 3.9 million adults whose accounts are

inactive. These efforts must be aligned with the recently launched economic and financial education strategy, which aims at boosting efforts to overcome this challenge.

Finally, there are the challenges regarding innovation. The rapid technological development incorporated into financial services is becoming increasingly important and Colombia has not been unaware of such phenomenon. From the National Government, we began to face the difficult task of balancing the risks associated with the entry of new players. Such players, supported by new technologies, offer innovative products and services with the potential to contribute to financial inclusion through the optimization of processes, reduction of costs and the improvement of customers' experiences.

For their efforts and dedication to this report, we would like to thank the teams at the Superintendencia Financiera de Colombia: Ernesto Murillo, Maria Fernanda Tenjo, Mariana Escobar, Kelly Granados, Sara Diaz and Yamile Castro; and at Banca de Oportunidades: Paola Arias, Daniela Londoño, Michael Bryan, Sara Gómez and Marcela Jiménez.

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INCLUSION REPORT 2017

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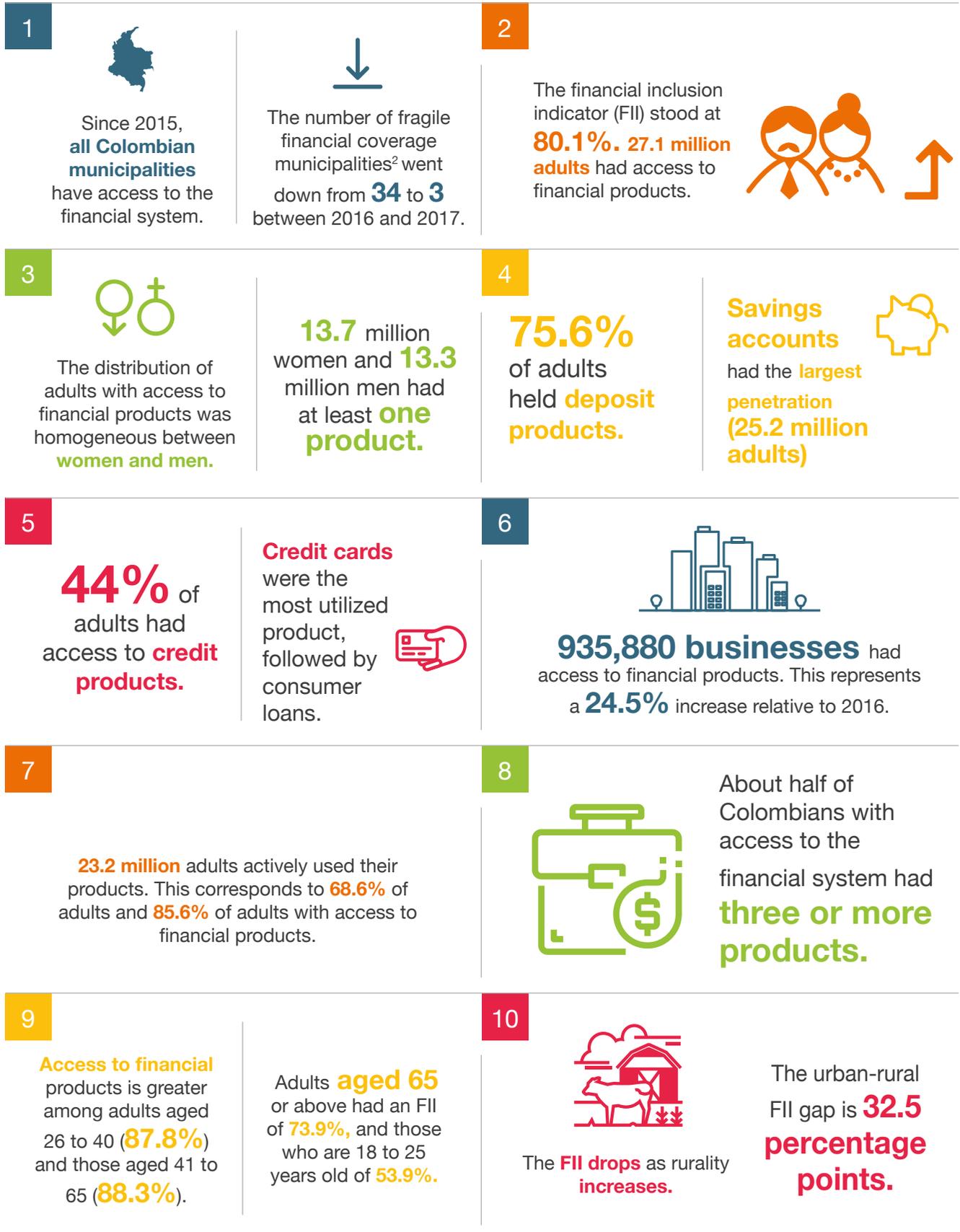
2.

PROGRESS AND CHALLENGES

Financial inclusion is a relevant issue worldwide due to its potential benefits to the economic development of countries. Several studies have shown a positive correlation between financial inclusion and economic growth, poverty reduction and equality. In Colombia, the National Government has promoted public policies aimed at facilitating access to and usage of financial services¹. These actions, together with efforts made by the private sector, have

helped drive financial inclusion in recent years. This chapter highlights the progress made in the dimensions of access and use, and seeks to identify barriers and existing challenges. This analysis uses information on individuals and businesses with financial products, reported to Banca de las Oportunidades by the Colombian-based credit bureau TransUnion.

1. National Financial Inclusion Strategy.



2. Municipalities with 1 to 2 correspondents and no branches.

2.1 ACCESS TO FINANCIAL PRODUCTS

MORE COLOMBIANS IN THE FINANCIAL SYSTEM

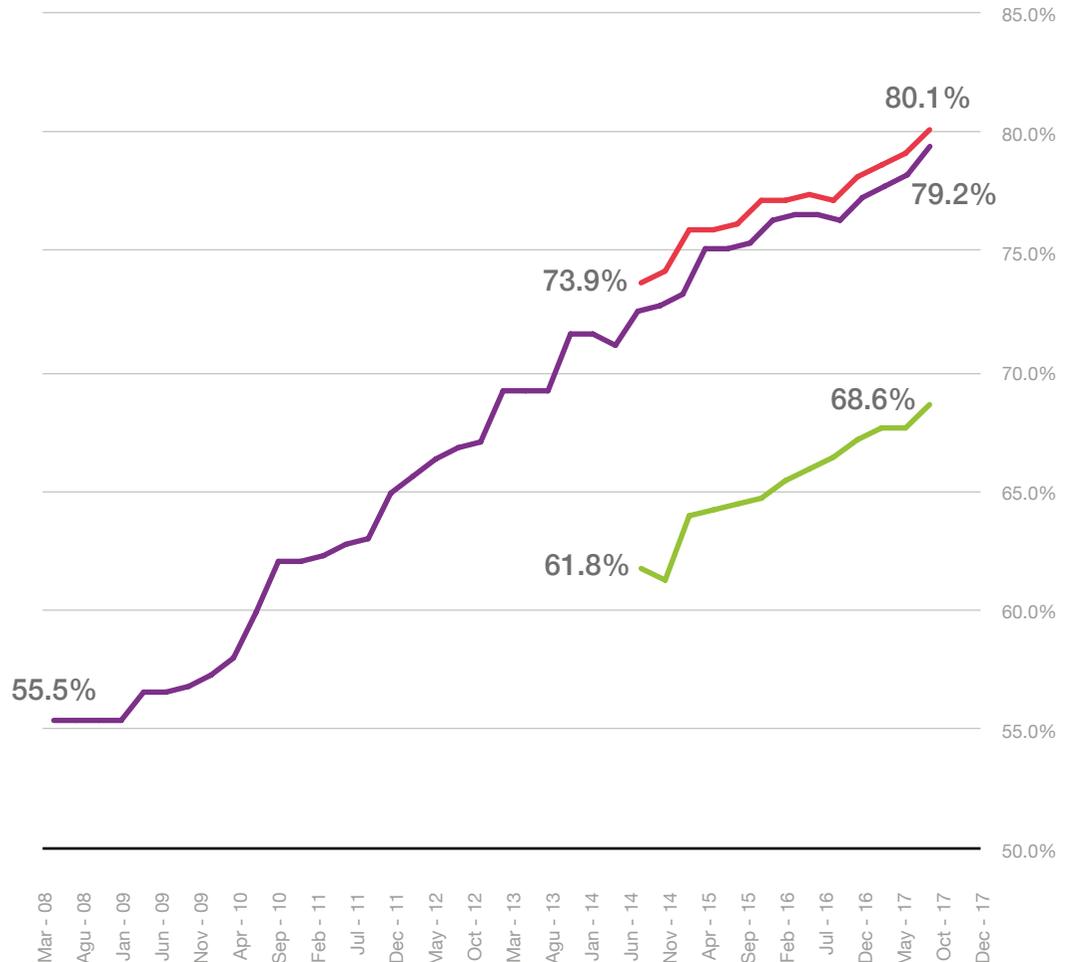
As of December 2017, 27.1 million adults had access to at least one financial product. In recent years, the percent increase in the number of adults with financial products has been greater than the forecasted population growth rate, which has led to the con-

solidation of a positive trend in their ratio, which we refer to as the financial inclusion indicator (FII). The country went from having an FII of 73.9% in 2014 to one of 80.1%³ in 2017, an increase of 6.2 percentage points (Chart 2.1).

3. TransUnion's database is dynamic. Data as of December 2017 was processed in May 2018. Davivienda corrected the report provided to TransUnion in March 2017 on data on electronic deposits, which increased by two tenths the FII as of December 2017 that was previously released in March.

CHART 2.1
Evolution of the financial inclusion indicator

- % of adults with products in all institutions
- % of adults with financial products in the credit institutions
- % of adults with active products in all institutions



Source: TransUnion, Banca de las Oportunidades calculations

Credit institutions were responsible for including most of the population in the formal financial system. In 2017, their FII stood at 79.2% (i.e. 26.8 million adults). On the other hand, financial credit unions overseen by the Superintendencia de la Economía Solidaria recorded an FII of 4.1%, that is, 1.4 million adults. NGOs specialized in microfinance reported an FII of 3.7%, or 1.3 million. Compared to the previous year, the number of adults holding financial products with credit institutions increased by 5.5%, with NGOs by 2.5% and with financial credit unions by 1.2%.

In 2017, at the regional level, the highest FII were registered in the departments of Casanare (96.1%), Bogotá, D.C. (96.0%), Santander (89.1%) and Risaralda (88.8%). The departments of La Guajira, Vichada and Vaupés ended the year with an FII of 45%.

THE FINANCIAL INCLUSION INDICATOR DROPS AS RURALITY INCREASES

By the closing of 2017, adults with financial products were concentrated in the cities. Indeed, 87.2% of people who lived in cities and urban agglomerations, 19.8 million, held financial products (Chart 2.2). In intermediate municipalities, the FII stood at 70.0%, representing 3.9 million adults. In rural and

dispersed rural municipalities, the FII was 65.1% and 54.7%, respectively, equivalent to 2.2 million adults with financial products in rural municipalities and 1.2 million adults in dispersed rural municipalities.

The difference in the FII between cities and dispersed rural municipalities rose by 32.5 percentage points, a gap similar to the one registered in 2016. Between 2016 and 2017, the FII increased at similar rates across all rurality levels. In intermediate municipalities, this indicator went up by 2.9 percentage points, in cities and rural municipalities by 2.8 points, and by 2.5 points in dispersed rural municipalities.

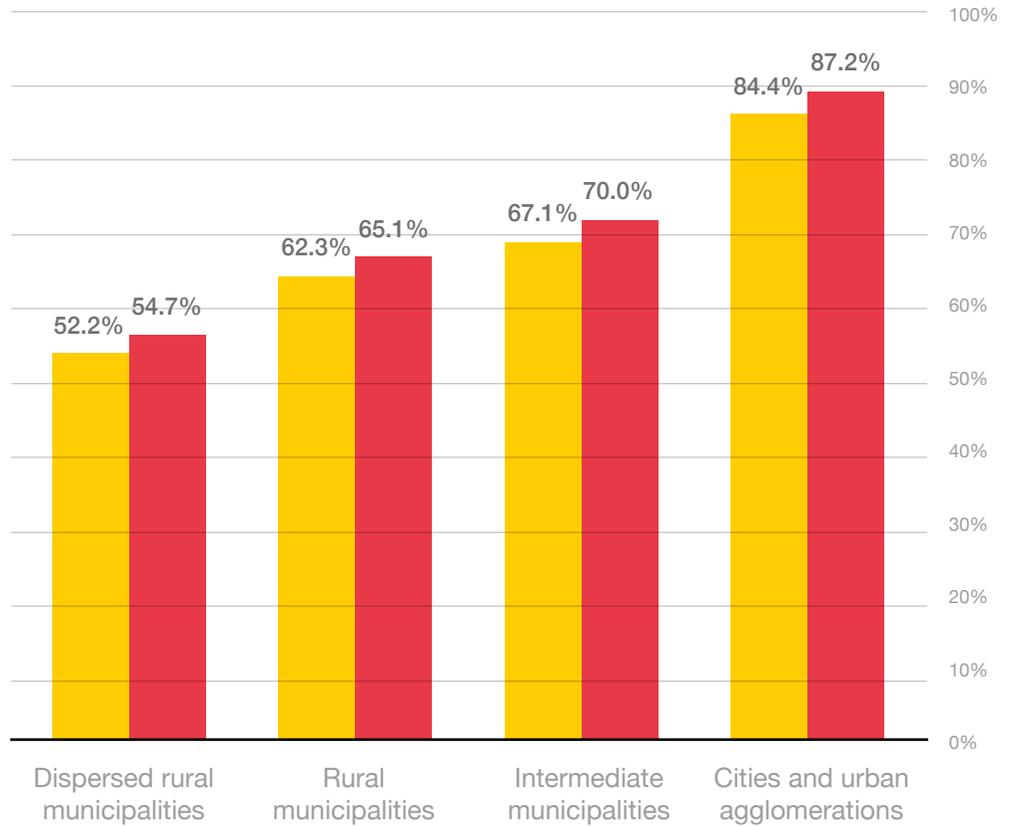
THERE ARE NO SIGNIFICANT DIFFERENCES BY GENDER IN THE ACCESS TO FINANCIAL PRODUCTS

An analysis of gender structure of adults holding financial products reveals that 50.7% are women, equivalent to 13.7⁴ million, and 49.1% are men, that is, 13.3 million (Chart 2.3). The gender distribution of adults with financial products and adults in Colombia in 2017 is the same. Between 2016 and 2017, the gender FII gap decreased by two percentage points.

4. 0.2% of adults with financial products could not be classified by gender. Banca de las Oportunidades and TransUnion have worked to improve identification by gender of adults with financial products and, as a result, as of 2017 share of adults not being identified dropped significantly compared to previous years.

CHART 2.2
Financial inclusion indicator by rurality

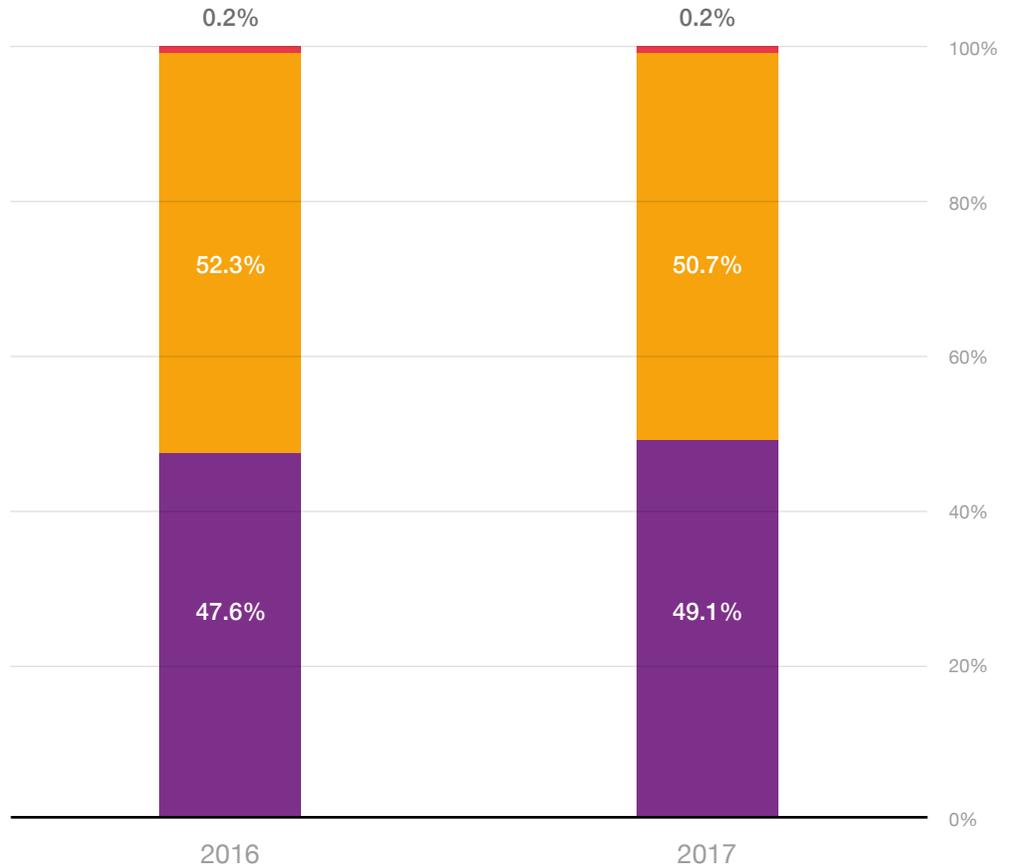
2016
2017



Source: TransUnion, Banca de las Oportunidades calculations

CHART 2.3
Distribution of adults with financial products by gender

Men
Women
Undetermined



Source: TransUnion, Banca de las Oportunidades calculations

MORE FINANCIAL INCLUSION FOR THE YOUTH

In 2017, most adults with financial products, 11.1 million, were 41-65 years old. The second age group with the highest participation level was that of adults between the ages of 26 and 40, or 9.5 million, followed by young adults aged 18-25, with a population of 3.7 million, and people over 65, or 2.6 million (Chart 2.4). The number of adults with financial products has increased in all age groups over the past years. Young adults aged 18-25 have shown the highest average percentage increase: 20.8% between 2014 and 2017.

In this period, the number of financially included adults of other age groups have also increased, although slightly, at a rate near 2.4%⁵.

When comparing the number of adults holding at least one financial product, in 2017, adults between the ages of 26 and 40, and between 41 and 65 showed the highest FII: 87.8% and 88.3%, respectively. Adults aged 65 and over had an indicator of 73.9%, while youth between the ages of 18 and 25 showed an indicator of 53.9%. Nevertheless, even if the number of included young adults between the ages 18 and 25 have increased in recent years, half of that group is yet to be included.

5 Between 2016 and 2017, the increase in adults between the ages of 26 and 40 was 3.3%; adults between the ages of 41 and 65, 4.3%; and 9.4% for people over 65.

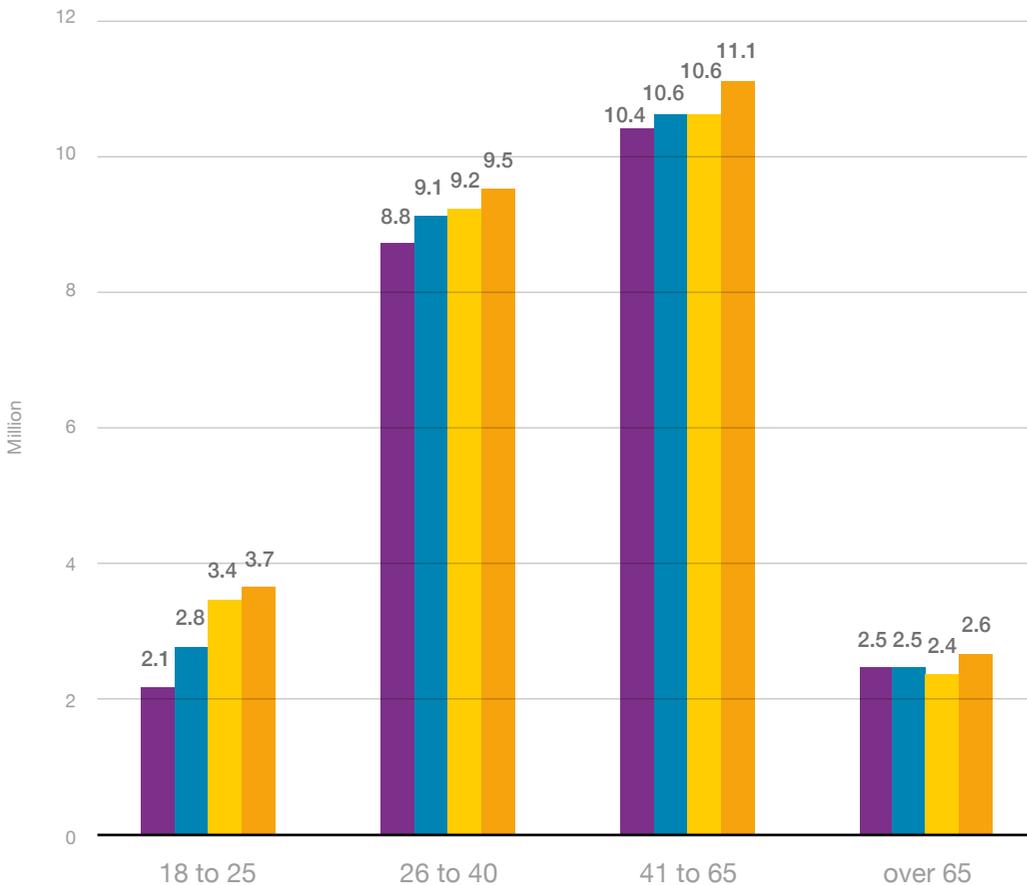
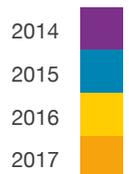


CHART 2.4
Distribution of adults with financial products by age groups



Source: TransUnion, Banca de las Oportunidades calculations

75.6% OF ADULTS IN THE COUNTRY HAVE AT LEAST ONE DEPOSIT PRODUCT⁶

In 2017, 25.6 million Colombians had at least one deposit product. These adults had the following regional distribution: 72.9% lived in cities and urban agglomerations, 14.3% in intermediate municipalities, 8.1% in rural municipalities, and 4.6% in dispersed rural municipalities.

Savings accounts were the product with the highest penetration among Colombians. In 2017, 25.2 million adults had at least one savings account, that is, 74.6% of the adult population in the country (Chart 2.5). The number of adults with savings accounts increased by 1.6 m, or 6.9%, between 2016 and 2017. It was found that, by type of institution, in 2017, 25.16 million adults held their savings accounts with credit institutions, and 254,377 with financial credit unions overseen by SES.

Electronic deposits were the second deposit product with the highest penetration. In total, nearly 4.2 million adults had, by late 2017, an

electronic deposit. This represents an increase of nearly two fifths compared to the preceding year.

On the other hand, electronic savings accounts were the third deposit product with the highest number of adults holding them (approximately, 3 million people⁷), followed by current accounts. However, the latter showed an increase of 0.3% in the past year, and have remained constant in recent years, about 1.7 million people.

Other savings products such as term deposits (CDT, according to the acronym used in Colombia) exhibited an increase of 0.8% between 2016 and 2017. As of December last year, 775,896 adults had CDTs. On the other hand, simplified-procedure savings accounts⁸ remained almost constant (103,287 adults).

- 6 Computed using the number adults identified by their national identification numbers.
- 7. The number of electronic savings accounts are underreported at risk assessment centers.
- 8. The number of simplified-procedure savings accounts are underreported to credit bureaus.

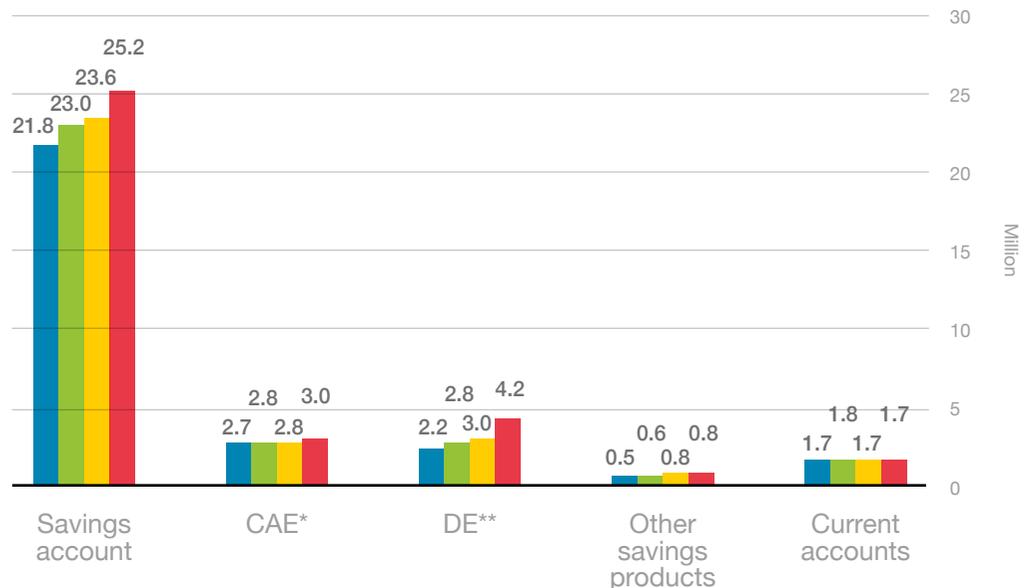
* Electronic savings account (CAE, for its Spanish acronym)

** Electronic deposits (DE, for its Spanish acronym)

CHART 2.5
Number of adults with deposit products



Source: TransUnion, Banca de las Oportunidades calculations



The number of people with deposit products have increased over the past years. Between 2014 and 2017, the number of people with savings accounts increased by 3.4 million, for an increase of 15.5%; with the number of electronic deposits standing at 2.0 million, for an increase of nearly 90%. Adults with electronic savings accounts have showed a positive but slight increase compared to traditional savings accounts and electronic deposits. Between 2014 and 2017, the number of adults with electronic savings accounts went up by 268,919, or 9.9%.

44% OF ADULTS IN THE COUNTRY HAVE AT LEAST ONE CREDIT PRODUCT⁹

By the closing of 2017, almost 15 million people had a credit product. Out of these, 78.2% lived in cities and urban agglomerations, 11.9% in intermediate municipalities, 6.4% in rural municipalities, and 3.5% in dispersed rural municipalities.

Credit cards¹⁰ were the most used product, followed by consumer loans and microcredits. As of December 2017, 9.2 million adults had at least one active credit card, an increase of 372,048 or 4.2%, compared to 2016 (Chart 2.6). Credit cards are only offered by credit institutions.

In addition, almost 8 million adults held a consumer loan. The number of adults with consumer loans increased by 382,792 (5.0%) compared to 2016. On the other hand, approximately 3.3 million adults had a microcredit, an increase of 253,564 (8.4%) compared to 2016. Adults held microcredits mostly with credit institutions (2.6 million adults), followed by NGOs specialized in microfinance (801,311 people) and financial credit unions overseen by the Superintendencia de la Economía Solidaria (154,713 adults).

Credit products with the lowest penetration level were mortgage loans and commercial loans. As of December 2017, roughly 1.1 million adults had at least one mortgage loan granted by credit institutions or financial credit unions overseen by the Superintendencia de la Economía Solidaria. This number decreased by 21,101 adults, or 1.9%, compared to 2016.

The number of adults with credit products increased has increased over the past years, particularly in terms of credit cards and consumer loans, which have had the highest penetration in the country over the last four years. Between 2014 and 2017, the number of adults with credit cards increased by 1.8 million, or 24.5%; with consumer loans by 1.4 million, or 20.9%; with microcredits by 280,082, or 9.3%; and with mortgage loans by 118,135, or 12.1%.

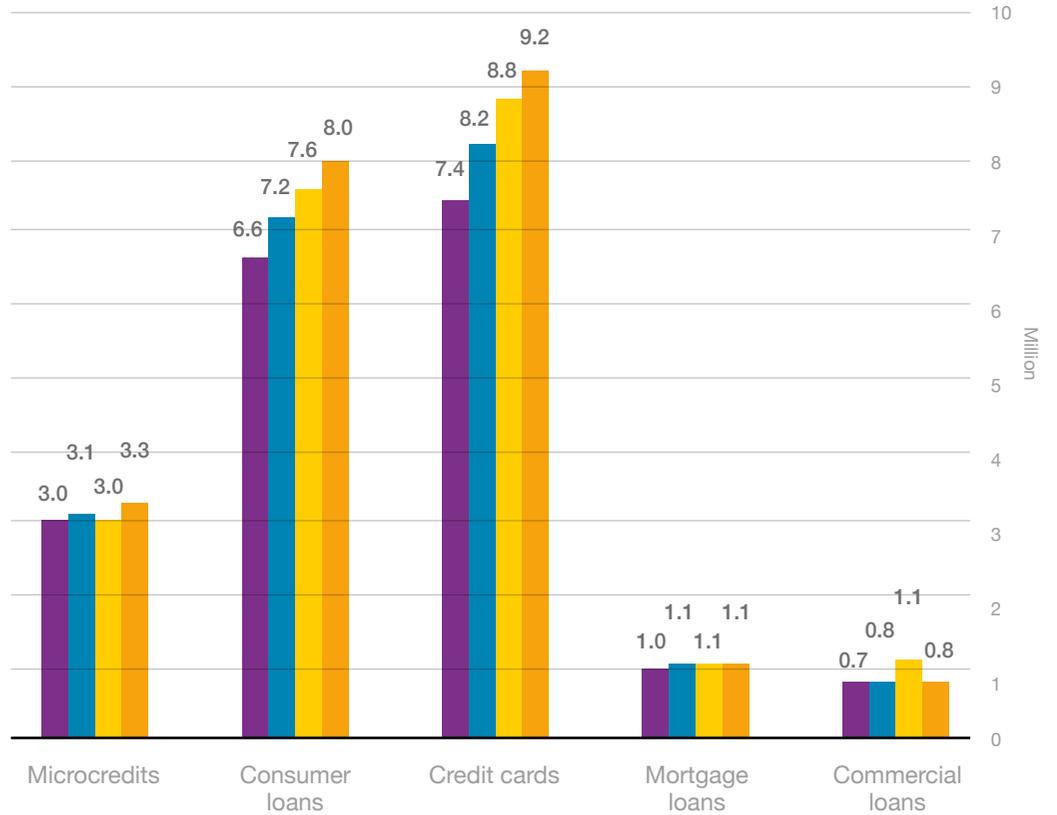
ADULTS ENTERING THE FINANCIAL SYSTEM FOR THE FIRST TIME

In 2017, 1.1 million adults entered the financial system for the first time. This is an increase of 11% compared to 2016, when 999,187 people entered the financial system. The main gateway products to the financial system in 2017 were savings accounts (77.8% out of the total), followed by microcredits (7.2%), credit cards (6.9%), consumer loans (4.1%) and term savings products (2.5%) (Chart 2.7). In recent years, savings accounts have been the main financial product through which adults in the country have had access to the formal financial system for the first time.

9. Computed using the number of adults identified by their national identification numbers.

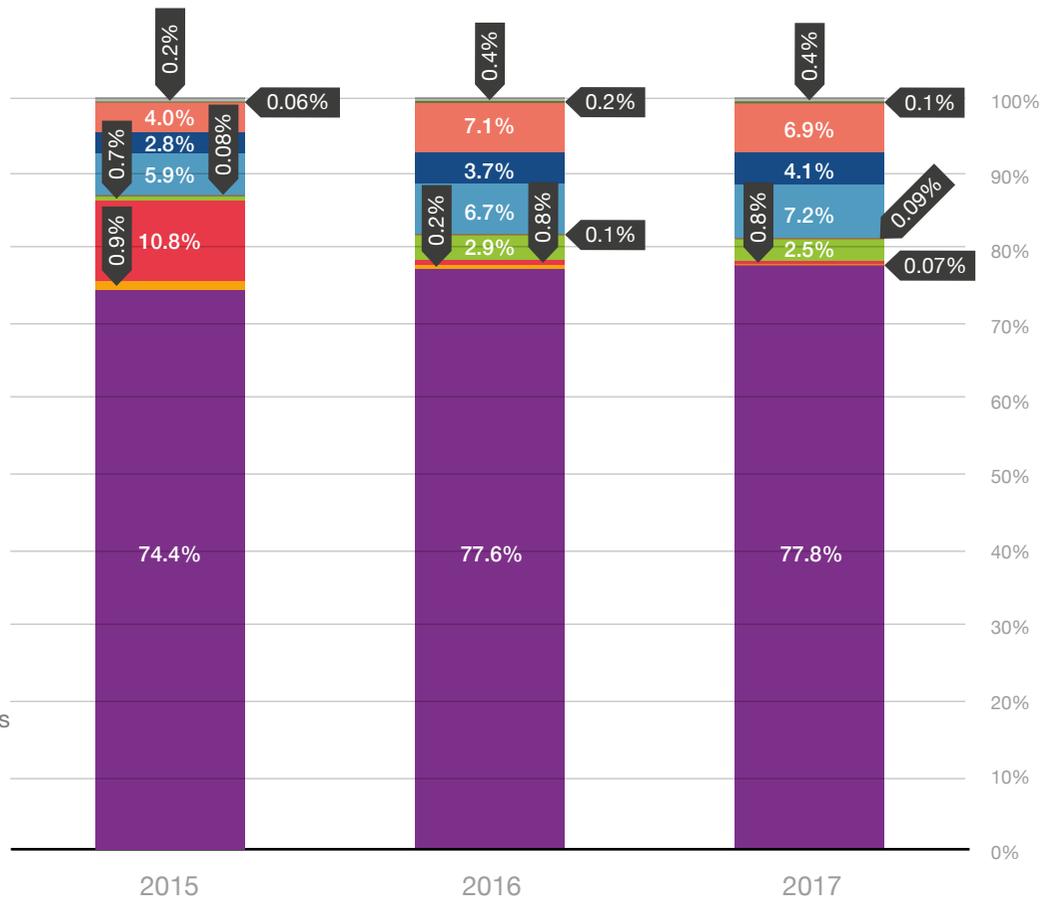
10. This is a kind of consumer loan.

CHART 2.6
Number of adults with credit products



Source: TransUnion, Banca de las Oportunidades calculations

CHART 2.7
Percent of adults entering the financial system by entry product



Source: TransUnion, Banca de las Oportunidades calculations

*Simplified-procedure savings account (CATS, for its Spanish acronym)



MORE BUSINESSES IN THE FORMAL FINANCIAL SYSTEM¹¹

By the end of 2017, 935,880 businesses held at least one formal financial product. This constitutes an increase of 184,029 businesses, or 24.5%, compared to 2016. The number of businesses holding financial products has increased over the past years.

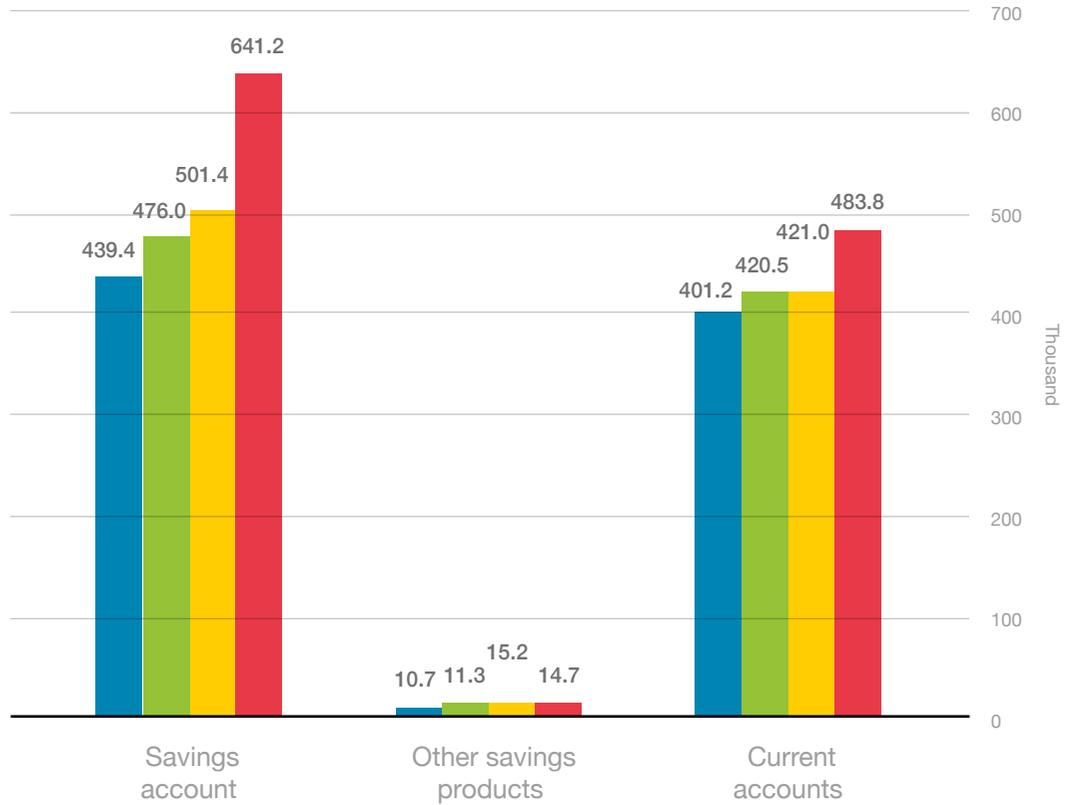
In December 2017, most Colombian businesses (934,915) with at least one formal financial product held such products with credit institutions; and, in a smaller magnitude, with financial credit unions overseen by the Superintendencia de la Economía Solidaria (4,265) and NGOs specialized in microfinance (638).

The financial product with the highest penetration were savings account. By the end of the year, 641,227 businesses held this product, an increase of 27.9% compared to 2016. In terms of deposit products, they were followed by current accounts (483,842) and other savings products (14,698) (Chart 2.8).

Commercial loans were the credit product with the highest penetration level among Colombian businesses (231,534), followed by consumer loans (94,576), credit cards (91,101) and microcredits (14,639) (Chart 2.9). Between 2016 and 2017, the number of adults with consumer loans increased by 12.7%, and with microcredits by 10.8%.

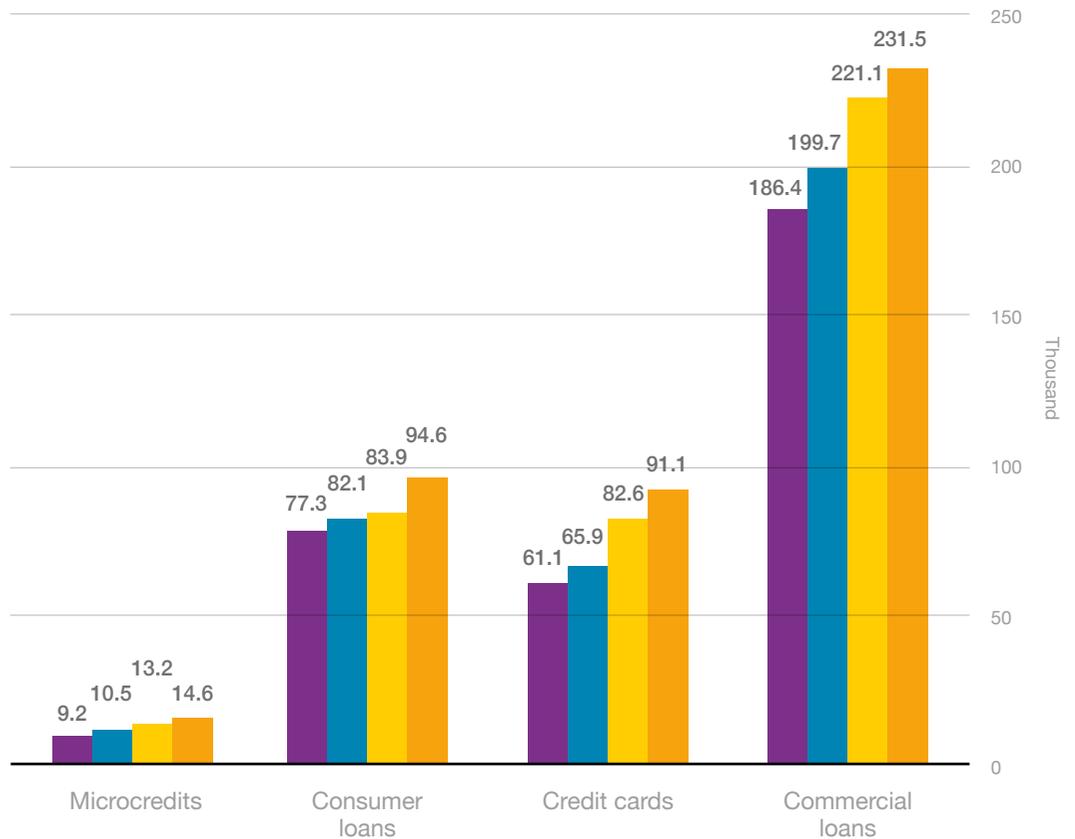
11. This corresponds to businesses with NIT [Tax Identification Number, in Spanish].

CHART 2.8
Number of businesses with deposit products



Source: TransUnion, Banca de las Oportunidades calculations

CHART 2.9
Number of businesses with credit products



Source: TransUnion, Banca de las Oportunidades calculations

2.2 USAGE OF FINANCIAL PRODUCTS

THE USE OF FINANCIAL PRODUCTS MUST CONTINUE TO BE ENCOURAGED

In 2017, 23.2 million adults used or had their products¹² active, that is, 68.6% of the adult population (Chart 2.10). Although the number of adults with active products increased by 1.1 m between 2016 and 2017, the activity level, measured as a percent of adults with financial products actively used over the total number of adults with products, has remained constant at 85%.

The activity level¹³ of adults varies by type of institution. For instance, 85.1% of adults with financial products held with credit institutions actively used them, while this ratio was 63.5% and 65.4% among financial credit unions and NGOs specialized in microfinance, respectively (Chart 2.11). The activity level among credit institutions have remained close to 85% since 2015, while this indicator in financial credit unions overseen by the Superintendencia de la Economía Solidaria decreased by one percentage point between 2015 and 2017.

Regionally, in 2017, the four departments with the highest activity level were as follows: Antioquia (88.5%), Bogotá

D.C. (88.5%), Huila (87.7%) and Bolívar (85.6%). On the other hand, the departments of Arauca, Vichada and Vaupés had an activity level under 80%.

Of the 19.8 million adults financially included in cities and urban agglomerations, 86.3%, or 17 million, used or had active products. For intermediate municipalities, the activity level was lower (83.4%). This magnitude is similar to in the one observed in rural and dispersed rural municipalities, where the activity level stood at 83.8%.

Compared to 2016, the activity level increased in dispersed rural municipalities by 1.1 percentage points, and 0.5 percentage points in rural municipalities. The activity level in cities and agglomerations decreased by 0.3 points.

THERE ARE NO DIFFERENCES BY GENDER IN THE USAGE OF FINANCIAL PRODUCTS

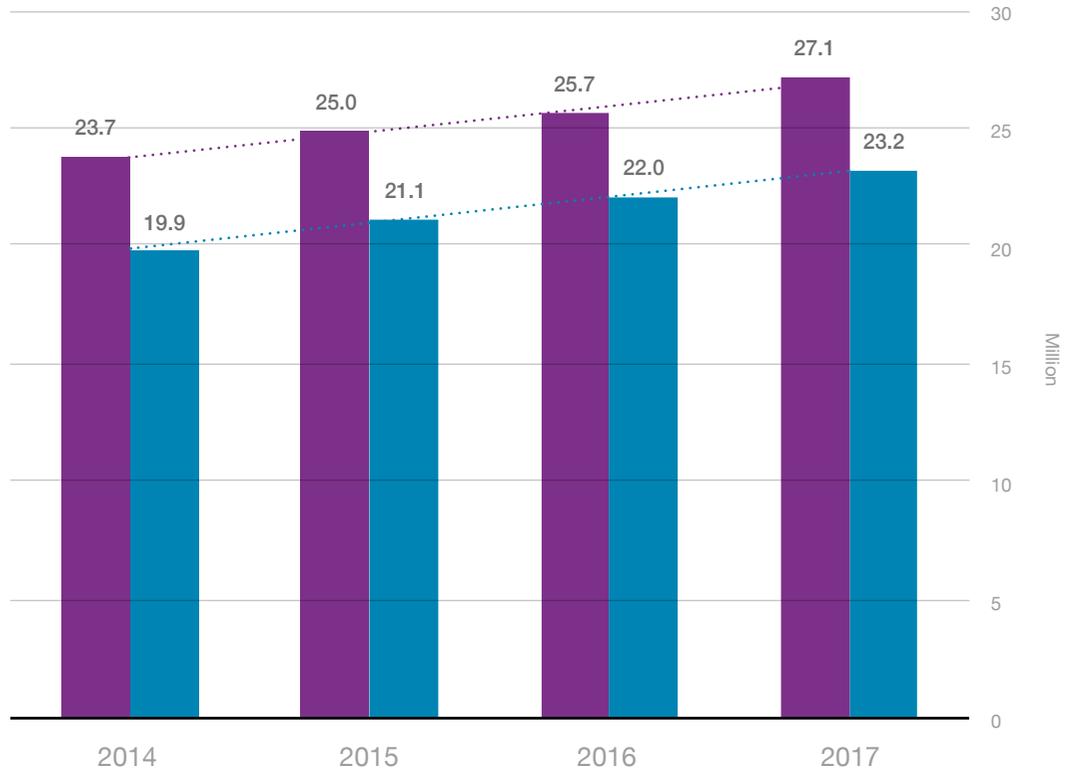
In 2017, 85.6% of women and men with financial products actively used them (Chart 2.12). In recent years, the level of activity for men and women has risen slightly, but was greater among the former. Specifically, the activity level for men went from 82.8% to 85.6% between 2014 and 2017, and, for women, from 83.0% to 85.6%. This has helped close the small gap seen at the existing level of activity by gender.

12. Active adults are adults with at least one active product in the financial system. A product is considered active when it has been used at least once over the past 6 months.

13. Ratio of active adults to the total number of adults with products.

CHART 2.10

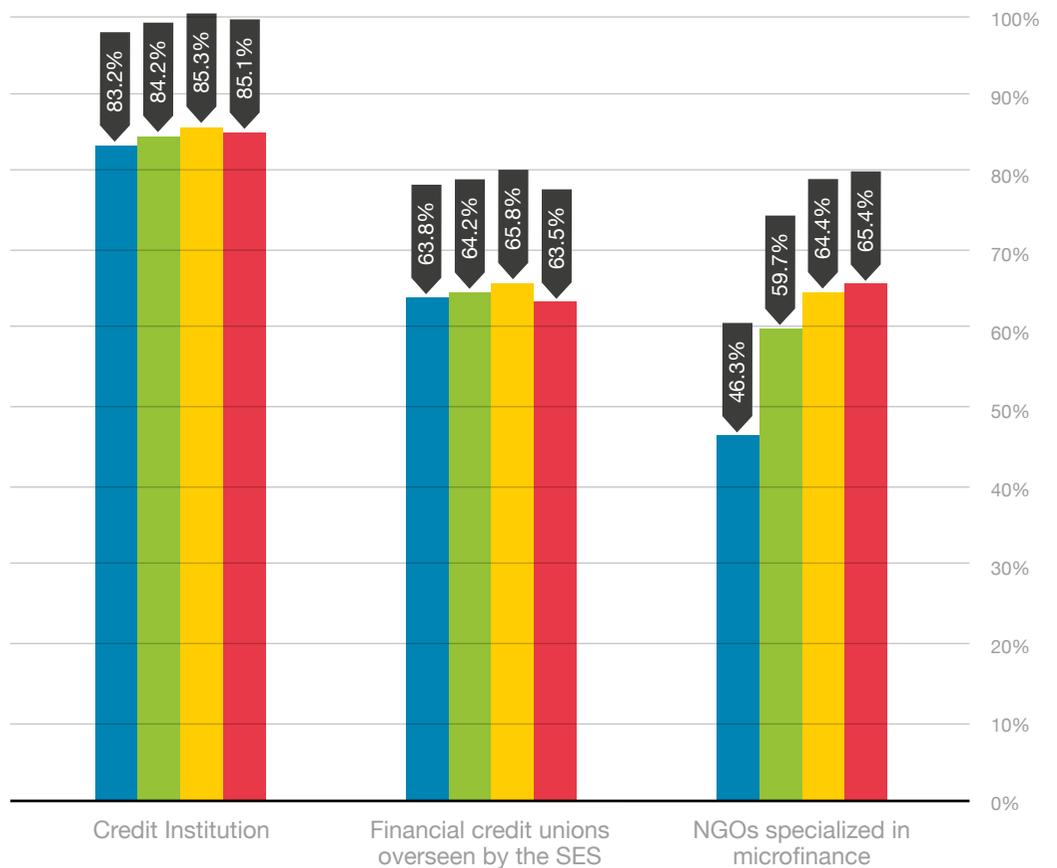
Number of total and active adults holding at least one financial product



Source: TransUnion, Banca de las Oportunidades calculations

CHART 2.11

Ratio of active products to total products by type of institution



Source: TransUnion, Banca de las Oportunidades calculations

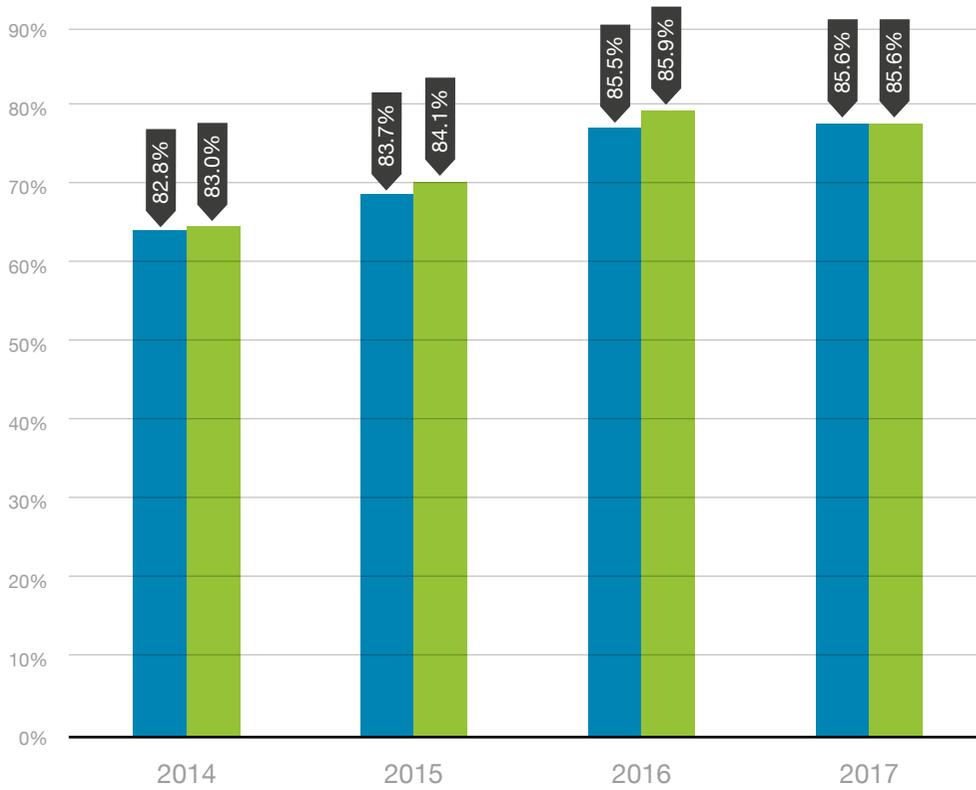


CHART 2.12
Distribution of adults with active financial product by gender

Men ■
Women ■

Source: TransUnion, Banca de las Oportunidades calculations



CHART 2.13
Ratio of active adults to the total number of adults by age range

2014 ■
2015 ■
2016 ■
2017 ■

Source: TransUnion, Banca de las Oportunidades calculations

USAGE OF PRODUCTS IS LOWER IN SENIOR CITIZENS

Adults between the ages of 26 and 40 had the highest activity level (89.4%) (Chart 2.13). They were followed by adults between the ages of 18 and 25 (85.9%) and those 41 to 65 years old (85.0%). Adults over 65 years old had the lowest ratio (73.1%). The activity level has seen no significant changes by age groups in recent years. This reiterates the importance of continuing to encourage the usage of financial products, particular among adults over 65 years old.

USAGE OF DEPOSIT PRODUCTS¹⁴

Of the 25.6 million adults with at least one deposit product, almost 19.6 million had them active. This redounds in an activity level of 76.6%. In cities, this rate stood at 77.1%, and at 75.3% for intermediate, rural, and dispersed rural municipalities.

Of the 25.2 million adults with savings accounts, 18.4 million actively used their products (Chart 2.14). This number increased by 1.4 million, or 8.4%, compared to 2016. The rate between the number of adults with active savings accounts and the total number of savings accounts grew 0.9 percentage points between 2016 and 2017.

The ratio of total number of savings accounts¹⁵ held by adults relative to the

number of adults with that product is close to 2 (i.e., on average, Colombians hold two savings accounts). When this ratio is calculated relative to the number of adults with active savings accounts, it is inferred that Colombians have nearly three accounts on average.

Nonetheless, the deposit products with the highest activity level were: electronic savings accounts, simplified-procedure savings accounts and electronic deposits. More than 90% of adults holding these accounts used them (Chart 2.15). On the other hand, 85% of adults with current accounts had them active. The activity levels of deposit products have remained at similar levels in the past years.

FINANCIAL DEPTH HAS IMPROVED

Formal financial inclusion depth characterizes the diversity of financial services portfolios. This diversity is important to encourage the usage of comprehensive financial services.

In this regard, about half of adults with financial products had one or two products by late 2017 (31.7% of had one, and 23.4% had two). In addition, 15.2% and 9.9% of adults had a portfolio of three and four products, respectively. A portfolio of more than four products was managed by 19.8% of adults (Chart 2.16).

14. Computed using the adults identified by their national identification numbers.

15. Savings accounts of individuals.

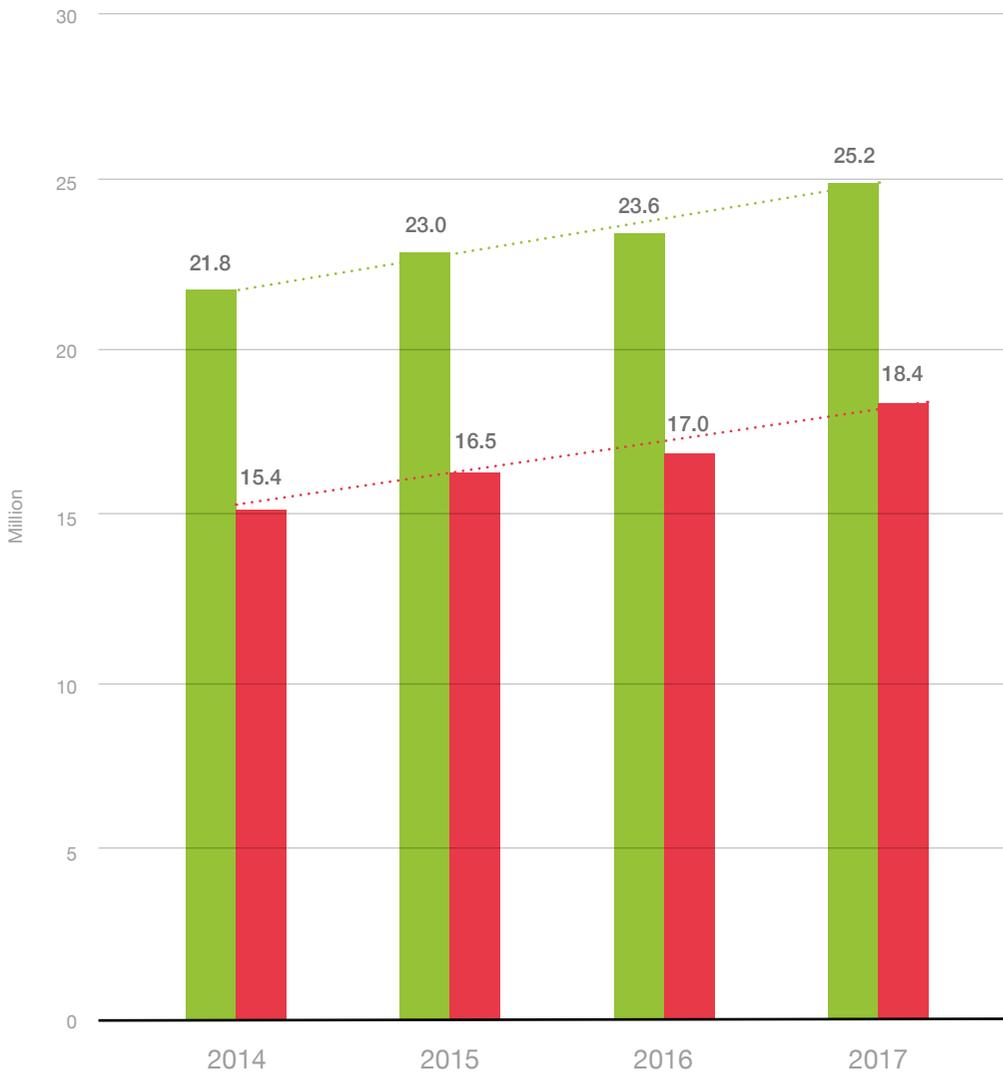


CHART 2.14
Number of adults with total and active savings accounts

Total ■
Active ■

Source: TransUnion, Banca de las Oportunidades calculations

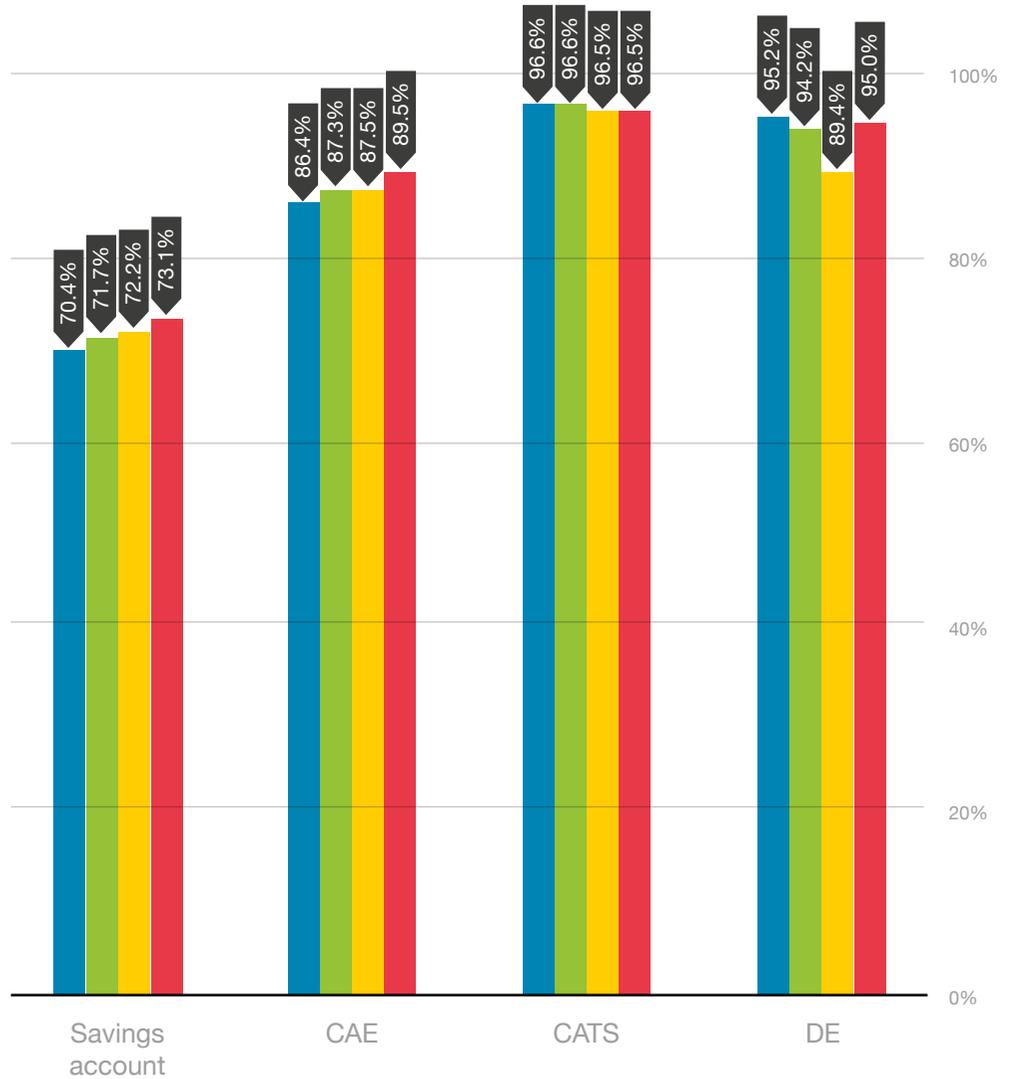
Compared to the previous year, adults with a financial product displayed an increase of 3.9%. Likewise, the number of individuals with a portfolio of two financial products increased by 1.9%. However adults with three or more financial products exhibited a slight contraction between 2016 and 2017. This might be correlated to the access to new products that are no longer used or are canceled over time.

USAGE OF FINANCIAL PRODUCTS BY BUSINESSES NEEDS TO CONTINUE TO IMPROVE

Of the total number of businesses with financial products, 72.1% had some active financial product (675,143 firms) (Chart 2.17), which represents an increase of 20.2% between 2016 and 2017 (113,463 businesses).

CHART 2.15

Share of adults with active deposit products as a proportion of adults with financial products



Source: TransUnion, Banca de las Oportunidades calculations

Although the number of businesses with some active financial products have increased in recent years, this growth has been slower than that of the number of businesses with financial products. This has resulted in a drop in the activity level of businesses, which went from 74.7% in 2016 to 72.1% in 2017. The activity level for businesses is lower than the one observed for adults.

Of the 935 thousand businesses with at least one financial product held with credit institutions, 674 thousand used them actively, which yields an activity level of 72.1%. On the other hand, of the 4,265 businesses holding a financial product with financial credit unions overseen by the Superintendencia de la Economía Solidaria, 2,568 had them active, for an activity level of 60.2%.

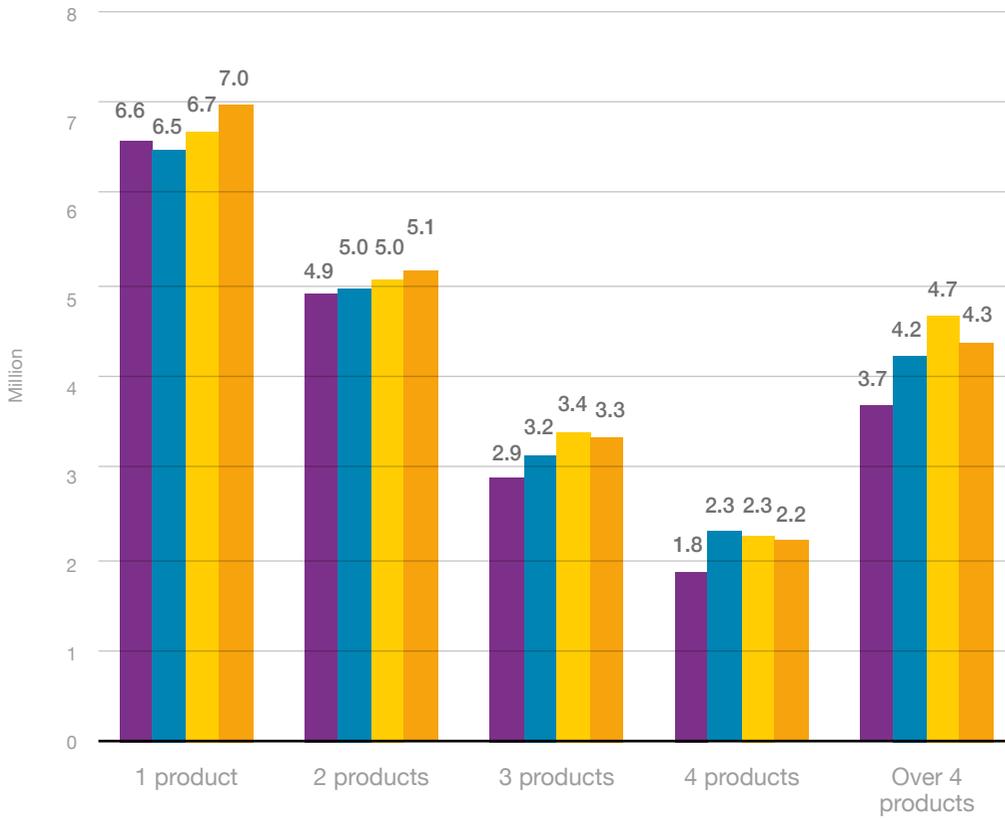


CHART 2.16
Adults with financial products by portfolio type



Source: TransUnion, Banca de las Oportunidades calculations

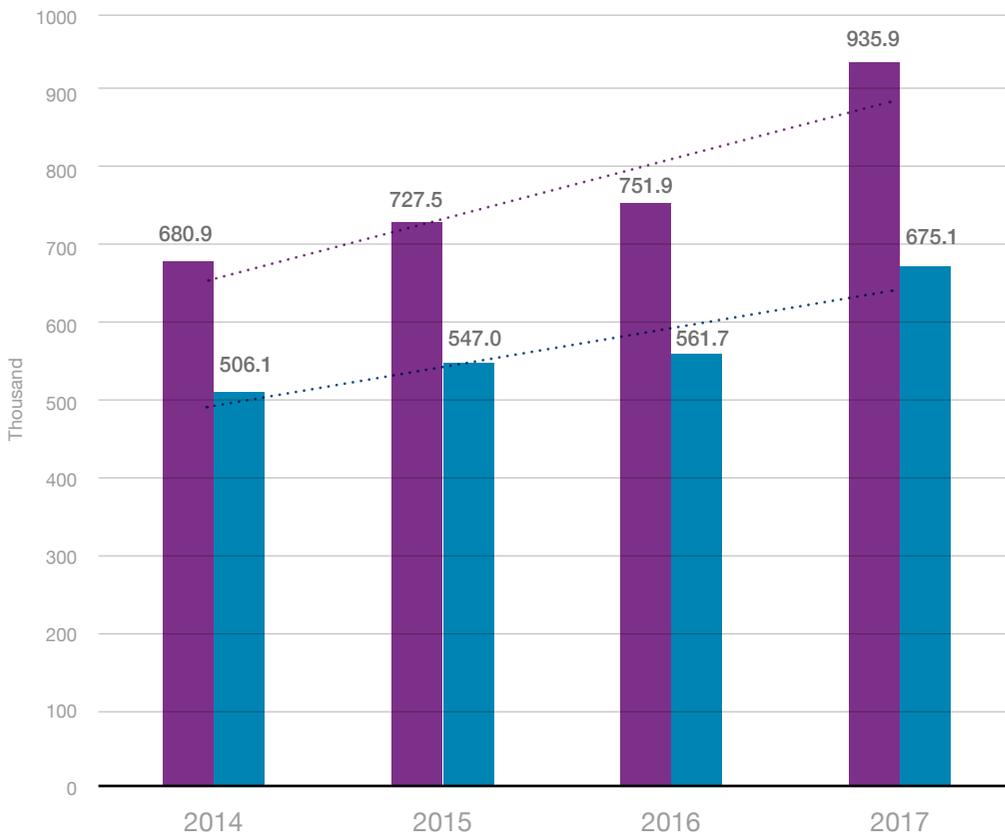


CHART 2.17
Number of businesses with financial products by activity level



Source: TransUnion, Banca de las Oportunidades calculations



REASONS WHY COLOMBIANS SAVE AND GET INDEBTED



WHAT DO PEOPLE SAVE FOR?

16% of the surveyed Colombians for the World Bank 2017 Global Findex, said that their savings purposes were to start, run or expand a business or farm. These aspects were recurrent among the population in the workforce and with education equivalent to or below high school level, both with a proportion of 20% of answers.

On the other hand, 13% of respondents said they saved for their old age. These answers were more recurrently given by men (16%) compared to women (11%), and those who were part of the workforce (15%). Similarly, 20% of respondents said they saved for education purposes. If materialized, these reasons may help increase households' welfare levels as they are crucial to building financial resilience.



WHAT DO MICRO-ENTREPRENEURS SAVE FOR?

According to the *Gran Encuesta Microempresarial* [Big Micro-Business Survey] of Anif [acronym in Spanish for National Financial Institutions Association] (2018), most micro-entrepreneurs said that their savings purposes were to cover their business expenses when revenues were not favorable (40.6% on average). In addition, savings are used to get supplies during high-revenue seasons (20.0%), expand their business (20.0%), pay company-related debts (16.3%), staff or home expenses (14.3%), and start another business (6.6%). Most of them are correlated to the operational business concept; therefore, they might have a positive influence on the company's financial sustainability.



WHAT DO PEOPLE GET INTO DEBT FOR?

According to the 2017 Global Findex, 41% of the surveyed population had a loan during the past year (vs. 43% in 2014). 10% of respondents got indebted for health and education purposes. On the other hand, 7% of respondents said to have got indebted to run or expand their business or firm. The foregoing reasons to access to loans might certainly have a positive impact on welfare of people and their family members, as they make it easier for them to respond to unexpected events related to health conditions, increase human capital levels and generate productive investment.



WHAT DO MICRO-ENTREPRENEURS GET INTO DEBT FOR?

According to the *Gran Encuesta Microempresarial* of Anif 2017, loans provided to micro-entrepreneurs were mostly used to generate liquidity. Indeed, buying raw materials, supplies, stock and other operating or operation expense (77% industry, 87% commerce, and 56% services) were the most common use specified by respondents. On the other hand, less than 30% of respondents remodeled or made improvements to expand their productive capacity, and less than 13% of businessmen used their loans to buy or lease machinery.

Loans used for investment have the potential to allow businesses to expand on their growth opportunities, and increase their productivity through the use of new technologies, innovation, development of new products or services, market expansion, among others.

2.3 MAIN CHALLENGES

INCLUDE THE UNDERBANKED IN THE FINANCIAL SYSTEM

6.7 million Colombian adults need to be included in the financial system (that is, 19.8% of adults in the country). According to the 2017 Global Findex, the main reasons given by respondents for not having an account were related to the lack of funds (67%), management costs (59%), lack of required documentation (28%) and physical distance to financial institution branches (20%). Only 3% of respondents said that they did not have an account because they did not need any financial services. This highlights the importance of reducing other barriers to financial inclusion (Chart 2.18).

Particularly, there is a challenge to include individuals who live in rural areas, as well as the youths of the country. The FII is significantly lower in rural municipalities compared to cities. In rural and dispersed rural municipalities, 2.2 and 1.2 million adults, respectively, had access to financial products. The FII stood at 65.1% in rural municipalities and 54.7% in dispersed rural municipalities. The difference in the FII between cities and dispersed rural municipalities went up to 32.5 percentage points. Consequently, it is key to reduce access barriers to the financial system in rural municipalities and dispersed rural municipalities. Finally, this gap has remained constant in the past years.

Likewise and despite the increase recorded over the past years in the number of youths between the ages of 18 and 25 holding some financial product, the challenge is to include almost half of the population without access to the formal financial system. While the FII of

the country stood at 80.1% in 2017, the FII for young adults between the ages of 18 and 25 reached 53.9%. In this regard, it is important to inquire into the reasons why the youth are not accessing to financial products.

INCREASE THE USAGE OF FINANCIAL PRODUCTS

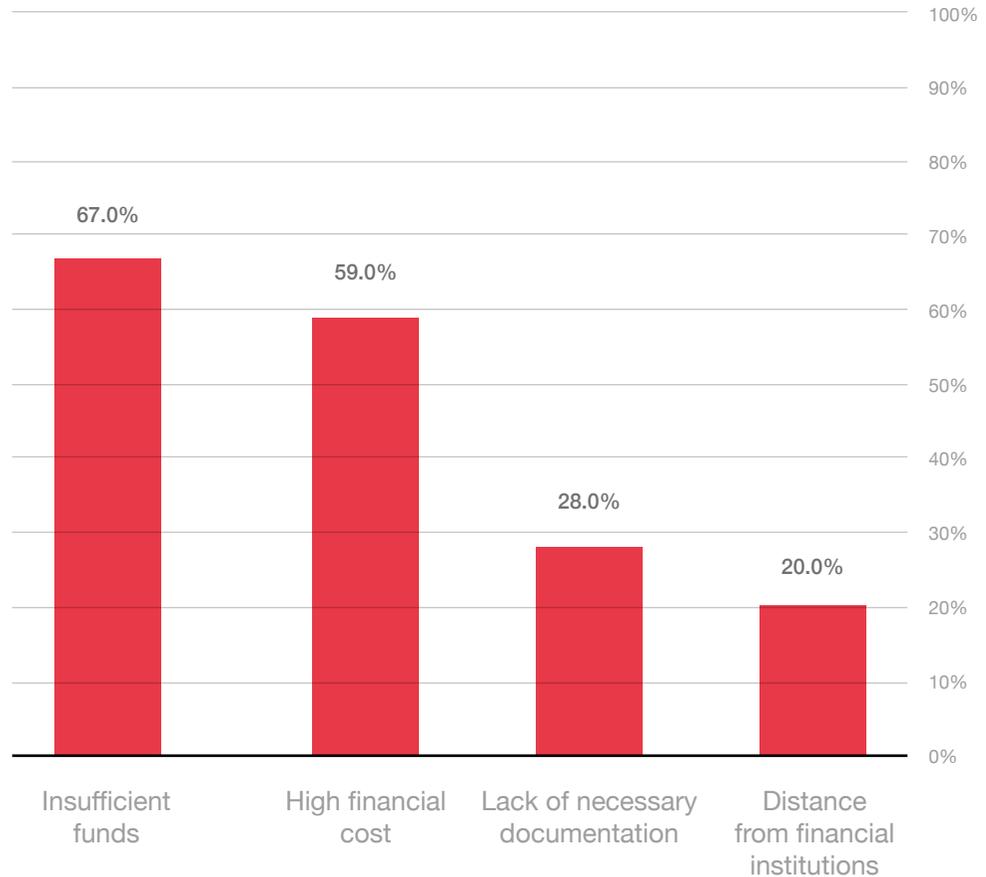
As referred to above, it is relevant to continue to encourage the usage of financial products by both individuals and businesses. This is due to the fact that the share of active adults in the total number of adults with financial products was equal to 85.6%. At the level of businesses, such share reached 72.1%. It is important to explore the new barriers¹⁶ to the usage of products currently offered on the market. In addition, it is important to continue to develop strategies associated with financial education and design of appropriate products with the population's and businesses' needs.

PROMOTE FINANCIAL LITERACY

The National Financial Inclusion Strategy recognizes the relevance of Financial Literacy, reason why it has been prioritized as one of the work fronts of the strategy, recommending the preparation and implementation of the National Financial Inclusion Strategy. In this regard, one of the greatest achievements of 2017 was to prepare and release the strategy document, which results from the effort of

16. The National Financial Inclusion strategy in Colombia identifies the main suggested barriers and lines of action and instruments.

CHART 2.18
Barriers for accessing the financial system



Source: Global Findex, 2017

various entities composing the National Administrative System for Economic and Financial Education and the Cross-Sector Commission on Economic and Financial Education¹⁷.

Even if having this roadmap for each life stage (formal education, active stage, vulnerable population and micro-entrepreneurship, and provision for old age) is a first step, the

challenge is still to increasingly expand articulation in entities and implement suggested actions to expand Colombians’ knowledge, abilities and skills so they can get to better manage their personal finance, manage risks they may encounter, and make informed decisions –an aspect that has been developed ever since the strategy was launched.

17. Decree 457 of 2014, an opportunity to generate guidelines, work methodologies and management and coordination mechanisms among the various public and private entities relating to public policy on economic and financial education. It is composed of 8 sub-commissions, to wit: i) technical, ii) population in formal education, iii) population in active productive stage, iv) vulnerable population, v) micro-entrepreneurs, vi) provision for retirement and protection for old age, vii) measurement and assessment, and viii) consultative sub-commission. The latter as a space for articulation of the Cross-Sector Commission on Economic and Financial Education with the private sector.

FINANCIAL
INCLUSION REPORT 2017

3



3.

FINANCIAL INFRASTRUCTURE

This chapter analyses financial coverage in the country using information of financial institutions' access points and their transactionality. Access points include bank branches, bank correspondents, POS terminals, ATMs and mobile agents. This chapter describes the evolution of access points

at the national, department and municipal levels. The number and amount of transactions are analyzed by type of channel. In addition, the chapter deals with transactional services (e.g., debit and credit cards) indicators, the number of financial transactions per 100,000 adults, and access to Internet and mobile phones.

MAIN FINDINGS: FINANCIAL COVERAGE AND TRANSACTIONS

1 There is at least **one access point** to the financial system across all Colombian municipalities since early **2015**.

In **2017**, there were **532,138 access points** in the country.

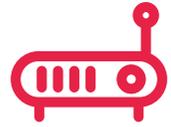


Municipal coverage 
100% Since 2015

3  **Fragile financial coverage** municipalities (those with 1 or 2 correspondents and no bank branches) went from **34 in 2016** to **3 by late 2017**.

Fragile coverage municipalities

34 (2016)	3 (2017)
---------------------	--------------------

5  Bank branches channeled most funds from operations in the financial system. However, **the Internet** registered the **largest volume of operations**.

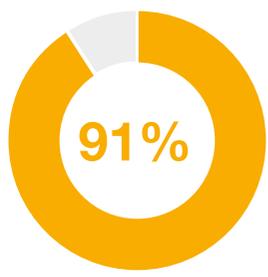
	2017	% amount	2016	2017
 Bank branches	#5,455 Million		47.1%	43.2%
 Internet	\$7,209 trillion		32.8%	35.5%

7 Most transactions were completed at **banks**.

 Banks \$7.166 Trillions (99.4%)	 Financing companies \$32 trillion (0.4%)	 Financial creditunions overseen by Superintendencia Financiera de Colombia (SFC) \$11 trillion (0.2%)
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9 The **largest share** on average transacted amounts corresponded to the **ACH channel**, with **42%**, followed by the **Internet** with **26%**, and **bank branches** with **23%**.

The amount average of the **transactions of ACH, Internet** and **branches** represents.



ACH	\$10.1 million.
Internet	\$6.4 million.
Bank branches	\$5.6 million.

2

Between 2016 and 2017, the number of points of access increased by **10.5%**, that is 50,471 more. This increase is explained by the behavior of **bank correspondents** and **POS terminals**, which increased **11.5%** and **10.7%**, respectively.



4

By the end of 2017, Colombia had **105,104** bank correspondents distributed as follows: **99.8%** (104,918 points) with credit institutions and **0.2%** (186) with financial credit unions overseen by Superintendencia de la Economía Solidaria (SES).



6

Mobile phone transactions had the highest growth rate between 2016 and 2017, increasing in number by **67.6%** and in amount by **71.0%**.



mobile phones



8

Out of all transactions made in the financial system, in terms of transacted amount, the most frequent were payments and transfers, representing **35%** on average (**\$5,071** trillion out of the total).



10

On average, every adult conducted **86 virtual transactions** annually.



3.1. FINANCIAL COVERAGE ANALYSIS

After Colombia reached full coverage across its municipalities¹ in 2015, capillarity of financial institutions has continued to increase. The number of access points in the country have increased in the last three years, both in absolute terms and relative to the size of the population and national territory.

By the end of 2017, financial institutions in Colombia had 532,138 access points distributed as follows: 403,512 were POS terminals (75.8%), 105,104 bank correspondents (19.8%), 15,709 ATMs (3.0%) and 7,813 bank branches (1.4%)². The share of the different access points has remained almost the same in the last three years (Chart 3.1).

Between 2016 and 2017, the number of access points increased by 10.5%, or 50,547 additional points. This increase is explained by the behavior of bank correspondents and POS terminals, which increased by 11.5% and 10.7%, respectively. Bank branches and

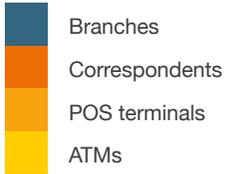
ATMs, on the other hand, showed a moderate increase, 0.9% and 3.2%, respectively, in the past year. Since 2015, bank branches and ATMs have had similar annual growth rates.

The increase in the number of access points has helped improve the capillarity of financial institutions, reaching higher levels of coverage in terms of the population and national territory. In 2017, Colombia had 1,573.8 access points per 100,000 adults and 554.5 access points per 1,000 km². Both indicators have increased in the last three years. In particular, compared to 2016, the demographic coverage indicator went up 126 points, and the geographic coverage indicator increased by 52 points.

Despite this progress, the gap between urban and rural coverage remains³. In 2017, cities and urban agglomerations, where 67.0% of adult population resides, concentrated 88.5% of access points. On the other hand, rural and dispersed rural municipalities, where 16.6% of Colombian population lives, had 4.1% of access points (Chart 3.2).

-
1. According to DANE [National Administrative Department of Statistics, for its acronyms in Spanish], there are 1,102 municipalities and 20 departamental townships.
 2. Access points exclude mobile financial agents, since such data is only collected on 23 NGOs specialized in microfinance.
 3. Analysis by rurality levels exclude information on ATMs, collected at a national level.
 4. Data by rurality level on POS terminals corresponds directly to data reported by Low Value Networks (CredibanCo and Redeban).

CHART 3.1
Evolution of the number of financial access points by type of access points



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

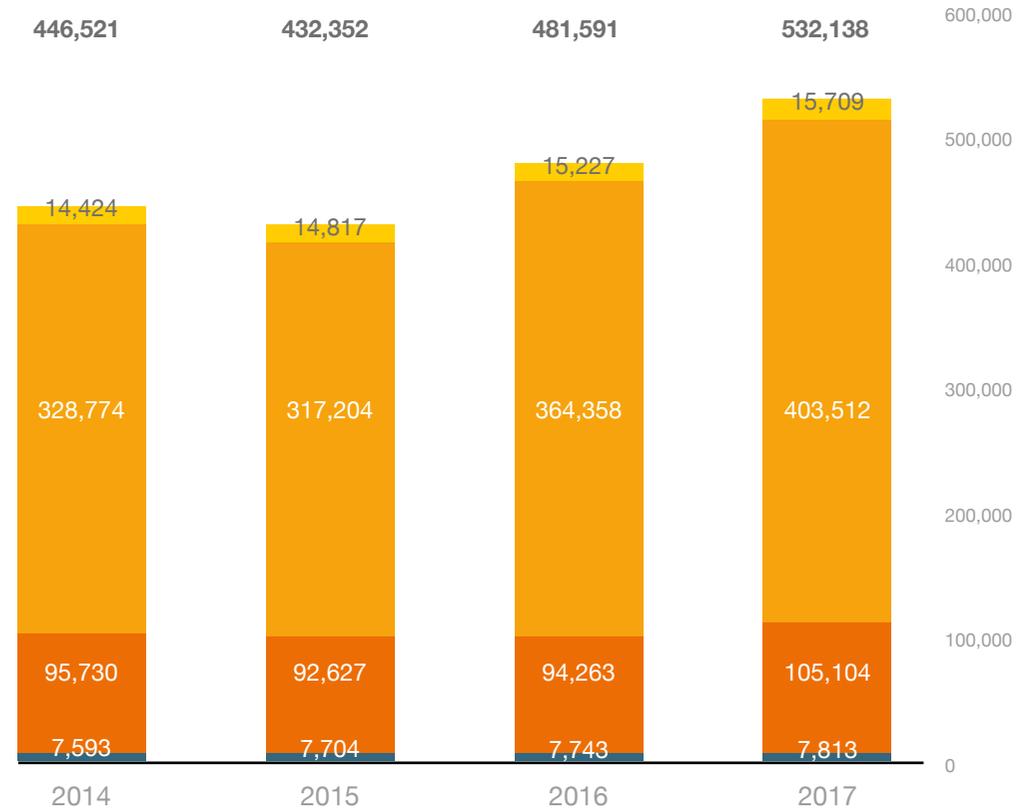
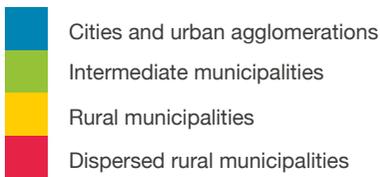
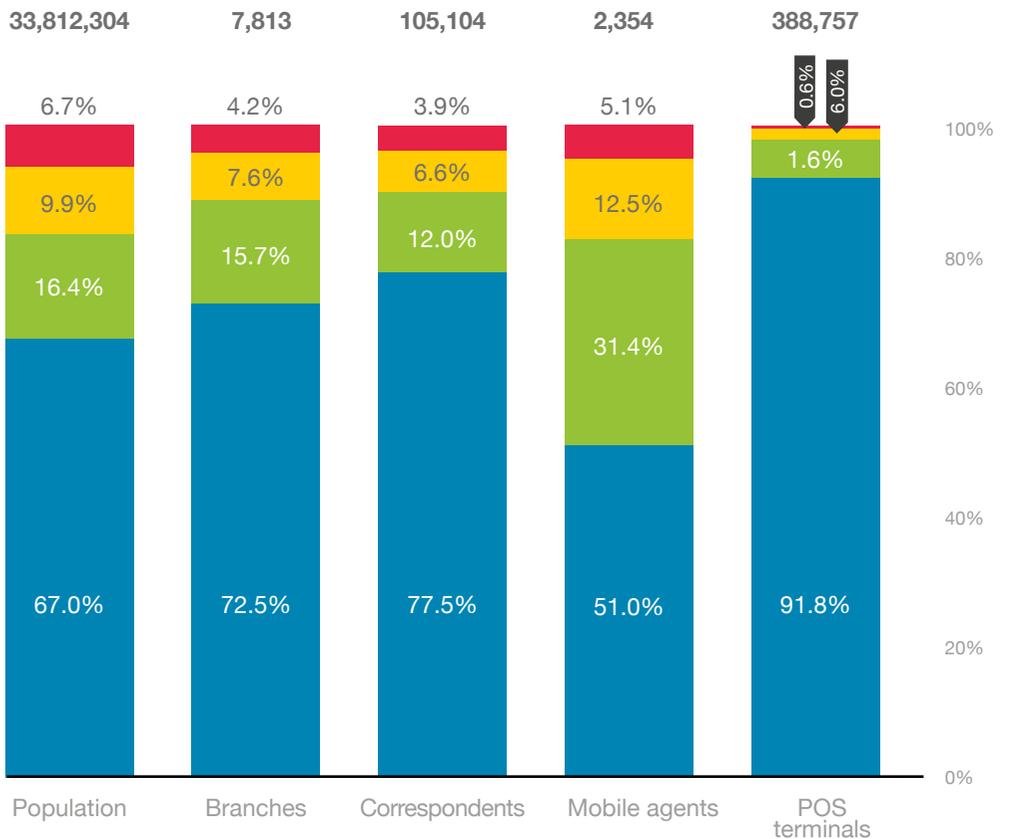


CHART 3.2
Distribution of access points by rurality⁴ in 2017



Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.



FINANCIAL INSTITUTIONS BRANCHES⁵

Financial institutions had 7,813 branches in 2017, distributed as follows: 6,391 (81.8%) belonged to credit institutions⁶, 863 (11.0%) to financial credit unions overseen by Superintendencia de la Economía Solidaria, and 559 (7.2%) by NGOs specialized in microfinance (Chart 3.3).

As referenced above, the number of branches had a moderate increase in the last three years, about 0.9% annually. As a result, coverage in terms of population and national territory has remained constant, at around 23 branches per 100,000 adults and 8 per 1,000 km, respectively. It is worth mentioning that even if between 2016 and 2017 the total number of financial institution branches increased, this was not the case for banks⁷. In this regard, bank branches closing was among the largest banks, and was mostly found in the main cities of the country.

Branches were mostly found in cities and intermediate municipalities, with a share of 72.5% (5,667) and 15.7% (1,225), respectively. On the other hand, rural and disper-

sed rural municipalities had a share of 11.8% (921). Despite the urban-rural gap, between 2016 and 2017 the number of branches in intermediate, rural and dispersed rural municipalities increased by 4.8%, while the number of branches in cities and urban agglomerations dropped by 0.4% (Chart 3.4). It is also worth highlighting that out of the 921 branches available in rural and dispersed rural municipalities, 435 branches, or 47.2%, belonged to Banco Agrario de Colombia.

In 2017, there was branch presence in all of the country's departments. Bogota, D.C., Antioquia, Valle del Cauca, Bogotá, and Cundinamarca were the top five departments with the highest number of bank branches, roughly 58.9% of branches in the country. However, the top five departments with the highest demographic coverage indicator were Boyacá, Guainía, Santander, Casanare, and Amazonas, all of which had over 30 branches per 100,000 adults (Annex 1). On the other hand, 885 municipalities (out of 1,102) had bank branches. The 13 largest cities in the country in terms of population concentrated 50% of total branches (Annex 2).

-
5. Information on bank branches comes from Form 322 of Superintendencia Financiera de Colombia. Historic series have been homogenized based of this form. Previous versions of this Report used Form 398, replaced by Form 534. The latter discontinued the measure of the number of branches.
 6. In 2017, the distribution of the number of credit institution branches were as follows: 5,722 banks, 453 financing companies, 10 financial corporation, and 206 financial credit unions overseen by SFC and Superintendencia de la Economía Solidaria (SES).
 7. The total number of bank branches went down from 5,812 in 2016 to 5,722 in 2017.

CHART 3.3
Evolution of the number of branches by type of institution



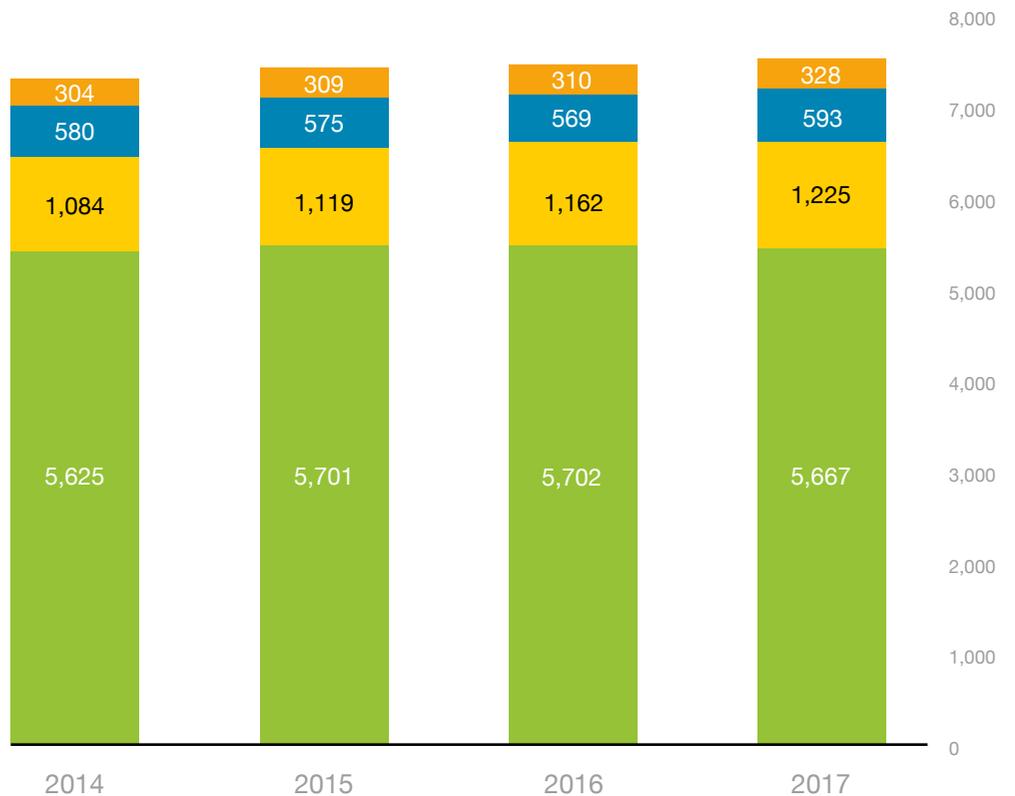
Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.



CHART 3.4
Evolution of the number of branches by rurality level



Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.



BANK CORRESPONDENTS⁸

In 2017, Colombia had 105,104 bank correspondents. Out of these, 99.8% (104,918 points) belonged to credit institutions⁹ and 0.2% (186) to financial credit unions (Chart 3.5). Between 2016 and 2017, the number of bank correspondents increased by 11.5%, which is equivalent to 10,841 additional points. This increase redounded in better coverage indicators throughout the last year, which went from 283.4 to 310.8 bank correspondents per 100,000 adults, and from 98.3 to 109.5 bank correspondents per 1,000 km².

Just like branches, correspondents were concentrated in cities and urban agglomerations. In fact, in 2017, 77.5% (81,412) of correspondents were located in cities, 12.0% (12,638) in intermediate municipalities, and 10.5% (11,054) in rural and dispersed rural municipalities (Chart 3.6)¹⁰. The location of almost all financing companies' and financial credit unions' correspondents were cities and urban agglomerations.

In 2017, correspondents operated in all of the country's departments. The top five departments with the highest number of correspondents were Bogotá D.C. (30,198), Valle del Cauca (11,777), Antioquia (9,897), Cundinamarca (6,790) and Atlántico (5,496), concentrating roughly 61.1% of correspondents in the country. However, the top five departments with the highest demographic coverage indicator were Bogotá D.C., Casanare, Meta, Santander and Cundinamarca, all of which had over 350 correspondents per 100,000 adults (Annex 3).

As to municipalities, in 2017, all 1,102 municipalities had correspondents. The 13 largest cities had nearly 55.4% of correspondents in the country. (Annex 4). In addition, the number of fragile-coverage municipalities (i.e., those with one or two correspondents and no branches presence) went from 34 in 2016 to 3 municipalities by the end of 2017 (specifically, Murindó, Antioquia; Río Iró, Chocó, and Jordán, Santander).

-
8. Bank correspondents are commercial establishments that provide financial services in the name of a financial service provider, thus becoming formal financial system access points. Data included in this section specifies the number of bank correspondents reported by every institution overseen by the Financial Superintendence of Colombia and Superintendencia de la Economía Solidaria.
 9. The distribution of credit institution correspondents were as follows: 100,449 bank correspondents, 4,327 financing companies' correspondents, and 56 financial cooperative
 10. Institutions with the largest presence in rural municipalities were Banco de Occidente (1,738), followed by Bancolombia (1,516) and Banco Agrario (957).

CHART 3.5
Evolution of the number of correspondents by type of institution



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

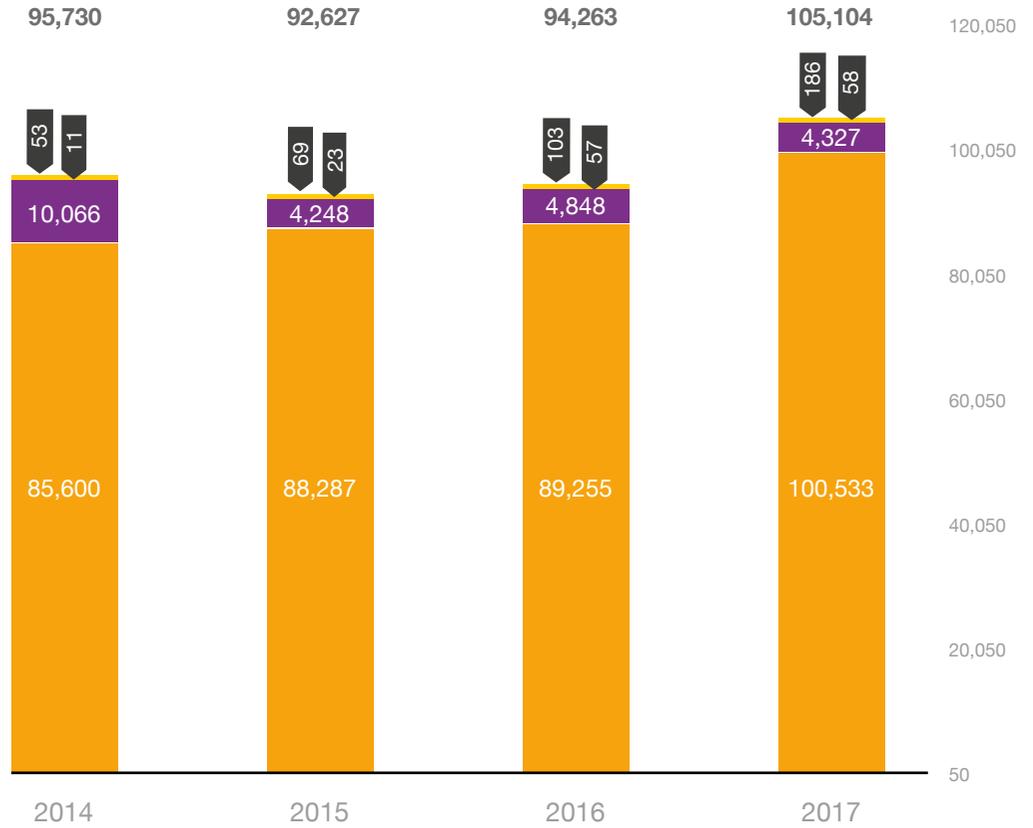
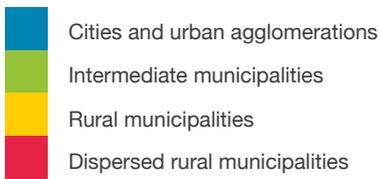


CHART 3.6
Evolution of the number of correspondents by rurality level



Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.



THIRD PARTY AND ACTIVE CORRESPONDENTS¹¹

In 2017, a third party operated 69.0%, or 72,406, of credit institutions' correspondents. The remaining 31.0%, or 32,512, were self-operated¹².

Almost all financial companies' correspondents (99.0%) had a third party operating them, while the entirety of financial credit unions co-

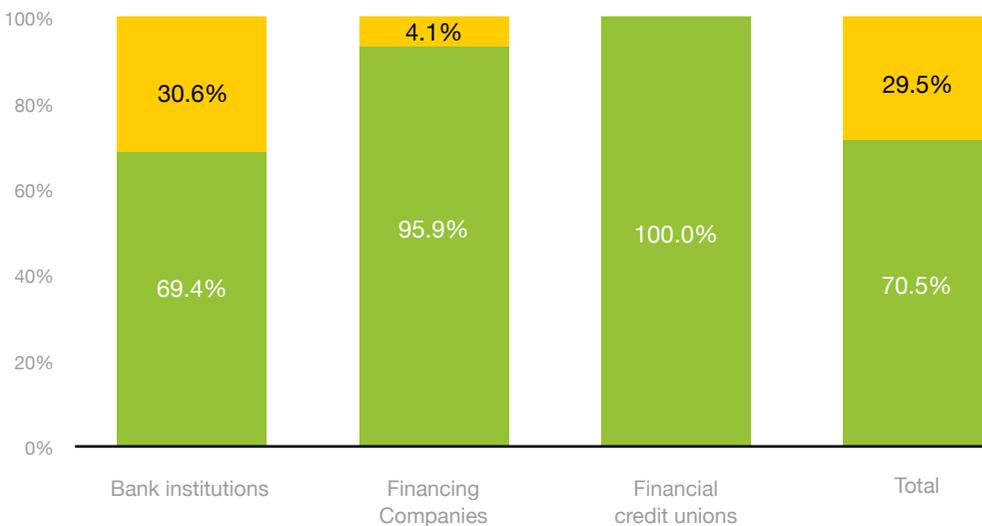
rrespondents were self-operated. On the other hand, a third party operated 67.7% of bank co-respondents¹³ (Chart 3.7).

Finally, 70.5% of credit institution correspondents, that is 73,966, were active by the end of 2017. Financing companies and financial credit unions had activity levels of 96.0% and 100.0%, respectively, while 69.4% of bank correspondents were active¹⁴.



CHART 3.7
Ratio of self-operated correspondents vs. third party correspondents and active and inactive correspondents by type of institution in the fourth quarter of 2017

Number of own correspondents
Number of third party correspondents



Number of self-operated correspondents
Number of third party correspondents

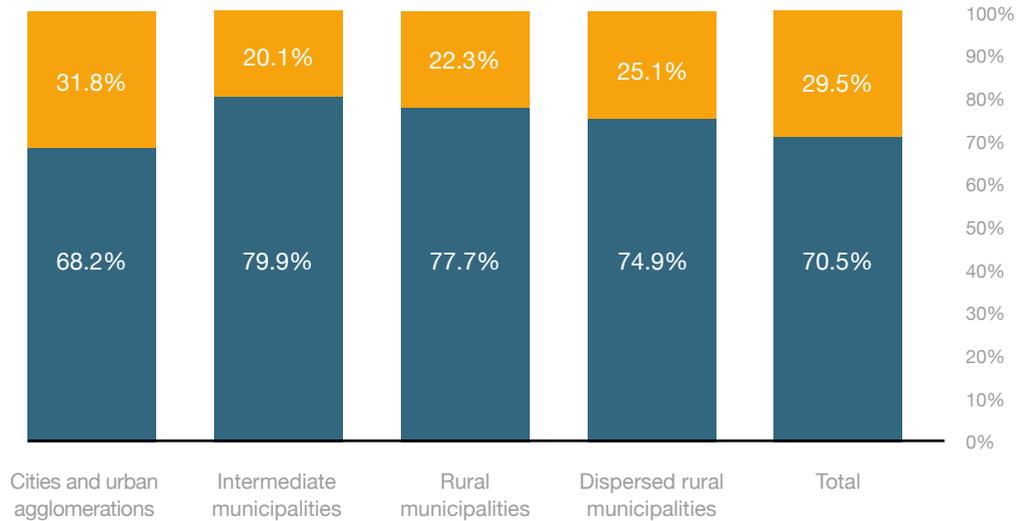
Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades calculations.

CHART 3.8
 Ratio of self-operated correspondents vs. third party correspondents and active and inactive correspondents by rurality level in the fourth quarter of 2017

■ % of self-operated correspondents
 ■ % of third party correspondents



■ % of active correspondents
 ■ % of inactive correspondents



Source: DANE, DNP, Superintendencia Financiera de Colombia, Banca de las Oportunidades calculations.

11. Information on the number of active and third party correspondents is available only for the 104,918 credit institutions' correspondents overseen by Superintendencia Financiera de Colombia.
12. Aggregators may provide services at the same physical point to several financial institutions. This may cause an overestimation of the number of correspondents in the country in existing standardized reports, as institutions currently report individual points managed by an aggregator, who provides services to several institutions.
13. The share of third party correspondents reached 71.3% in Cities and urban agglomerations, 59.5% in intermediate municipalities, 62.3% in rural municipalities, and 63.8% in dispersed rural municipalities.
14. The activity level for intermediate and rural municipalities, 79.9%, is greater than the national one, which stands at 77.7% respectively.



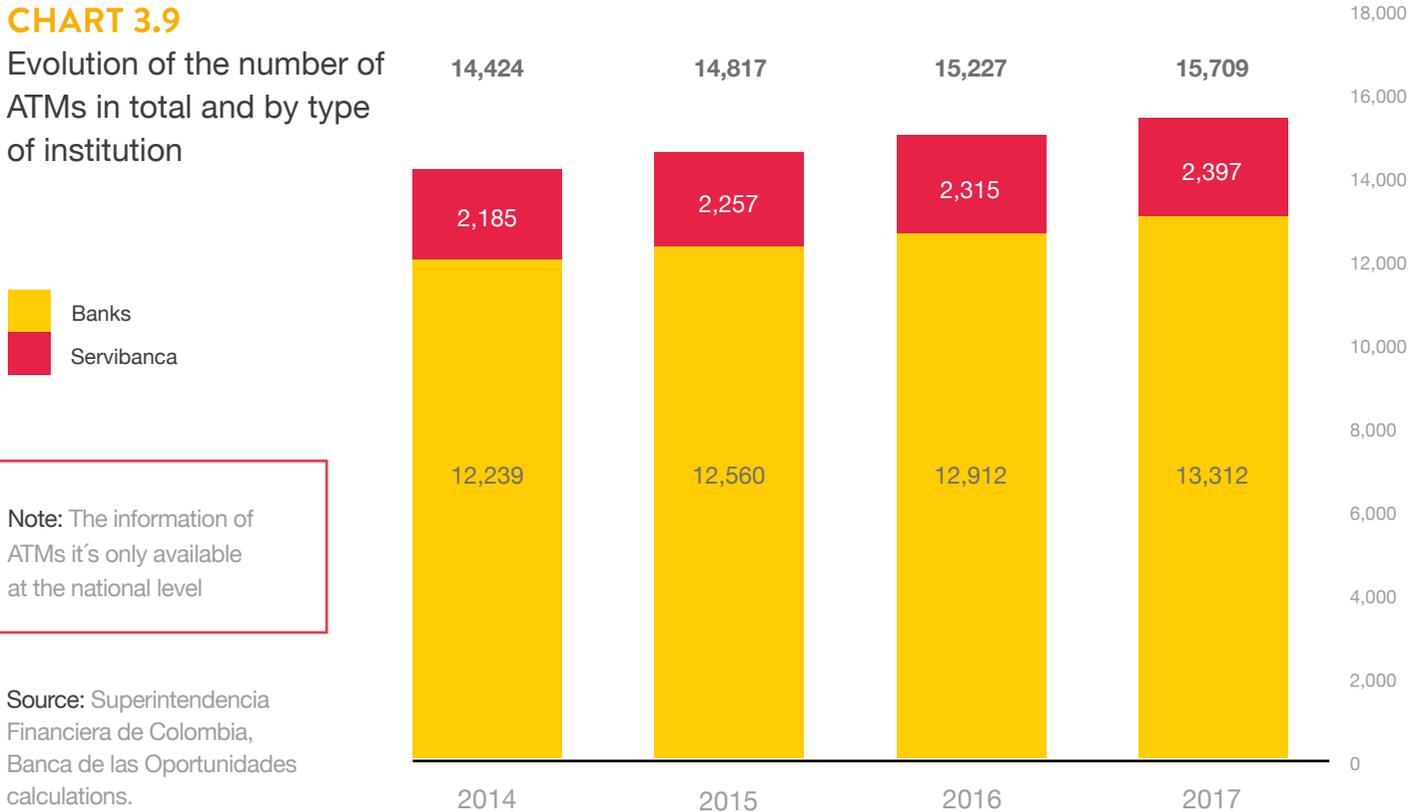
AUTOMATIC TELLER MACHINES - ATM

In 2017, there were 15,709 ATMs in the country: banks managed 84.7% (13,312), while the remainder 15.3% (2,397) were managed by Servibanca. The number of ATMs have increased consistently in the last three years at an average

annual rate of 2.9%. In 2017, there were 892 additional ATMs compared to 2015, and 482 more than in 2016. Due to the moderate increase in the number of ATMs, geographic and demographic coverage indicators have remained almost unchanged, at around 46 ATMs per 100,000 adults and 16 per 1,000 km². Data on ATMs is only available at a national level (Table 3.1).

CHART 3.9

Evolution of the number of ATMs in total and by type of institution



Note: The information of ATMs it's only available at the national level

Source: Superintendencia Financiera de Colombia, Banca de las Oportunidades calculations.

TABLE 3.1 Evolution of indicators for ATMs per 100,000 adults and 1,000 km² by rurality level

Type of institution	2014		2015		2016		2017	
	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²
Banks	38.1	12.8	38.4	13.1	38.8	13.5	39.4	13.9
Servibanca	6.8	2.3	6.9	2.4	7.0	2.4	7.1	2.5
Total	44.9	15.0	45.3	15.4	45.8	15.9	46.5	16.4

Source: Superintendencia Financiera de Colombia, DANE and DNP, Banca de las Oportunidades calculations.

MOBILE FINANCIAL AGENTS¹⁵

In the last two years, the number of financial agents of NGOs specialized in microfinance went up 12.5%, for an increase of 261 agents between 2015 and 2017. However, between 2016 and 2017, the total number of financial agents dropped 3.8%, that is, 94 agents.

By the end of 2017, Cities and urban agglomerations had a share of 51.0% of financial agents, followed by intermediate municipalities with 31.4%, rural municipalities with 12.5%, and finally dispersed rural municipalities with 5.1% (Chart 3.10). In 2017, there

re were seven financial agents per 100,000 adults and 2.5 per 1,000 km². The demographic coverage indicator in intermediate municipalities continues to be the highest among the different levels: 13.3 agents per 100,000 adults by late 2017 (Table 3.2).

15. Information provided on financial agents corresponds only to 23 NGOs specialized in microfinance, which report their data directly to Banca de las Oportunidades. To date, institutions overseen by Superintendencia Financiera have not reported this information because it is not included in any form.



TABLE 3.2 Evolution of indicators for mobile financial agents in NGOs per 100,000 adults and 1,000 km² by rurality level

Rurality level	2014		2015		2016		2017	
	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²
Cities and urban agglomerations	4.7	13.7	4.8	14.4	5.4	16.4	5.3	16.4
Intermediate municipalities	10.4	5.4	12.4	6.5	14.5	7.6	13.3	6.9
Rural municipalities	6.9	1.0	8.5	1.2	10.2	1.5	8.8	1.3
Dispersed rural municipalities	3.1	0.1	4.1	0.2	4.9	0.2	5.3	0.2
Total	5.8	1.9	6.4	2.2	7.4	2.6	7.0	2.5

Sources: DANE and DNP, Banca de las Oportunidades calculations.

POS TERMINALS¹⁶

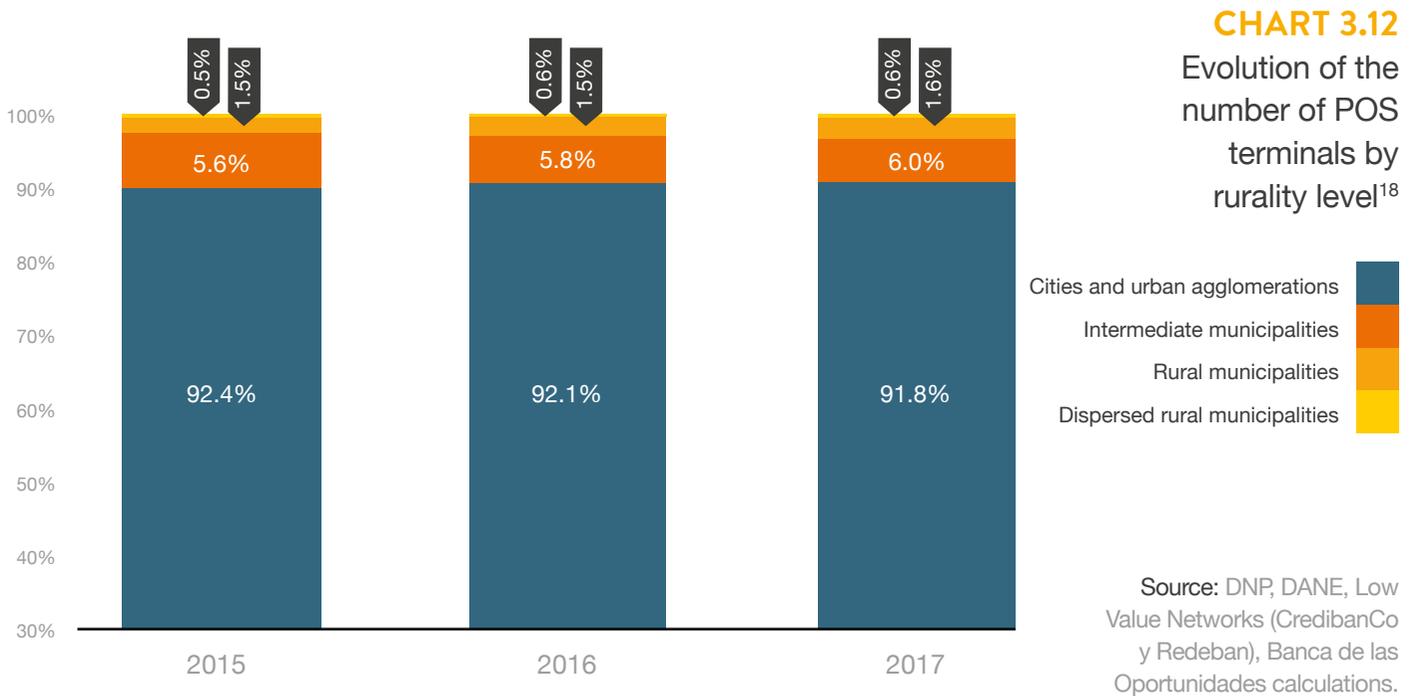
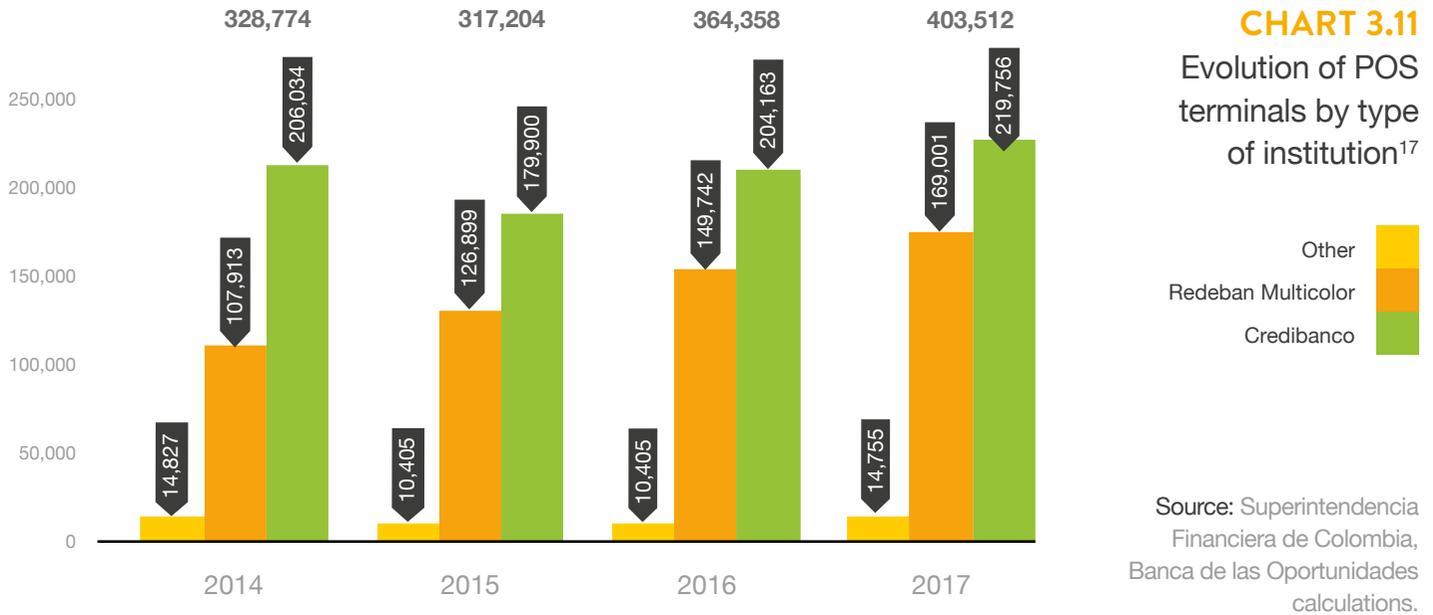
As of December 2017, the number of POS terminals was 403,512. This implies an increase of 10.7% (39,154) over the last year and 27.2% (86,308) compared to 2015. By type of institution, CredibanCo and Redeban concentrated 96.4% (388,757 points) of the market, followed by banks with 2.1% (8,509), Asenda Red with 1.3% (5,287) and Red Visionamos with 0.2% (959) (Chart 3.11).

There were 1,149.8 POS terminals per 100,000 adults and 405.1 per 1,000 km² in 2017 (Table 3.3). Additionally, 91.8% of POS terminals were available in Cities and urban agglomerations, 6.0% in intermediate municipalities, 1.6% in rural municipalities, and 0.6% in dispersed rural municipalities (Chart 3.12).

In 2017, POS terminal had presence in all of the country's departments. Bogotá, D.C.,

Antioquia, Valle del Cauca, Atlántico, and Cundinamarca were the top five departments with the highest number of POS terminals, roughly 68.3% of POS terminals in the country. However, the top five departments in terms of the demographic coverage indicator were: Archipelago of San Andres, Providencia and Santa Catalina, Bogotá, D.C., Risaralda, Quindío and Valle del Cauca, all of which had over 1,180 POS terminals per 100,000 adults (Annex 5). On the other hand, the largest 13 Cities and urban agglomerations had 70.9% of Redeban's and CredibanCo's POS terminals (Annex 6).

16. Municipal data on POS terminals is only available for CredibanCo and Redeban.



17. Other category includes Banks, Red Visionamos and Asenda Red, the latter for 2017.

18. Low Value Networks (CredibanCo and Redeban) directly reported municipal data to Banca de las Oportunidades.

TABLE 3.3

Evolution of indicators for POS terminals per 100,000 adults and 1,000 km² by rurality level

Type of institution	2015		2016		2017	
	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²	Per 100,000 adults	Per 1,000 km ²
Cities and urban agglomerations	1,300.5	3873.4	1,464.9	4433.9	1,574.6	4882.0
Intermediate municipalities	321.1	169.6	376.7	198.1	422.1	219.5
Rural municipalities	139.2	19.9	163.1	23.8	180.6	26.6
Dispersed rural municipalities	72.8	2.9	88.8	3.5	111.0	4.5
Total	941.1	320.9	1,064.5	369.2	1,149.8	405.1

Source: DNP, DANE, Low Value Networks (CredibanCo y Redeban), Banca de las Oportunidades calculations.



3.2 TRANSACTIONAL ANALYSIS¹⁹

In recent years, transactions in Colombia have transformed and scaled up. Particularly, virtual channels, such as the Internet and mobile phones, have increased their share in both monetary and non-monetary transactions.

According to a study conducted by CGAP²⁰ on the impact of smartphones on financial inclusion, penetration is quickly increasing in both developed countries and developing countries, creating opportunities for financial services providers to reach low-income customers with digital financial services. Applications are now driving more the use of financial services because they are user-friendly and convenient, and because of improvements in the country's communications infrastructure.

NUMBER OF TRANSACTIONS AND TRANSACTED AMOUNT

The positive trend in the use of the various transactional channels reflects the development of the Colombian financial system as well as its efficacy in providing high-quality financial products that are secure.

By the end of 2017, the total number of transactions and the transacted amount rose to 5,455 million and \$7,209 trillion, respectively. The Internet continued to have the highest share in the number of transactions, representing 47.2% (2,574 million transactions), followed by ATMs with a share of 14.8% (809 million). Branches had a share of 11.3% (615 million), POS terminals had 10.4%, (565 million), and mobile phones had 6.1% (331 million) (Chart 3.13).

On the other hand, branches continued to channel the largest amount of funds, with a share of 43.2% (3,112 trillion), followed by the Internet with 35.5% (2,556 trillion); and wire transfers (ACH) with 14.6% and \$1,051 trillion.

The dynamism of the Internet channel reflects the potential to make progress across a larger and more diverse range of financial products and services.

By late 2017, the total number of financial transactions increased by 10.6%. The mobile phones channel had the greatest dynamism as to the number of transactions, increasing by 67.6% relative to 2016, followed by bank correspondents and the Internet, with growth rates of 22.0% and 14.2%, respectively. On the other hand, the number of transactions made through branches and ACH went down by 6.2% and 7.1%, respectively, compared to the preceding year.

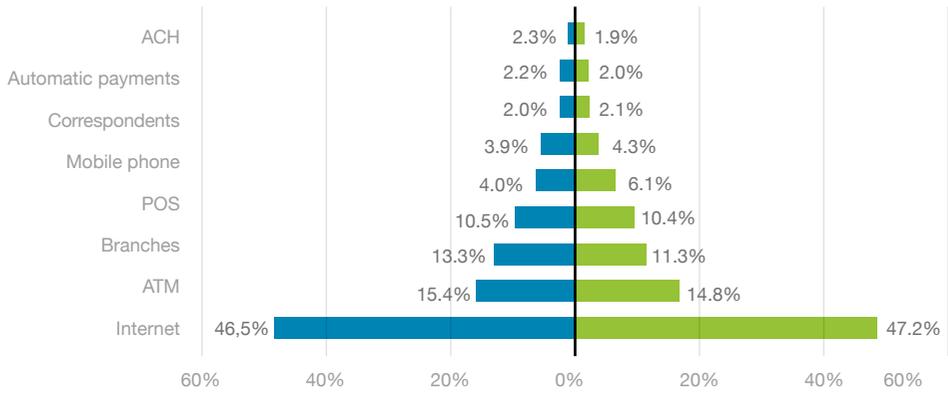
Nevertheless, the total amount of funds transacted decreased in real terms by 1.9%. By type of channel, branches had the highest annual decline in real terms (10.0%), followed by audio-teller (7.8%). On the other hand, the mobile phone channel showed the highest annual real increase, 71.0%, followed by bank correspondents (27.8%) and automatic payments (15.9%) (Chart 3.14).

19. This analysis is done only for credit institutions overseen by Superintendencia Financiera de Colombia, given that these institutions are the only ones having that information.

20. Consultative Group to Assist the Poor (CGAP, for its acronym in Spanish), <http://www.cgap.org/sites/default/files/Impact-of-Smartphones-on-Financial-Inclusion.pdf?platform=hootsuite>

CHART 3.13
Share of transactional channels²¹

2016
2017



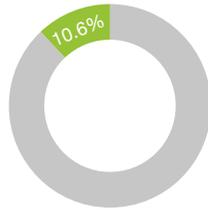
2016
2017



Source: Superintendencia Financiera de Colombia.

21. It includes information of transactions made through distribution channels provided by overseen entities. It includes nine: branches, bank correspondents (BC), automatic teller machines (ATM), POS terminals (POS), wire transfers (ACH), Internet, mobile phones, audio-tellers and automatic payments.

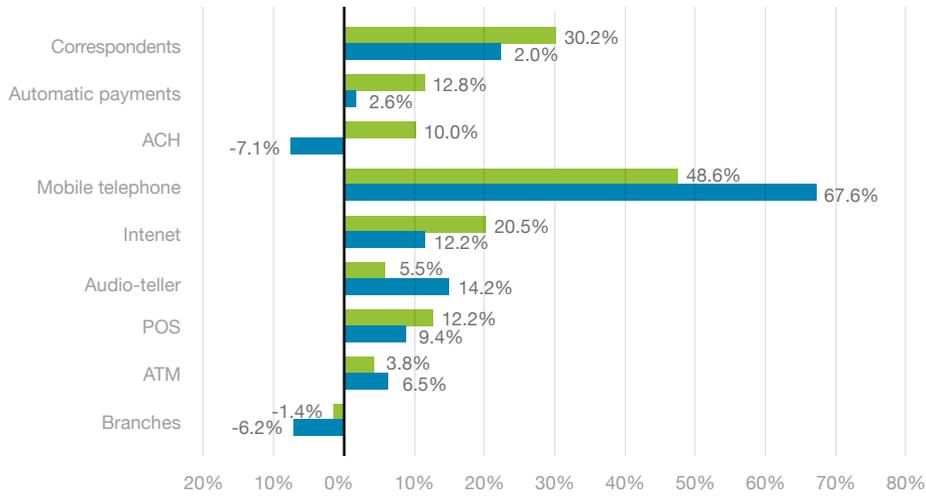
Growth rate in the total number of transactional channels



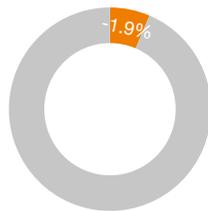
Over the last year, the number of transactions increased by 10.6%.

CHART 3.14
Annual percent increase of transactional channels

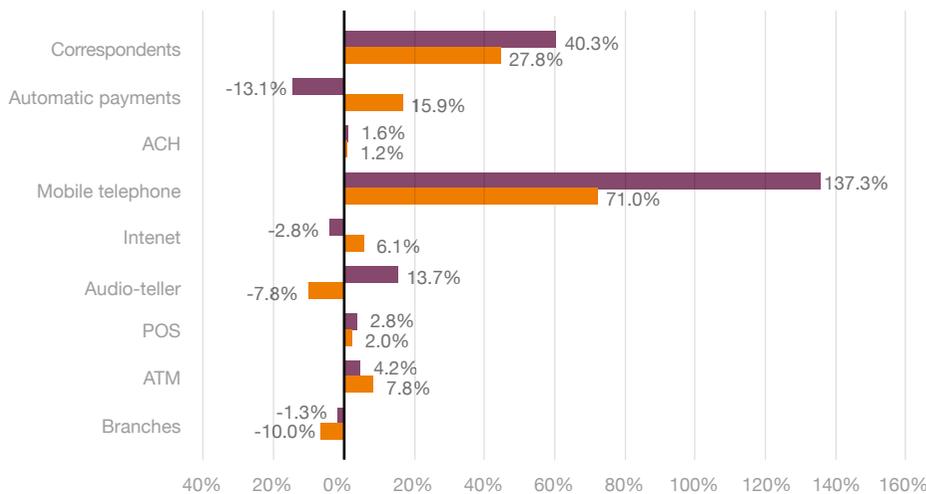
2015 - 2016
2016 - 2017



Growth rate in the total transacted amount



Over the last year, the amount of transactions has a annual real decrease of 1.9%.



2015 - 2016
2016 - 2017

Source: Superintendencia Financiera de Colombia.

Banks made 97.7% (5,330 million) of the total number of transactions, and channeled 99.4% (\$7,166 trillion) of the total amount of funds. Financing companies and financial credit unions had a smaller share, 2.0% and 0.3% terms number of transactions, and 0.4% and 0.2% in terms of transacted amount, respectively (Chart 3.15).

Balance inquiries represented 48.3% (2,635 million) of total transactions; payments had a share of 27.2% (1,482 million); and withdrawals 15.0% (819 million). In terms of transacted amounts, the share of transfers and payments stood out, representing, on average, 35.2% of total transfers, or \$2,510 trillion and \$2,560 trillion, respectively. On the other

hand, withdrawals and deposits had a share of 13.3%, or \$965 trillion and \$948 trillion, respectively, while international transactions 3.1%, or \$223 trillion (Chart 3.16).

AVERAGE TRANSACTION AMOUNT BY CHANNEL

The average transaction amount by channel (i.e., the ratio between total transacted amounts and the number of monetary transactions) shows that the highest average value corresponded to ACH (10.1 million), followed by the Internet (6.4 million), and branches (5.6 million).

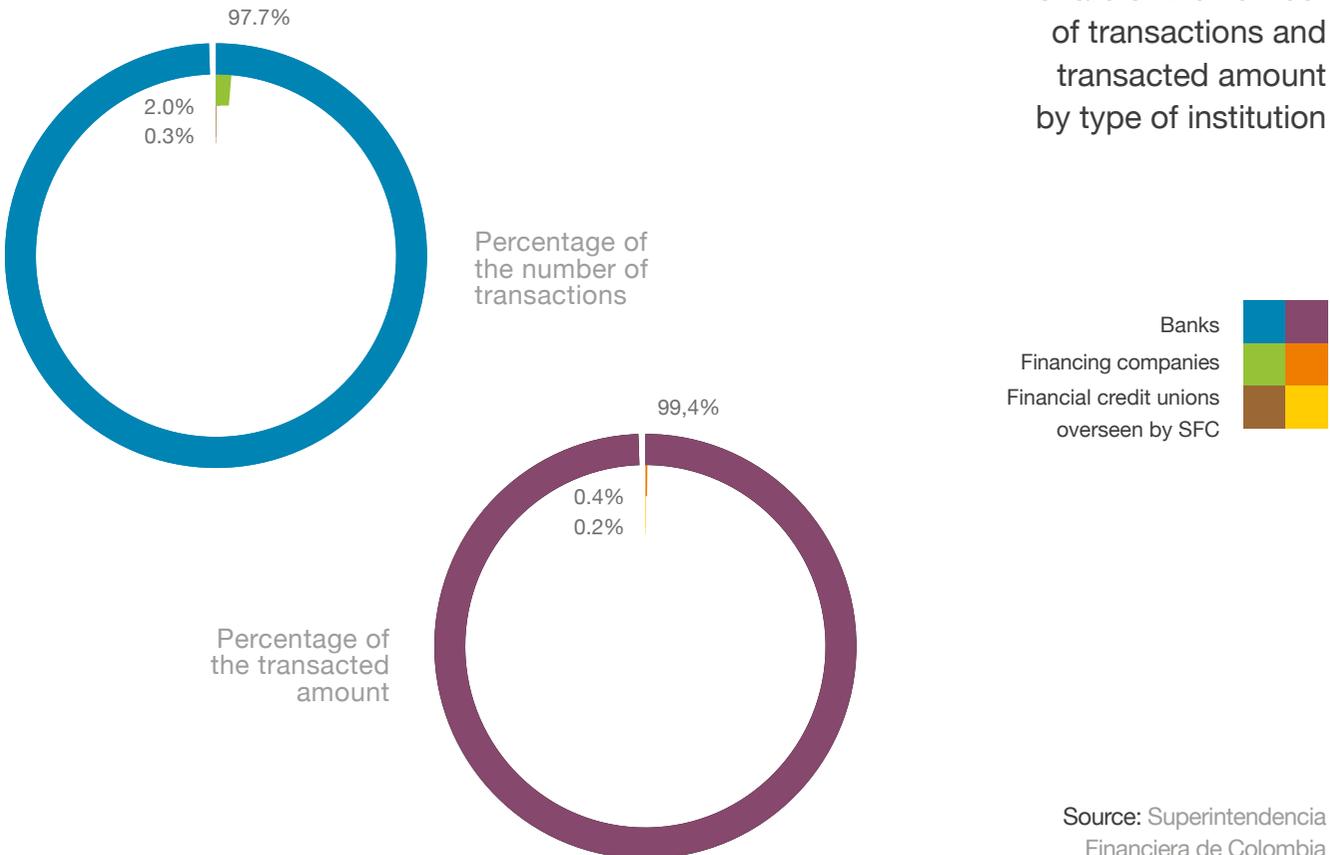


CHART 3.15

Share of the number of transactions and transacted amount by type of institution

Source: Superintendencia Financiera de Colombia

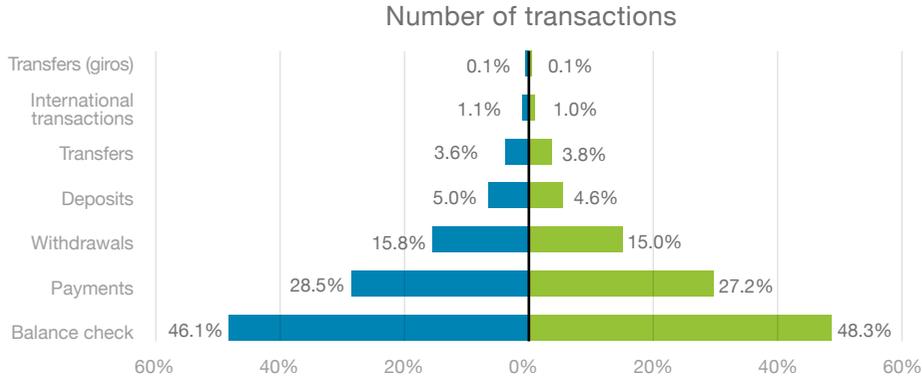
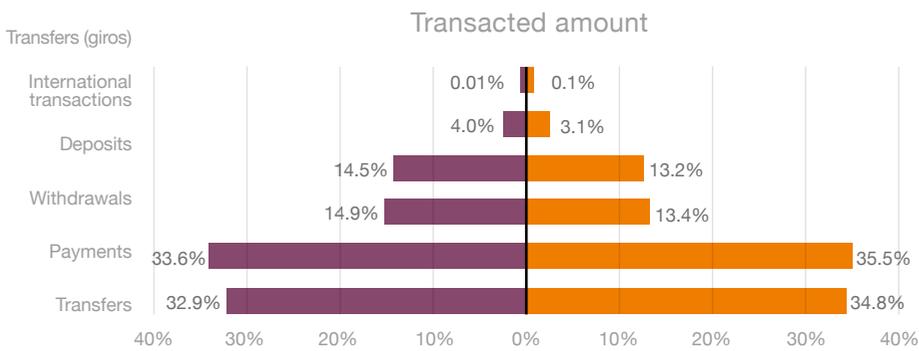


CHART 3.16
Share of the number of transactions and transacted amount



Source: Superintendencia Financiera de Colombia.

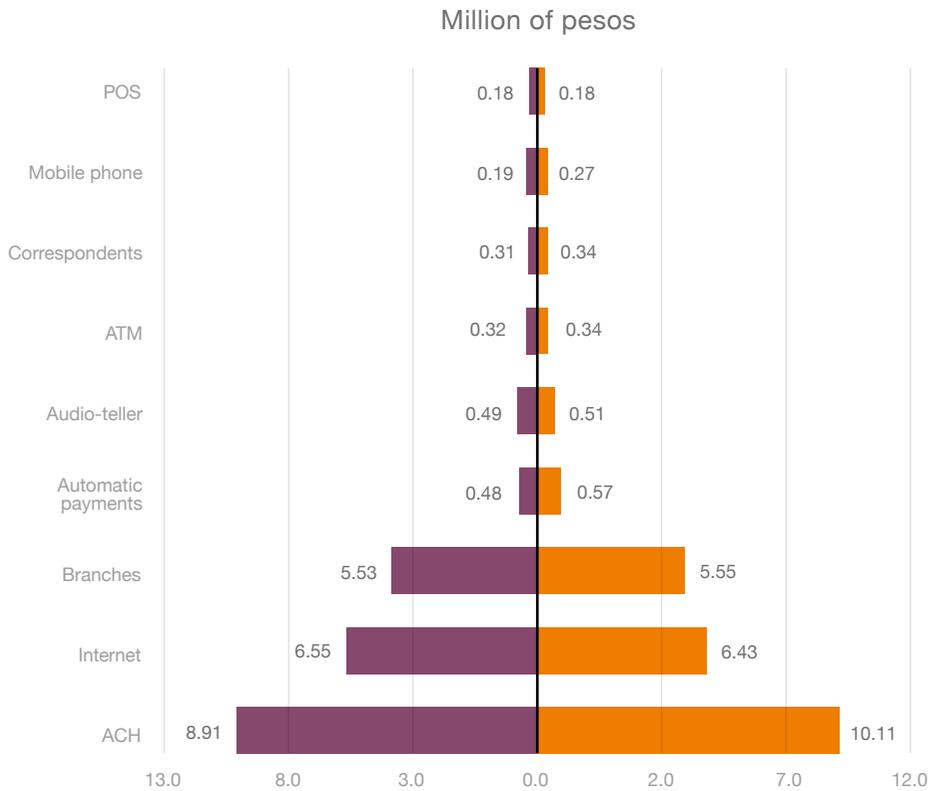


CHART 3.17
Average transacted amount by channel



Source: Superintendencia Financiera de Colombia.

TRANSACTIONALITY BY TYPE OF CHANNEL

The following section describes the evolution of transactions by type of institution and by type of transaction:

BRANCHES

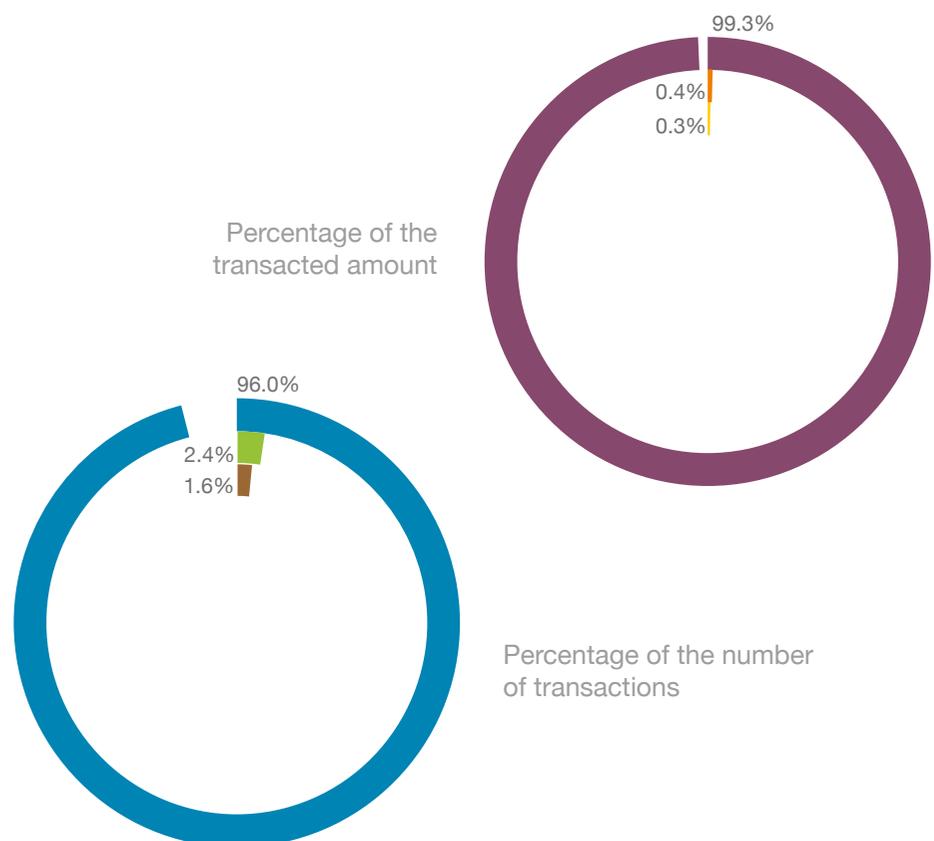
Banks 96.0% (591 million) of total transactions, and channeled 99.3% of total funds (\$3.090 trillion). As for financing companies and financial credit unions overseen by SFC, they had a share on the number of transactions of 2.4% (15 million) and 1.6% (10 million), respectively. Additionally, they chan-

neled 0.4% (\$13 trillion) and 0.3% (\$9 trillion) of total funds, respectively (Chart 3.18).

Branches channeled the highest volume of funds (43.2%), with \$3,112 trillion, and ranked third in terms of number of transactions (11.3%), with 615 million. Among branches, payments had the highest share, with 40.4% and 249 million transactions, although they represented 14.0% of the total amount, for \$434 trillion. In contrast, deposits represented 32.4% (199 million) of total transactions, and 29.5% (\$917 trillion) of total transacted amounts. Following suit, transfers' share on total transactions stood at 3.4%, or 21 million transactions, and reached 26.3%, or \$820 trillion, of total channeled funds (Chart 3.19).

CHART 3.18

Share of the number of transactions and transacted amount by type of institution



Source: Superintendencia Financiera de Colombia.

Number of transactions

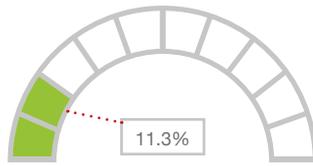
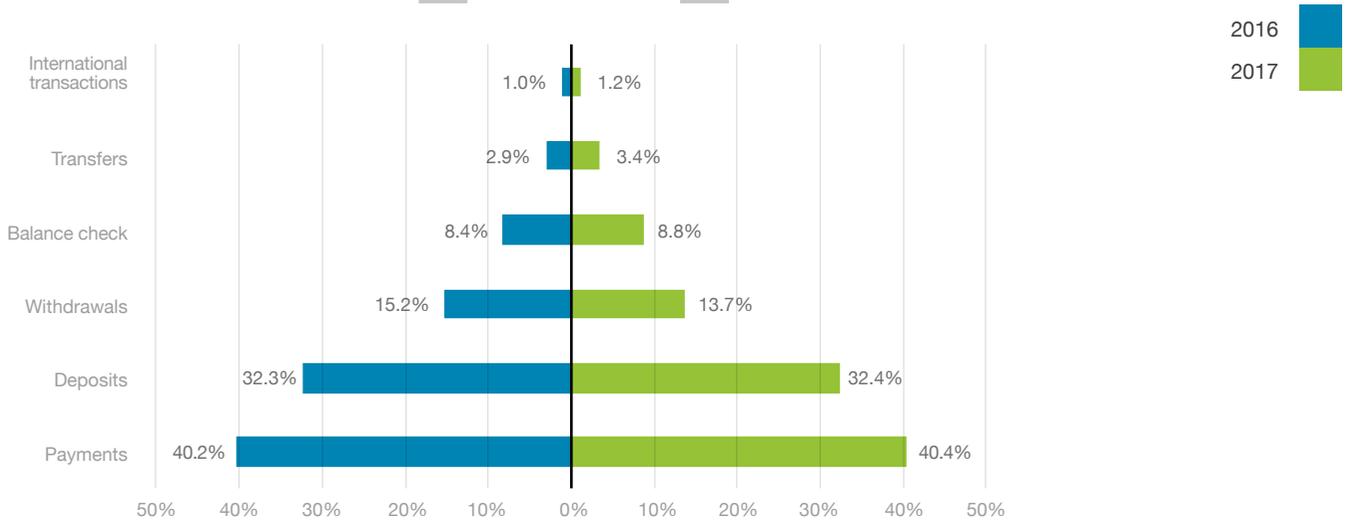
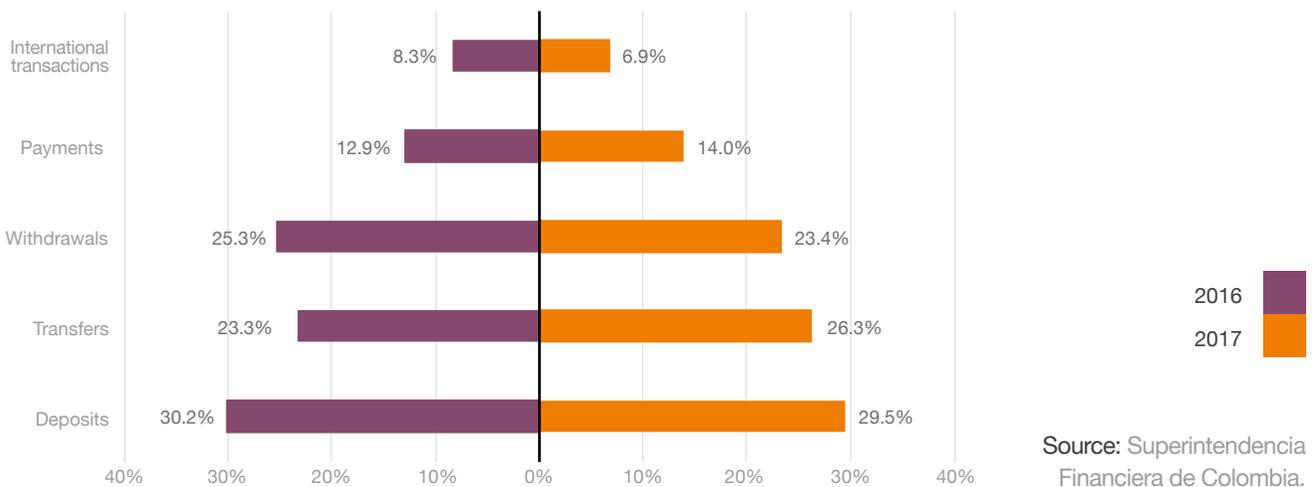
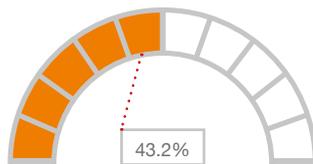


CHART 3.19
Share of the number of transactions and transacted amount by type of transaction



Transacted amount



Source: Superintendencia Financiera de Colombia.

BANK CORRESPONDENTS

Banks' share of total transactions stood at 92.7%, or 217 million, and at 92.6%, or \$73 trillion, in terms of transacted amount. Financing companies were next, and had a share of total transactions of 7.2% (17 million), and 7.4% in amount (\$6 trillion) (Chart 3.20).

Correspondents ranked sixth in terms of total transacted amount (1.1%), with \$79 trillion, and in number of transactions, with a share of 4.3%, or 234 million transactions.

Payments were the most frequent type of transaction, with a share on the total number of transactions of 58.0% (137 million transactions), and 40.4% in transacted amounts, with \$32 trillion. Even if the share on the total transactions of deposits was 18.7% (44 million), their share on the total transacted amount reached 29.7% (\$23 trillion). This is also the case of withdrawals, which reached a share on total transactions of 20.4% (48 million), and one of 26.0% in terms of transacted amounts (\$21 million) (Chart 3.21).

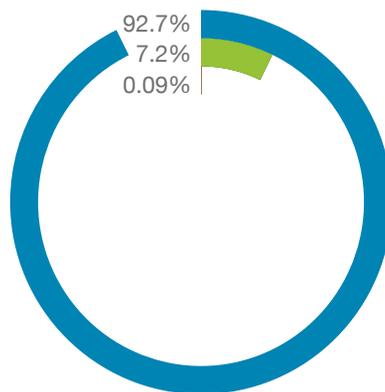
Consistently with the high concentration of access points in cities and urban agglomera-

tions, most transactions (74.1%, or 174 million) originated within these municipalities. This represents an increase of 22.0% compared to 2016. Transactions originated within intermediate municipalities were next, with a share on the total number of transactions of 15.1% (35 million). This represents an increase of 22.6%. On the other hand, rural municipalities originated 7.4% (17 million) of total transactions and had an increase of 22.2%. Finally, dispersed rural municipalities concentrated only 3.4%, or 8 million, of total transactions, and had a growth rate of 19.1%.

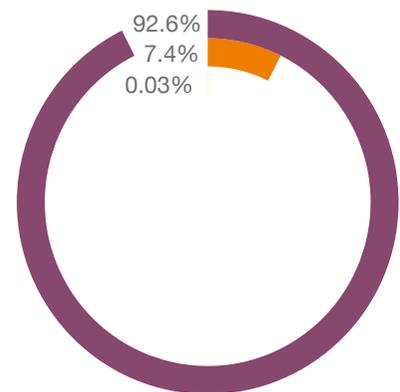
In addition, cities and urban agglomerations channeled 70.0% of total transacted amounts, with \$55 trillion. They were followed by intermediate municipalities, with a share of 16.5% and \$13 trillion transacted, and rural municipalities and dispersed rural municipalities, who channeled 9.5% and 4.0% of total funds, respectively. Relative to 2016, the number of transactions increased by 34.9% in cities and urban agglomerations, 30.9% in intermediate municipalities, and 26.2% and 26.6% in rural and dispersed rural municipalities, respectively (Chart 3.22).

CHART 3.20

Share of the number of transactions and transacted amount by type of institution



Percentage of the number of transactions



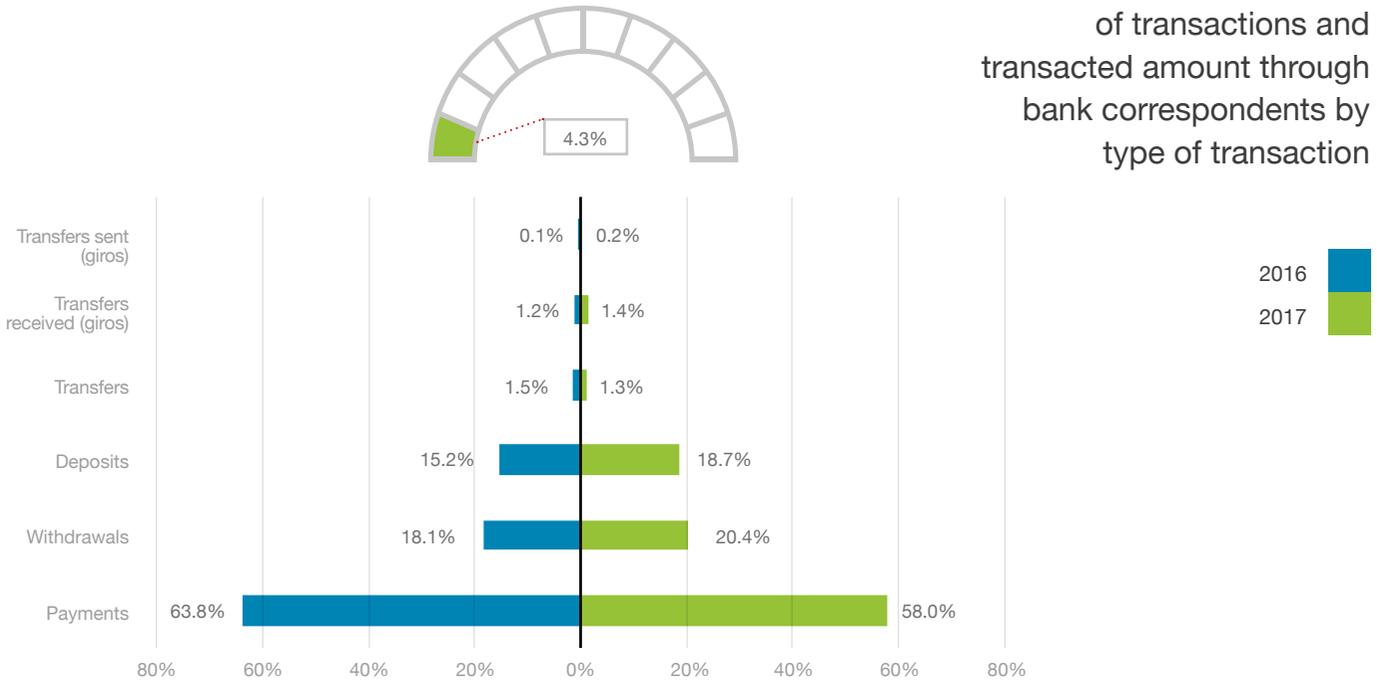
Percentage of the transacted amount

Source: Superintendencia Financiera de Colombia.

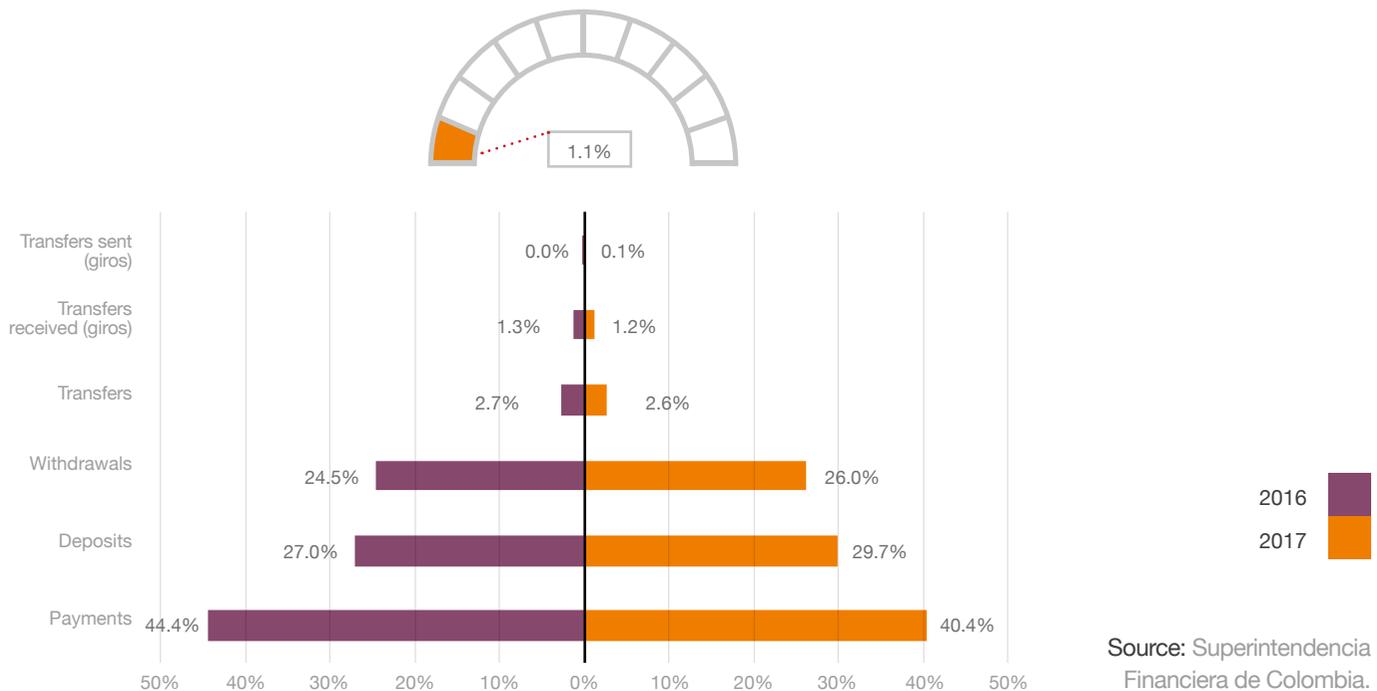
Transactions through correspondents by type of transaction

CHART 3.21

Share of the number of transactions and transacted amount through bank correspondents by type of transaction



Transacted amount

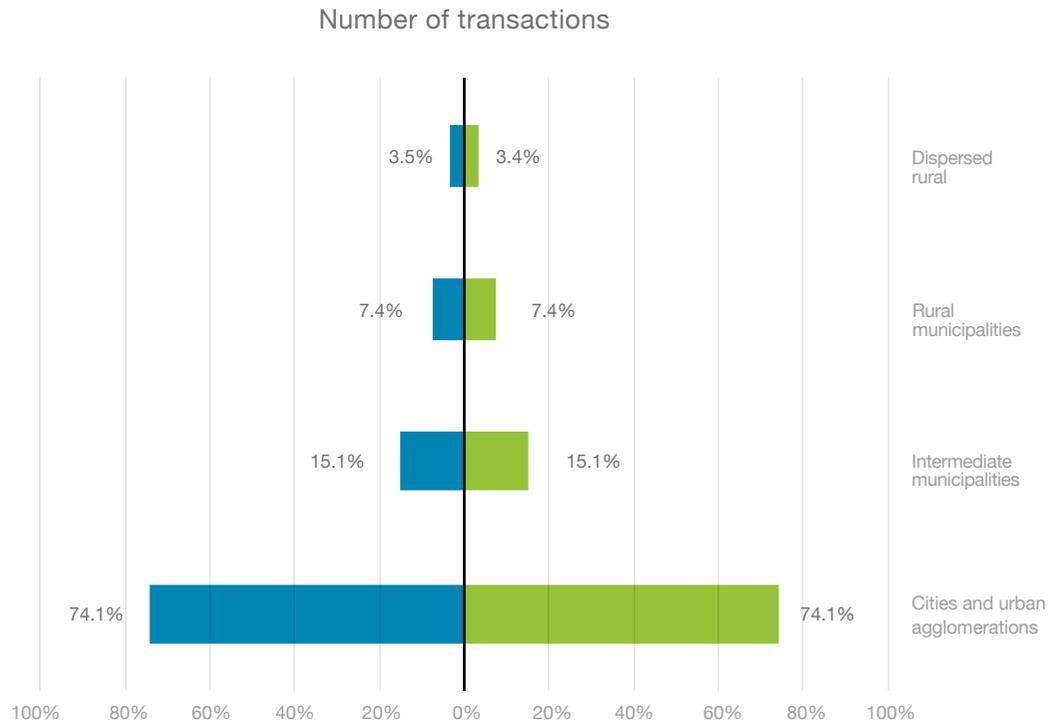


Source: Superintendencia Financiera de Colombia.

CHART 3.22

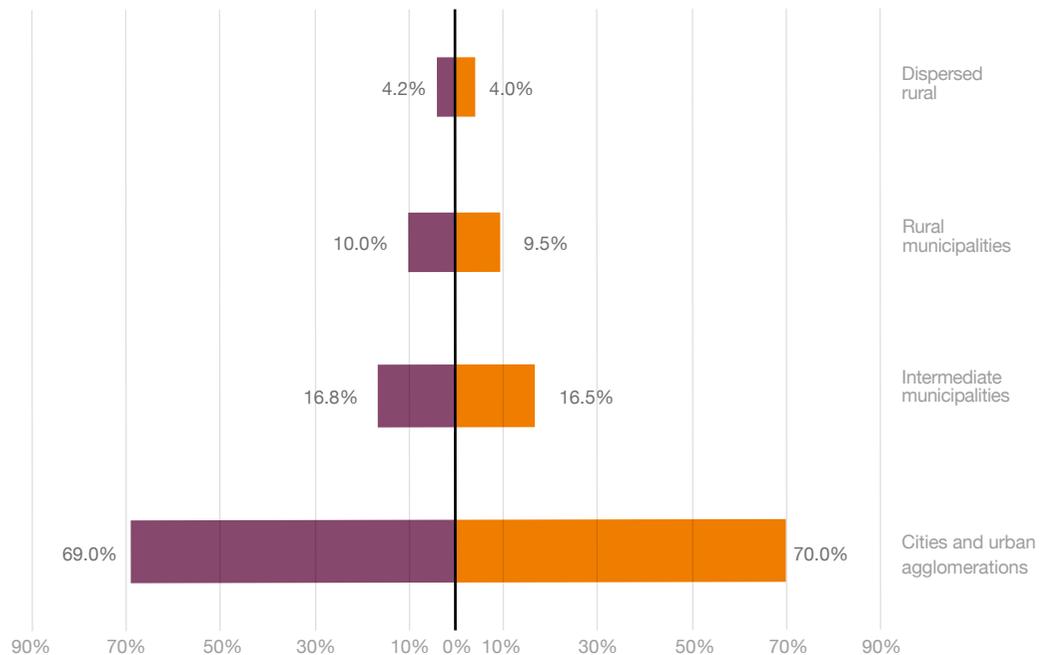
Share of the number of transactions and transacted amount by rurality level

2016
2017



Transacted amount

2016
2017



Source: Superintendencia Financiera de Colombia.

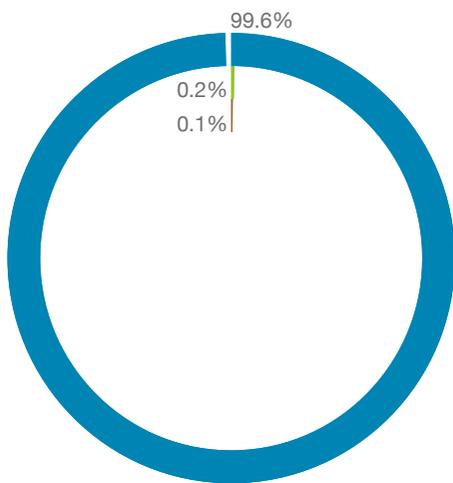
AUTOMATIC TELLER MACHINES - ATMs

Banks concentrated 99.6% of transactions made through ATMs, with 806 million transactions, and channeled 99.5% of funds through these, with \$240 trillion. Financing companies had a share on total ATMs' transactions of 0.3% 2 million transactions, and 0.4% in transaction amount with 1 trillion (Chart 3.23).

ATMs transacted the fourth largest amount of funds, corresponding to a share of 3.3% or \$241 trillion, and ranked second based on the

number of transactions, with a share of 14.8%, or 809 million transactions. Withdrawals had the highest share of total transactions and transacted amount through ATMs: 84.9% (687 million) and 90.4% (\$218 trillion), respectively.

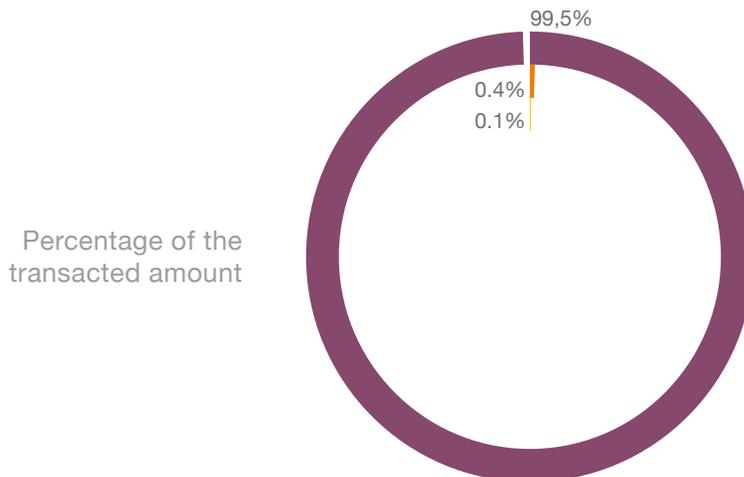
Other types of transactions have had a consistently small share over time. For instance, deposits have had a share of 1% (8 trillion) on total transactions, and of 3.4% (\$8 trillion) on transacted amount. Transfers, on the other hand, have had a share of 1.1% (9 million) on total transactions, and of 3.0% (\$7 trillion) on transacted amounts (Chart 3.24).



Percentage of the number of transactions

CHART 3.23

Share of the number of transactions and transacted amount by type of institution



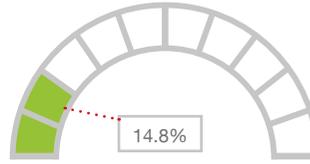
Percentage of the transacted amount

Source: Superintendencia Financiera de Colombia.

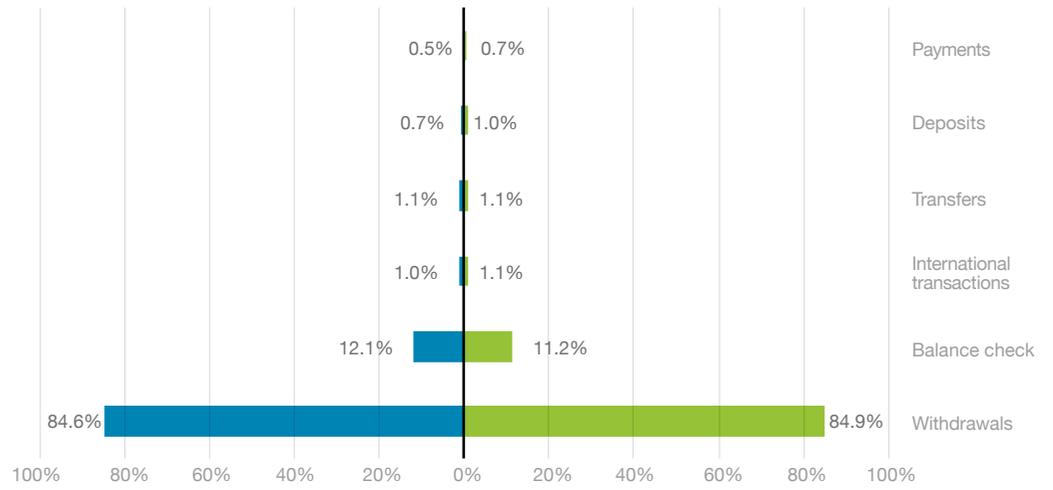
CHART 3.24

Share of the number of transactions and transacted amount at ATMs by type of transaction

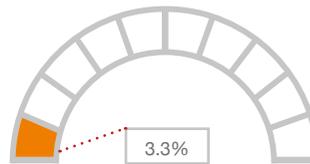
Number of transactions



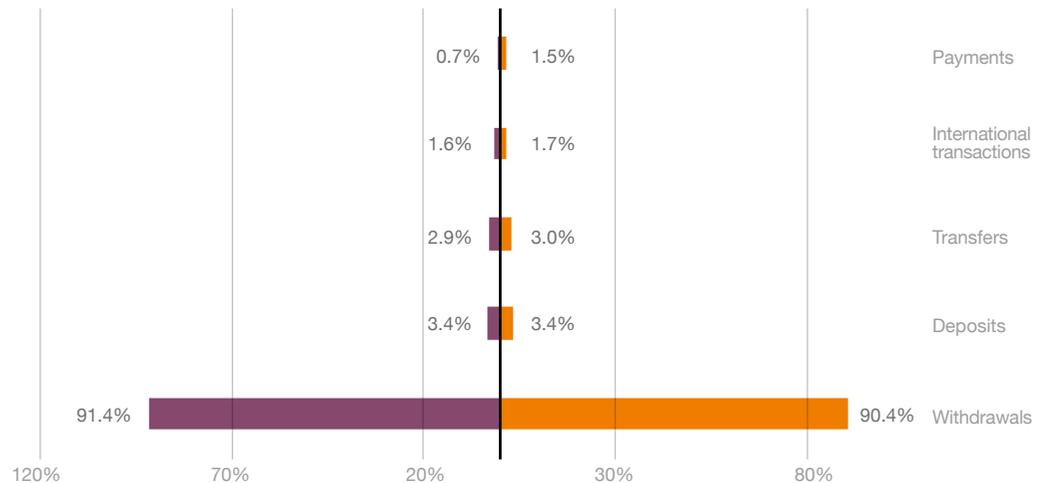
2016
2017



Transacted amount



2016
2017



Source: Superintendencia Financiera de Colombia.

POS TERMINALS

Banks concentrated 93.2% (527 million) of total transactions made through POS terminals, and 88.2% (\$84 trillion) of total transacted amount. Financing companies followed banks, which had a share of 6.7% (38 million) on total transactions, and of 11.7% (\$11 trillion) on total transacted amount (Chart 3.25).

POS terminals ranked fifth in terms of amount transacted (1.3%, or \$95 trillion), and fourth based on the total number of transactions (10.4%, or 565 million). The most relevant transaction

was payments with a share of 88.8%, or 502 million transactions, followed by international transactions, with a share of 7.0%, or 40 million transactions, and balance inquiries, who had a share of 4.2%, representing 24 million transactions. It is to note that payments experienced a 10% increase relative to 2016.

As to transactions channeling the largest proportion of funds, payments stood at 94.5%, representing \$90 trillion, and international transactions, which reached a share of 5.5%, or \$5 trillion. Compared to 2016, payments had an increase of 7% (Chart 3.26).

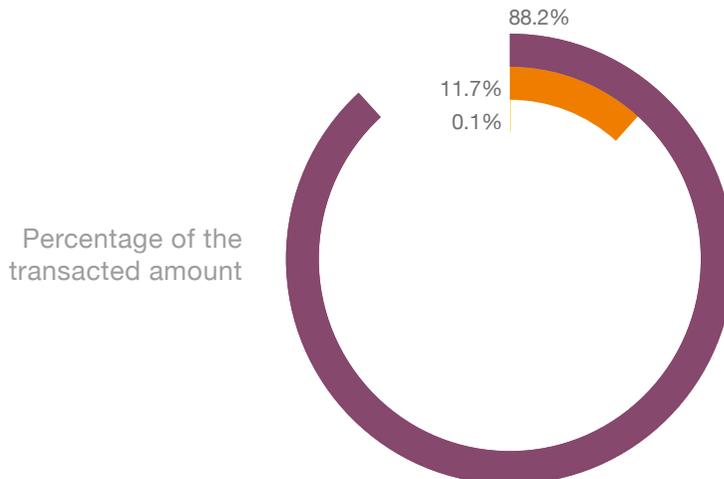
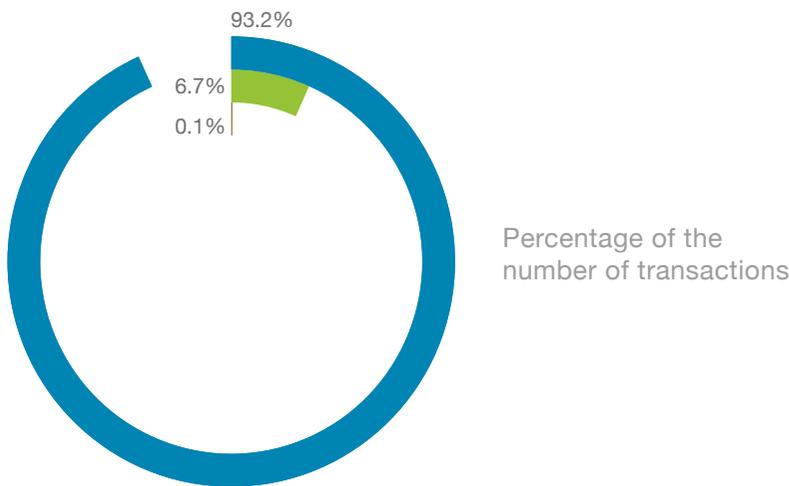


CHART 3.25
Share of the number of transactions and transacted amount by type of institution



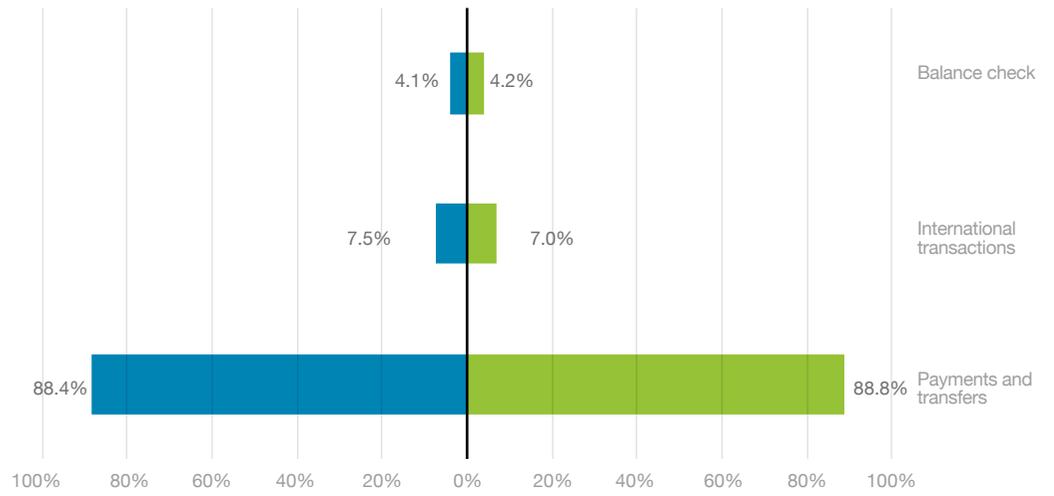
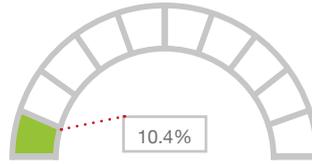
Source: Superintendencia Financiera de Colombia.

CHART 3.26

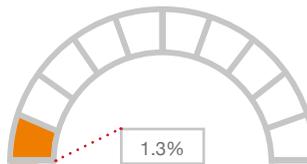
Share of the number of transactions and transacted amount at POS terminals by type of transaction 2017

2016
2017

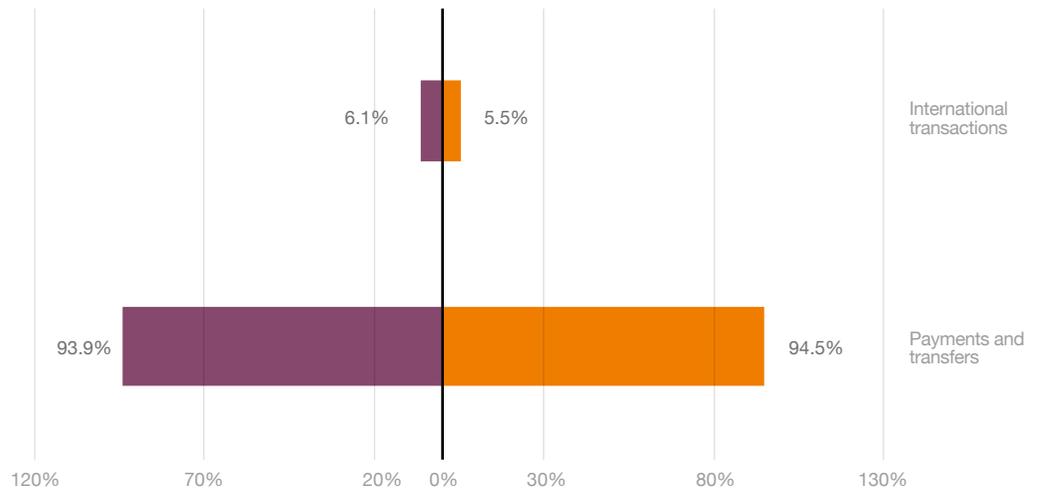
Number of transactions



Transacted amount



2016
2017



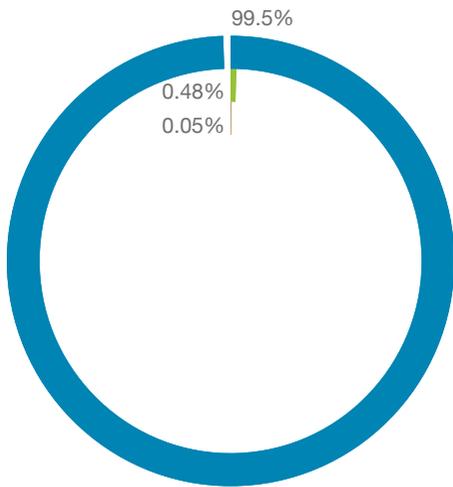
Source: Superintendencia Financiera de Colombia.

INTERNET

Banks continue to drive the use of virtual channels such as the Internet, which reached a share on total transactions of 99.5% (2,560 million), and of 99.97% (\$2,555 trillion) in terms of funds transacted in transaction amount (Chart 3.27).

Throughout 2017, the Internet channeled the second largest amount of funds (35.5%,

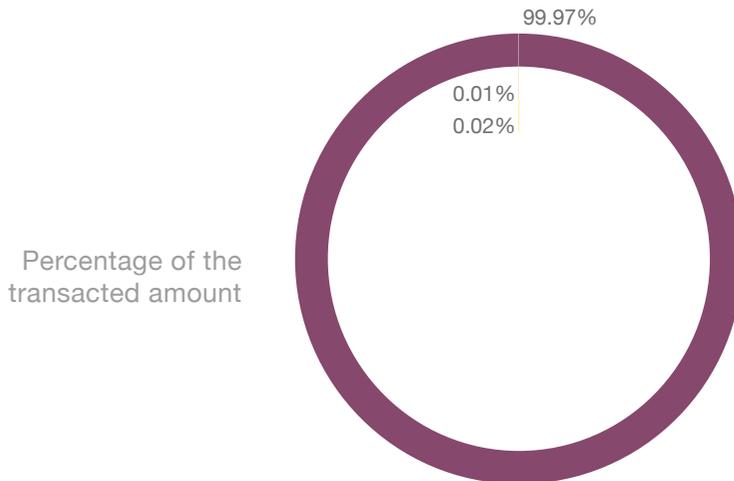
or \$2,556 trillion), and concentrated most of transactions (47.2%, or 2,574 million). Out of these 2,574 million transactions, 84.6% corresponded to non-monetary transactions (i.e., balance inquiry). Even if the share on total transactions of transfers and payments was 6.3% and 9.2%, respectively, they represented 65.5% (\$1,674 trillion) and 34.5% (\$882 trillion) out of the total transacted amount (Chart 3.28).



Percentage of the number of transactions

CHART 3.27

Share of the number of transactions and transacted amount by type of institution

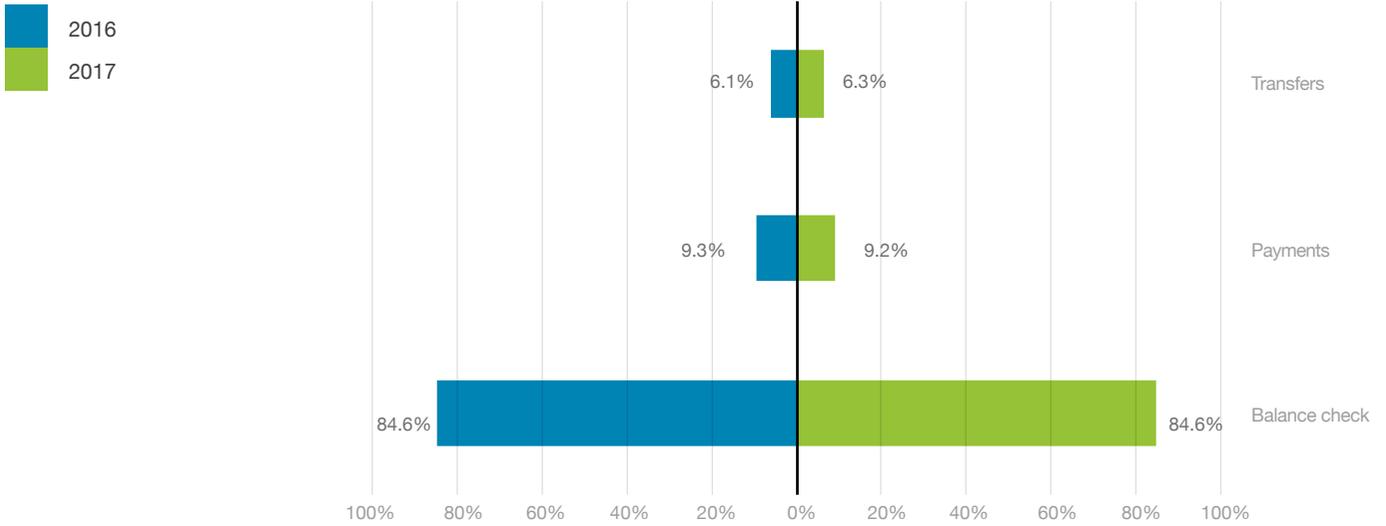


Percentage of the transacted amount

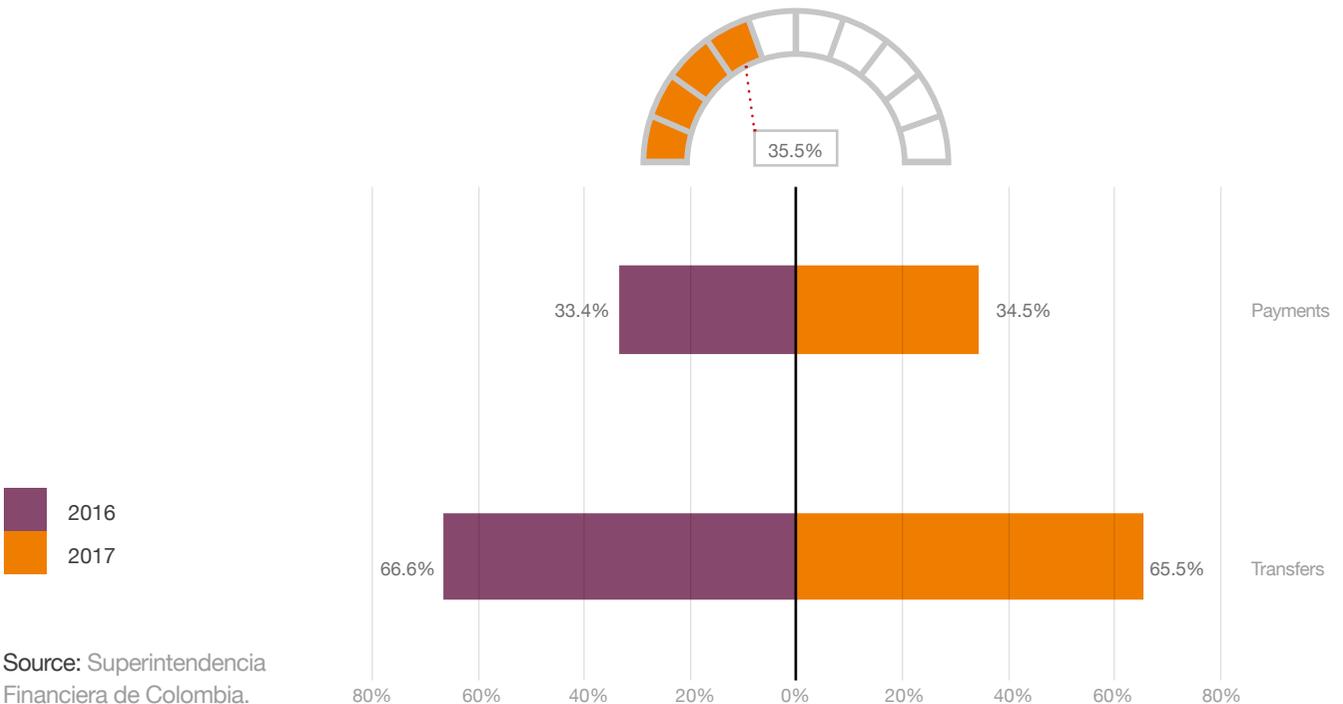
Source: Superintendencia Financiera de Colombia.

CHART 3.28

Share of the number of transactions and transacted amount made through the Internet by type of transaction



Transacted amount



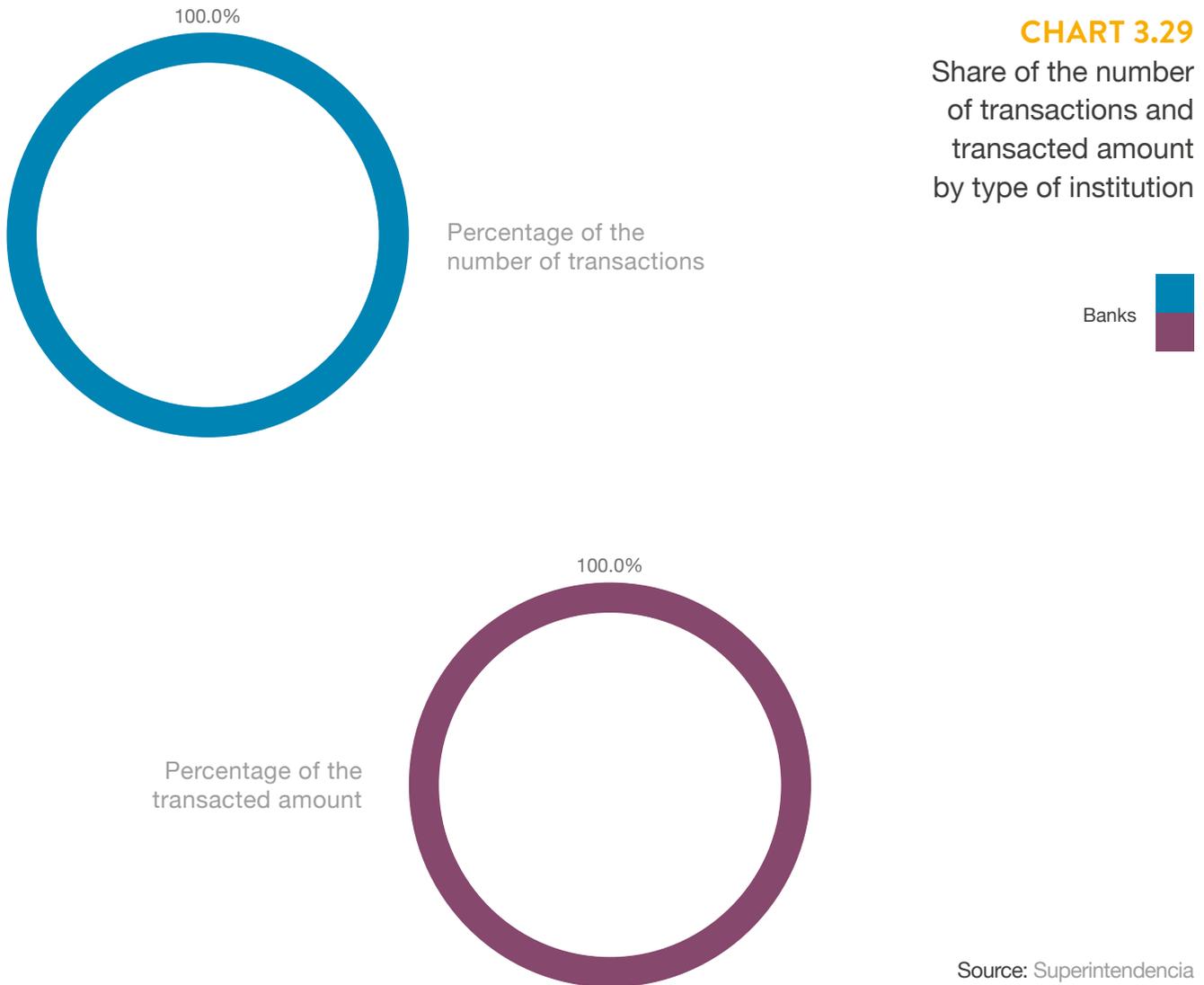
Source: Superintendencia Financiera de Colombia.

MOBILE PHONES

Over the past years, the mobile phone channel has stood out as the channel with the highest growth rate both in number of transactions and transacted amount, with banks having a 100% share out of the total (Chart 3.29).

The mobile phone channel ranks eighth in terms of transacted amount, with a share of 0.2% (or \$11 trillion), and fifth based on

the number of transactions, with a share of 6.1% (331 million). Balance inquiries reached an 87.6% share on total transactions, while payments and transfers 8.7% and 3.7%, respectively. In terms of amount, the share of transfers stood out at 67.6% (\$7 trillion), followed by payments with 32.4%, or \$4 trillion. Between 2016 and 2017, transfers increased by 79.1% and payments by 75.7% (Chart 3.30).

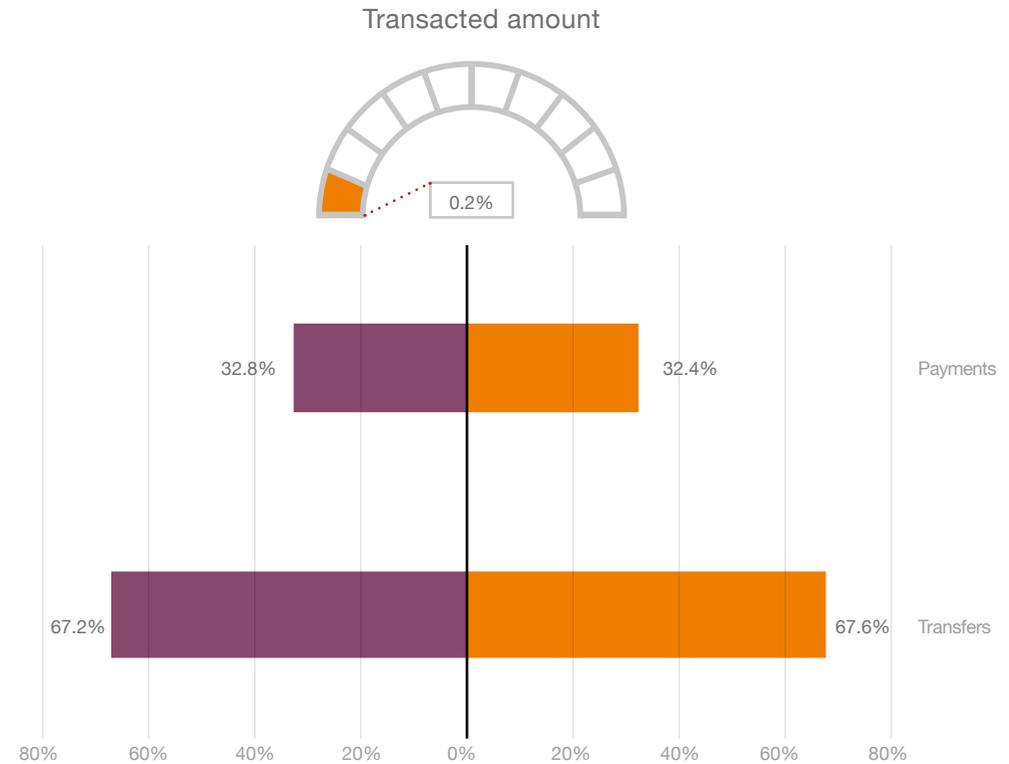
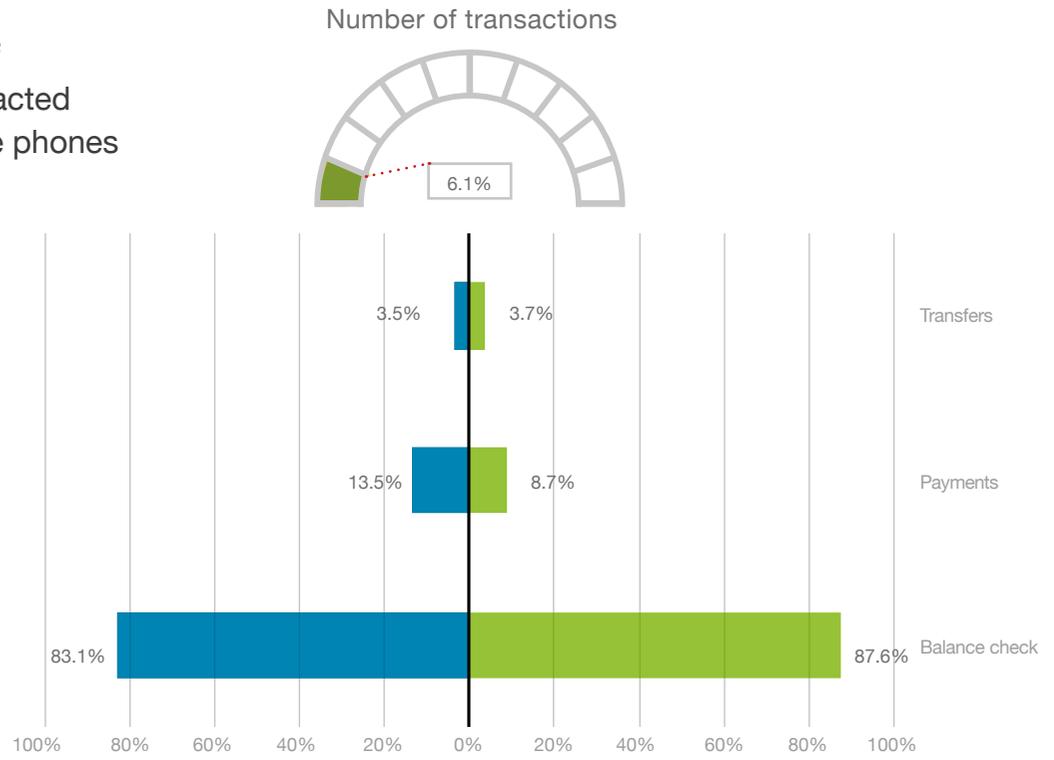


Source: Superintendencia Financiera de Colombia.

CHART 3.30

Share of the number of transactions and transacted amount through mobile phones by type of transaction

2016
2017



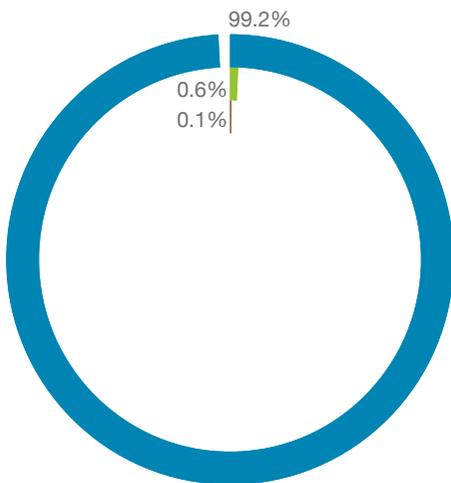
Source: Superintendencia Financiera de Colombia.

WIRE TRANSFERS (ACH)

Banks held the highest share on total transactions (99.2%, or 103 million), as well as on total transacted amount (99.9%, representing \$1,049 trillion) (Chart 3.31).

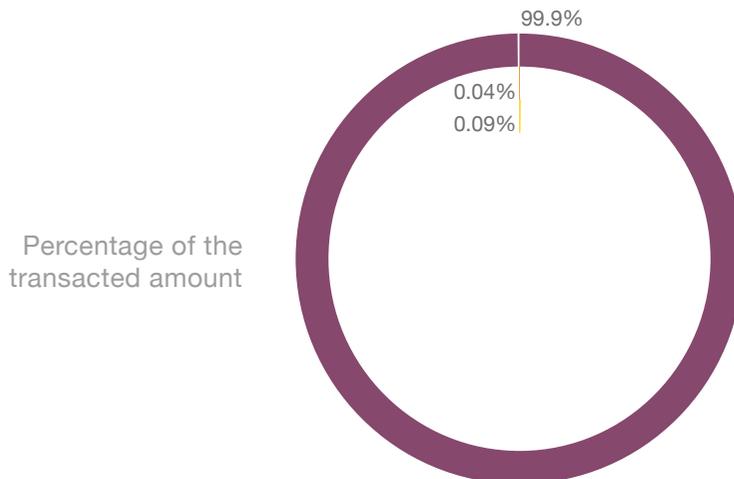
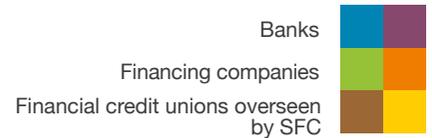
Wire transfers (ACH) channeled the third largest amount of funds, 14.6% (\$1,051 tri-

llion) of the total, and ranked ninth in terms of number of transactions, with a share of 1.9% (104 million). The entirety of operations corresponded to payment of obligations or money transfers made within the country. Compared to 2016, amounts transacted through this channel increased by 5% (Chart 3.32).



Percentage of the number of transactions

CHART 3.31
Share of the number of transactions and transacted amount by type of institution



Percentage of the transacted amount

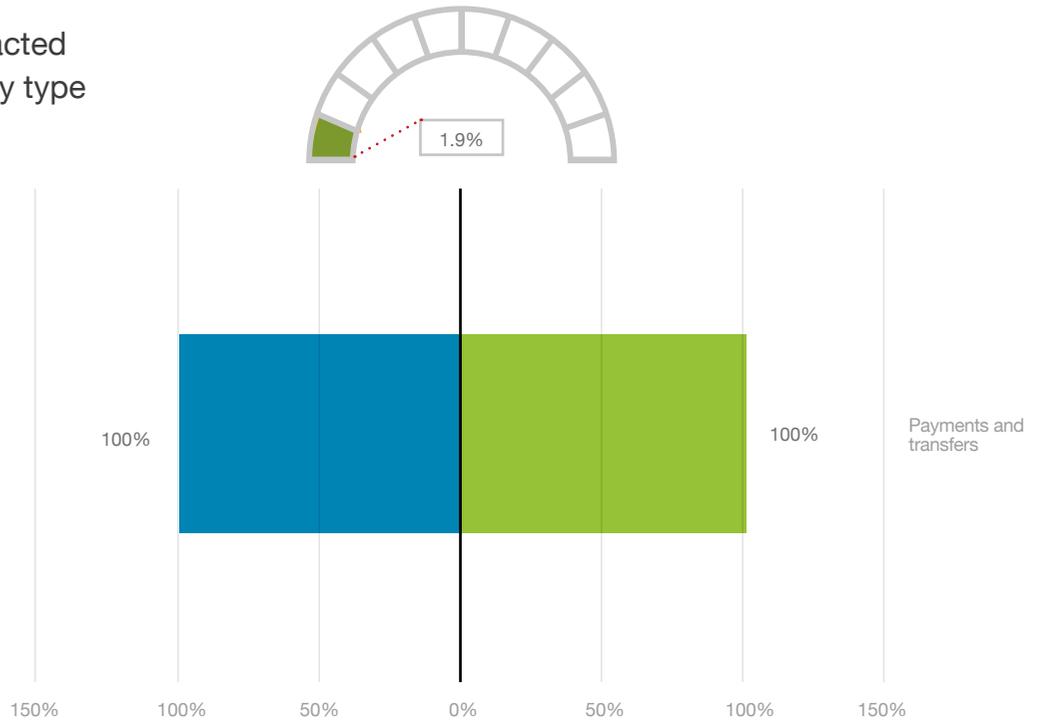
Source: Superintendencia Financiera de Colombia.

CHART 3.32

Share of the number of transactions and transacted amount through ACH by type of transaction

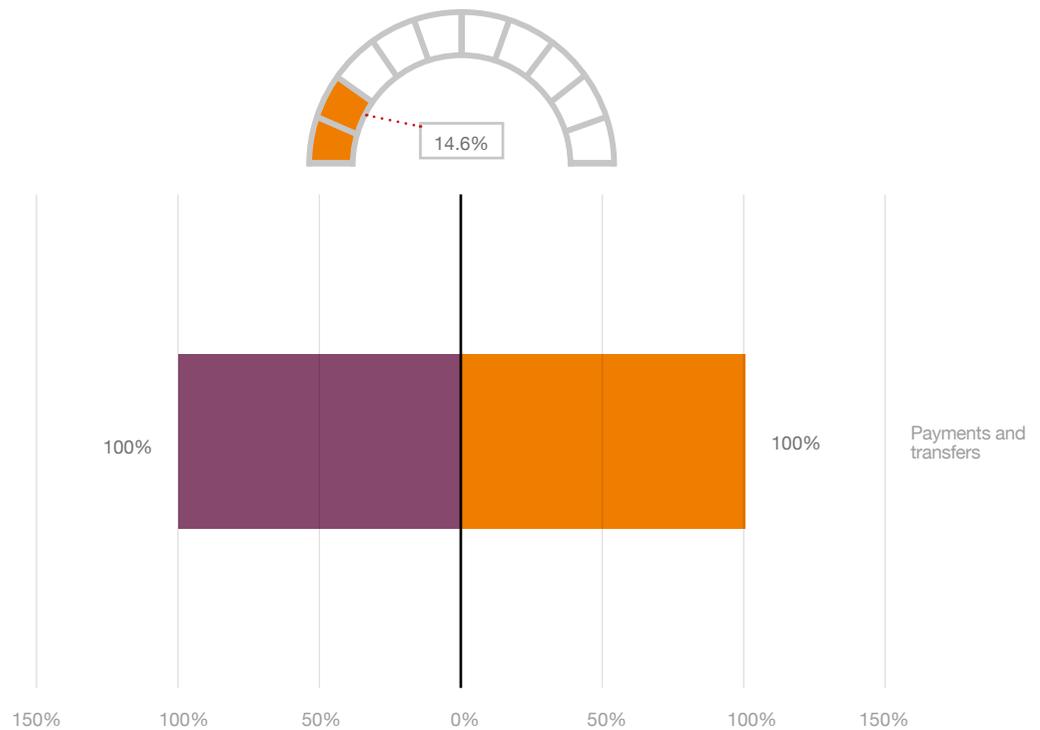
2016
2017

Number of transactions



Transacted amount

2016
2017



Source: Superintendencia Financiera de Colombia.

TRANSACTIONAL PRODUCTS AND VIRTUAL TRANSACTIONS:

This section analyses indicators measuring access to transactional services (e.g., number of debit and credit cards per 100,000 adults), use of virtual transactions (e.g., number of Internet and mobile phone transactions per 100,000 adults), as well as cashless transactions (e.g., number of online transactions, mobile phones, debit and credit card transactions per 100,000 adults).

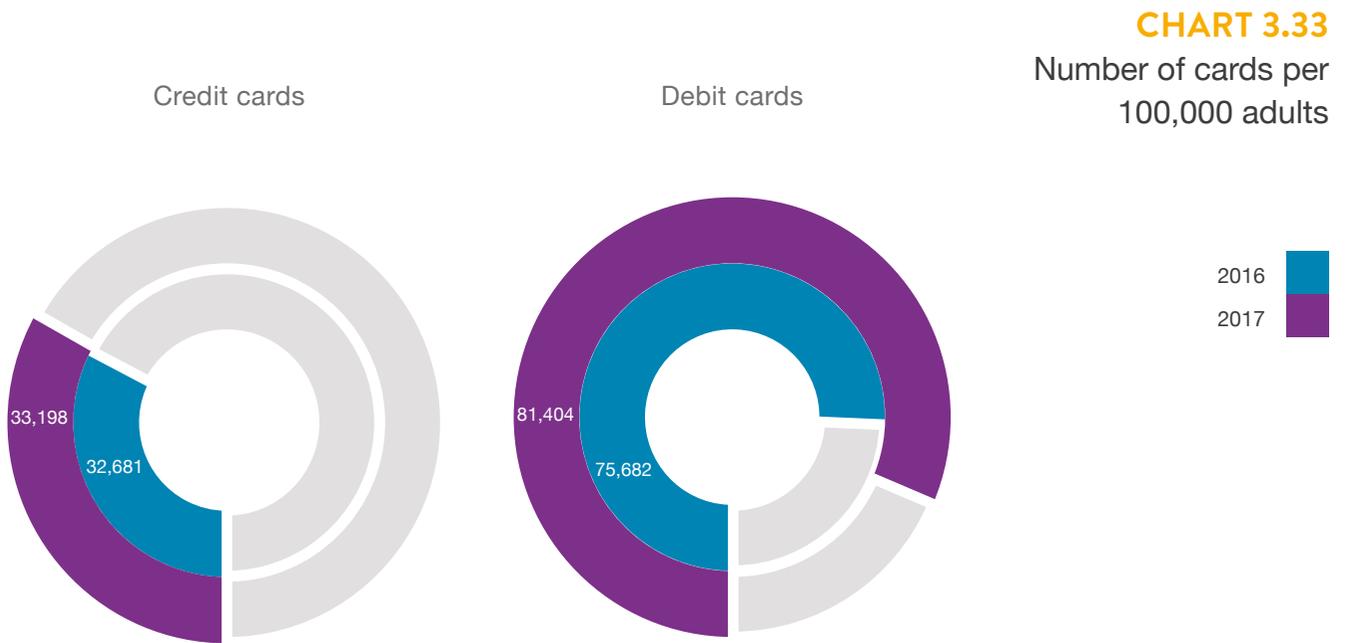
By the end of 2017, there were 81,404 debit cards and 33,198 credit cards per 100,000 adults, for 114,602 cards per 100,000 adults.

Between 2016 and 2017, this indicator increased by 6% (Chart 3.33).

In addition, the number of Internet and mobile phone transactions per 100,000 adults reached 8,6 million²² by the end of 2017, which, compared to 2016, represents a 15% increase (Chart 3.34).

By the end of 2017, roughly 12.2 million cashless transactions per 100,000 adults were made through Internet, mobile phones or credit or debit cards. Relative to 2016, this represents an increase of 12% (Chart 3.35).

22. This means that on average every adult conducted 86 virtual transactions annually.



Source: Superintendencia Financiera de Colombia and DANE.

CHART 3.34
 Number of virtual transactions per 100,000 adults

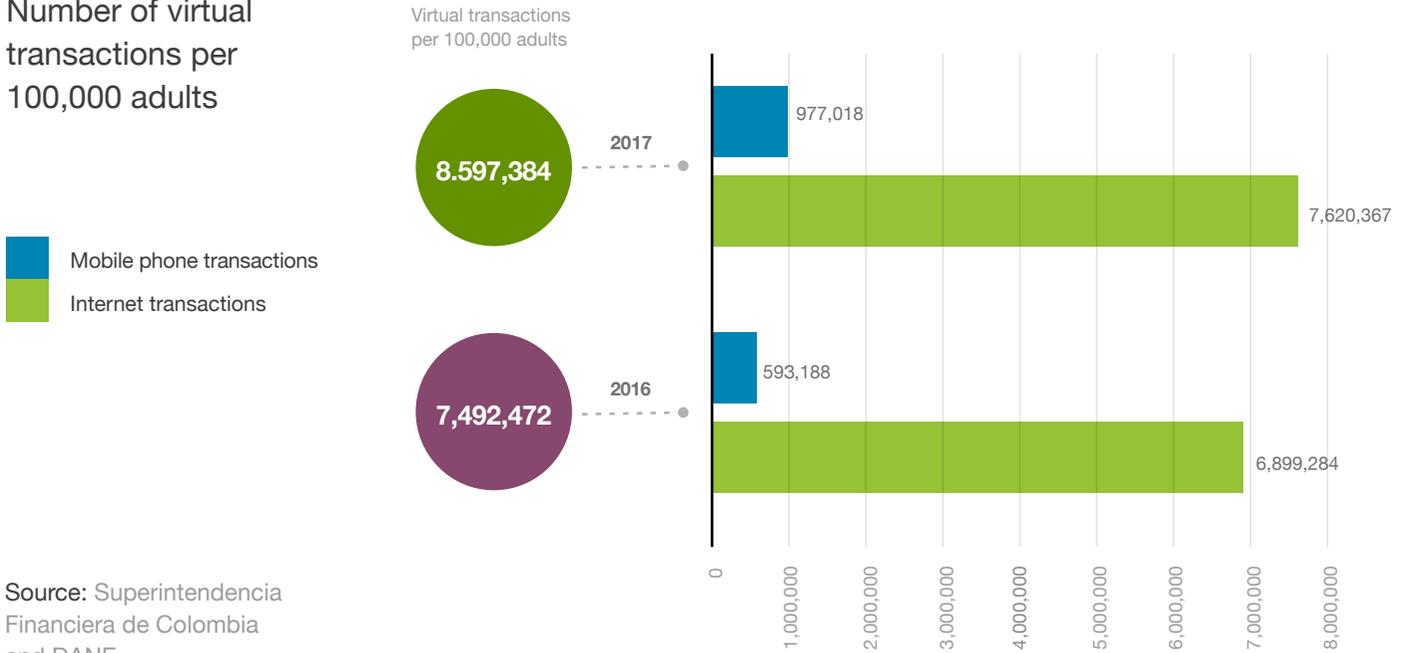
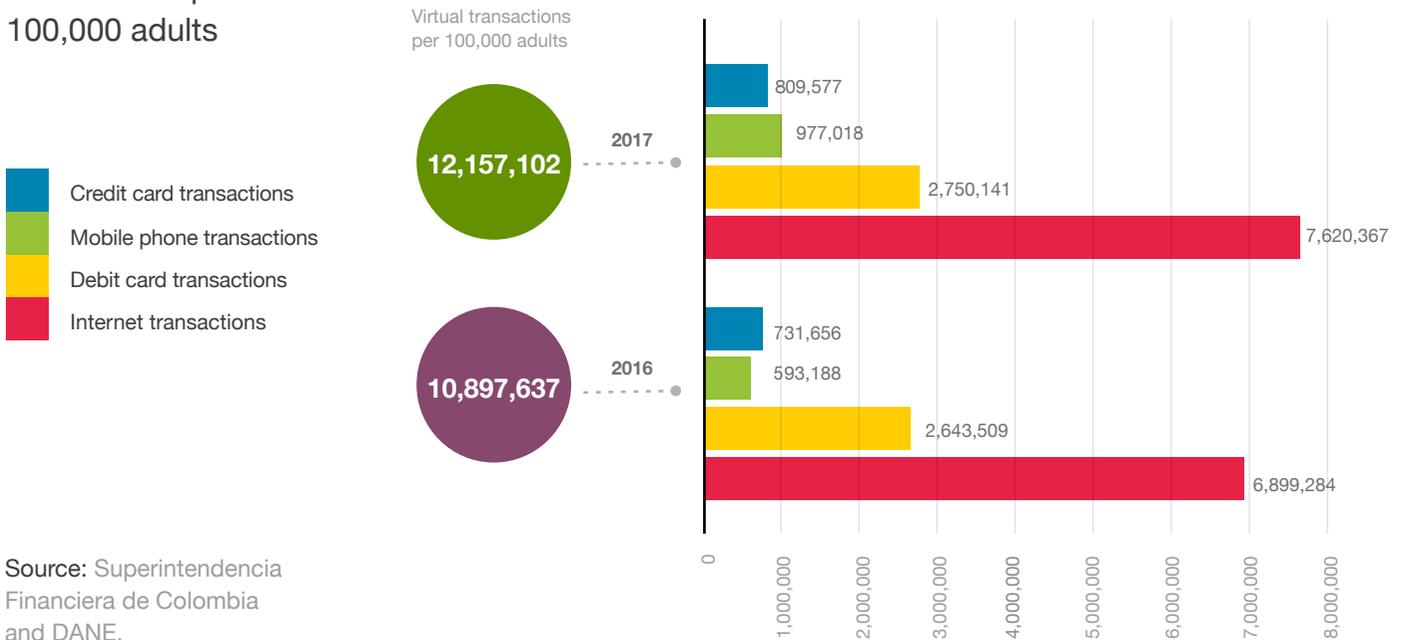


CHART 3.35
 Number of cashless transactions per 100,000 adults



ACCESS AND USE OF TECHNOLOGIES:

This section presents the evolution of technology means by which people are approach financial services, particularly through the Internet and mobile phones.

In 2017, at the national level, 96.4% of households had a mobile phone, with 97.5% held at municipal seats²³ and 92.2% in populated areas and dispersed rural municipalities²⁴.

As for the Internet, 50% of households had Internet connection. Although Internet connection is similar to the national average found at municipal seats (58.6%), it differs from populated areas and dispersed rural municipalities, where this proportion reaches 17%. Between 2016 and 2017, the number of households with Internet access located in populated areas and dispersed rural municipalities went from 383 to 527, which constitutes an increase of 37% (Chart 3.36).

In 2017, 73.2% of people aged five and above had a mobile phone. Out of these,

71.2% had a smartphone, a behavior similar to that found in municipal seats (76.1%). This proportion was 49.2% among populated areas and dispersed rural municipalities. The number of adults with smartphones in populated areas and dispersed rural municipalities, increased by 32%, relative to 2016 (Chart 3.37).

Around 86.3% of people aged five and above (38.8 million Colombians) used mobile phones, which, again, is a behavior similar to that found in municipal seats (88.3%); while populated areas and dispersed rural municipalities had a lower percentage: 79.5%.

Finally, 62.3% (27.9 million) of Colombian adults used the Internet, similarly to those living in municipal areas (69.4%). On the other hand, with a very big difference, populated areas and dispersed rural municipalities had an average utilization rate of 37% (Chart 3.38).

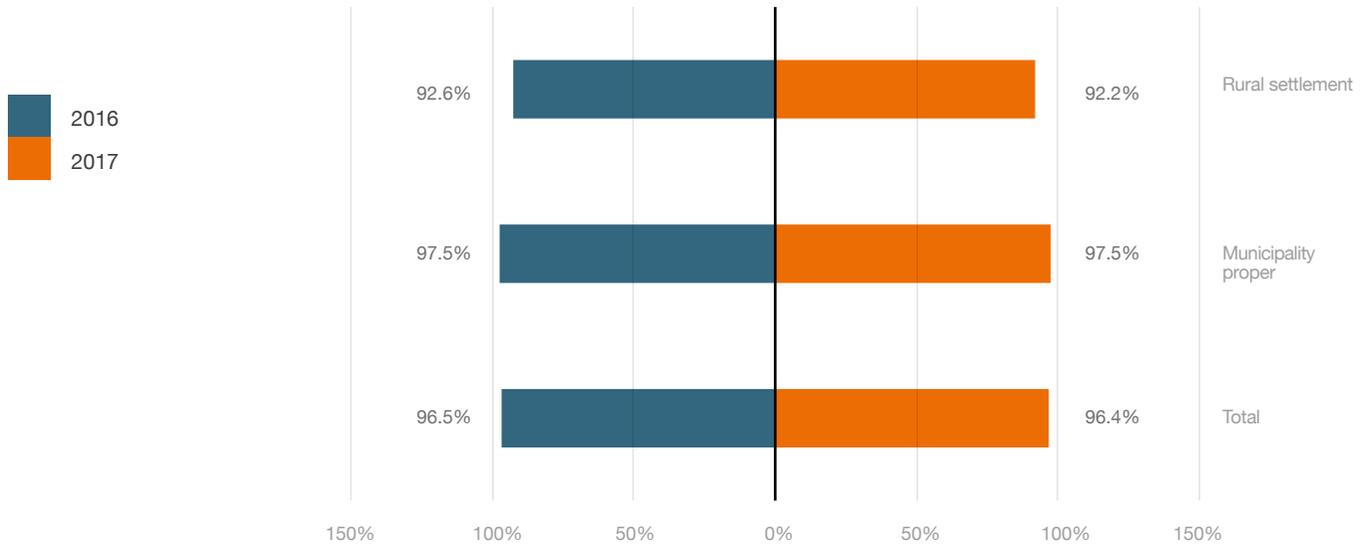
23. According to the National Quality of Life Survey [Encuesta Nacional de Calidad de Vida (ECV)] conducted by DANE, municipal seats are defined as an urban perimeter which boundaries are set by "Agreements" of the Municipal Council. It is where the Municipal Town Hall is found.

24. According to the National Quality of Life Survey, populated areas and dispersed rural municipalities represent small villages, police departments and townships in the rural area of a municipality, which are composed of 20 or more adjacent or semi-detached houses.

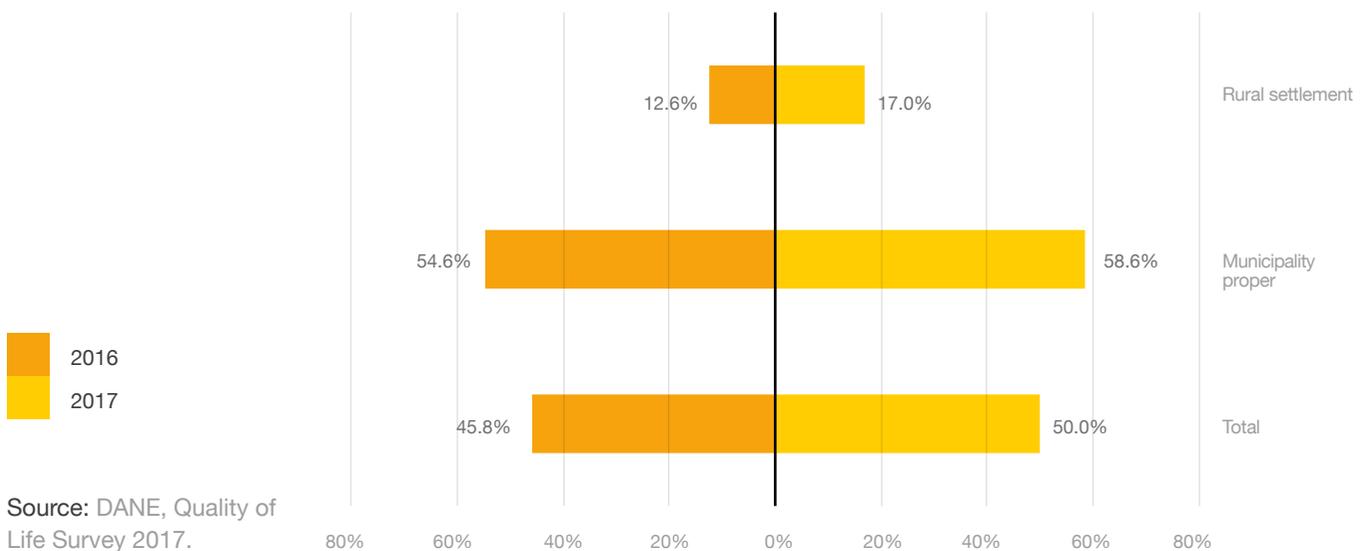
CHART 3.36

Share of households with mobile phones and Internet

Percentage of households with mobile phones

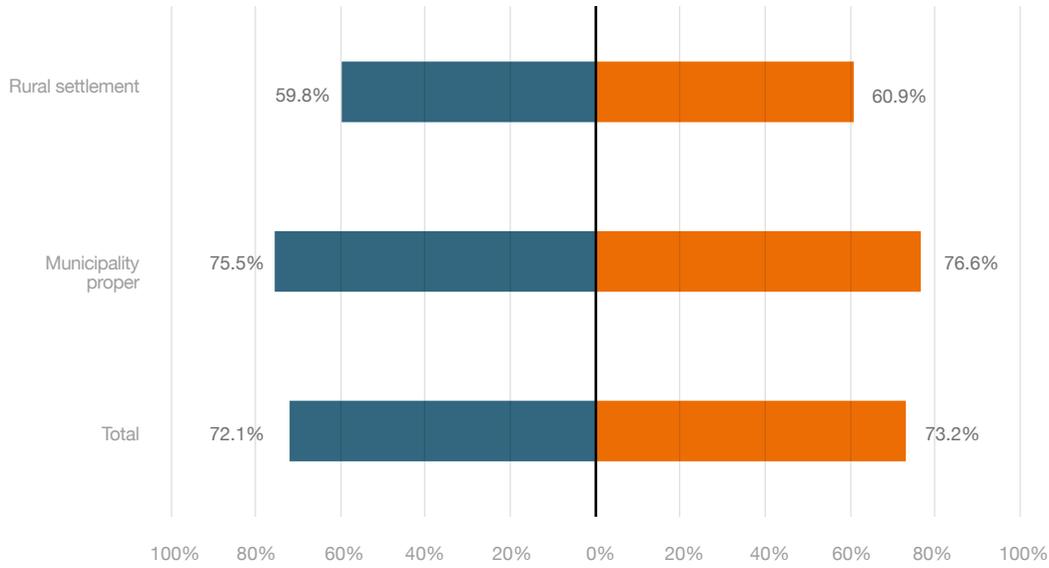


Percentage of households with access to internet

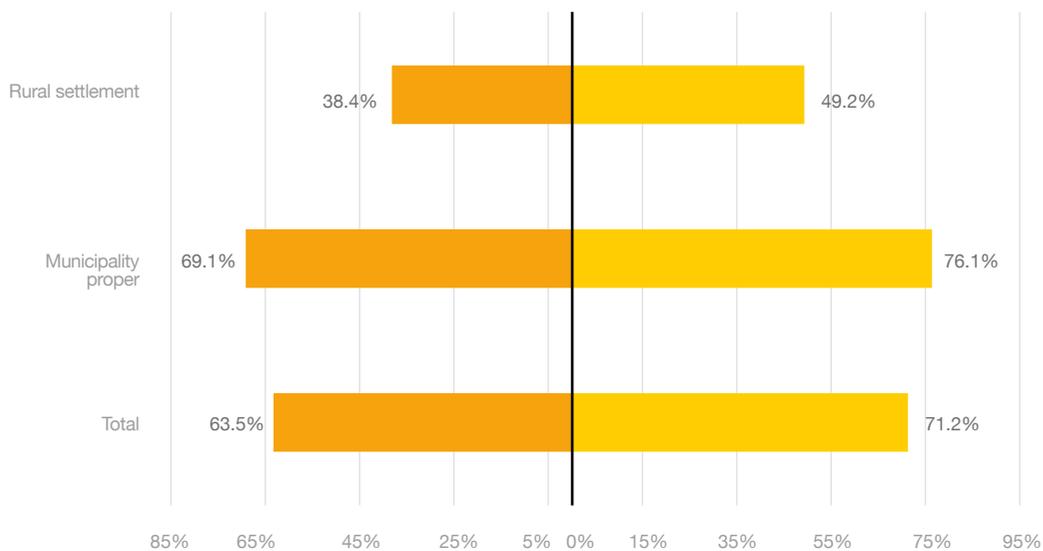


Source: DANE, Quality of Life Survey 2017.

CHART 3.37
Share of people aged 5 and above having a mobile phone



Percentage of people ages 5 and above having a smartphone

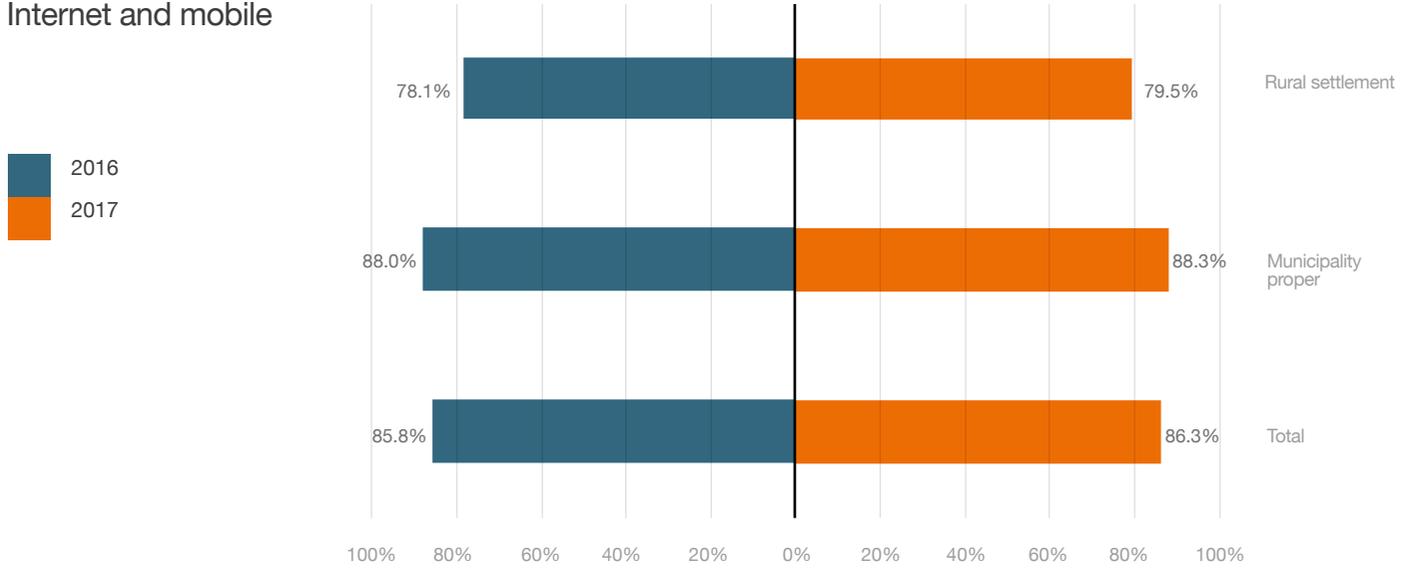


Source: DANE, Quality of Life Survey 2017.

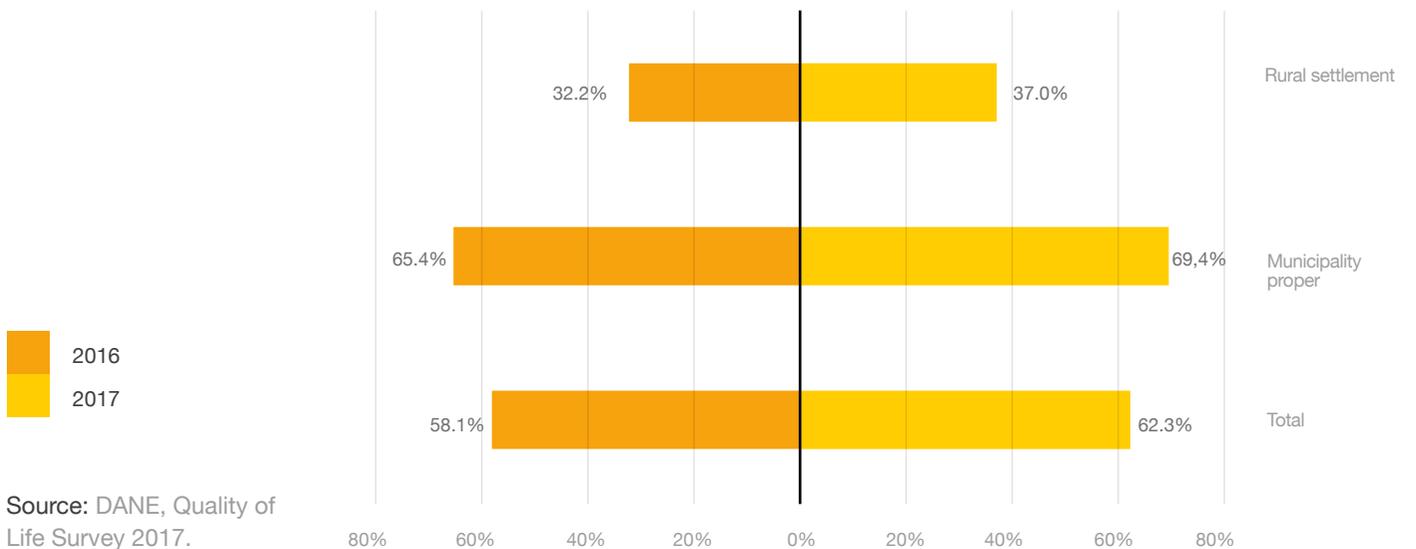
CHART 3.38

Percentage of people aged 5 and above using the Internet and mobile

Percentage of people using a mobile phone anywhere



Percentage of people using the Internet anywhere



Source: DANE, Quality of Life Survey 2017.

ANNEXES

Annex 1. Number of branches and department indicator per 100,000 adults and 1,000 km² (2017)

Department	Number of branches	Number of branches per 100,000 adults	Number of branches per 1,000 km ²
Amazonas	9	30.5	1.2
Antioquia	1,214	25.8	19.3
Arauca	27	17.6	1.1
Archipiélago de San Andrés, Providencia y Santa Catalina	16	29.1	323.9
Atlántico	331	19.0	99.8
Bogotá, D.C.	1,662	28.2	1024.1
Bolívar	198	14.0	7.4
Boyacá	299	34.1	12.9
Caldas	158	22.4	21.3
Caquetá	51	16.9	0.6
Casanare	75	31.8	1.7
Cauca	125	13.3	4.0
Cesar	139	21.0	6.2
Chocó	33	11.5	0.7
Córdoba	145	12.8	5.8
Cundinamarca	459	24.3	20.5
Guainía	4	33.5	0.3
Guaviare	11	16.8	0.2

Department	Number of branches	Number of branches per 100,000 adults	Number of branches per 1,000 km ²
Huila	229	29.5	12.6
La Guajira	63	10.7	3.1
Magdalena	119	15.0	5.1
Meta	163	24.6	1.9
Nariño	199	16.6	6.3
Norte de Santander	161	17.5	7.4
Putumayo	49	22.7	1.9
Quindío	100	24.5	51.7
Risaralda	180	26.1	50.6
Santander	488	32.9	16.0
Sucre	84	14.8	7.9
Tolima	235	24.4	9.7
Valle del Cauca	778	22.9	37.6
Vaupés	2	9.8	0.1
Vichada	7	17.0	0.1
National total	7,813	23.1	8.1

Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

Annex 2. Number of branch offices and indicator per 100,000 adults and 1,000 km² in the 13 largest cities (2017)

Municipalities	Number of branches	% participation	Number of branches per 100,000 adults	Number of branches per 1,000 km ²
Bogotá, D.C.	1,662	21%	28.2	1,024.1
Medellín	547	7%	27.9	1,459.3
Cali	488	6%	27.7	866.7
Barranquilla	267	3%	30.5	1,731.5
Bucaramanga	176	2%	44.7	1,151.0
Cartagena	143	2%	20.0	241.1
Pereira	125	2%	35.6	205.5
Ibagué	102	1%	25.7	74.1
Villavicencio	91	1%	26.2	70.8
Cúcuta	87	1%	19.2	76.8
Neiva	83	1%	33.5	65.4
Manizales	81	1%	26.8	183.7
Santa Marta	69	1%	21,4	29,4

Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

Annex 3. Demographic indicator for bank correspondents, number of third party, self-operated and active correspondents by department¹ (2017)

Department	Number of bank correspondents	Number of correspondents per 100,000 adults	Number of correspondents per 1,000 km ²	Number of active correspondents	Number of self-operated correspondents	Number of third party correspondents
Amazonas	50	169.7	6,5	29	11	39
Antioquia	9,897	210.7	157.2	8,127	3,630	6,267
Arauca	374	243.2	15.7	280	175	199
Archipiélago de San Andrés, Providencia y Santa Catalina	118	214.7	2,388.6	108	73	45
Atlántico	5,496	315.7	1,657.5	4,317	2,485	3,011

Department	Number of bank correspondents	Number of correspondents per 100,000 adults	Number of correspondents per 1,000 km ²	Number of active correspondents	Number of self-operated correspondents	Number of third party correspondents
Bogotá, D.C.	30,198	512.3	18,608.0	16,658	4,164	26,034
Bolívar	3,296	233.3	123.4	2,714	1,738	1,558
Boyacá	2,802	319.9	121.1	2,231	1,027	1,775
Caldas	1,951	276.1	262.8	1,592	981	970
Caquetá	897	298.0	10.0	620	222	675
Casanare	1,053	445.8	23.7	825	394	659
Cauca	1,914	203.8	61.3	1,457	712	1,202
Cesar	1,165	175.8	51.6	901	440	725
Chocó	528	183.3	11.0	379	236	292
Córdoba	1,667	147.3	66.5	1,439	803	864
Cundinamarca	6,790	359.5	303.5	5,025	1,747	5,043
Guainía	17	142.3	1.1	13	5	12
Guaviare	178	272.6	3.2	94	68	110
Huila	2,139	275.3	117.9	1,662	723	1,416
La Guajira	597	101.1	28.9	452	191	406
Magdalena	1,472	185.8	63.6	1,168	524	948
Meta	2,773	418.2	32.4	2,223	1,377	1,396
Nariño	2,350	196.6	74.6	1,780	897	1,453
Norte de Santander	2,078	225.5	95.1	1,610	704	1,374
Putumayo	313	145.3	12.0	222	130	183
Quindío	1,089	266.6	563.2	932	611	478
Risaralda	1,987	287.9	558.7	1,395	784	1,203
Santander	5,460	368.1	178.7	3,534	1,127	4,333
Sucre	1,342	235.8	126.7	1,127	758	584
Tolima	3,047	317.0	126.2	2,240	1,032	2,015
Valle del Cauca	11,777	347.1	569.9	8,741	4,698	7,079
Vaupés	23	112.8	0.8	20	15	8
Vichada	80	194.5	0.8	51	30	50
National total	104,918	310.3	109.3	73,966	32,512	72,406

1. These figures were computed using the information on bank correspondents of credit institutions overseen by Superintendencia Financiera de Colombia, which corresponds to 104,918 points of access.

Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

Annex 4. Demographic indicator for bank correspondents, number of third party, self-operated and active correspondents for the 13 main cities (2017)

Municipality	Number of bank correspondents	Number of correspondents per 100,000 adults	Number of correspondents per 1,000 km ²	Number of active correspondents	Number of self-operated correspondents	Number of third party correspondents
Bogotá, D.C.	30,198	512.3	18,608.0	16,658	4,164	26,034
Cali	6,763	383.5	12,011.5	4,647	2,157	4,606
Medellín	4,301	219.6	11,474.6	3,559	1,484	2,817
Barranquilla	3,843	439.0	24,921.5	2,986	1,647	2,196
Bucaramanga	2,570	652.8	16,807.8	1,536	427	2,143
Cartagena	2,062	288.8	3,475.8	1,717	1,098	964
Villavicencio	1,713	492.9	1,332.1	1,321	807	906
Ibagué	1,644	413.7	1,193.7	1,202	572	1,072
Pereira	1,335	380.5	2,195.0	847	446	889
Cúcuta	1,150	253.3	1,014.8	885	405	745
Soacha	1,009	280.2	5,382.9	745	184	825
Pasto	953	288.9	866.8	752	377	576
Manizales	929	307.5	2,106.3	739	486	443

Source: DANE, DNP [National Planning Department, in Spanish], Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance, Banca de las Oportunidades calculations.

Annex 5. Demographic indicators for the number of POS terminals by department (2017)

Department	Number of POS terminals	Number of POS terminals per 100,000 adults	Number of POS terminals per 1,000 km ²
Amazonas	344	1,167.5	44.7
Antioquia	48,381	1,030.0	768.3
Arauca	852	553.9	35.7
Archipiélago de San Andrés Providencia y Santa Catalina	1,871	3,404.6	37,872.9
Atlántico	19,888	1,142.3	5,998.0

Department	Number of POS terminals	Number of POS terminals per 100,000 adults	Number of POS terminals per 1,000 km ²
Bogotá, D.C.	137,369	2,330.5	84,646.6
Bolívar	13,093	926.9	490.1
Boyacá	7,002	799.5	302.6
Caldas	5,865	830.0	789.9
Caquetá	1,097	364.4	12.2
Casanare	2,661	1,126.6	59.9
Cauca	3,309	352.4	105.9
Cesar	4,739	715.1	210.0
Chocó	527	183.0	10.9
Córdoba	5,435	480.2	216.7
Cundinamarca	19,664	1,041.0	879.0
Guainía	22	184.2	1.4
Guaviare	102	156.2	1.8
Huila	5,900	759.2	325.2
La Guajira	1,639	277.7	79.5
Magdalena	5,983	755.3	258.6
Meta	7,279	1,097.8	85.1
Nariño	5,700	476.9	181.0
Norte de Santander	6,877	746.1	314.6
Putumayo	896	415.9	34.5
Quindío	5,078	1,243.0	2,626.2
Risaralda	9,102	1,318.7	2,559.1
Santander	16,662	1,123.4	545.2
Sucre	2,762	485.3	260.8

Department	Number of POS terminals	Number of POS terminals per 100,000 adults	Number of POS terminals per 1,000 km ²
Tolima	8,410	874,8	348.4
Valle del Cauca	40,187	1,184.5	1,944.6
Vaupés	17	83.3	0.6
Vichada	44	107.0	0.4
National total	388,757	1,149.8	405.1

Source: Cerdibanco and Redeban, Banca de las Oportunidades calculations.

Annex 6. Demographic indicators for the number of POS terminals for the 13 main cities (2017)

Municipality	Number of POS terminals	Number of POS terminals per 100,000 adults	Number of POS terminals per 1,000 km ²
Bogotá, D.C.	137,369	2,330.5	84,646.6
Medellín	31,256	1,595.7	83,387.6
Cali	29,385	1,666.4	52,189.6
Barranquilla	17,220	1,967.2	111,670.3
Cartagena	11,917	1,669.1	20,088.1
Bucaramanga	9,907	2,516.3	64,791.9
Pereira	7,416	2,113.7	12,193.6
Ibagué	6,069	1,527.2	4,406.6
Villavicencio	5,745	1,653.1	4,467.6
Cúcuta	5,715	1,258.6	5,043.2
Santa Marta	5,036	1,560.5	2,145.6
Manizales	4,481	1,483.3	1,159.9
Neiva	4,189	1,692.6	3,298.9

Source: Cerdibanco and Redeban, Banca de las Oportunidades calculations.



FINANCIAL
INCLUSION REPORT 2017

4



4.

ACCESS AND USAGE OF DEPOSIT PRODUCTS

Savings are crucial when it comes to building financial resilience. They help set financial goals, face contingencies, and smooth maximum and minimum levels of income and expenses.

This chapter analyzes the recent evolution in the number of adults and businesses with access to deposits, the total number of products in the system, along with their activity level, balances and transactions made through them. This analysis emphasizes on traditional savings accounts, electronic savings accounts, simplified-procedure savings accounts, and electronic deposits (CAE, CATS and DE, respectively, for its Spanish acronym).

The first section of this chapter conducts a description of the number of adults and

businesses with deposit products under the dimensions of access and use at the national level. This analysis uses information reported by financial institutions to the credit bureau TransUnion¹. In addition, this section presents information on the number of adults who use their products by gender and age ranges.

-
1. A deposit product is considered to be active when it had at least one movement in the last six months. Given the above, figures referring to the total number of adults with deposit products, include both active and inactive products.



The chapter presents the distribution by gender using both the number of adults with products and the total number of products in circulation. The difference between these two distributions is that the former considers the total number of adults with financial products. Therefore, if an individual has more than one product, it is accounted only once. The second measure accounts for the total number of products held by adults.

In addition, the evolution of the number of savings accounts, CAE, CATS and DE, as well as their activity levels, balances² and transactionality, is reviewed. Regional data is presented for traditional savings accounts and CAE³. Analyses by level of rurality considers four types of municipalities: cities and urban agglomerations, intermediate municipalities, rural municipalities, and rural and scattered rural areas⁴. Product balances are disaggregated by

in-force legal monthly minimum ranges (SMLMV, by its Spanish acronym) (up to 1 SMLMV, between 1 and 3 SMLMV, and between 3 to 5 SMLMV⁵).

Finally, complementing the analysis on activity levels, recent trends on the following financial transactions were reviewed: deposits, payments and transfers. institution

-
2. Balances are only reported for savings accounts and electronic savings accounts.
 3. Institutions were classified as those supervised by the SFC: Banks, Financing Companies, Financial Corporations and Financial credit unions overseen by SFC, and credit unions overseen by Superintendencia de la Economía Solidaria (SES by its Spanish acronym).
 4. This indicator is computed only for traditional savings account and CAE.
 5. In 2017, the legal monthly minimum wage (SMLMV by its Spanish acronym) was 737.717 COP pesos.

1 The number of adults with at least one traditional savings account was **25.2 million** and close **to 4.1 million** had an electronic deposit.

The number of businesses with at least one savings account was **641,227**. This figure increased by 139,802 or **27.9%** compared to 2016.

2 In **2017**, **73.1%** of adults with traditional savings accounts used them, while **48.4%** of businesses used their accounts.



- 3**
- Out of the total number of adults with savings accounts, **49.4%** were men and **50.4%** were women.
 - Out of the total number of adults with at least one simplified-procedure savings account, **50.2%** were men and **49.6%** were women.
 - The majority of adults with electronic savings account and electronic deposits are women.

4

The distribution by age groups for **different products** has remained similar over the past years. Access to deposit products has been concentrated mainly in adults between **26 to 40** and **41 to 65** years.



5

The largest balances are found in traditional savings accounts, in which **men contributed 54%** of the total reported in 2017.



For electronic savings accounts, **women contributed 86%** of total balances.

6

With regards to the number of active accounts, traditional savings accounts, simplified-procedure savings account and electronic deposits experienced a **positive increase** between 2016 and 2017 while electronic savings accounts experienced a **reduction**.



7

The total number of accounts per **100,000 adults** increased for all types of deposit products. Simplified-procedure savings account had the largest growth rate (**129.9%**).



- 8**
- **Men had 52.5%** of the savings accounts while **women had 47.4%**; this distribution remained unchanged relative to 2016.
 - In the case of simplified-procedure savings account, **56.7%** of accounts belonged **to women** and **43.3% to men**; this distribution remained unchanged relative to 2016.
 - In the case of electronic savings accounts, **85.5%** of the accounts belonged **to women**, while in the case of electronic deposits **67.6%** belonged **to women**; this result has remained unaltered relative to 2016.

9

As in previous years, the number of traditional savings accounts and electronic savings accounts were concentrated in **cities and urban agglomerates**.



- 10**
- The most **frequent transactions** in 2017 were:
- **Withdrawals** for traditional savings accounts (**37.5%**) and simplified-procedure savings account (**39.4%**), as in 2016.
 - **Payments** for electronic savings accounts (**95.1%**); this result did not change with regards to 2016.
 - **Deposits** operations for electronic deposits (**40.6%**), which represented a shift with regards to 2016, when the most frequent transaction were withdrawals.



4.1. TRADITIONAL SAVINGS ACCOUNTS

Savings accounts were the product with highest penetration among Colombians. In 2017, 25.2 million adults had at least one savings account. This corresponds to 74.6% of the country’s adult population and represents an increase of 1.6 million adults, or 6.9%, relative to 2016.

Out of the 25.2 million adults with savings accounts, 18.4 million actively used them (Chart 4.1). The number of adults with at least one active account increased by 1.4 million (8.4%) compared to 2016. By the end of 2017, the rate between the number of adults with active savings accounts and the total number of adults with access to them (i.e., the activity level) stood at 73.1%. This entails a one percentage point increase as compared to 2016.

In 2017, the gender distribution of adults with at least one active savings account, favored neither women men nor women. Out of the population with active savings accounts, 76% were between 26 and 65 years old. The proportion of adults aged 18 to 25 with active savings accounts was 15.3%, almost twice than that of the population over 65 years old (8.1%).

In addition, by the end of 2017, 641,227 businesses had access to savings accounts (Chart

4.2). This figure increased by 139.802, or 27.9%, compared to 2016. The number of businesses that actively used their accounts was 310,057, which meant an increase of 63,845, or 25.9%, relative to 2016. The proportion of businesses that actively used their savings accounts went from 49.1% to 48.4% between 2016 and 2017.

Additionally, there was a total of 59.4 million accounts in the financial system by the end of 2017. Out of these accounts, 26,0 million were active (Chart 4.3). With regards to 2016, the total number of accounts increased by 8.2%, while the number of active accounts by 8.7%. These annual growth rates were greater than the average growth rate of the last three years (6.9% for total accounts and 6.1% for active accounts). The activity level of these accounts has remained close to 44% over the last three years.

In 2017, there were 175,579 accounts and 76,861 active accounts per 100,000 adults. The total number of accounts per 100,000 adults increased by 10,600, or 6.4%, and the number of active accounts by 4,986, or 6.9%, between 2016 y 2017. The average growth rate of active accounts per 100,000 adults between 2015 and 2017 (4.4%) was lower than the one observed between 2016 and 2017 (5.2%).

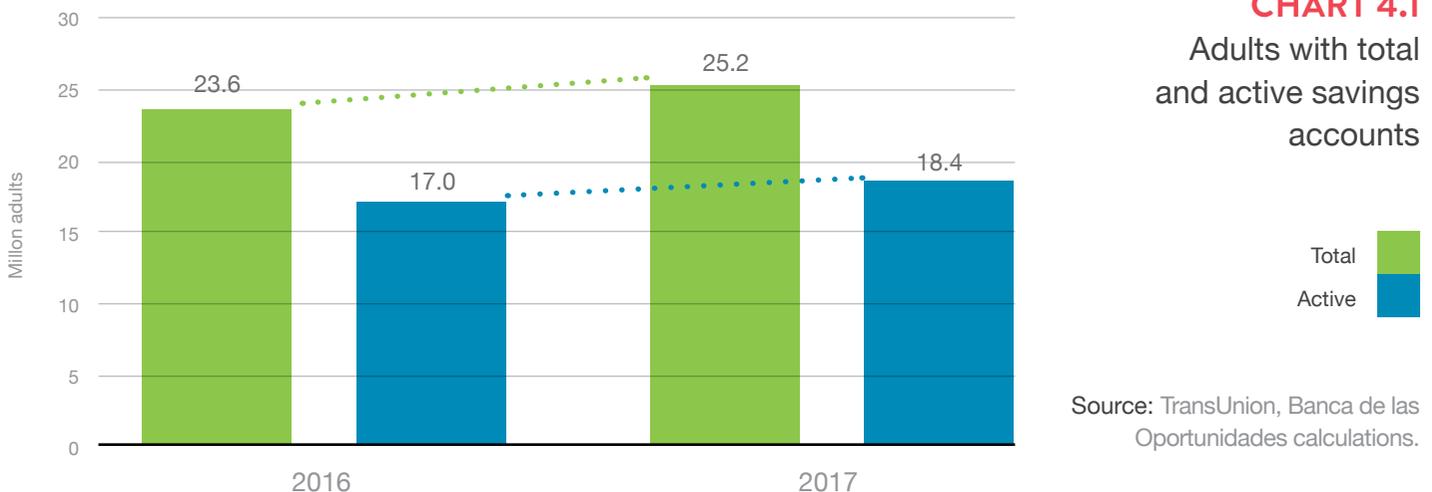
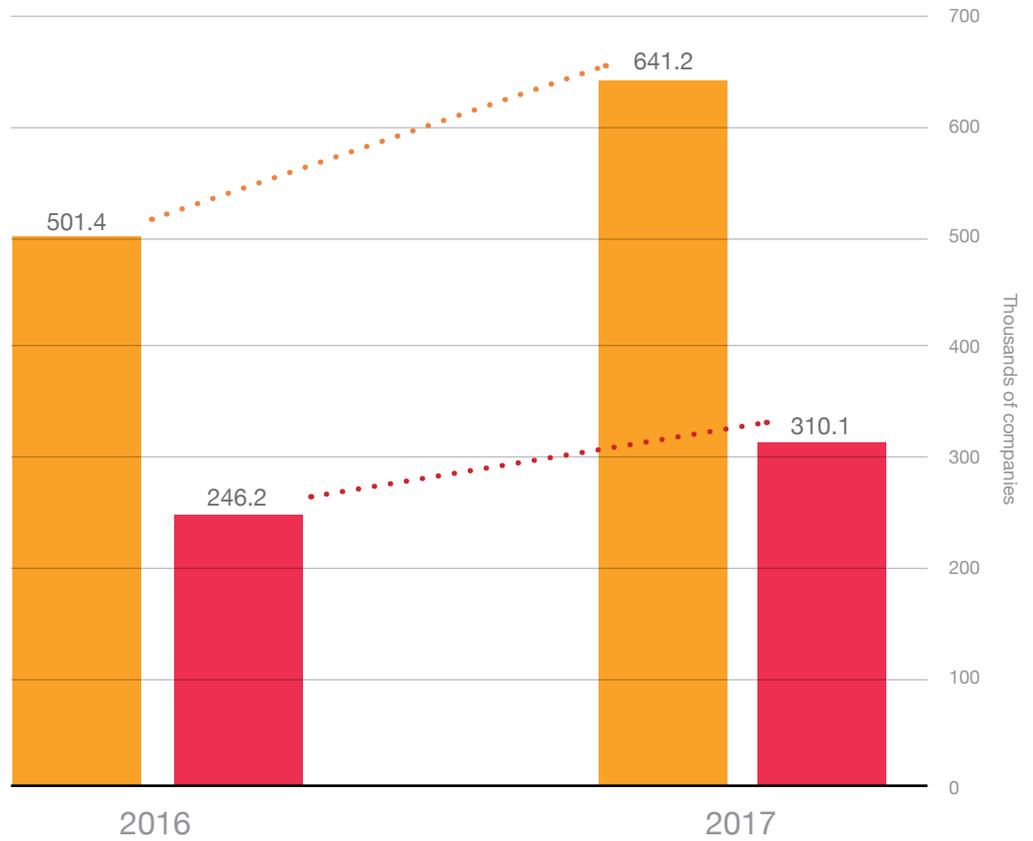
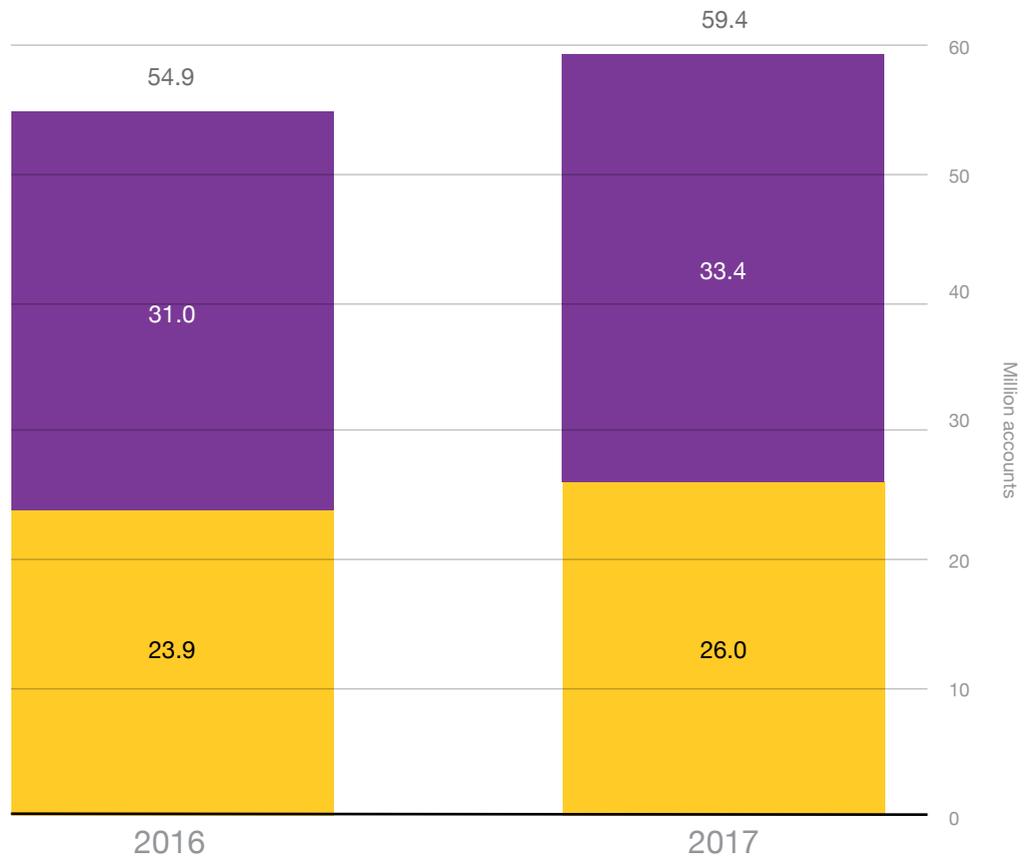
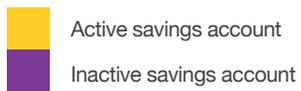


CHART 4.2
Businesses with total and active savings accounts

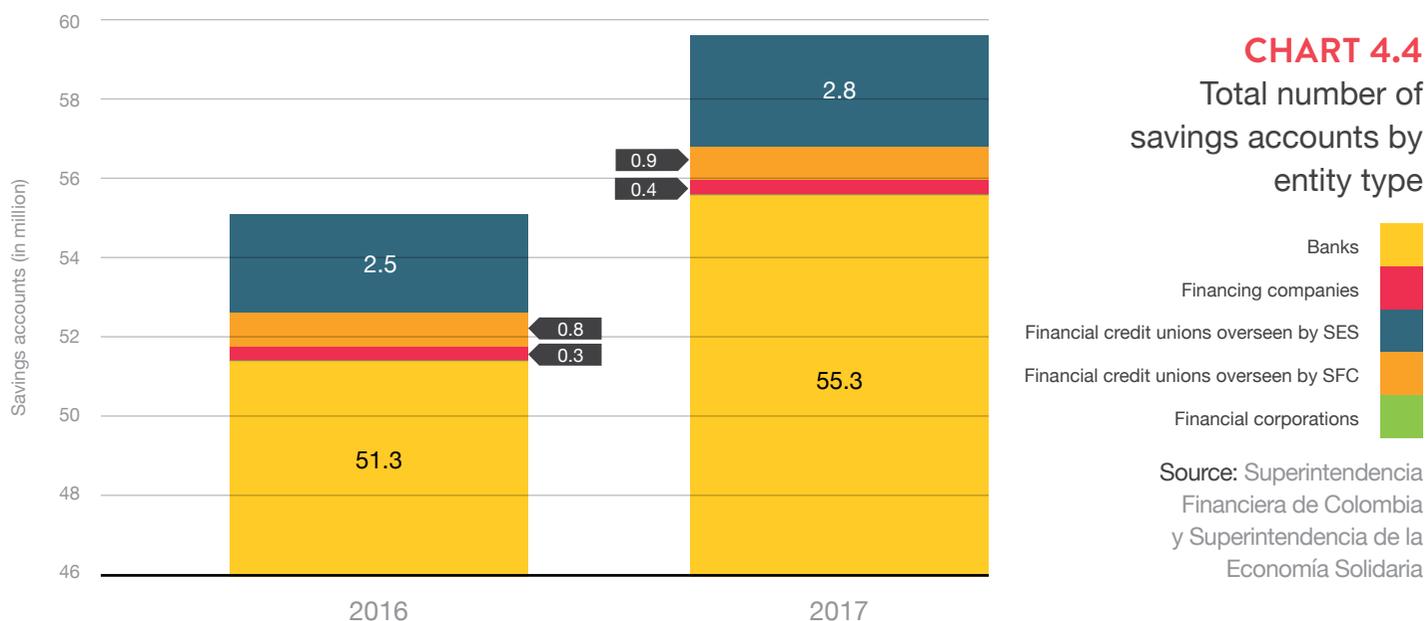


Source: TransUnion, Banca de las Oportunidades calculations.

CHART 4.3
Total number of savings accounts by activity level



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



By the end of 2017, the majority of savings accounts and active savings accounts were concentrated in banks: 93.2% and 90.4% of active accounts, respectively. These figures have remained relatively stable over the last three years (Chart 4.4). The highest activity levels were experienced by credit unions: 66.7% of savings accounts were active. Savings accounts with the lowest activity levels were those of financing companies, with 42.5%. With the exception of financial corporations and banks, across all types of entities, there has been a reduction in the activity levels of savings accounts over the past three years.

As of 2017, total balances on savings accounts accrued to \$165 trillion, 3.8%⁶ higher than in 2016 (Chart 4.5). Banks contributed to most (97.8%) of total savings accounts' balances. In the second place were credit unions, with a share of 1.5%.

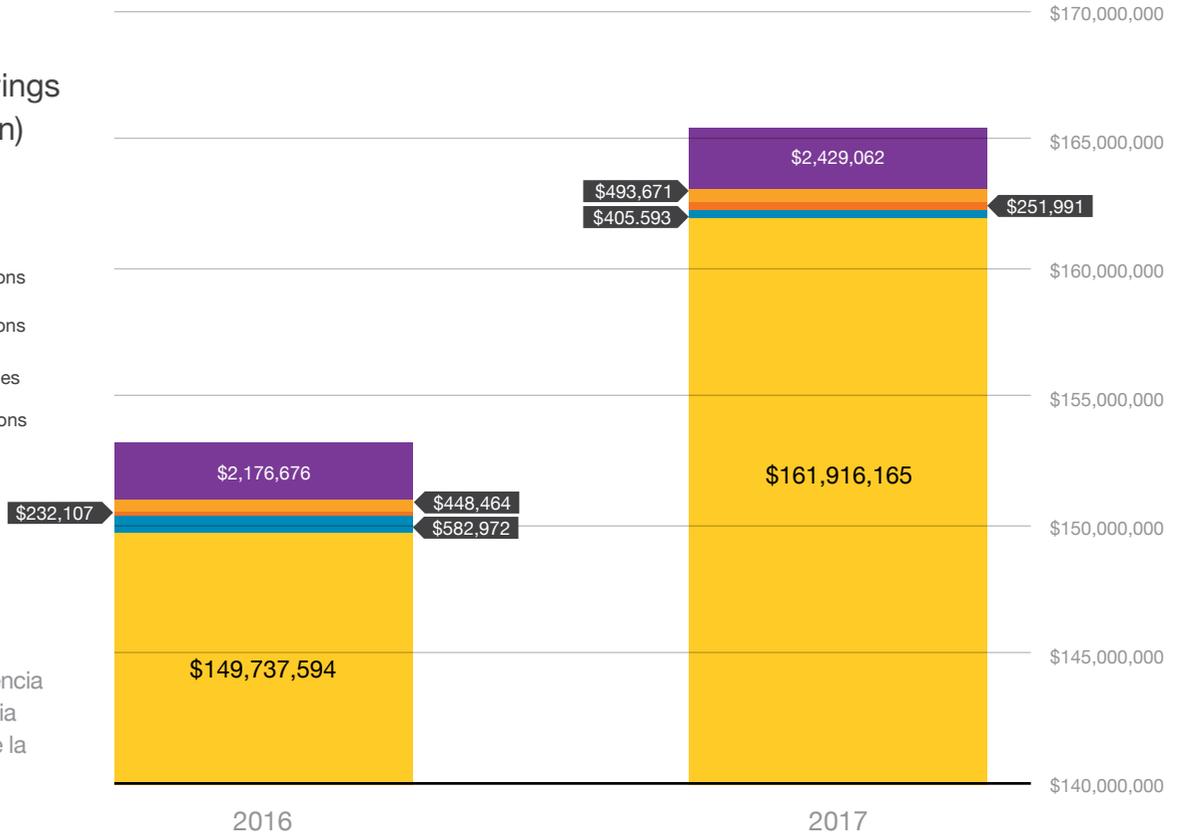
When analyzing the distribution of savings accounts by ranges of minimum wages for 2017⁷ (table 4.1), it was found that most accounts (77.3%) had balances up to 1 minimum wage, while less than one tenth had balances that were

greater than one minimum wage (5.6% were balances between 1 and 3 minimum wages, and 2.5% had balances of more than 3 minimum wages). Accounts with balances up to 1 minimum wage, despite representing the majority of the accounts, only contributed 1.3% to total of balances in the system. Accounts with balances amounting 1 to 3 minimum wages had a share of 2.2% on total balances.

Across all ranges, banks made the largest contribution. Particularly, in the range of up to 1 minimum wage, banks contributed 97.4% of the total number of accounts and 96.9% of balances. In the range of 1 to 3 minimum wage banks contributed 98.3% and 98.0%, respectively. Savings accounts with more than 5 minimum wage represented 14.5% of the number of accounts and 94.7% of their balance.

6. Growth rates of balances are expressed in real terms.
7. This level of disaggregation is applied to the institutions supervised by the SFC because the financial credit unions overseen by Superintendencia de la Economía Solidaria do not yet report with this same level of disaggregation (by SMMLV).

CHART 4.5
Balances of savings accounts (million)



Source: Superintendencia Financiera de Colombia y Superintendencia de la Economía Solidaria

TABLE 4.1 Savings accounts by salary range (2017)

Type of institution	Up to 1 SMMLV		From >1 SMMLV to 3 SMMLV		From >3 SMMLV to 5 SMMLV		> 5 SMMLV	
	Number	Balance (million)	Number	Balance (million)	Number	Balance (million)	Number	Balance (million)
Banks	42,627,758	\$1,988,856	3,127,491	\$3,577,262	1,392,187	\$2,913,153	8,192,591	\$153,436,894
Financial Corporations	450	\$16	18	\$24	18	\$53	96	\$405,501
Financing Companies	355,069	\$19,427	18,822	\$24,742	6,084	\$17,405	12,388	\$190,417
Financial credit union overseen by SFC	785,214	\$43,514	35,433	\$46,918	11,931	\$34,662	22,927	\$368,578
Total	43,768,491	\$2,051,813	3,181,764	\$3,648,945	1,410,220	\$2,965,273	8,228,002	\$154,401,390

Source: Superintendencia Financiera de Colombia

The distribution of accounts by gender shows that 47.4% belonged to women (26.2 million accounts) and 52.5% to men (29.0 million accounts). Between 2016 and 2017, men and women's savings accounts increased by 17.0% y 16.8%, respectively (Chart 4.6). In 2016, no data on the number of accounts by gender was available for the credit unions. For credit institutions alone, the growth rate in the number of savings accounts belonging to men increased by 11.6%, while the growth rate among women was 10.5%, a difference of one percentage point. The remaining traditional savings accounts belonged to businesses.

With regards to the total balances by gender⁸, women's savings accounts represented 46.4% of the total balance, while men accounted for 53.5%. This means that men's savings accounts had an excess balance of \$3,7 trillion over women's accounts. The average balance of men's accounts was above than that of women: \$969,434 and \$931,081, respectively. Compared to 2016, total balances of women's accounts had a real increase of 2.9%, and of 1.8% in the case of balances of men's accounts.

The average balance of women's accounts in credit institutions was higher by \$152,038 than that of credit unions overseen by Superintendencia de la Economía Solidaria. In the case of men, that difference was close to \$149,250.

By the end of 2017, the distribution of savings accounts by rurality barely changed compared to the last three years. Cities and urban agglomerations concentrated 84.4% of the number of savings accounts, followed by intermediate municipalities with 10.3%, and rural and scattered rural municipalities with

3.5% and 1.7%, respectively. While cities contributed about 3.5 million additional accounts (an increase of 7.5% compared to 2016) and intermediate municipalities 660,740 (an increase of 12.1%), it should be noted that rural and scattered rural municipalities had growth rates of 11.9% and 11.3%, respectively.

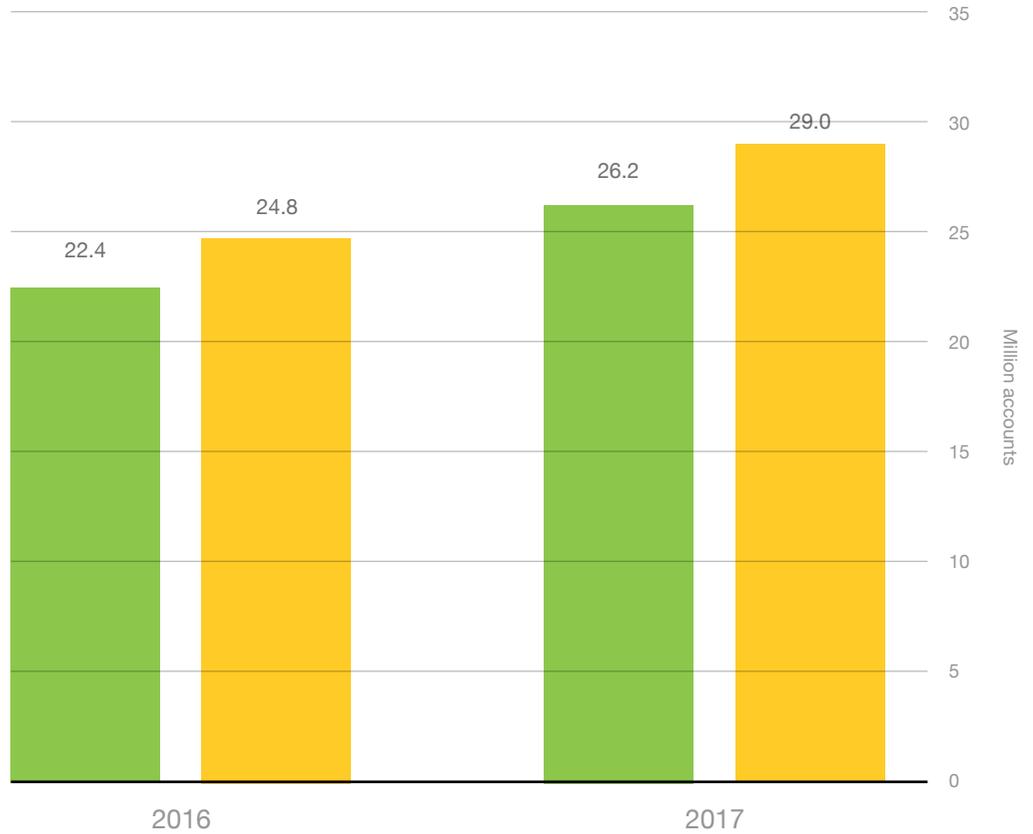
The departments that registered the largest number of accounts were: Bogotá D.C, with a share of 28.8%); Antioquia, with a share of 13.5%; and Valle del Cauca concentrated 10.4% of savings accounts. On the other hand, Vaupés, Vichada and Amazonas had a share of less than 0.5% (Chart 4.7). This distribution is consistent with the population distribution of such departments, where Bogotá concentrates 17.4% of Colombia's population, Antioquia 13.9% and Valle del Cauca 10.0%. At the same time, Vaupés, Vichada, Amazonas and Guainía have less than 0.1% of the total population. Guainía has exhibited the highest activity levels (above 58%) over the last three years.

Additionally, Bolívar and Amazonas had the largest growth rate in terms of the number of accounts, while Bolívar and Vaupés had the largest growth rate with regards to balances. Antioquia, one of the main departments of the country, was among those that grew at comparatively small rates (see Maps 4.1 and 4.2).

8. The total of traditional savings accounts and their balances take into account both natural persons and legal persons. As a result, the number and balance of savings accounts by gender do not coincide with these totals. The difference corresponds to legal persons.

CHART 4.6
Savings accounts distribution by gender

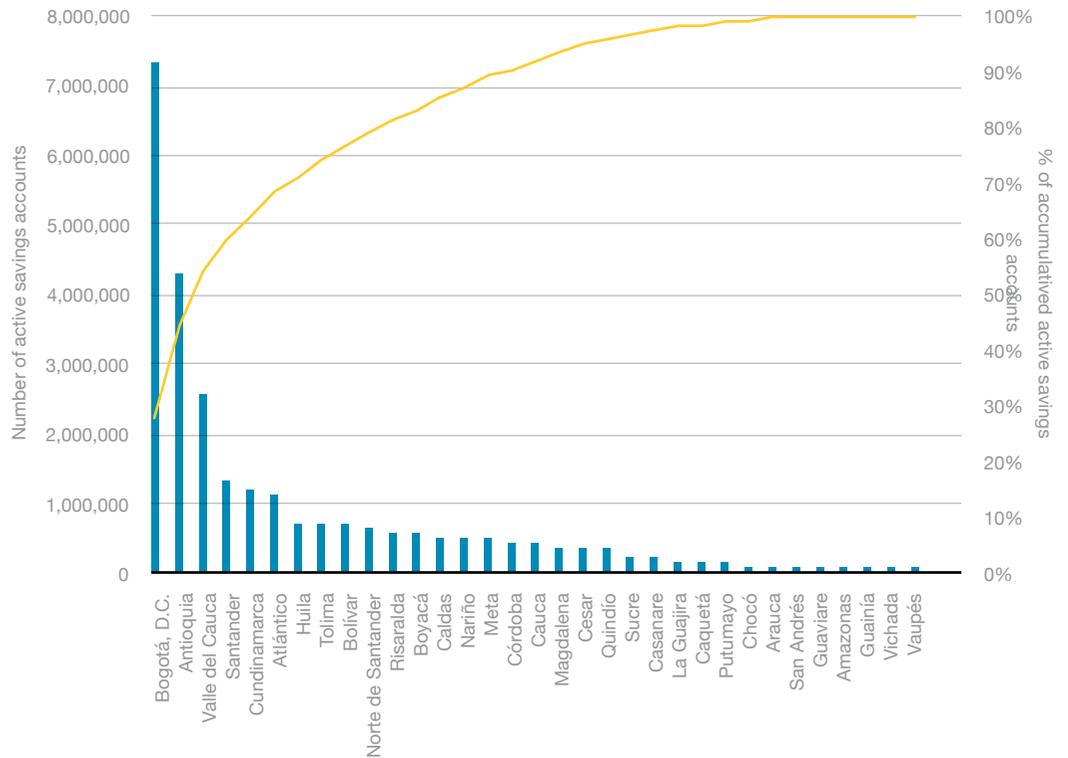
Women
Men



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

CHART 4.7
Number of active savings accounts

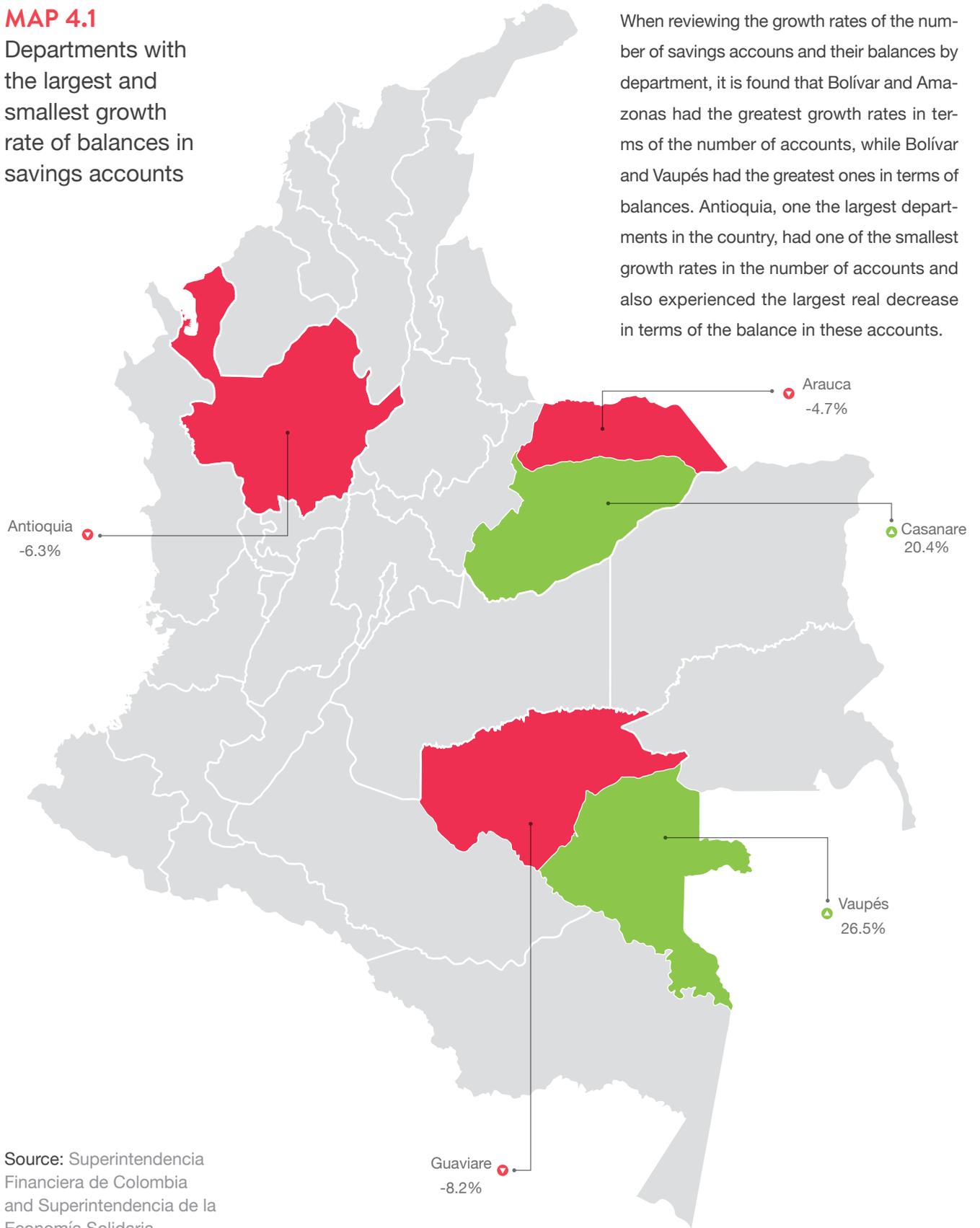
Number of active savings accounts
% accumulated active savings accounts



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

MAP 4.1

Departments with the largest and smallest growth rate of balances in savings accounts

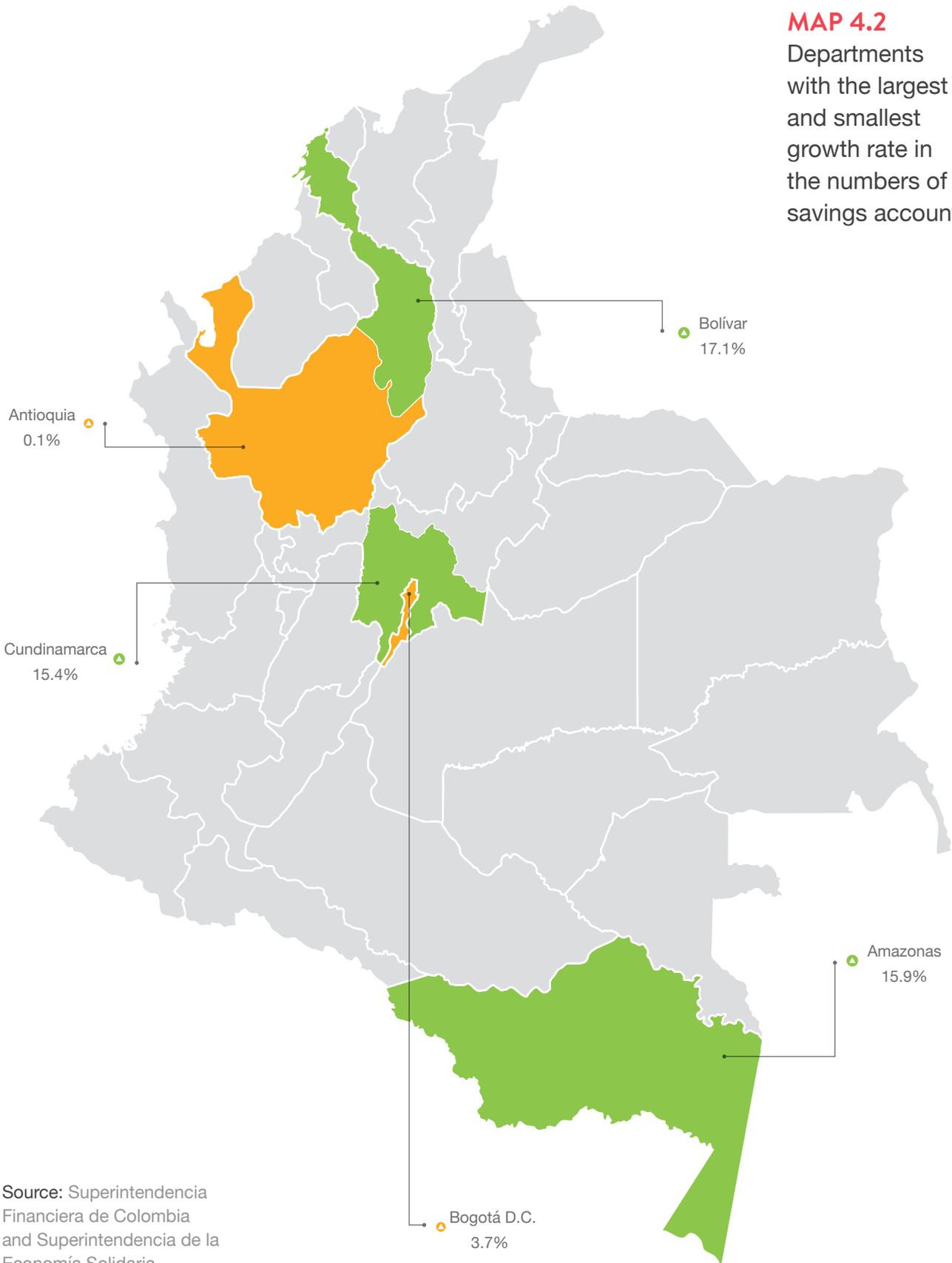


When reviewing the growth rates of the number of savings accounts and their balances by department, it is found that Bolívar and Amazonas had the greatest growth rates in terms of the number of accounts, while Bolívar and Vaupés had the greatest ones in terms of balances. Antioquia, one of the largest departments in the country, had one of the smallest growth rates in the number of accounts and also experienced the largest real decrease in terms of the balance in these accounts.

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

MAP 4.2

Departments with the largest and smallest growth rate in the numbers of savings accounts



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

Finally, over the last quarter of 2017, \$436 million transactions were made through savings accounts for a total amount of \$1,287 trillion⁹ (Chart 4.8). Compared to the same period of 2016, the number of monetary transactions made through savings accounts in the last quarter of 2017 went down by 4.0% and the transacted amount by 5.3% in real terms. Specifically, withdrawals had the largest share on the number of transactions (37.5%) (almost twice as deposits⁷, which accounted for 16.7% of the total). Withdrawals were followed by payments, which had a share of 30.3%. The average number of transactions was 16.7 per active savings account, a reduction of 2.2 with regards to the last quarter of 2016. Transfers (sent and received) contributed the most to the total amount traded, with shares of 40.2% and 19.3%, respectively.

4.2. ELECTRONIC SAVINGS ACCOUNTS

By the end of 2017, 2.9 million adults had at least one electronic savings account. This figure increased by 145 thousand adults, or 5.1%, compared to 2016. The difference between the number of men and women with some CAE is wide. By the end of the year, 76.8% of adults with at least one electronic savings account were women. This is because electronic savings accounts are used to pay monetary incentives in light of the largest conditional cash transfer program, Más Familias en Acción, which focuses on women.

The distribution by age range shows that 50.0% of adults with an active electronic savings account were between 41 and 65 years old, and 46.0% between 26 and 40 years old.

The share of young adults (between 18 and 25 years) and adults over 65 years was 4.0%.

When analyzing the number of circulating electronic savings accounts, there were 4.0 million accounts by the end of 2017, 579,838 additional accounts as compared to 2016. Considering that people can only have one electronic savings account in the financial system, the number of adults with this product (2.9 million) should be equal to the number of existing accounts (4.0 million)¹⁰.

With regards to the activity levels of electronic savings accounts, 1.8 million accounts had been used over the last six months, which are 88,434 accounts less than in 2016. The activity level of these accounts, measured as the ratio between the number of active accounts over the total number of accounts in the system, was 46% (Table 4.2). Although the activity level of electronic savings accounts was higher than that of traditional savings accounts, it went down by 10 percentage points compared to 2016.

Relative to the size of the adult population, for every 100,000 adults there were 11,898 electronic savings accounts (14.9% more than in 2016) and 5,473 active accounts (6.0% less than in 2016). The number of active accounts per 100,000 adults had also fallen between 2015 and 2016 by (-9%).

9. It refers to the information of the last quarter of 2017

10. There is a difference of approximately one million which is explained because financial institutions are not reporting the total number of people with this product to the central information systems.

CHART 4.8
Transactions made with traditional savings accounts

Number of transactions
Amount



Source: Superintendencia Financiera de Colombia.

TABLE 4.2 Number and balance of electronic savings accounts

	2016		2017	
	Number	Balance (Million)	Number	Balance (millions)
Total CAE	3,443,136	\$ 97,988	4,022,974	\$ 222,095
Active CAE	1,939,084	\$ 50,891	1,850,650	\$ 154,623

Source: Superintendencia Financiera de Colombia.

By the end of 2017, electronic savings accounts had a balance of \$222,095 million, while active electronic savings accounts had a balance of \$154,623 million. The real growth of these balances was 118% for the total accounts and 192% for active accounts, relative to 2016.

In 2017, the number of women’s accounts was 3.4 million and that of men 581,798, a difference of 2.8 million accounts (Chart 4.9). In addition, women’s accounts contributed 85.5% to the total balance, reaching \$189,975 million. Men’s accounts contributed 14.5% of total balance, or \$32,120 million.

Relative to previous years, the number of men’s electronic savings accounts grew faster than that of women’s (21.2% and 16.1%, respectively). Overall, balances of women’s electronic savings accounts increased by 133.5%, while balances of men’s electronic savings accounts grew by 93.2%.

As it was the case with traditional savings accounts, circulating electronic savings accounts

were concentrated in cities and urban agglomerates (49.6%), followed by intermediate municipalities (24.9%) (Chart 4.10). Rural and scattered rural municipalities, which concentrated 16.3% and 9.0% of electronic savings accounts, had the greatest growth rate over the last year (34.6% in rural municipalities and 37.9% in scattered rural areas).

When analyzing the distribution of electronic savings accounts by department, it was found that Antioquia (11.4%), Córdoba (6.5%) and Valle del Cauca (6.3%) were the regions that registered the greatest number of electronic savings accounts by the end 2017 (Chart 4.11). Antioquia and Córdoba have remained within the top three positions in this regard for the past two years. In turn, the largest balances of the last three years were recorded in Antioquia and Bolivar, which contributed 18% of the total balance in 2017. The departments with the highest activity levels of 2017 were Vaupés, Amazonas and Guainía (above 75%)

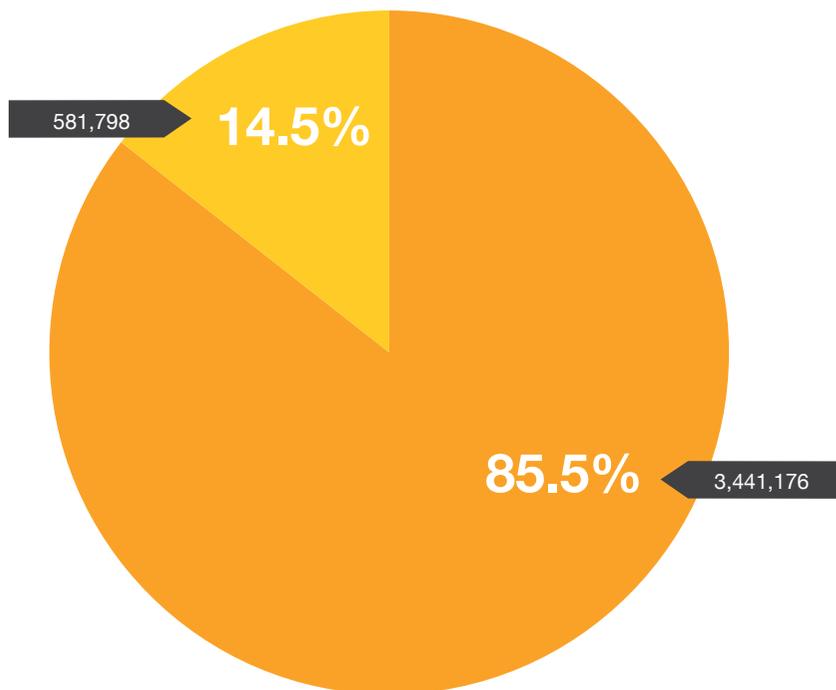
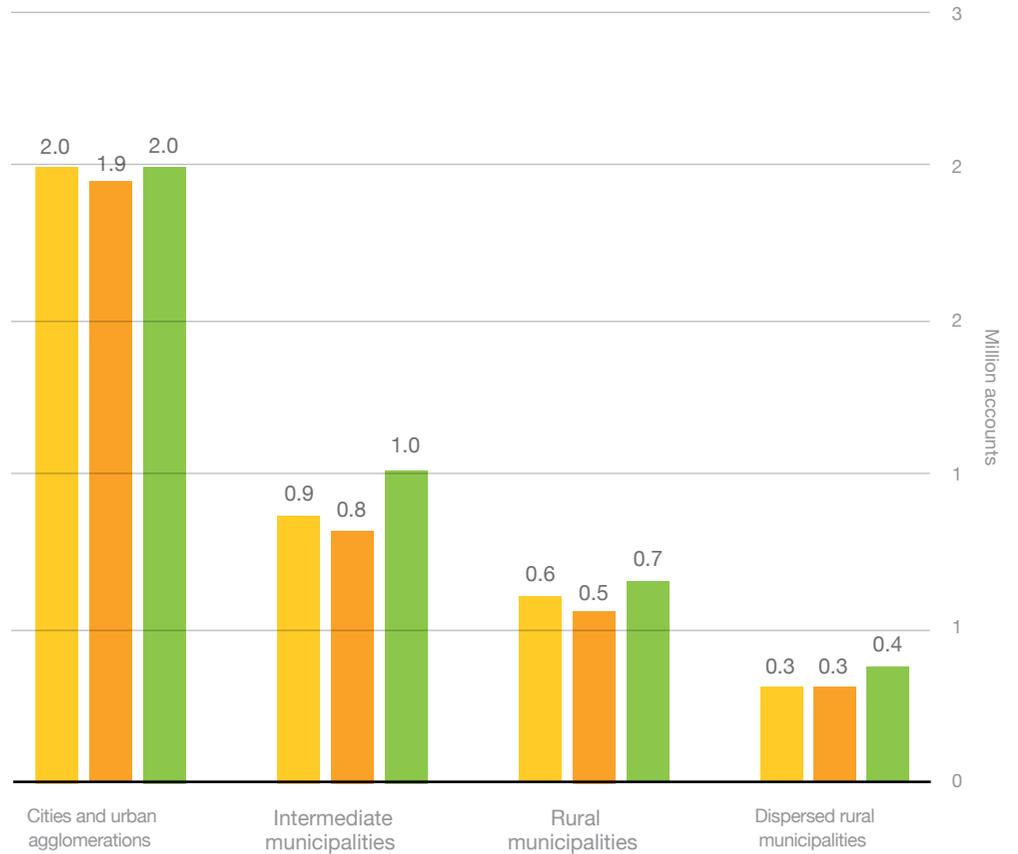


CHART 4.9
Distribution of the number of electronic savings accounts by gender

CAE women
CAE men

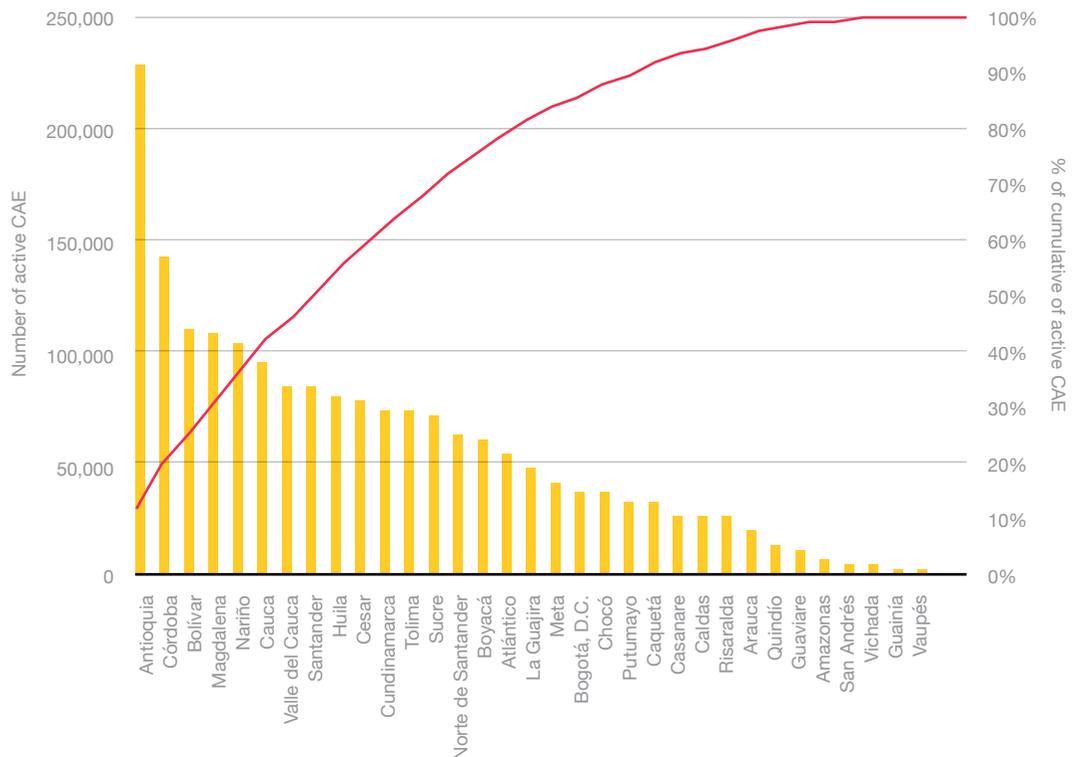
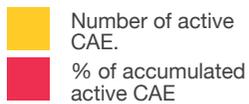
Source: Superintendencia Financiera de Colombia.

CHART 4.10
Number of CAE by level of rurality



Source: Superintendencia Financiera de Colombia.

CHART 4.11
Accounts and balances of CAES by department

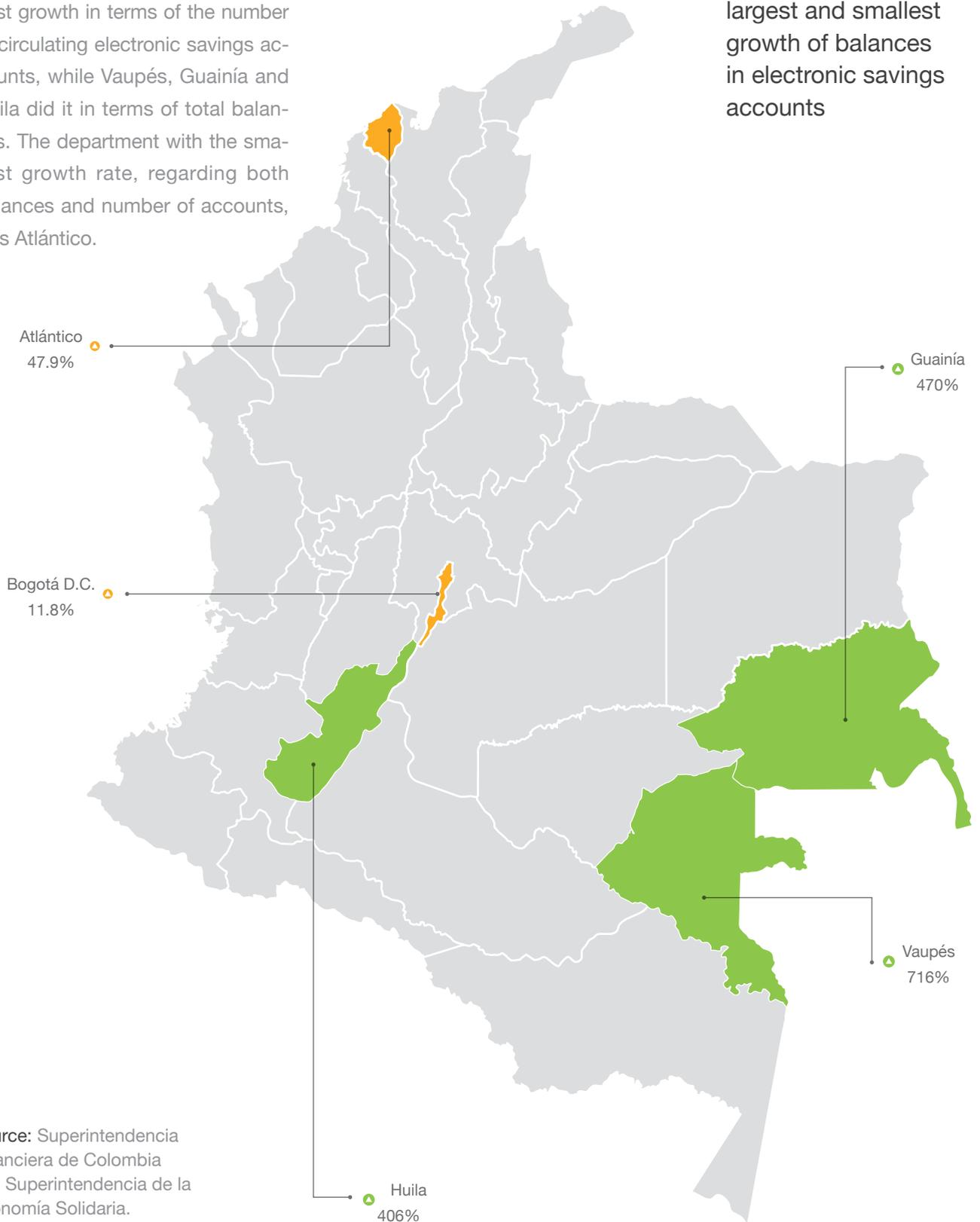


Source: Superintendencia Financiera de Colombia.

Compared to 2016, Amazonas, Vaupés and Guainía experienced the largest growth in terms of the number of circulating electronic savings accounts, while Vaupés, Guainía and Huila did it in terms of total balances. The department with the smallest growth rate, regarding both balances and number of accounts, was Atlántico.

MAP 4.3

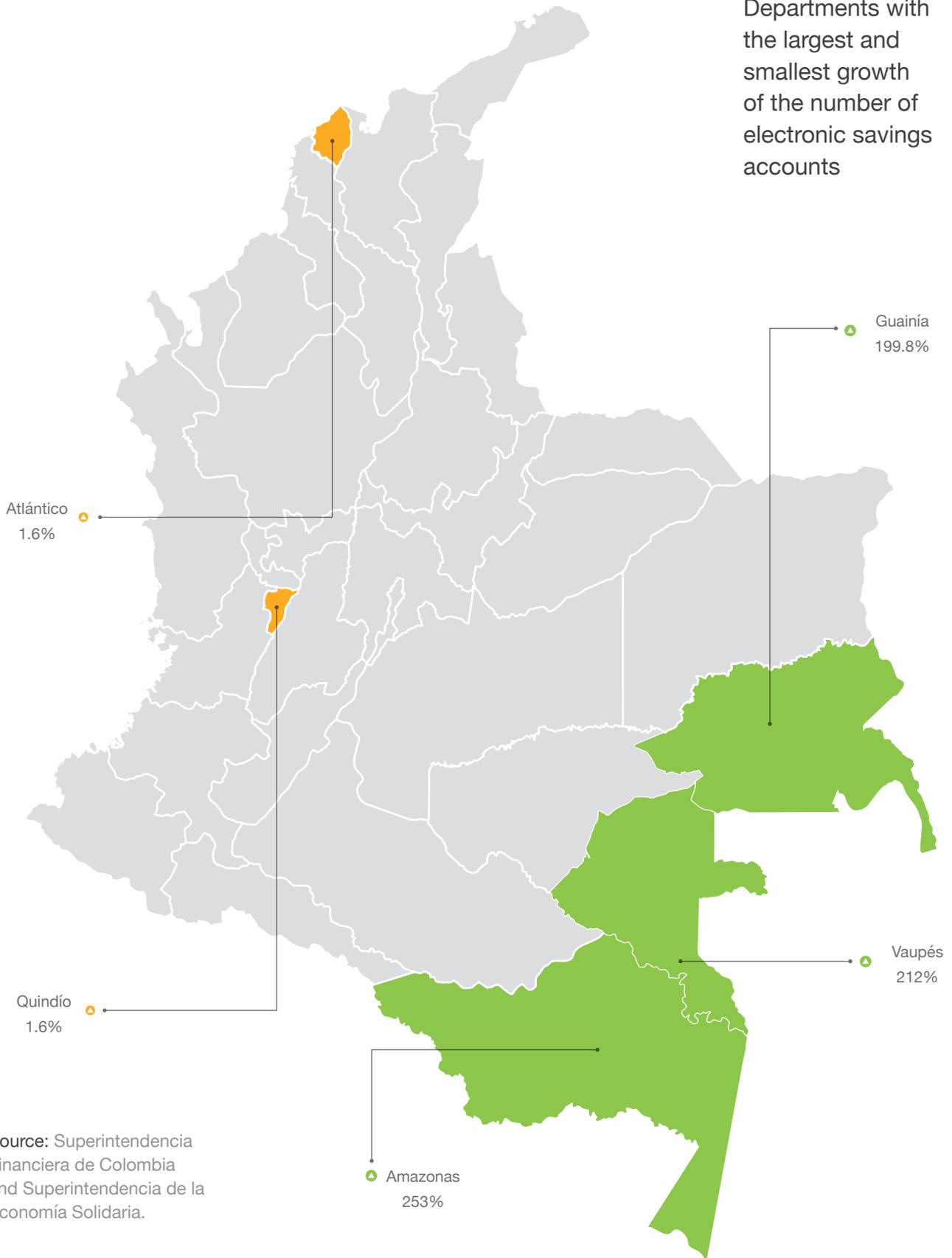
Departments with the largest and smallest growth of balances in electronic savings accounts



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

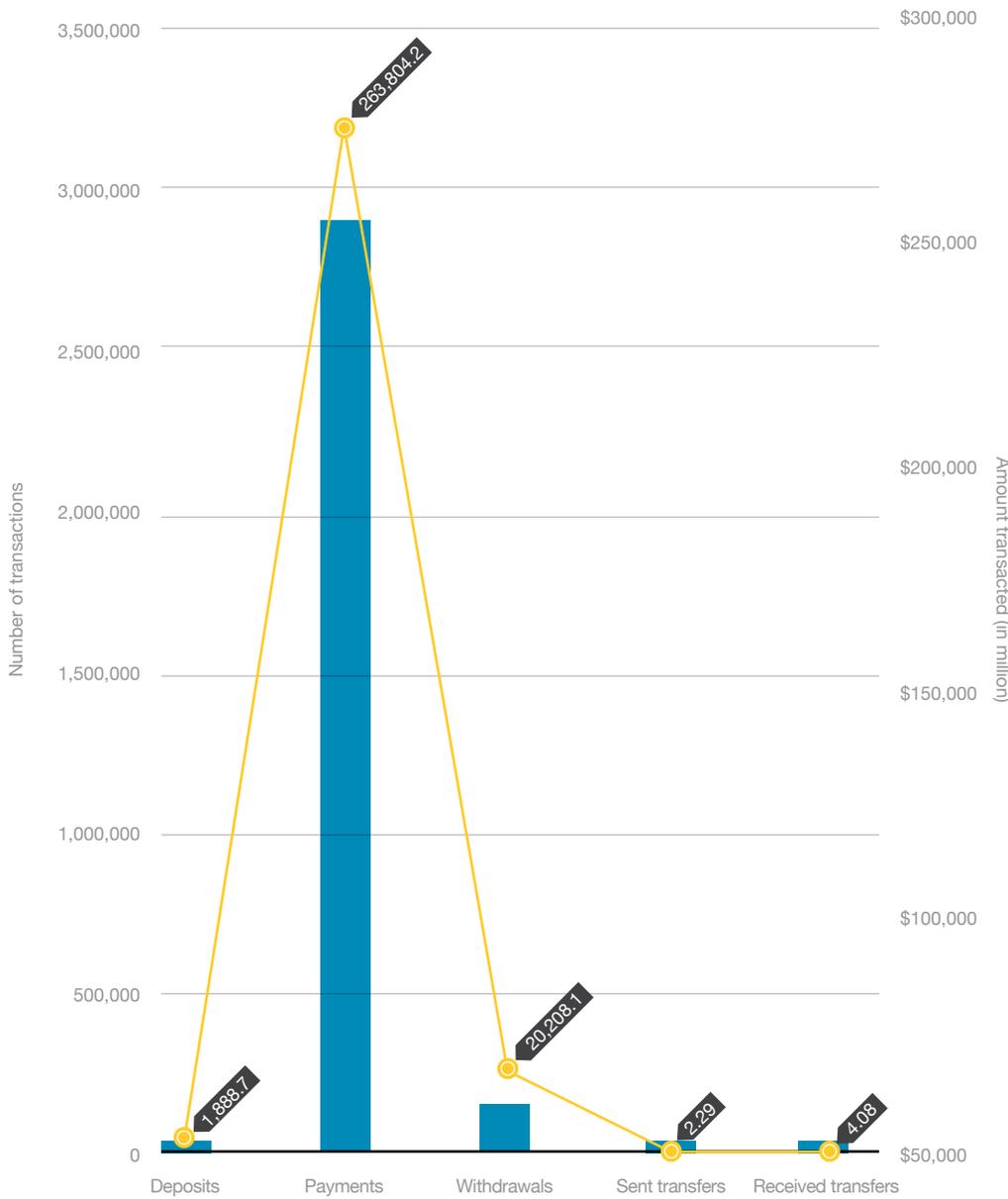
MAP 4.4

Departments with the largest and smallest growth of the number of electronic savings accounts



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

CHART 4.12
Transactions made with CAE



Source: Financial Superintendence of Colombia.

Finally, three million financial transactions were made using electronic savings accounts over the four quarter of 2017. Such transactions amounted to a total of \$285,907 million. For both cases, there was a reduction compared to 2016 (8.0% and 6.6%¹¹, respectively). Payments continued to be the do-

minant transaction, accounting for 92.3% of the total number of monetary transactions in 2017. This figure is like the one reported in 2016, which reached 95.1%.

11. Measured in real terms.



DEBIT
E-STOP
PREMIER

4.3. MEASURED IN REAL TERMS

By the end of 2017, 103 thousand adults had at least one simplified-procedure savings account and both men and women had the same share (50%)¹². In addition, 55.7% of adults with at least one active simplified-procedure savings account were between 26 and 40 years old, followed by those who were between 41 and 65 years, who had a share of 32.7%.

When analyzing the number of circulating simplified-procedure savings accounts, it was found that there were 1.2 million by the end 2017; this is 133.6% more than in 2016 (Chart 4.13). In turn, active simplified-procedure savings accounts were 583,411, which meant an increase of 108.9% compared to 2016. Although the number of simplified-procedure savings accounts grew, their activity level went down from 51.0% to 45.6% between 2016 and 2017.

At the close of 2017, the total number of simplified-procedure savings accounts per 100,000 adults was 3,786 (1,725 for active simplified-procedure savings accounts). Com-

pared to 2016, this indicator grew 129.9% for total simplified-procedure savings accounts and 105.5% for those that were active.

The distribution of the number of accounts by gender showed that 56.8%, 727,922 accounts, belonged to women while 43.2%, or 554,371 account, that belonged to men. This represented an increase of 128.7% for accounts belonging to women and of 140.4% for those linked to men, compared to 2016 (Chart 4.14).

In the fourth quarter of 2017, 2.5 million transactions were made for a total amount of \$498,956 millions. Compared to the same quarter of the previous year, the number of CATS transactions grew by 4.8% and the transacted amounts by 13.3% real terms (chart 4.15). Withdrawals contributed the most to total transactions and total transacted amount, with a share of 39.4% and 45.0%, respectively. Alternatively, deposits recorded a reduction in terms of the number of transactions, which went from 386,864 to 280,511 between 2016 and 2017.

12. Financial institutions with CATS are sub-reporting the number of adults with this product to TransUnion.

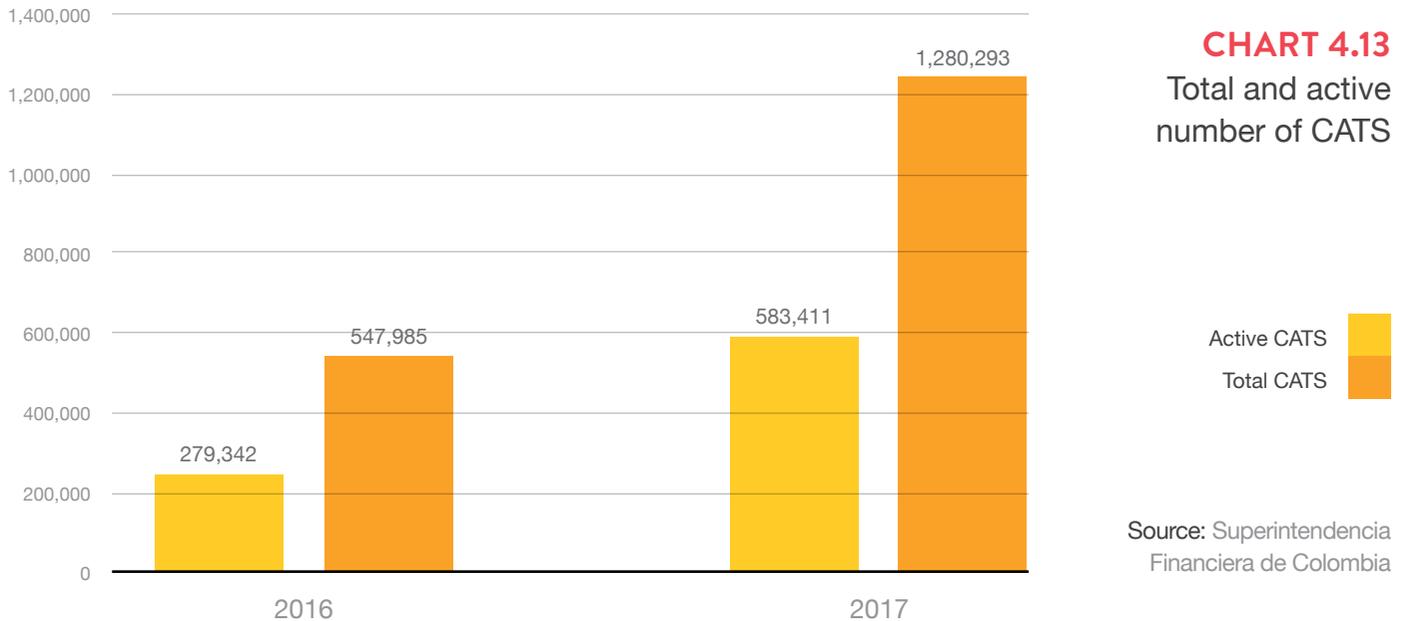
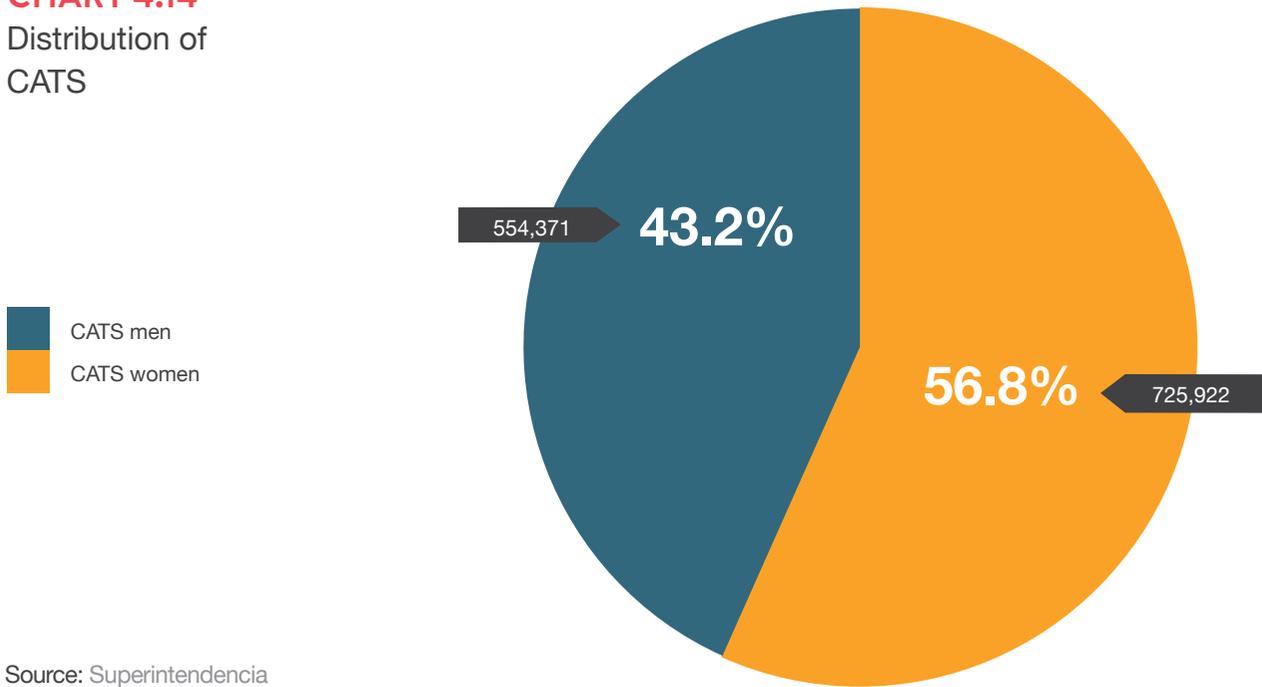


CHART 4.13
Total and active number of CATS

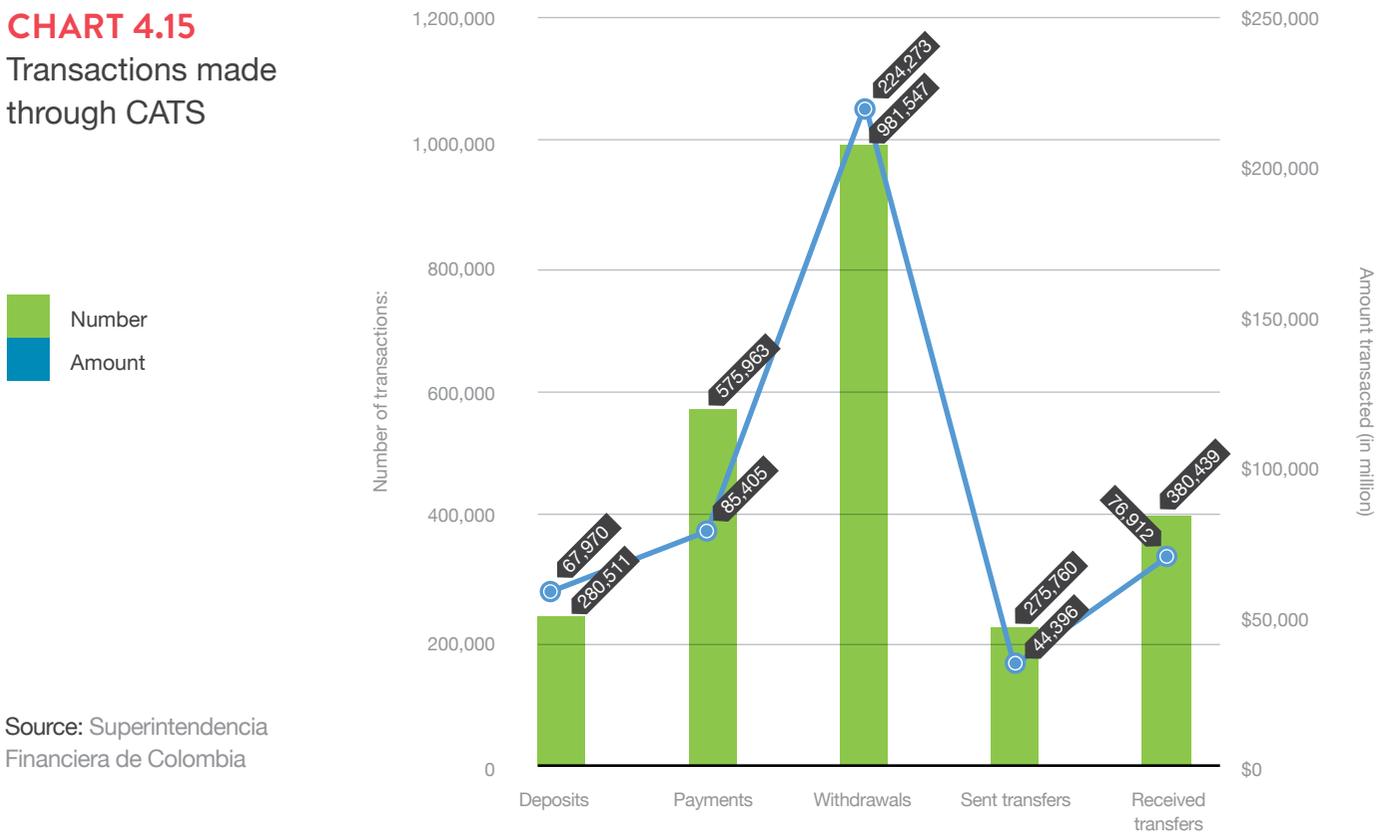
Source: Superintendencia Financiera de Colombia

CHART 4.14
Distribution of
CATS



Source: Superintendencia Financiera de Colombia

CHART 4.15
Transactions made
through CATS



Source: Superintendencia Financiera de Colombia



4.4. ELECTRONIC DEPOSITS

By the end of 2017, 4.1 million adults had at least one electronic deposit and 3.9 million were active. Regarding the gender distribution, 56.0% of adults with an active electronic deposit were women. Likewise, 45.9% of adults with active electronic deposits were between 26 and 40 years old (Chart 4.16). Adults aged 40 and over had a share of 33.8% on the total number of adults with active electronic deposits, while youth between 18 and 25 years old had a share of 16.9%.

Alternatively, the number of electronic deposits by the end of 2017 was 4.1 million (Table 4.3), while the number of active electronic deposits was 1.8 million, or 45.0% of the total¹³. The activity levels of electronic deposits went from 41.6% to 45.0%, a 3.4 percentage points increase between 2016 and 2017.

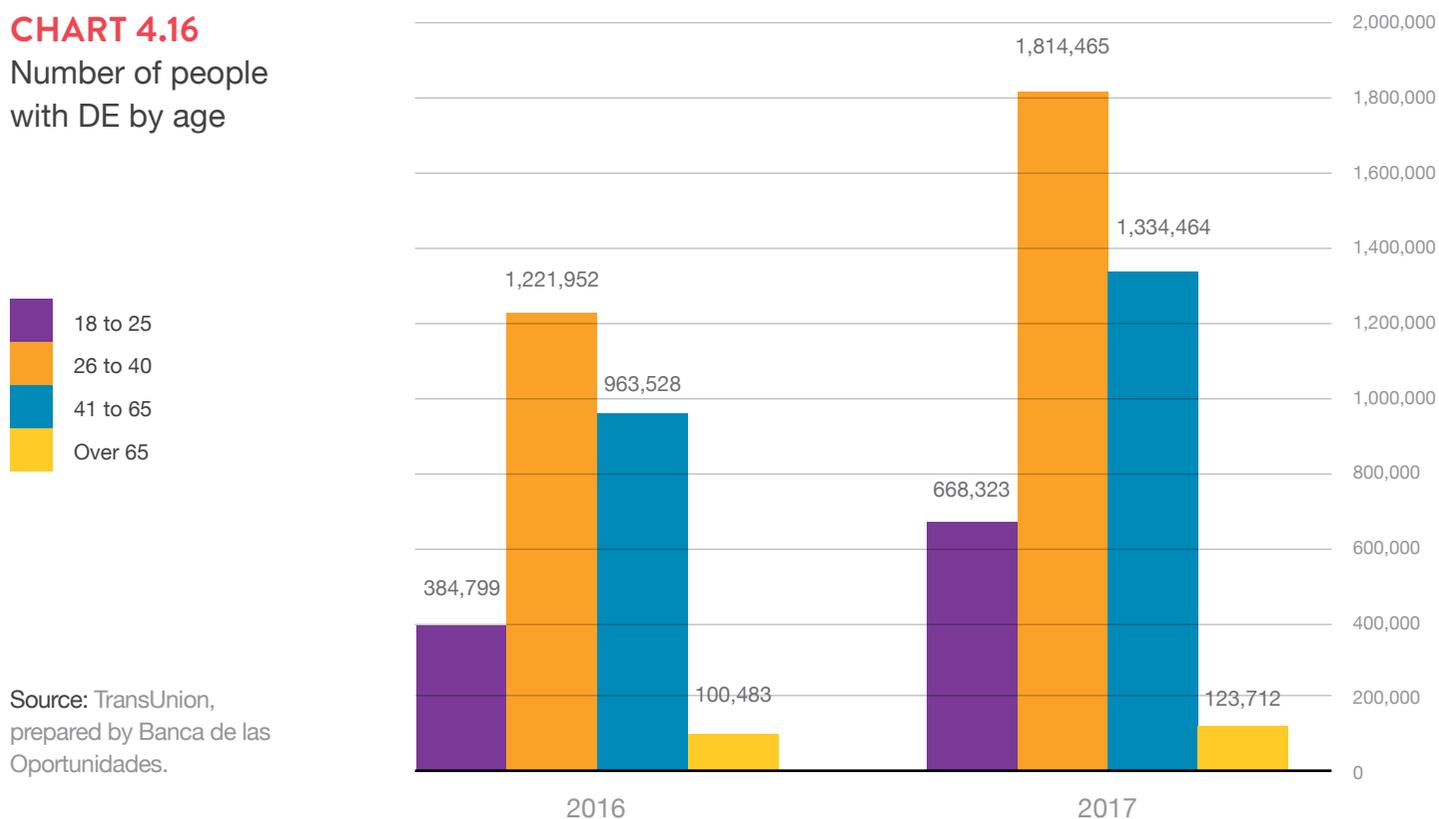
Compared to 2016, the number of electronic deposits grew by 30.1%. Such increase may be partially influenced by the adjustments in the distribution of participants in Más Familias en Acción and Jóvenes en Acción, as well as participants in the humanitarian aid programs of Unidad de Víctimas.

In relation to the size of the adult population in the country (33.8 million), there were 12,172 electronic deposits per 100,000 adults and 5,473 active electronic deposits per 100,000 adults. These figures increased by 28.0% and 38.4%, respectively.

13. An independent analysis on electronic deposits of simplified procedures is not carried out as they represent 98.8% of the total.

CHART 4.16

Number of people with DE by age



Source: TransUnion, prepared by Banca de las Oportunidades.

TABLE 4.3 Transactions made with DE

Item	DE		Simplified Procedures DE	
	2016	2017	2016	2017
Number of DE	3,163,592	4,115,769	3,145,029	4,066,271
Number of active DE	1,315,544	1,850,559	1,300,426	1,813,111
Amount (millions)	\$820,698	\$1,322,160	\$820,851	\$1,316,398

Source: Superintendencia Financiera de Colombia.

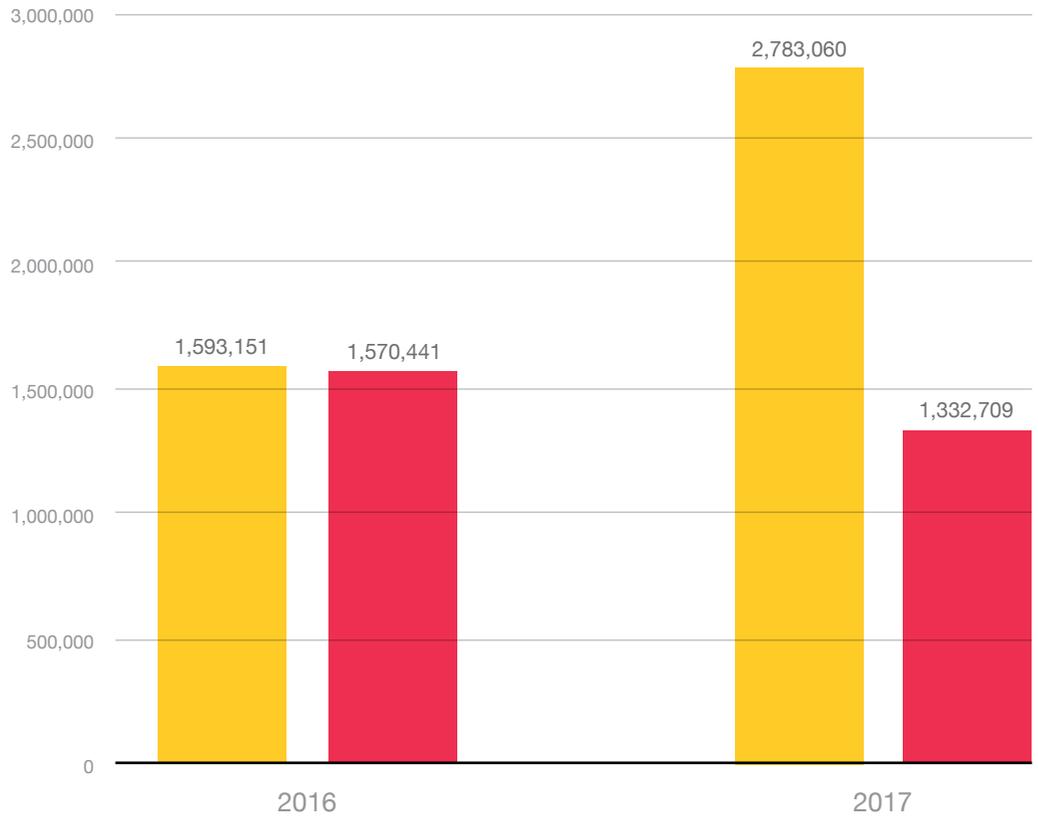


CHART 4.17
Distribution of DE
by gender

DE women ■
DE men ■

Source: Superintendencia
Financiera de Colombia

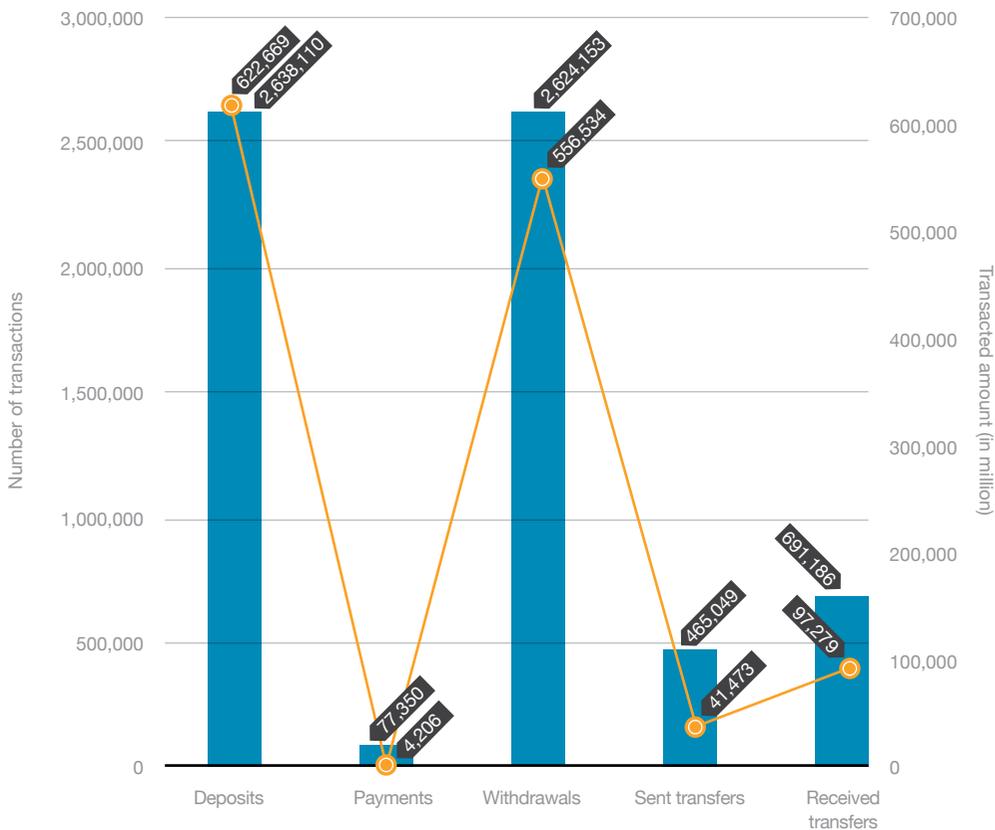


CHART 4.18
Transactions made
with DE

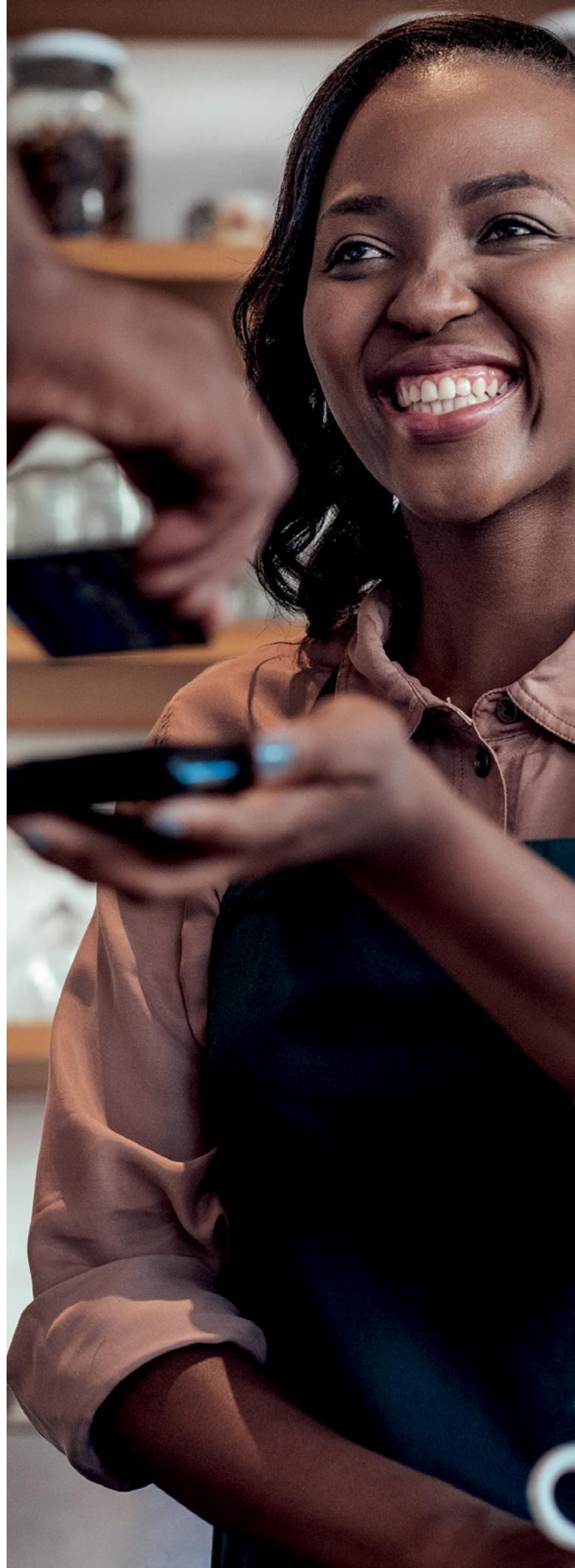
Number of transactions ■
Transacted amount (in million) ■

Source: Superintendencia
Financiera de Colombia

In 2017, more than half of electronic deposits belonged to women, a share of 67.6% (2.7 million) (Chart 4.17). Over the last three years, the number of electronic deposits of women grew by 74.7%, on average, while those of men decreased by 15.1%.

Regarding the number of financial transactions made through electronic deposits, there was an increase in all types of transactions when comparing to the last quarter of 2017 and 2016 (Chart 4.17). The total number of transactions carried out with this product in the last quarter of 2017 was close to 6.5 million, while the transacted amount was \$1,322 million. This entails an increase of 70.6% in the number of transactions and a real growth rate of 54,1% in the transacted amount.

In this regard, deposit operations accounted for the majority of transactions in both number (40.6%) and amount (47.1%), surpassing withdrawals, which were the main transaction over the last quarter of 2016. The transactions that grew the most were payments, both in amount and number. The transactions that grew the least were sent transfers. Particularly, the increase in the number of withdrawals (50.0%) and in the amounts withdrawn (48.0%) was lower than that of deposits, which grew in number by 95.4% and 73.7% in transacted amount.



FINANCIAL
INCLUSION REPORT 2017

5



5.

ACCESS AND USAGE OF CREDIT PRODUCTS

Access to credit products allows individuals and households to get the necessary means to meet their needs and respond to emergencies, as well as to achieve their financial goals. This access also allows companies to adequately finance their activities at consumer loans stage of their business life cycle.

This chapter conduct an analysis of access and use, as well as the recent evolution

of gross loan portfolios and number of operations of credit institutions overseen by the Superintendencia Financiera de Colombia¹, financial credit unions overseen by the Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

1. Credit institutions are composed of banks, financing companies, Financial corporations and financial credit unions.

1 The number of **adults with consumer loans** product saw a positive evolution **over the past year** for all types, except for mortgages. **Microcredits** showed the highest increase.

Million of adults with financial products

	2016	2017
Consumer loans	7.6	8
Credit card	8.8	9.2
Mortgages	1.11	1.09
Microcredits	3	3.3 +8.4%

2 The **highest number of the various loans** were mostly taken out by adults between the ages of **41 and 65**, and there was an equal **share for both men and women**.

50%

Share of adults with credit between 41 and 65 years old

Consumer loans	44%
Microcredit	53%
Mortgages	53%
Credit card	45%

3 The **upward trend in the gross loan** portfolio and number of operations resulted from the consumer loans, mortgages and microcredit types.

Gross loan portfolio (trillion)

423 2016 → 458 2017

Number of disbursements (millones)

12 2016 → 13.2 2017

4 The consumer loans portfolio showed a **positive evolution** driven by payroll loans, all-purpose loans and credit cards, which contribute **most of the balance**.

Consumer loans portfolio (trillion) 2016 → 2017

121 → 141

All-purpose loans	9% ↑
Payroll loans	6% ↑
Credit card	4% ↑

5 Consumer loans number of operations continued their **upward trend** driven by banks, **financing companies** and overseens by SES.

These number of **operations** were mostly found in **cities** and **urban agglomerations**.

Women had a greater share at the national level as to number, although at the department level there were more departments with a **larger number of number of operations to men compared to women**.

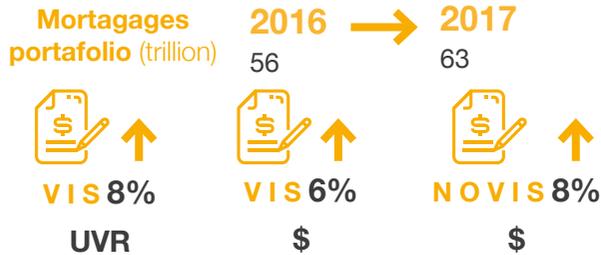
Consumer loans number of operation (millions) 2016 → 2017

9.6 → 10.8

Banks	66%
Cities and urban agglomerations	97%
Women	51%

6

The mortgages portfolio showed a favorable behavior driven by mortgages and **housing leasing - social interest housing (VIS, acronym in Spanish) in Real Value Unit (UVR, acronym in Spanish), VIS in Colombian Pesos, and no-VIS in Colombian Pesos.**



8

The favorable behavior seen in the **microcredit gross loan portfolio** was based on the dynamics of microcredits higher than **25 SMMLV** (current legal minimum monthly wage, in Spanish)² and up to 120 SMMLV, although they held a **third of the total balance.**



10

Microcredit number of operations had a greater share on several areas of the country than other types, being mostly made in **rural and dispersed rural municipalities** compared to other types. Most departments had a greater number of number of operations made in amounts between **4 and 10 SMMLV.**

58%

Cities and urban agglomerations

26%

intermediate municipalities

10%

Rural

6%

Rural dispersed



7

Even if banks made most mortgages number of operations at all rurality levels, **financial credit unions** reached a significant share on **rural and dispersed rural municipalities.**

By gender, over half of the number of operations were made to men.

Número de desembolsos de vivienda (miles)



94% Cities and urban agglomerations

92% Banks

0.9% Rural

21% credit unions overseen by SES



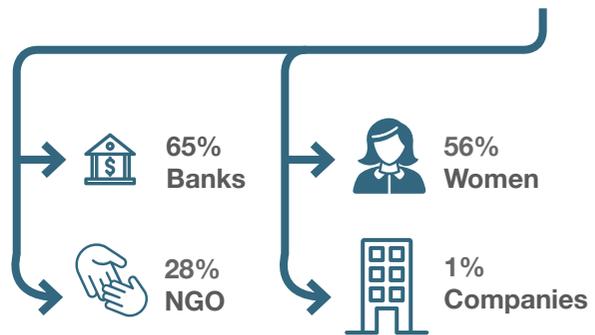
0.2% Rurales dispersed

12% Financial credit union overseen by SES

9

Just like other types, **microcredit number of operations** increased in the number of transactions compared to the preceding year. This evolution was mostly driven by banks and **NGOs specialized in microfinance** at all rurality levels in the municipalities of the country.

At national level, **women participated with over half of the microcredit number of operations** both in number and amount.



2. In 2017, 1 SMMLV was equivalent to COP 737,717.

5.1 GENERAL ANALYSIS

Adults and companies with credit products

In 2017, the number of adults with credit products had a positive evolution in most types, in particular with regards to the number of adults with microcredits, which increased by 8% between 2016 and 2017. The gender distribution marginally favors marginally men, except for microcredits (Chart 5.1).

On the other hand, by late 2017, the age distribution of adults with credit products had a similar trend to the preceding year. In particular, across all types of loans, it was found that adults between the ages of 41 and 65 had the largest share on the total number of adults with credit products, followed by adults between the ages of 26 and 40 (Table 5.1).

Finally, in 2017, the number of companies with credit products increased for all types of loans. The positive trend in the number of companies with consumer loans is particularly high, which increased by 12.7% between 2016 and 2017 (Chart 5.2).

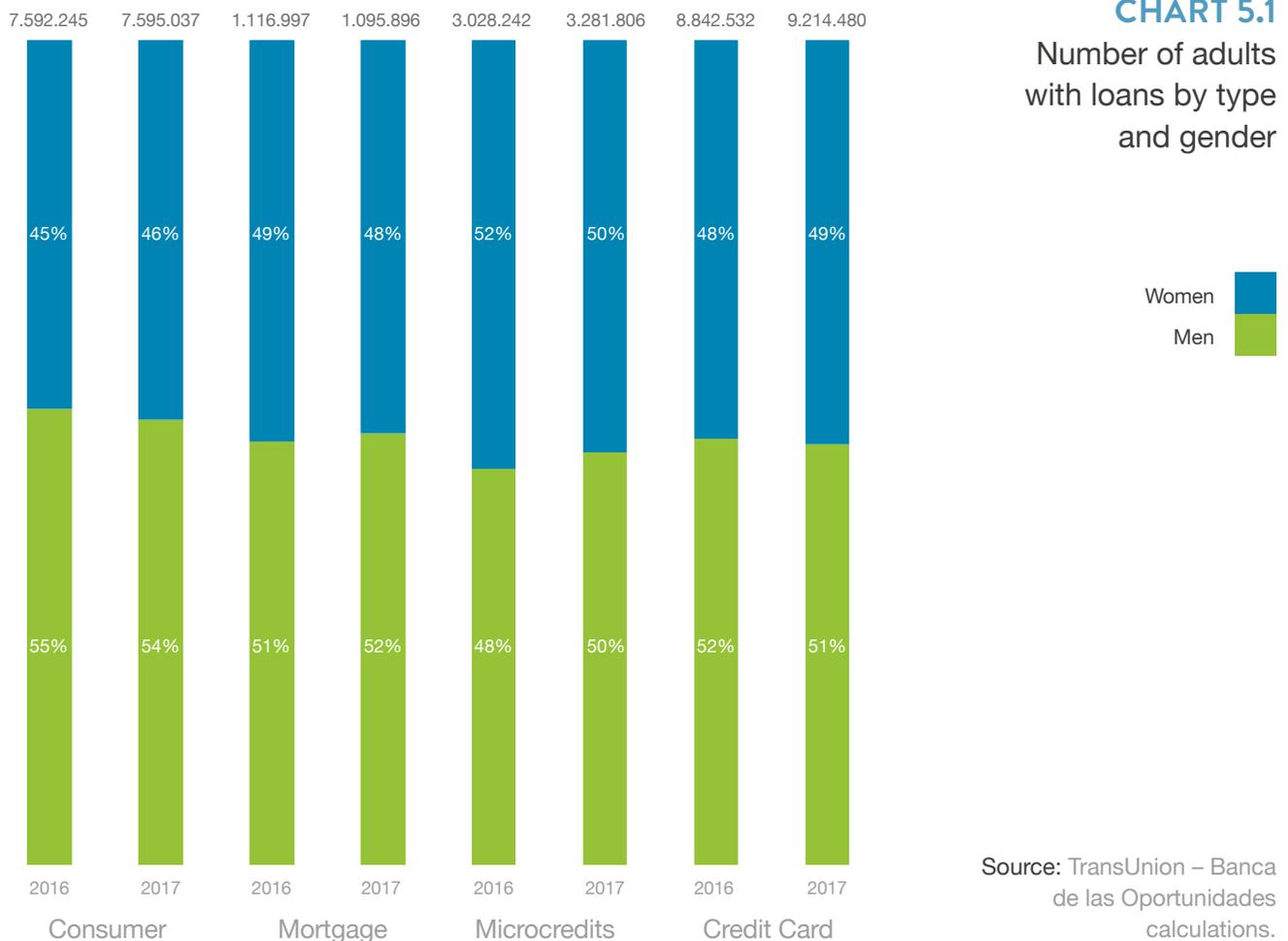


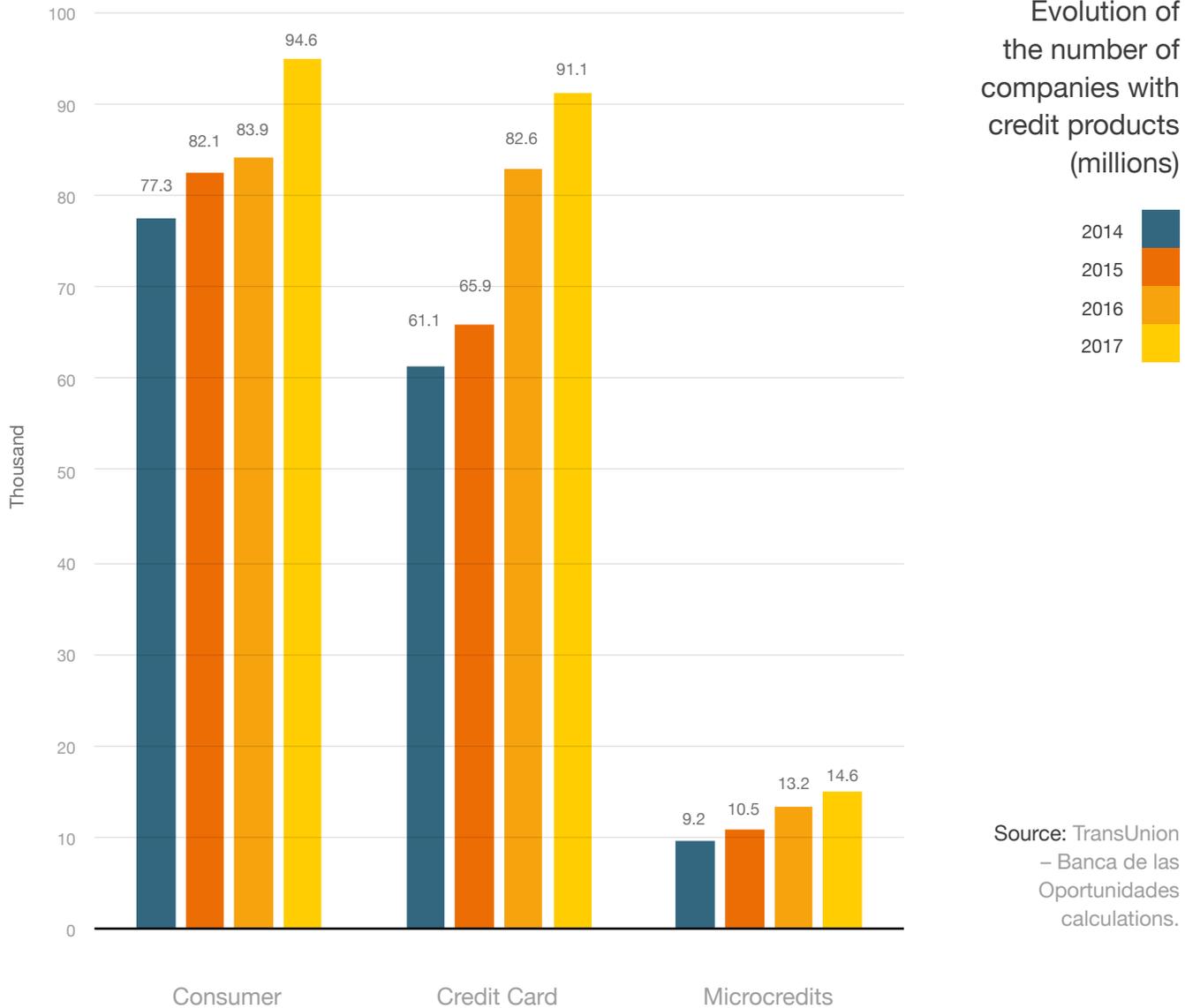
TABLE 5.1. Distribution of the number of adults with products by age (2017)

Age range	Consumer loans		Mortgage		Microcredits		Credit Card	
	2016	2017	2016	2017	2016	2017	2016	2017
18-25	681.119	699.368	15.219	13.415	207.919	224.171	775.380	813.553
26-30	994.606	965.939	95.786	82.753	309.077	314.406	1.188.598	1.158.714
31-35	993.050	1.076.293	174.914	175.035	341.979	379.186	1.186.862	1.261.957
36-40	968.597	1.026.696	207.186	208.694	374.731	399.670	1.179.465	1.230.316
41-45	820.678	854.482	174.315	171.592	377.792	397.406	1.004.332	1.031.449
46-50	830.983	846.679	160.522	154.571	408.962	429.256	1.011.669	1.017.117
51-55	701.404	757.550	120.807	121.543	357.982	399.327	850.710	909.579
56-60	578.770	608.164	84.814	83.575	283.125	312.933	669.131	705.764
61-65	406.260	440.349	47.397	48.089	184.804	211.515	427.584	466.658
66-70	292.552	318.810	24.461	24.905	113.350	129.875	273.970	301.230
71-75	174.745	197.181	8.275	8.628	47.646	58.544	154.011	175.086
More 75	145.436	164.844	3.296	3.083	19.555	22.984	117.629	135.464
Unidentified	4.045	18.682	3	13	1.320	2.533	3.081	7.593
Total	7.592.245	7.975.037	1.116.997	1.095.896	3.028.242	3.281.806	8.842.432	9.214.480

Source: TransUnion – Banca de las Oportunidades calculations.

CHART 5.2

Evolution of the number of companies with credit products (millions)



Source: TransUnion – Banca de las Oportunidades calculations.

Gross loan portfolio

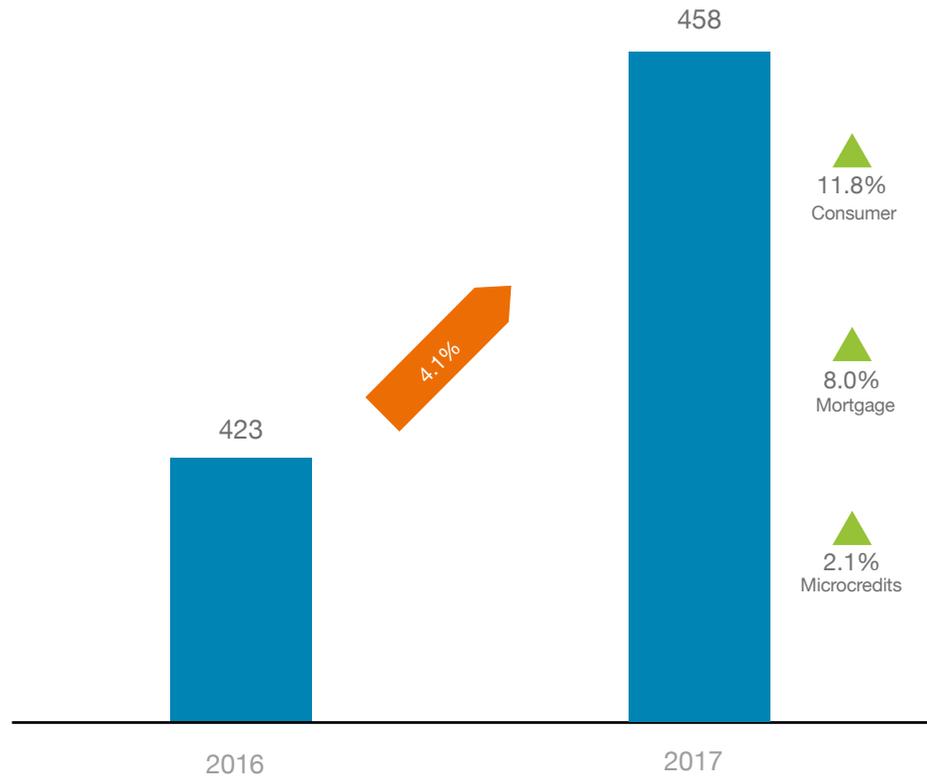
Gross loan portfolio reached \$458 trillion in 2017, and showed a real annual increase of 4.1%, driven by consumer loans, mortgages and microcredits. In 2017, credit institutions contributed the most (91%) to the total gross portfolio. Consumer loans, mortgages and microcredits accounted for 48% of gross loan portfolio (Chart 5.3).

Number of operations

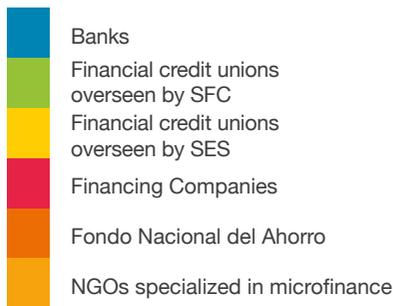
The higher number of adults with credit products is consistent with the increase in the number of operations. Including credit card operations, 13.2 trillion loans were disbursed, for a total amount of \$105.7 trillion; this behavior was mostly driven by consumer loans and mortgages (Chart 5.4).

CHART 5.3

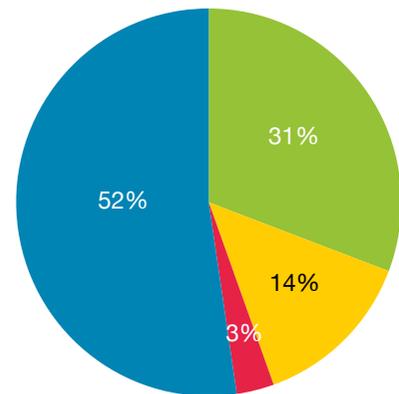
Gross loan portfolio of credit institutions, financial credit unions overseen by SES, and NGOs specialized in microfinance (trillion)



Share on gross loan portfolio by type of lender (2017)



Share on gross loan portfolio by type of loan (2017)



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.



Consumer loans, both in terms of the number of operations and disbursed amount, had the largest share, with 80% of the total number of operations,

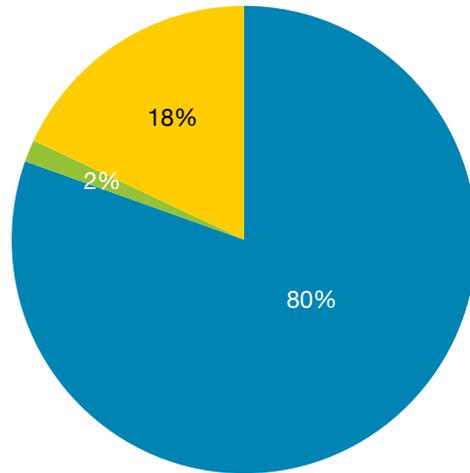
and 71% of the total disbursed amount. Below is the individual characterization of consumer loans, mortgages and microcredits.



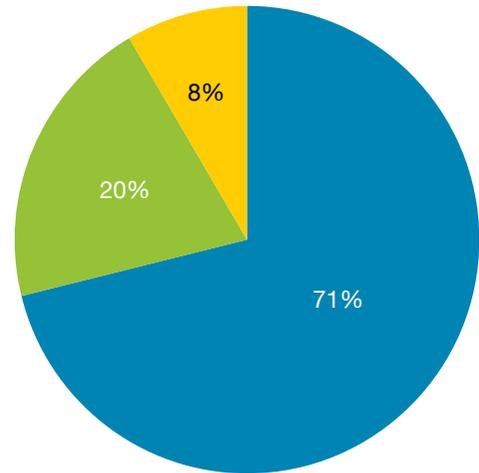
3. The total number of adults with credit cards have their cards with credit institutions.



Share by type of loan in the number of number of operations (2017)



Share by type of loan in the disbursed amount (2017)



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

5.2 ANALYSIS BY TYPED

CONSUMER LOANS

Adults and companies with consumer loans

LCredit products with the highest penetration among Colombians are credit cards and consumer loans. By the end of 2017, 9.2 million adults had at least one credit card, and 8.0 million adults had consumer loans. Between 2016 and 2017, the number of adults with credit cards and consumer loans increased by 372,000 or 4%, and by 383,000 adults or 5%, respectively. Most adults with

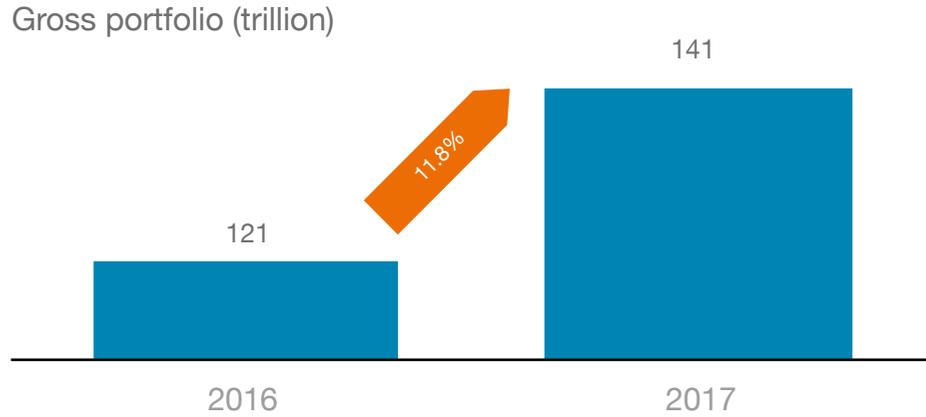
consumer loans held them with credit institutions (7.6 million)³.

The share of men and women with credit cards was the same. Out of the 9.2 million adults with credit cards, 51% were men and 49% women. Similarly, out of the 8.0 million adults with consumer loans, 54% were men and 46% women.

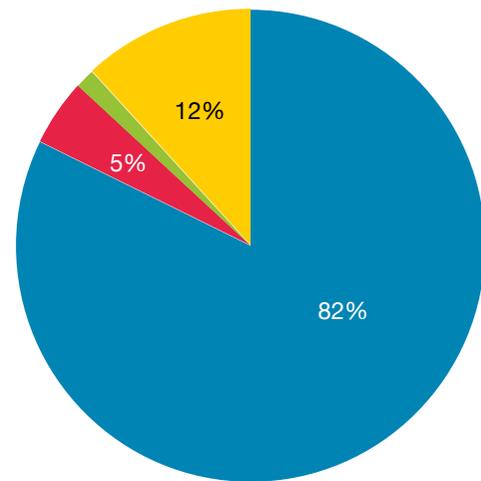
In 2017, the age distribution of adults with credit cards or consumer loans showed that most adults with credit cards and consumer loans were between the ages of 41 and 65, for a share of 45% and 44%, respectively, followed by adults between the ages of 26 and 40, with a 38% share for credit cards, and a 40% share for consumer loans. This distribution remained the same between 2016 and 2017.



CHART 5.5
Consumer loans
gross portfolio



Share by type
of institution



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

In addition, by the end of 2017, 95,000 companies had consumer loans, and 91,000 had at least one credit card. This represents an increase of 10.6,000 companies (12%) for consumer loans, and an increase of 8,500 companies or 10%, between 2016 and 2017.

Gross loan portfolio

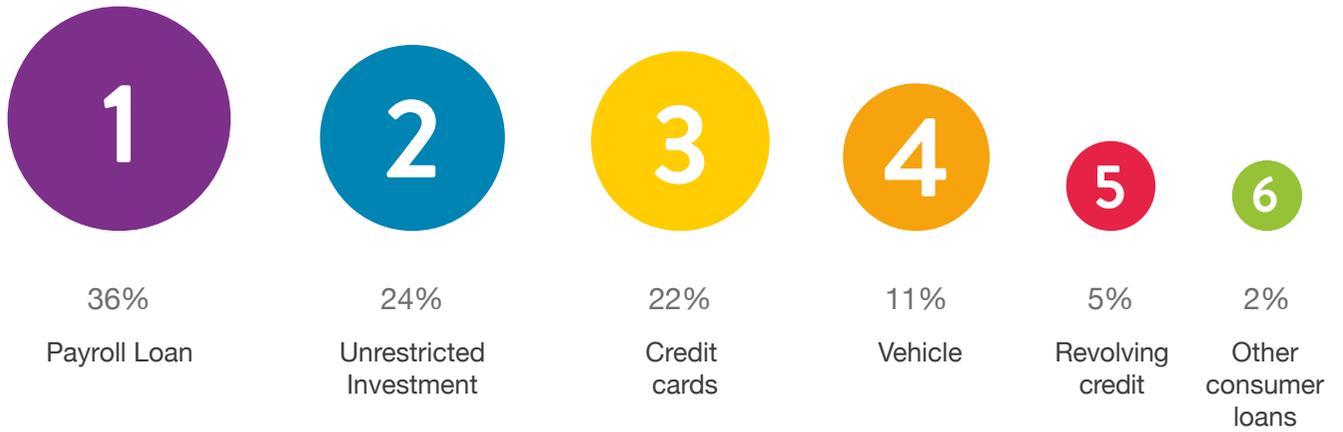
In 2017, total gross loan portfolio reached \$141 trillion (including financial credit unions overseen by SES), for a real increase of 11.8% relative to 2016. Out of this total, banks contributed most of the balance,

with 82%, followed by financial credit unions overseen by SES with 12%, and financing companies with 5% (Chart 5.5).

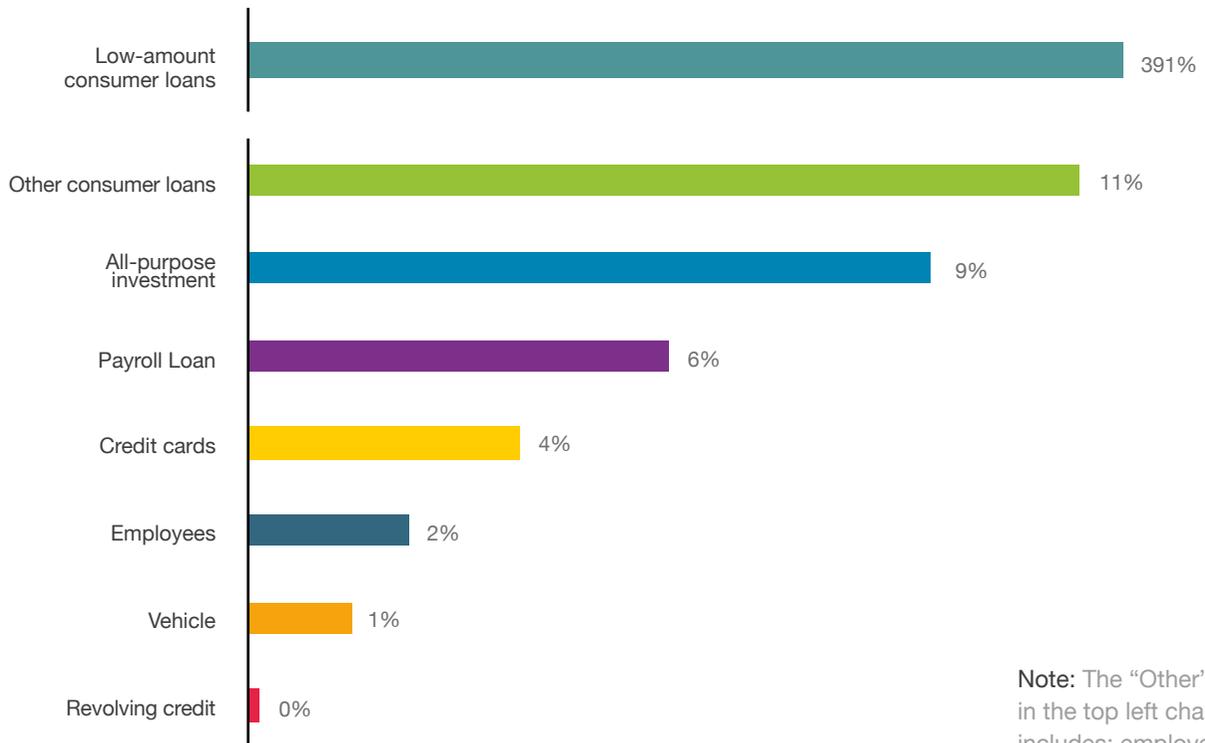
The analysis by product shows that in 2017 36% of the total consumer loans gross portfolio corresponded to payroll loans, followed by all-purpose loans and credit cards; this distribution has remained the same during the last two years (Chart 5.6). Nonetheless, these products' gross loan portfolio showed a lower real increase than others with a smaller share on the total balance (e.g., small consumer loans). Although this product contributed less than 1% to the total consumer loans portfolio, 2017 data shows a growing dynamic.

CHART 5.6
Consumer loans
gross portfolio
by product

Share by financial product
on the consumer loans
gross portfolio



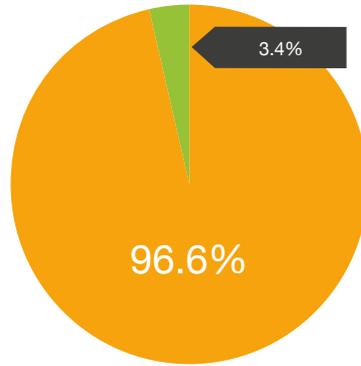
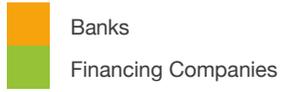
Annual real increase in the consumer loans gross portfolio by product



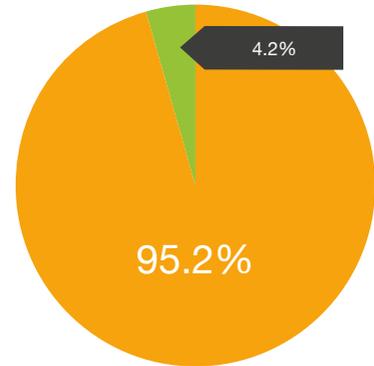
Note: The “Other” category in the top left chart includes: employee loans, small consumer loans and other relate purchases.

Source: Superintendencia Financiera de Colombia.

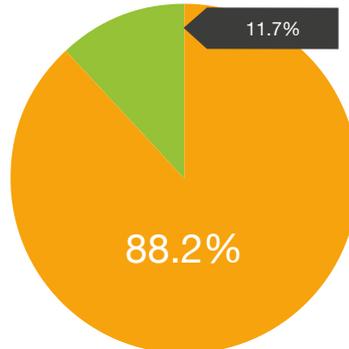
Share by type of institution in the consumer loans gross portfolio by product



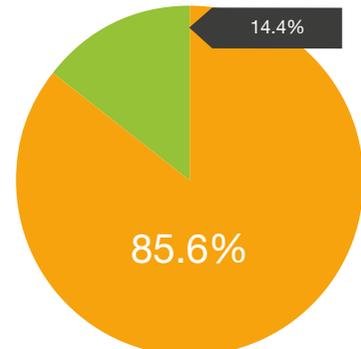
Payroll Loan



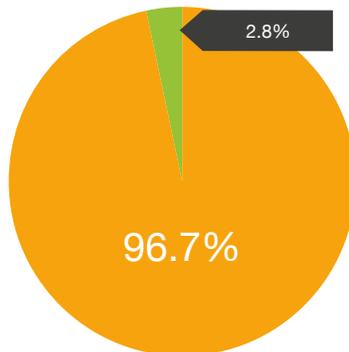
All-purpose loan



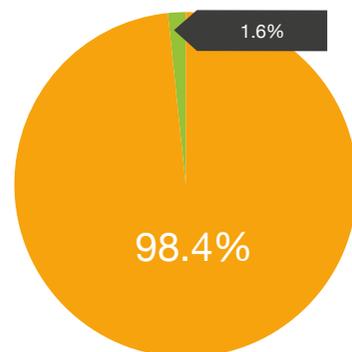
Credit cards



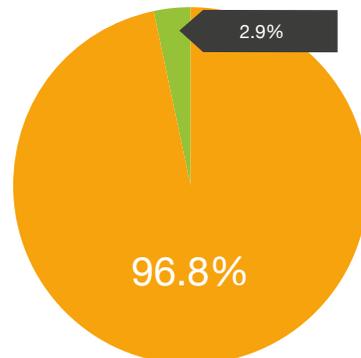
Vehicle



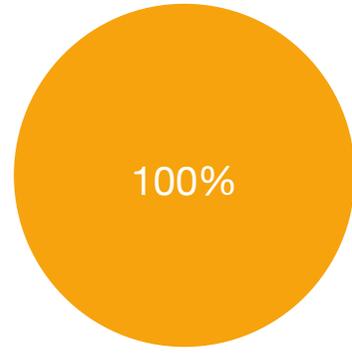
Revolving credit



Other consumer loans



Employees



Low-amount consumer loans

Source: Superintendencia Financiera de Colombia.

By type of institution, banks contributed most to the gross loan portfolio across all credit products. However, as to auto loans and credit card gross loan portfolios, financing companies also stood out, with shares of 14% and 12%, respectively.

Number of operations

In 2017, 10.8 million consumer loan operations were made for an amount of \$76.2 trillion, which corresponded to 12% in the number of operations and 11% in the disbursed amount compared to 2016. By gen-

der, by the end of 2017, 51% of the total consumer loan operations were made to women (Chart 5.7).

By institution, banks contributed 66% of the total number of operations and 76% of the total disbursed amount, followed by financial credit unions overseen by SES, with a share of 30% on the number of operations and 20% on the disbursed amount. This structure changed as compared to 2016, when banks had a 75% share on the total number of operations and 82% in the disbursed amount, mostly due to a 1% drop in the number of operations made by these institutions and a

Consumer loan operations by type of institution

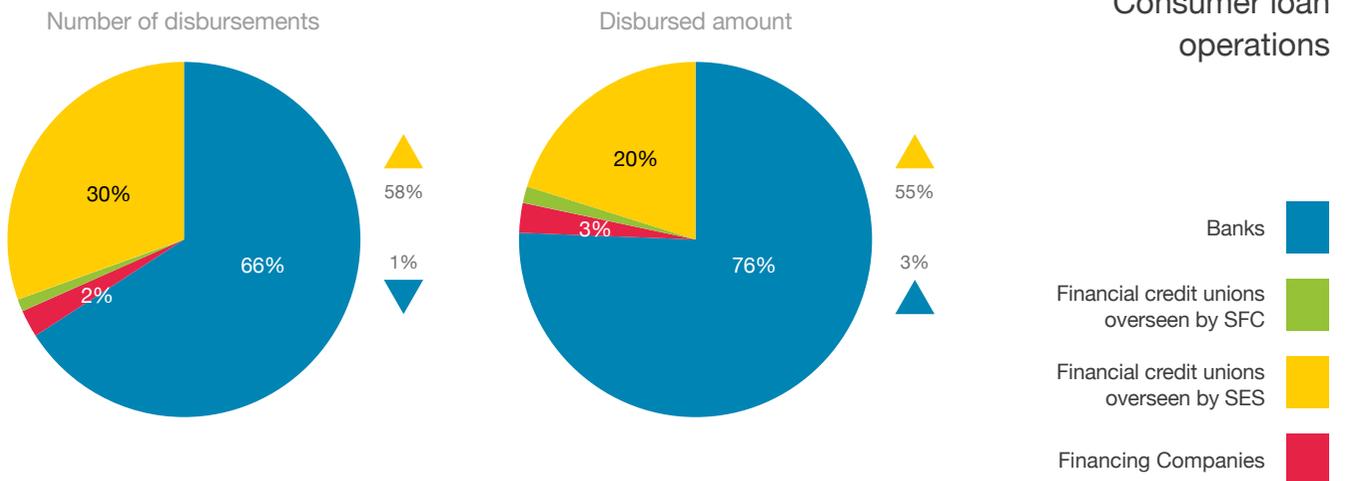


CHART 5.7
Consumer loan operations

Consumer loan operations by gender

	2016	2017		
Number (million)	9.6	10.8	➤	51% Greater share for women
Amount (trillion)	65.8	76.3	➤	58% Greater share for men

Note: Information by gender is only available for the fourth quarter of 2017 and for credit institutions overseen by the Superintendencia Financiera de Colombia.

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

58% increase among financial credit unions overseen by SES in terms of the number of operations and a real increase of 55% in the disbursed amount.

In addition, 277 million purchases were made with credit cards that amounted \$69 trillion. This represents a 9% increase in the number of operations, and a real increase of 6% in amounts disbursed, as compared to 2016 (Chart 5.8).

Furthermore, just like in 2016, most operations were made in cities and urban agglomerations, with a share of 97% on the number of operations, and 94.6% on the disbursed amount. Nonetheless, the increase in the share on the number of operations of intermediate and rural municipalities and on the disbursed amount of rural and dispersed rural municipalities are to be highlighted (Chart 5.9).

CHART 5.8

Purchases with credit cards (including individual and corporate cards)

	2016		2017
Number (million)	254	➤	277
Amount (trillion)	63	➤	69

Source: Superintendencia Financiera de Colombia.

CHART 5.9

Distribution of consumer loans operations and disbursements by rurality

	Number of disbursements		Amount disbursed	
	2016	2017	2016	2017
 Cities and urban agglomerations	98.2%	➤ 97.0%	95.2%	➤ 94.6%
 Intermediate municipalities	1.4%	➤ 2.4%	3.5%	➤ 4.0%
 Rural municipalities	0.3%	➤ 0.4%	1.1%	➤ 1.1%
 Dispersed rural	0.1%	➤ 0.1%	0.2%	➤ 0.3%

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

During the last year, there was a widespread increase in the number of operations across all rurality levels, particularly in the number of operations made in rural municipalities, which

increased by 86%. Regarding the disbursed amount, there were increases of 7% and 11% in intermediate and rural municipalities, respectively (Chart 5.10).

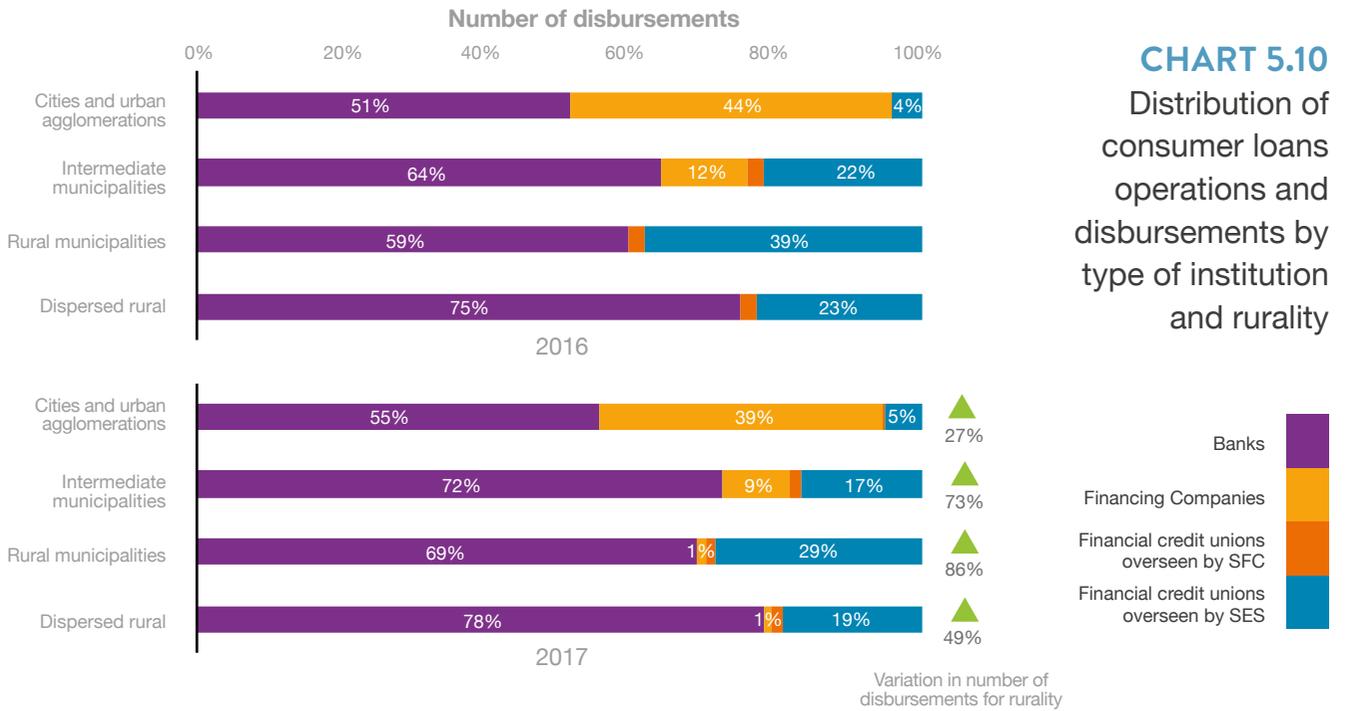
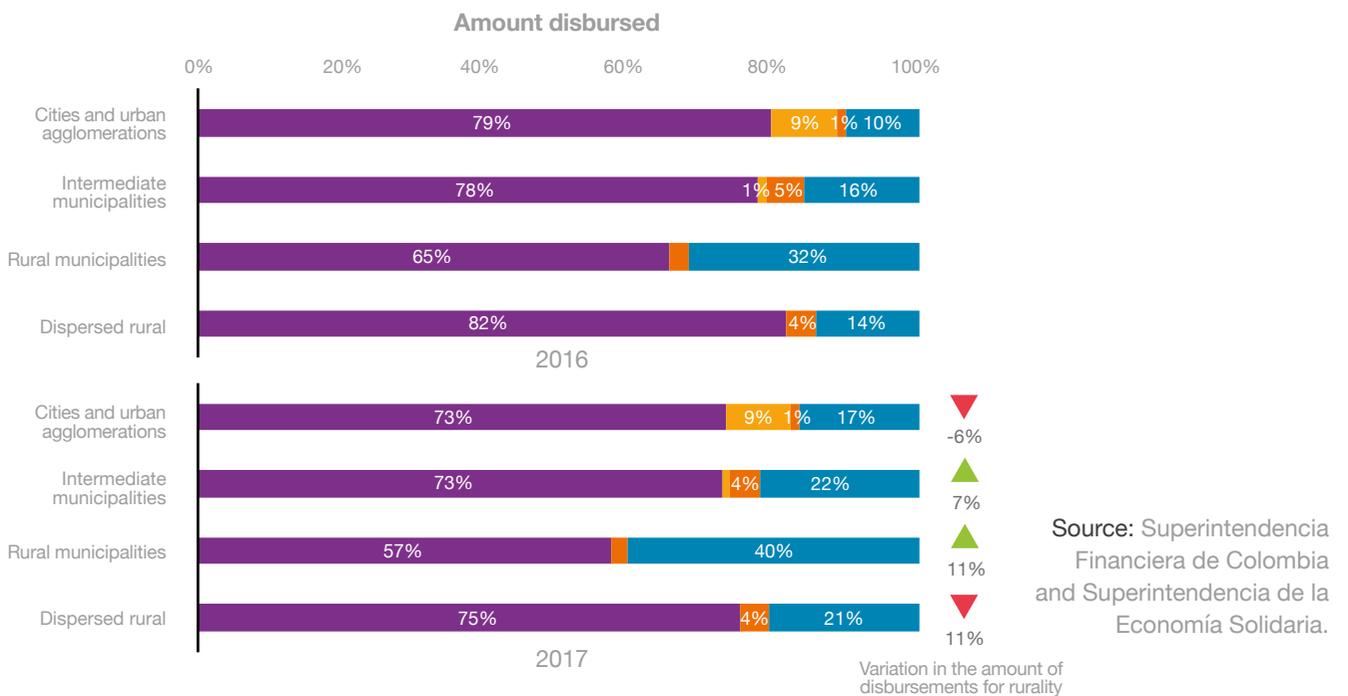


CHART 5.10
Distribution of consumer loans operations and disbursements by type of institution and rurality



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

In 2017, across all rurality levels, banks concentrated the largest number of operations and disbursed amounts. However, financial credit unions overseen by SES share on rural and dispersed rural municipalities continued to stand out among others, which is seen in the increase in their share between 2016 and 2017 in terms of disbursed amount.

As to the gender distribution of clients receiving consumer loans, by late 2017, women’s share was higher than men’s only in terms of the number of operations in cities and urban agglomerations, with 51% of the total. Regarding the other rurality levels, both in terms of operations and dis-

bursed amount, men’s share was above 55% (Chart 5.11).

By region, in 2017, 67% of consumer loans operations were made in three departments. Specifically, 38% loans were disbursed in Bogotá, D.C.; 20% in Antioquia; and 9% in Valle del Cauca.

By gender, by the end of 2017, in 22 of the 33 departments in the country (including Bogotá, D.C.), men had a higher share on the number of operations (Map 5.1). It is worth highlighting that, by the end of 2017, the gender distribution of Bogotá, D.C., Cesar, Sucre, Valle del Cauca and Vaupés had reverted as compared to 2016 (Map 5.1).

CHART 5.11
Distribution of consumer loans operations and disbursements by gender and rurality

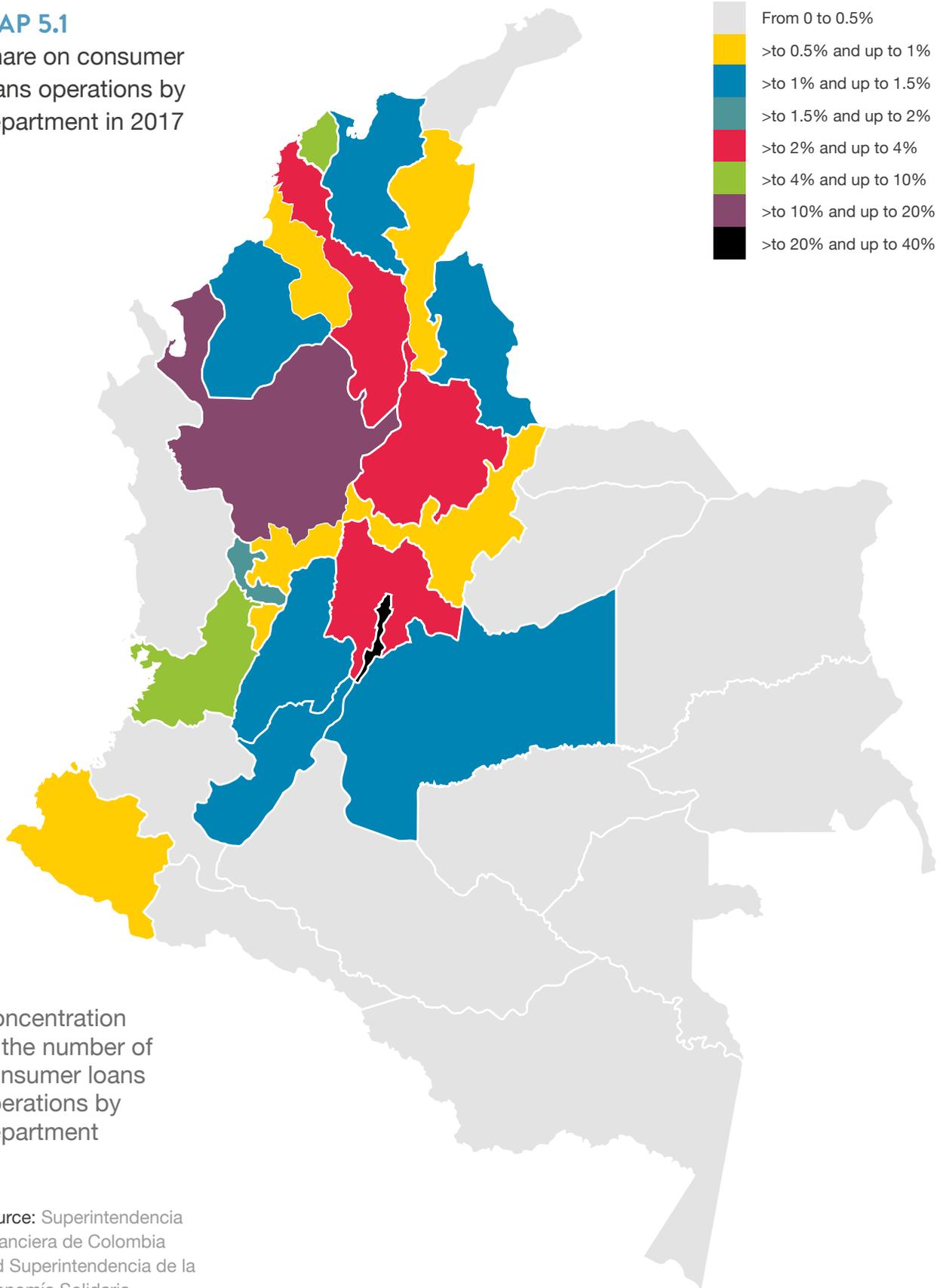


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

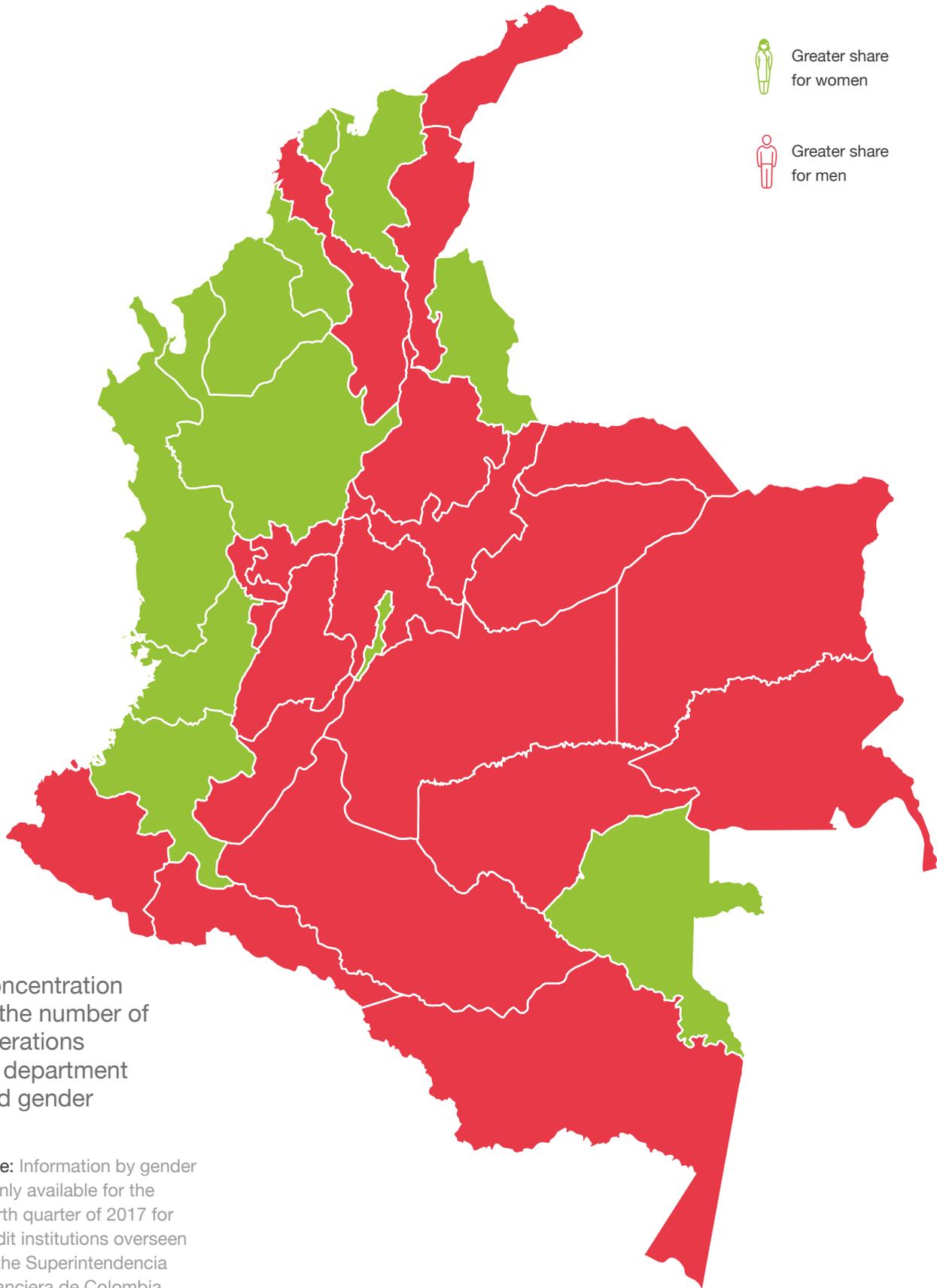
MAP 5.1

Share on consumer loans operations by department in 2017



Concentration of the number of consumer loans operations by department

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



Concentration of the number of operations by department and gender

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

MORTGAGES

Adults and businesses with mortgages

By the end of 2017, nearly 1.09 million adults had mortgages. Between 2016 and 2017, this number dropped by 21,000 adults, that is, 1.9%. Additionally, 52% of adults with mortgages were men. By age range, 95% of adults with this credit product were between 26 and 65 years old. On the other hand,

youth between 18 and 25 only accounted for 1.2% of adults with mortgages. Most adults with mortgages (1.08 million) took out their loans from credit institutions.

Gross loan portfolio

Total gross loan portfolio by the end of 2017 amounted \$63 trillion, for an increase of 8.0% compared to 2016. Out of this total, banks' share reached 87.5% (Chart 5.12).

When analyzing the different mortgages products, during 2017, the highest share

Gross mortgages portfolio of institutions overseen by the Superintendencia Financiera de Colombia (trillion)

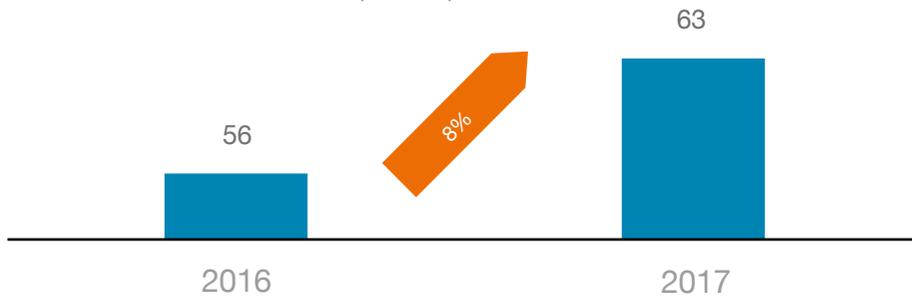
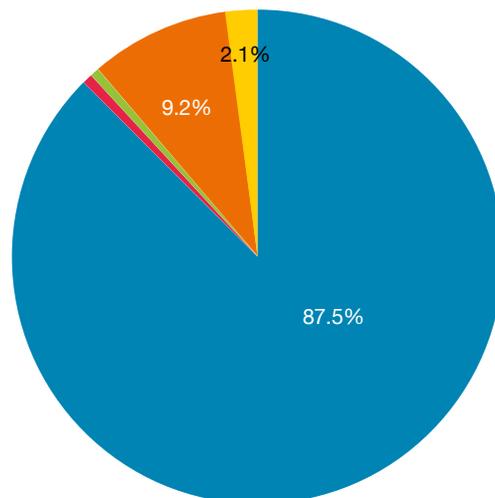


CHART 5.12
Mortgages portfolio



Share on the mortgages gross loan portfolio by institution



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

was observed in the mortgages and social interest housing leasing in Real Value Units (UVR, for its Spanish acronym), with 65% of the balance, followed by mortgages and Social Interest Housing (VIS, for its Spanish acronym) leasing in Colombian Pesos, with a share of 15%, and mortgages and non-social interest housing leasing in Real Value Units, with a share of 10% (Chart 5.13).

Between 2016 and 2017, there was a 20% real increase in the gross loan portfolio of

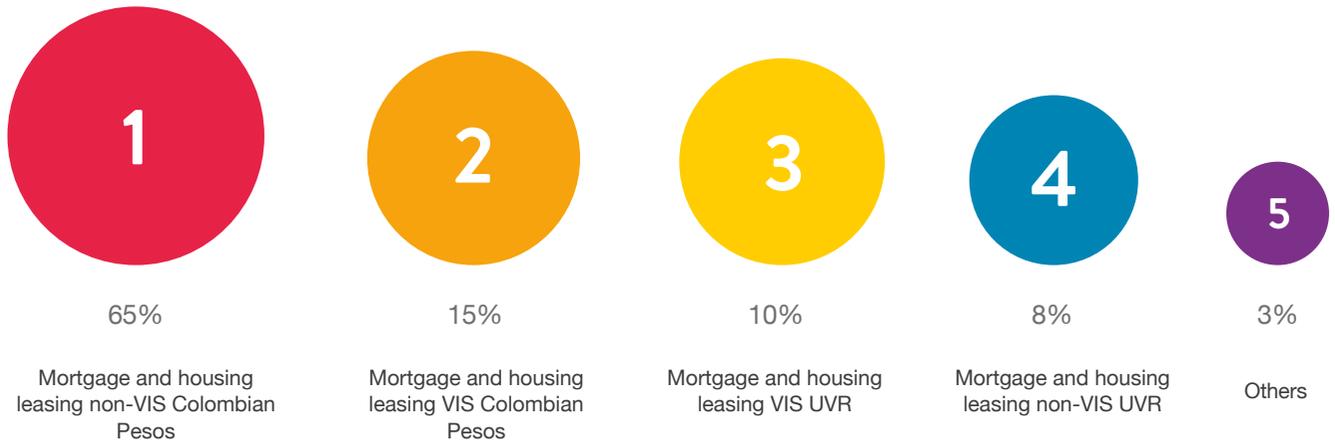
employee's social interest housing loans, and of 8% in the gross loan portfolio of mortgages and non-social interest housing leasing in Real Value Units.

As for almost all products in the mortgage category, banks contributed to most of the gross loan portfolio. However, as to loans and social interest housing leasing in Real Value Units and non-social interest housing leasing in Real Value Units, the Fondo Nacional del Ahorro concentrated 35% and 38% of their gross loan portfolio, respectively.



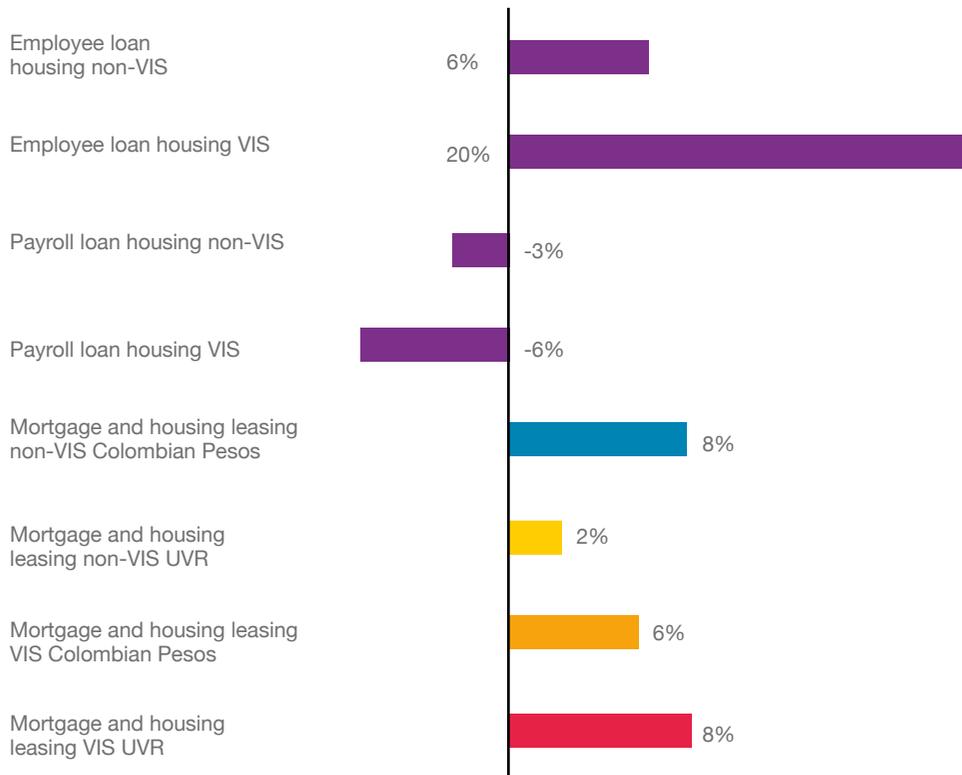
Share by financial product on the mortgages gross loan portfolio

CHART 5.13
Mortgages gross loan portfolio by product



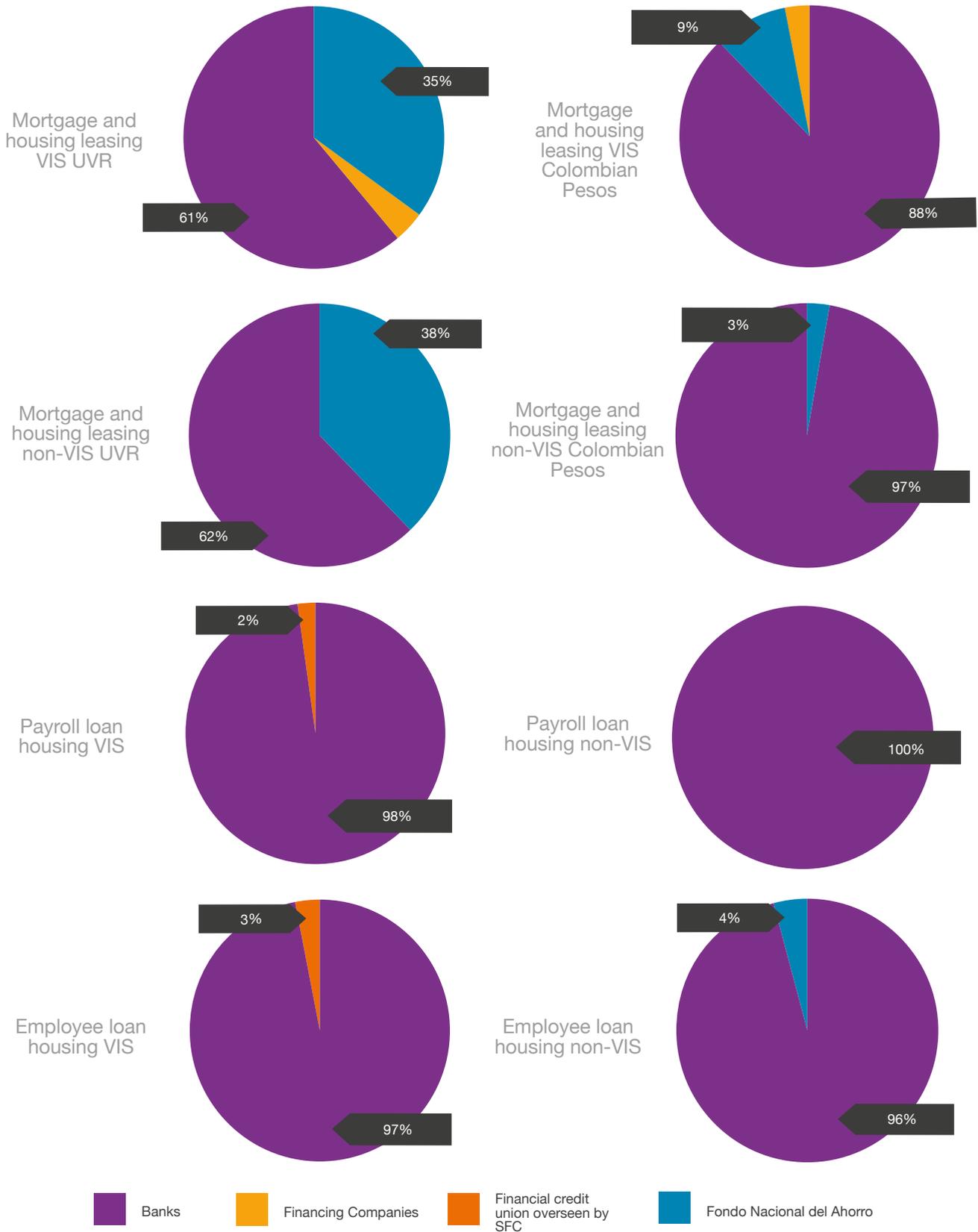
Note: The “Other” category in the top chart includes: employees’ non-social interest housing loans, employees’ social interest housing loans, non-social interest housing payroll loans, and social interest housing payroll loans.

Annual real increase on the mortgages gross loan portfolio by product



Source: Superintendencia Financiera de Colombia.

Distribution of the mortgages gross loan portfolio by product and type of institution



Number of operations

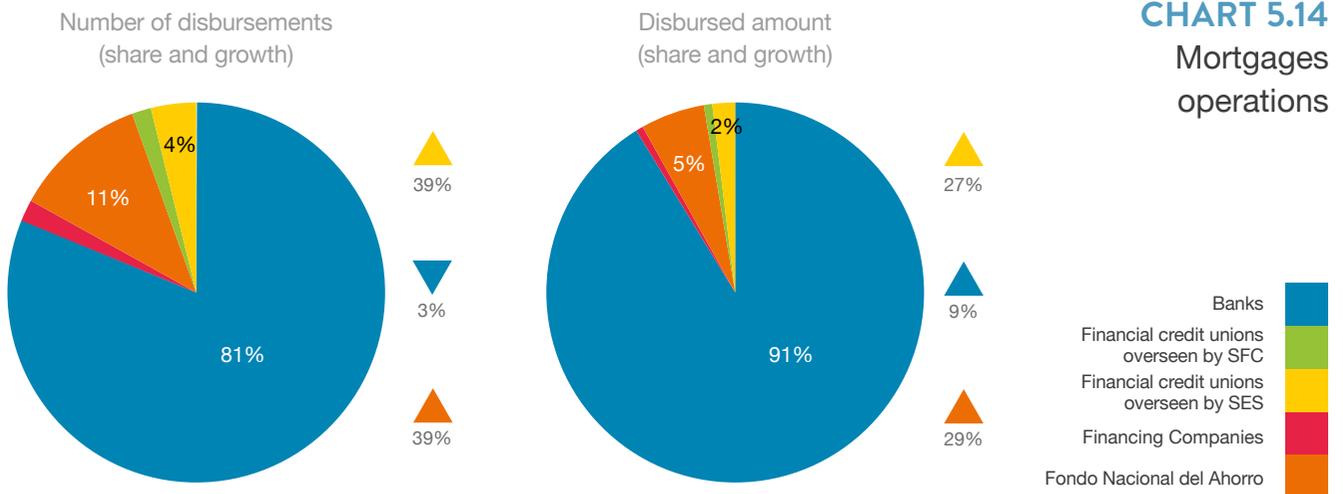
In 2017, 186,300 mortgage operations were accounted for, equivalent to \$21.4 trillion, for an increase of 2% in terms of the number of operations, and a real increase of 9% in disbursed amount compared to 2016. By gender, over half of the number of operations, both in terms of the number of operations and disbursed amount, were made to men, with shares of 53% and 58%, respectively (Chart 5.14).

By type of institution, banks concentrated most of operations and disbursed amount

(81% and 91%, respectively). Also, the Fondo Nacional del Ahorro's share was relevant, contributing to 11% of the total number of operations and 5% of the disbursed amount.

Although banks made most operations by the end of 2017, this figure had drop 3% relative to 2016. On the other hand, the number of operations made by the Fondo Nacional del Ahorro and financial credit unions overseen by SES were dynamic, increasing by 39% each. This was also the case for their disbursed amount, which exhibited a real increase of 29% for the Fondo

Mortgages operations by type of institution



Mortgages operations nationally and by gender

	2016	Change	2017	Gender	Share
Numbers (thousands)	183	➤	186.3	♂	53%
Amount (millions)	18,9	➤	21.4	♂	58%

Greater share for men

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

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

Nacional del Ahorro and 27% for financial credit unions.

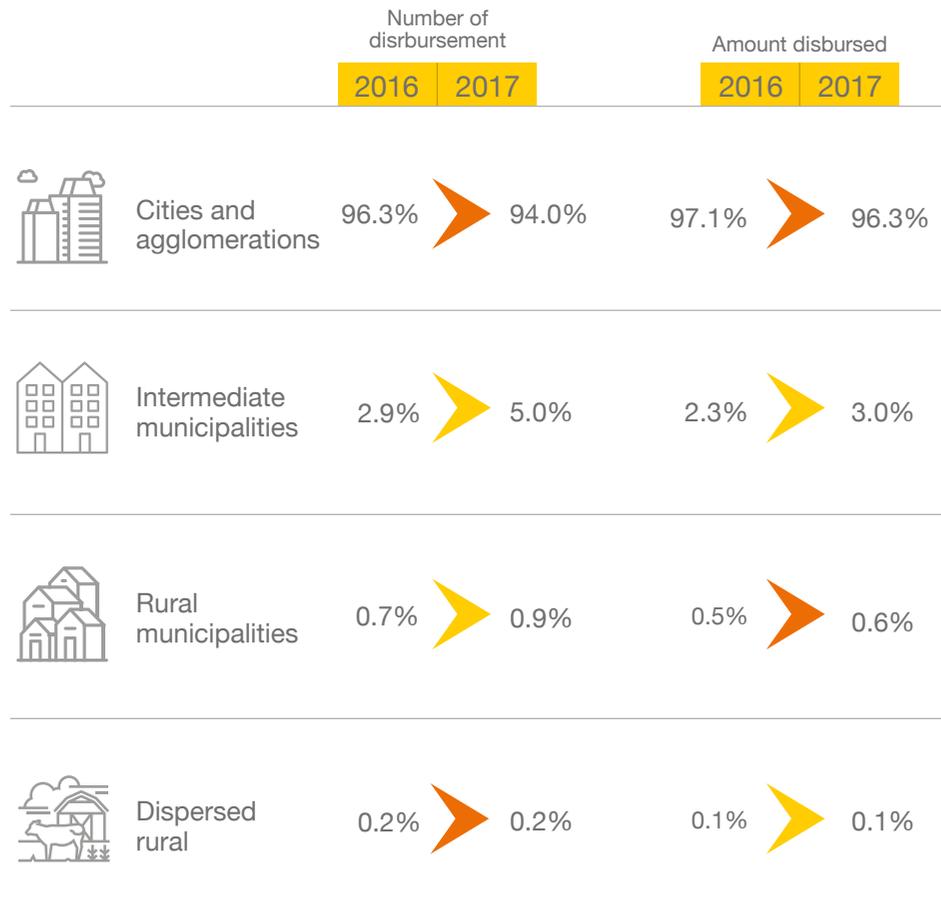
With regards to the distribution of mortgages operations by rurality, even if most operations were made in cities and urban agglomerations, in 2017 the percent contribution of both the number of operations and disbursed amount in intermediate municipalities increased.

In 2017, the number of mortgages operations increased across all rurality levels, particularly those made in intermediate municipalities, which experienced a growth rate of 81%. Disbursed amount increased in cities

and urban agglomerations, intermediate and dispersed rural municipalities (Chart 5.15).

By type of institution, just like in the case of consumer loans, banks reported a higher share compared to other types of institutions both in the number of operations and in disbursed amount. Nevertheless, in rural and dispersed rural municipalities, the share of other institutions such as financial credit unions have increased by the end of 2017. The former had a 21% share on rural municipalities and 12% in dispersed rural municipalities in terms of the total of number of operations (Chart 5.16).

CHART 5.15
Distribution mortgages operations and disbursed amount by rurality level



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

Number of disbursements

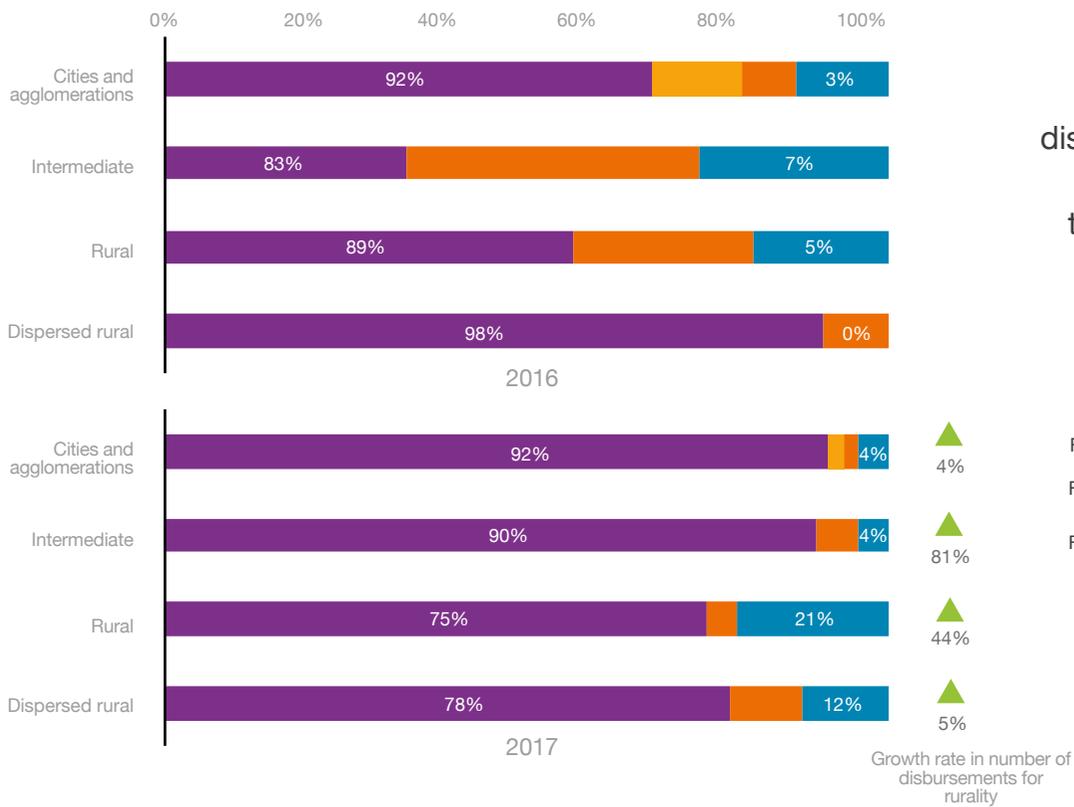
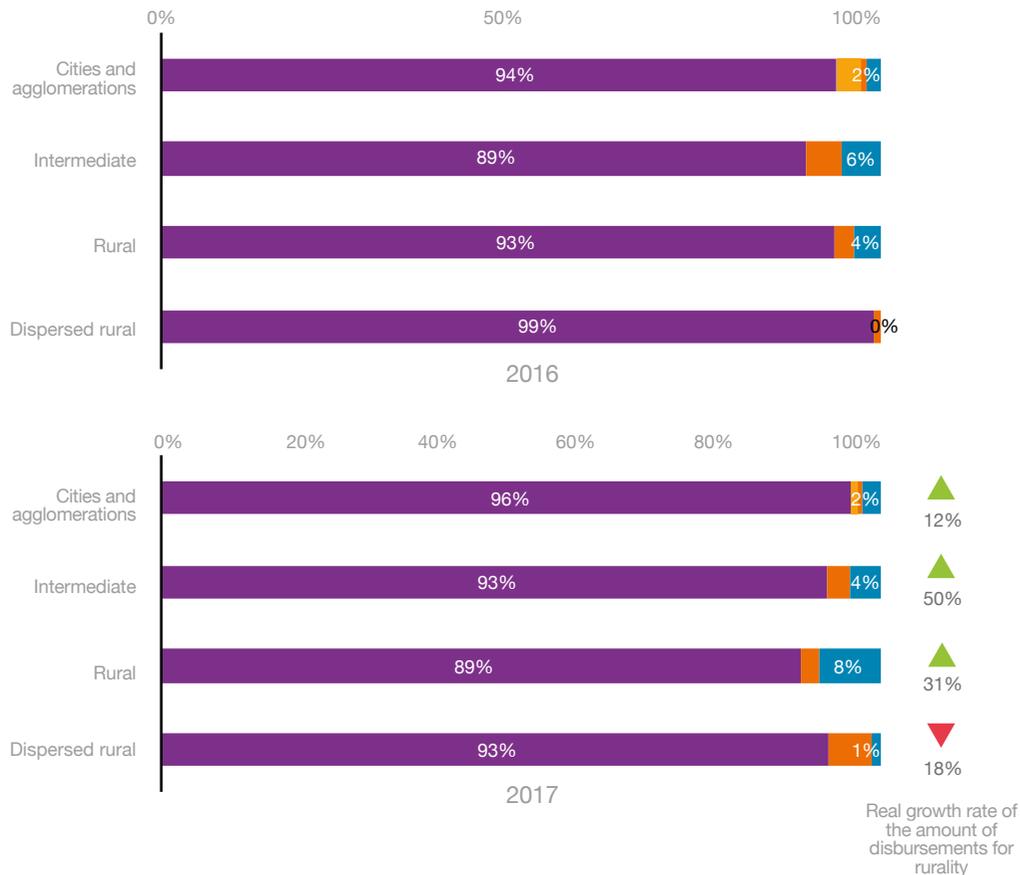


CHART 5.16
Distribution of the number and disbursed amounts of mortgages by type of institution and rurality level



Disbursed amount



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

By late 2017, the distribution of mortgages operations by gender shows that most of these were made to men in cities and rural municipalities, whereas in intermediate and dispersed rural municipalities loans made to women prevailed. Nonetheless, across all rurality levels, amounts disbursed were higher among men for both 2016 and 2017 (Chart 5.17).

The distribution of mortgages operations by department shows that most of them were

made in three departments: 35% in Bogotá, D.C.; 14% in Antioquia; and 11% in Valle del Cauca. The distribution of mortgages favored men in 24 of all 33 departments in Colombia (including Bogotá, D.C.). By the end of 2017, the gender distribution of Bolivar, Cauca, La Guajira, Norte de Santander, Sucre, Putumayo and Amazonas had reverted relative to 2016 (Map 5.2).

CHART 5.17

Distribution of mortgages operations by gender by rurality level

 Greater share for women

 Greater share for men

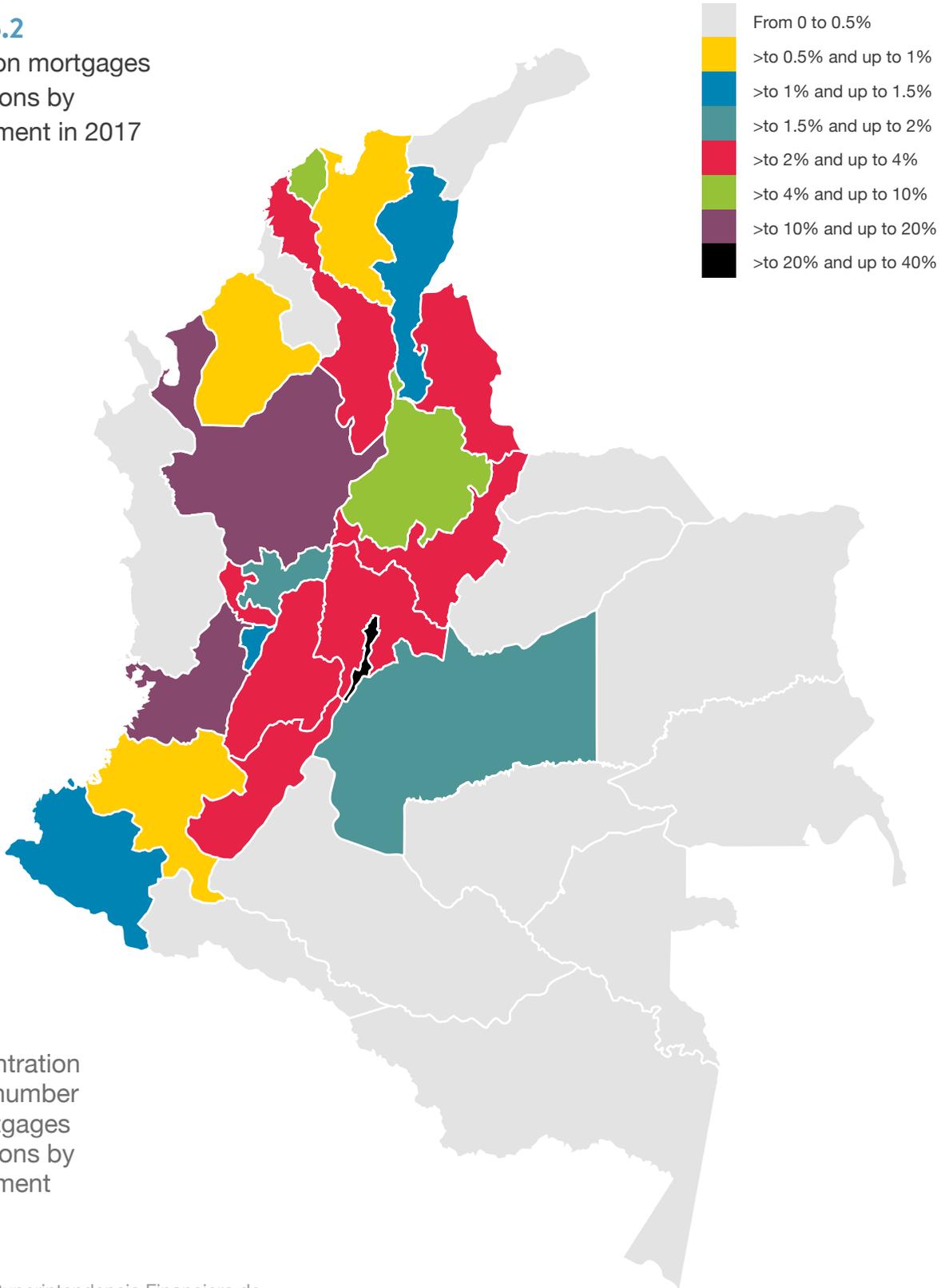


Source: Superintendencia Financiera de Colombia and Superintendencia de la Economía Solidaria.

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

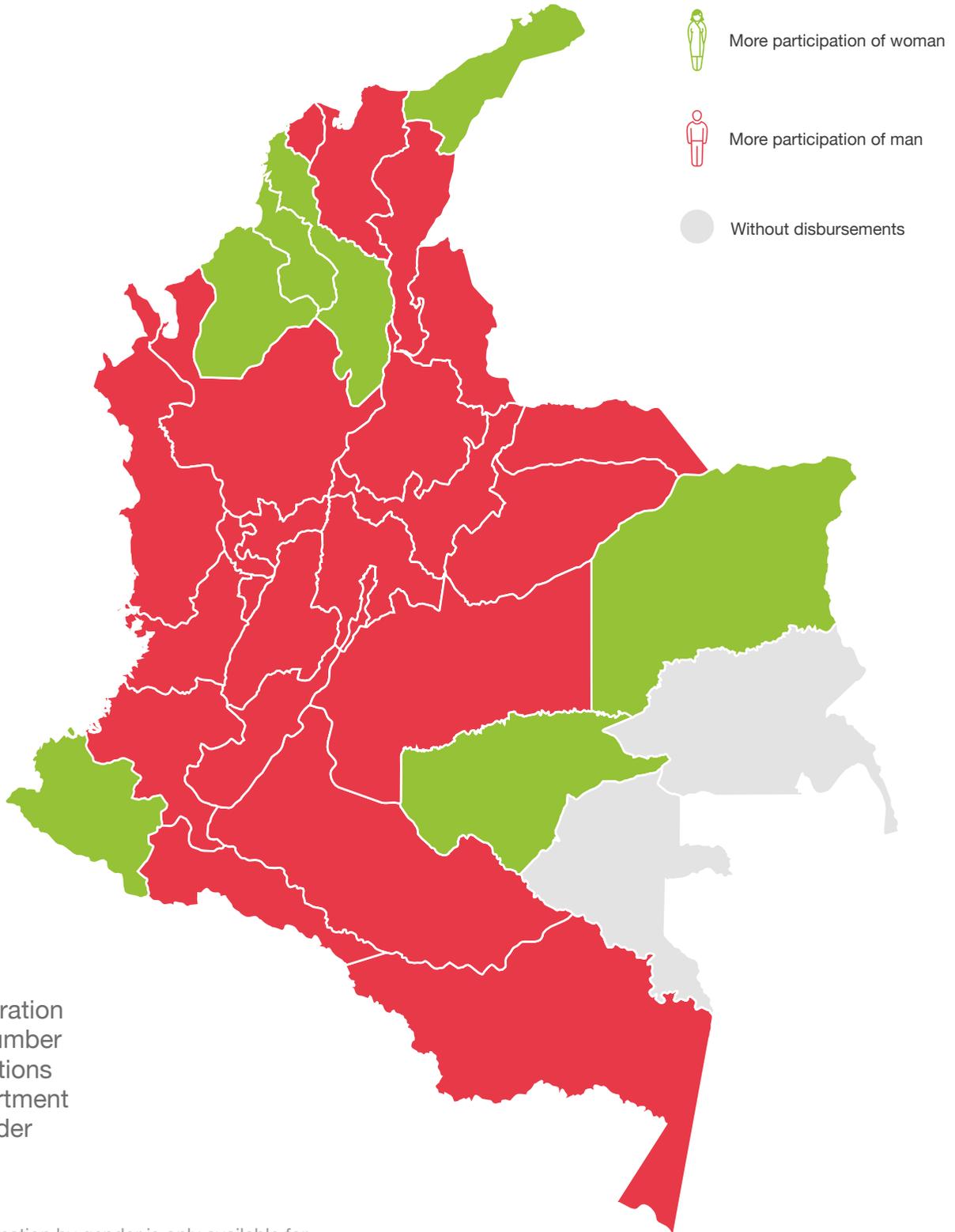
MAP 5.2

Share on mortgages operations by department in 2017



Concentration of the number of mortgages operations by department

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



Concentration of the number of operations by department and gender

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

MICROCREDITS

Number of adults and businesses with microcredits

By the end of 2017, almost 3.3 million adults had microcredits. This figure increased by 254,000 adults, or 8% compared to 2016. By type of institution, it was found that 2.6 million adults had microcredits with credit institutions, 801,000 with NGOs specialized in microfinance, and 155,000 with financial credit unions overseen by Superintendencia de la Economía Solidaria⁴.

The distribution of these 3.3 million adults by gender is the same for men and women (50% each). Just like other types of credit products, most adults with microcredits were between 41 and 65 years old, a share of 60%, followed by those between the ages of 26 and 40, with a share of 33%.

Additionally, by the end of 2017, 15,000 businesses had microcredits. This represents an increase of 1,428 companies (11%) between 2016 and 2017.

Gross loan portfolio

Total gross loan portfolio reached \$14.4 trillion by the end of 2017 (including financial credit unions overseen by SES and NGOs specialized in microfinance). Between 2016 and 2017, this amount increased by 2.1% in real terms (Chart 5.18).

Credit institutions overseen by the Superintendencia Financiera de Colombia concentrated 84% of the total microcredit gross loan portfolio, NGOs specialized in microfinance 10% and financial credit unions overseen by SES 6%.

4. It is to consider that this data did not include individuals with business establishments.

Microcredit gross loan portfolio (trillions)

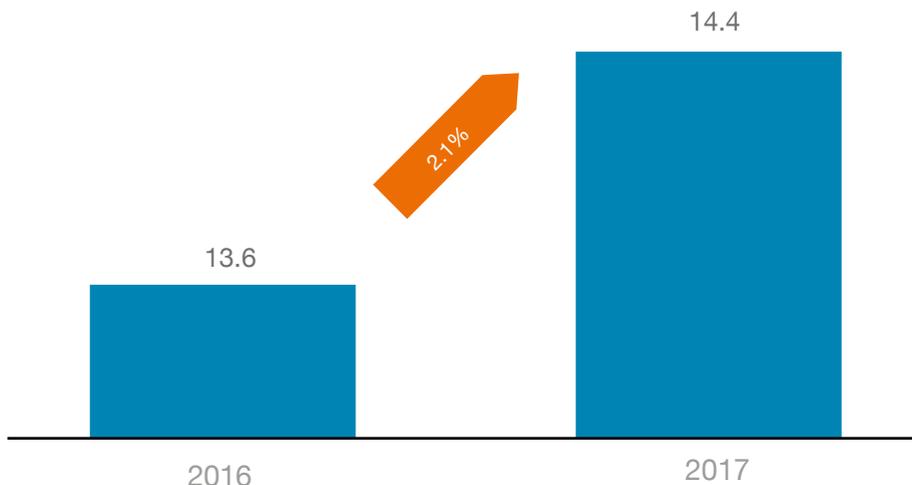
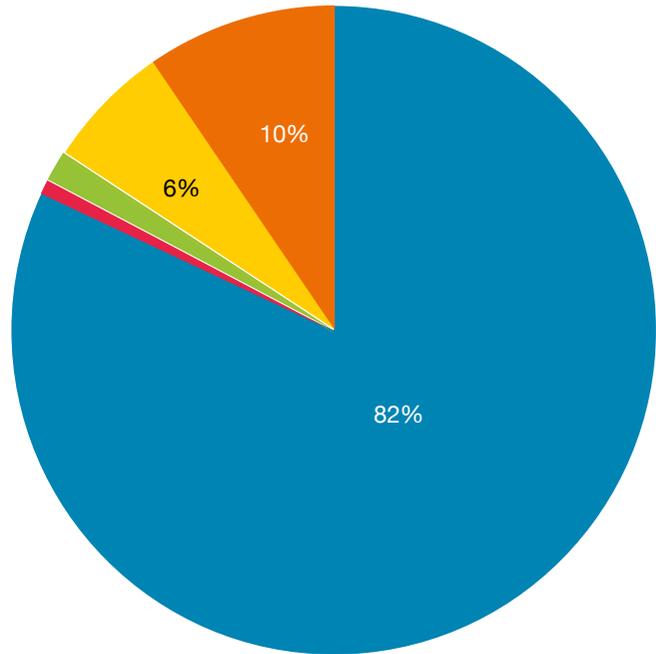
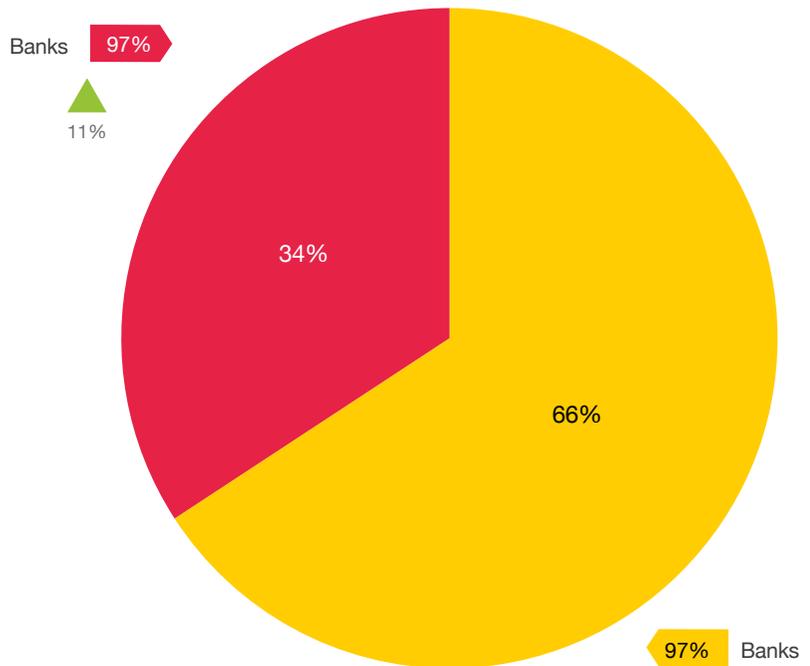
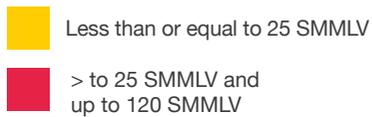


CHART 5.18
Microcredit portfolio

Share by institution in the microcredit gross loan portfolio



Share by balance in the microcredit portfolio of institutions overseen by the Superintendencia Financiera de Colombia



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

Number of operations

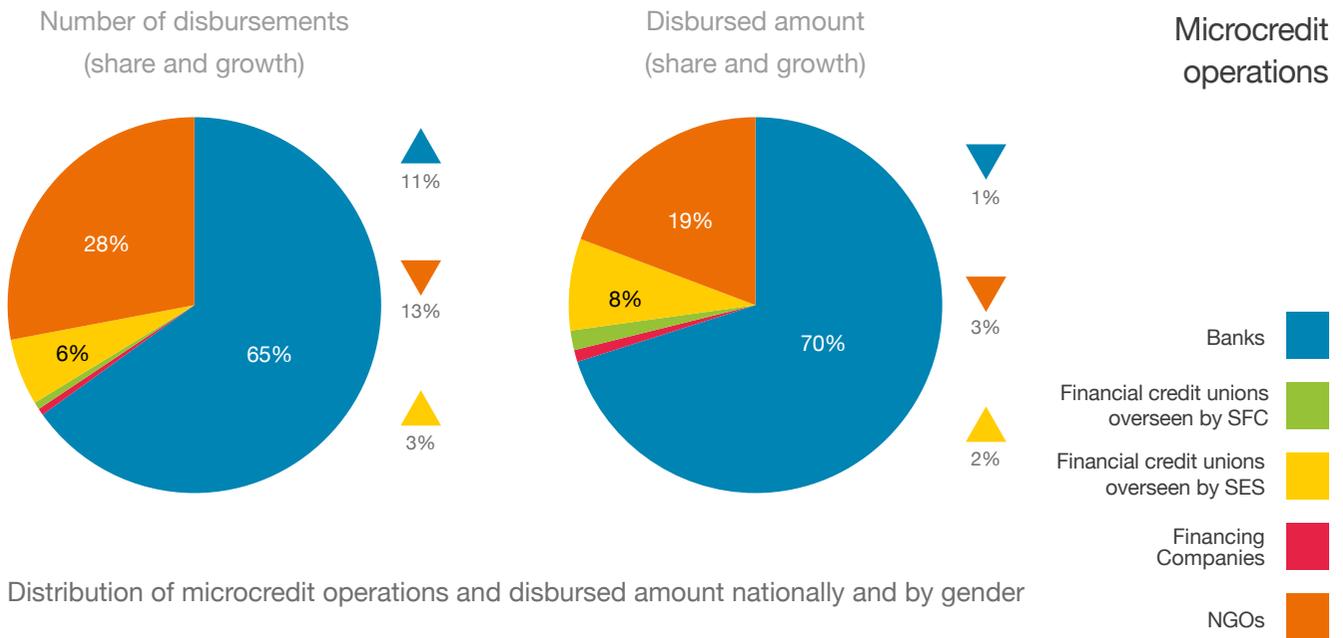
In 2017, 2.2 million microcredit operations were made, equivalent to \$8 trillion, for an increase of 2% in number, and a real 1% drop in amount compared to 2016. By gender, women had the highest share receiving 56% of number of operations, while men had 43% and companies 1%. Likewise, 49% of the disbursed amount was received by women, 46% by men and 6% by companies (Chart 5.19).

Regarding the total number of operations, 65% were made by banks and 28% by NGOs

specialized in microfinance, with the former increasing by 11%, and the latter decreasing 13% between 2016 and 2017. By disbursed amount, both types of institutions had the largest contribution, with bank concentrating 70% of total disbursements and NGOs specialized in microfinance 19%. However, compared to 2016, disbursed amounts by these institutions dropped in real terms by 1% and 3%, respectively.

Out of the total number of microcredit operations made by institutions overseen by the Superintendencia Financiera de Colombia, 71% were 366 to 1095-days term mi-

Distribution of microcredits by type of institution



Distribution of microcredit operations and disbursed amount nationally and by gender

	2016		2017				
Numbers (thousands)	2.16	➤	2.2	👩	56%	🏠	1%
Amount (millions)	7.8	➤	8	👩	49%	🏠	6%

👩 Greater share for women
🏠 Companies' share

Note: Information by gender is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

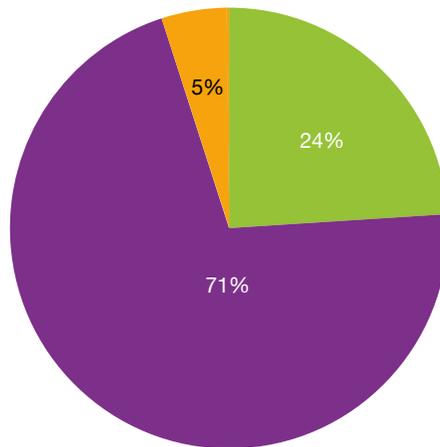
crocredits, and 24% were 31 to 365-days term microcredits. As to the size of number of operations, just like in 2016, 30% corresponded to disbursements equal to or higher than 4 minimum wages and lower than 10 minimum wages (Chart 5.20).

The distribution by rurality level of microcredit operations showed a greater share on

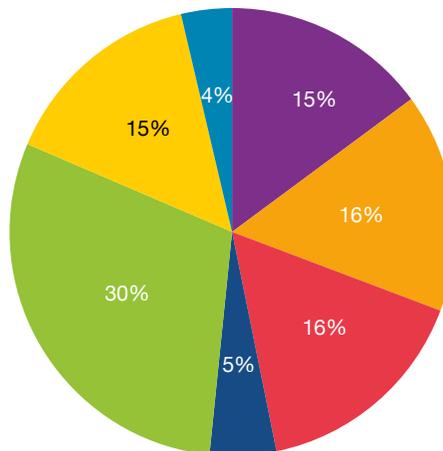
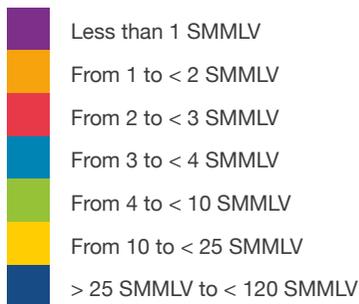
rural and dispersed rural municipalities compared to other types because, even if 58% of the number of operations and of the disbursed amount were found in cities and urban agglomerations, 16% of the number of operations and 20% of the disbursed amount corresponded to rural and dispersed rural municipalities. It is found that, compared to 2016, there

CHART 5.20

Microcredit operations by term and size



Share on the number of microcredit operations by institutions overseen by the Superintendencia Financiera de Colombia by term (2017)



Share on the number of microcredit operations by institutions overseen by the Superintendencia Financiera de Colombia by disbursement size (2017)

Source: Superintendencia Financiera de Colombia.

was an increase in the share on the number of operations in intermediate municipalities and in the disbursed amount in dispersed rural municipalities (Chart 5.21).

Both the number of operations and the disbursed amount increased across all rurality levels. Just like in 2016, the number of operations and the disbursed amount were

channeled by banks and NGOs specialized in microfinance across all rurality levels. Similarly to 2016, the share of NGOs specialized in microfinance on the number of operations in rural and dispersed rural municipalities was 37%, and on the disbursed amount in dispersed rural municipalities of 35% (Chart 5.22).

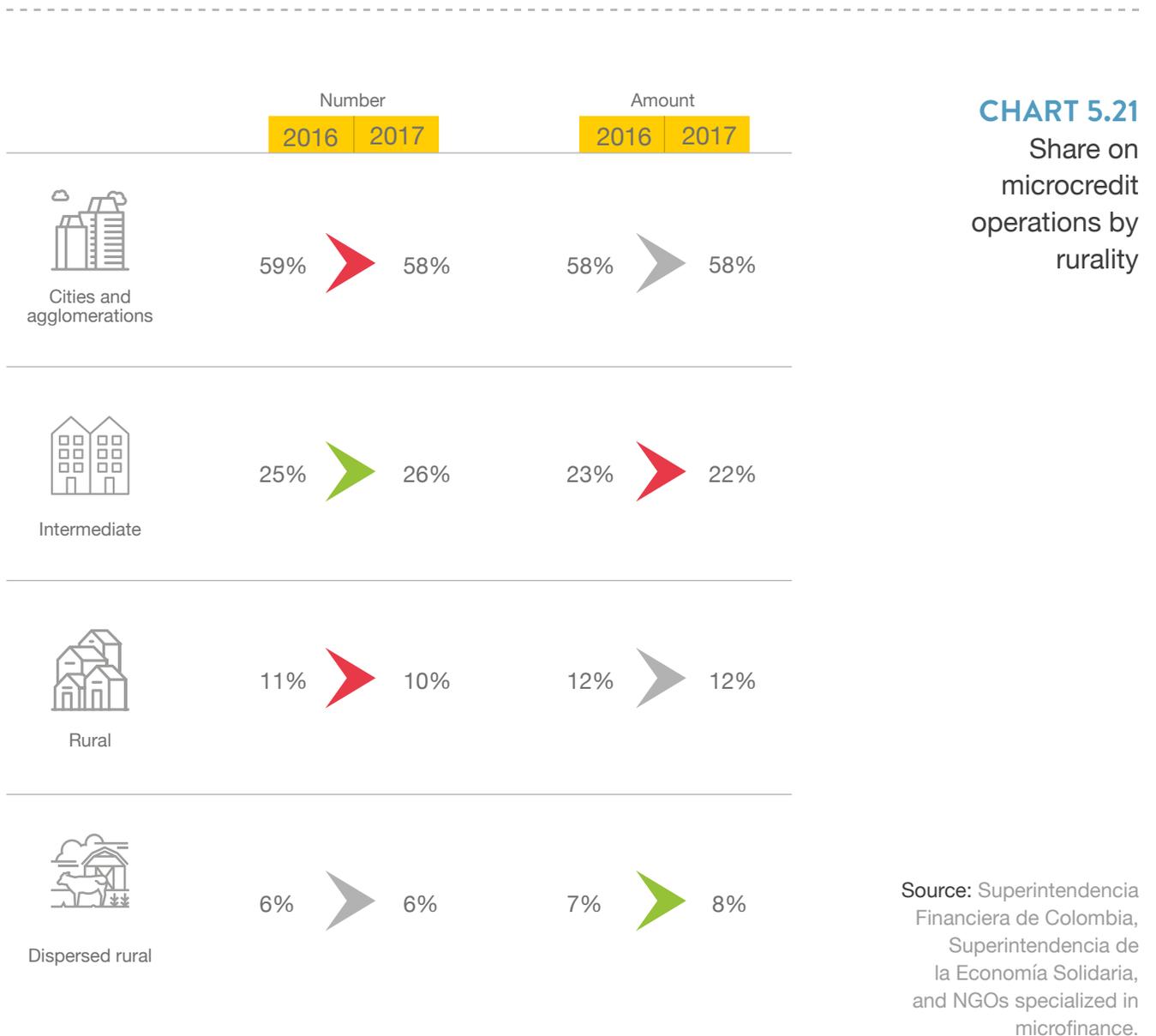
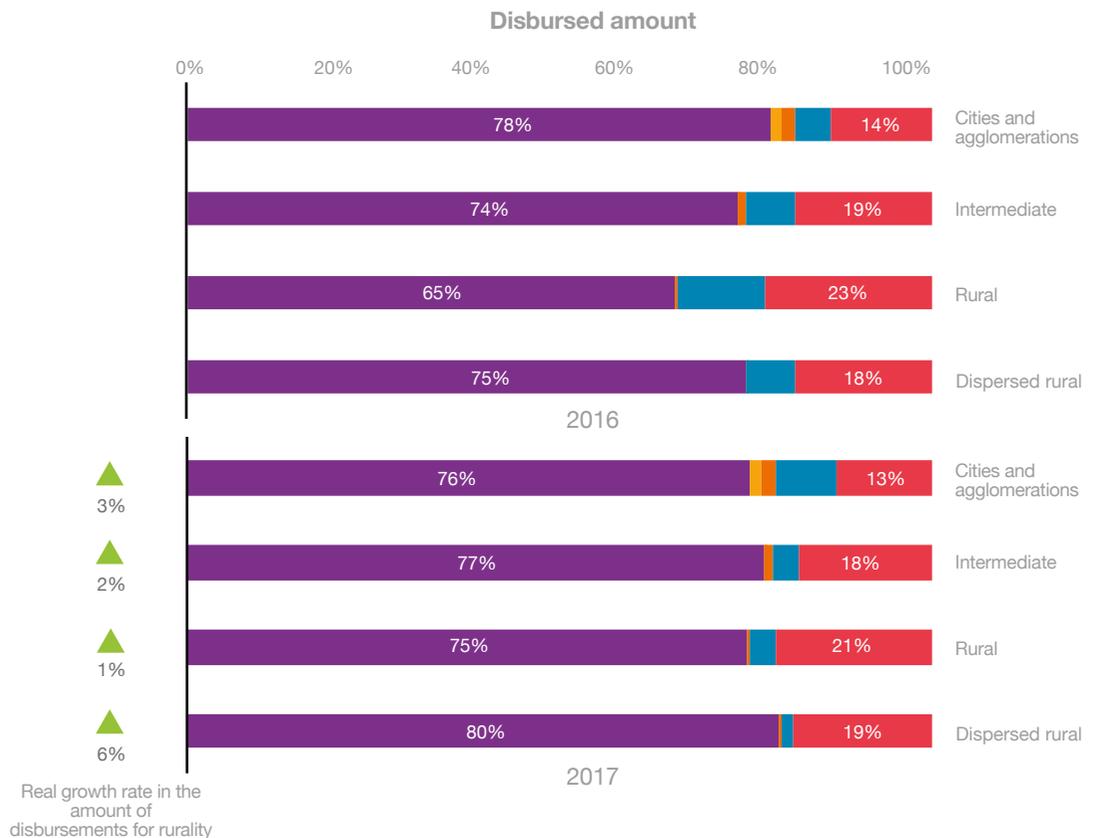
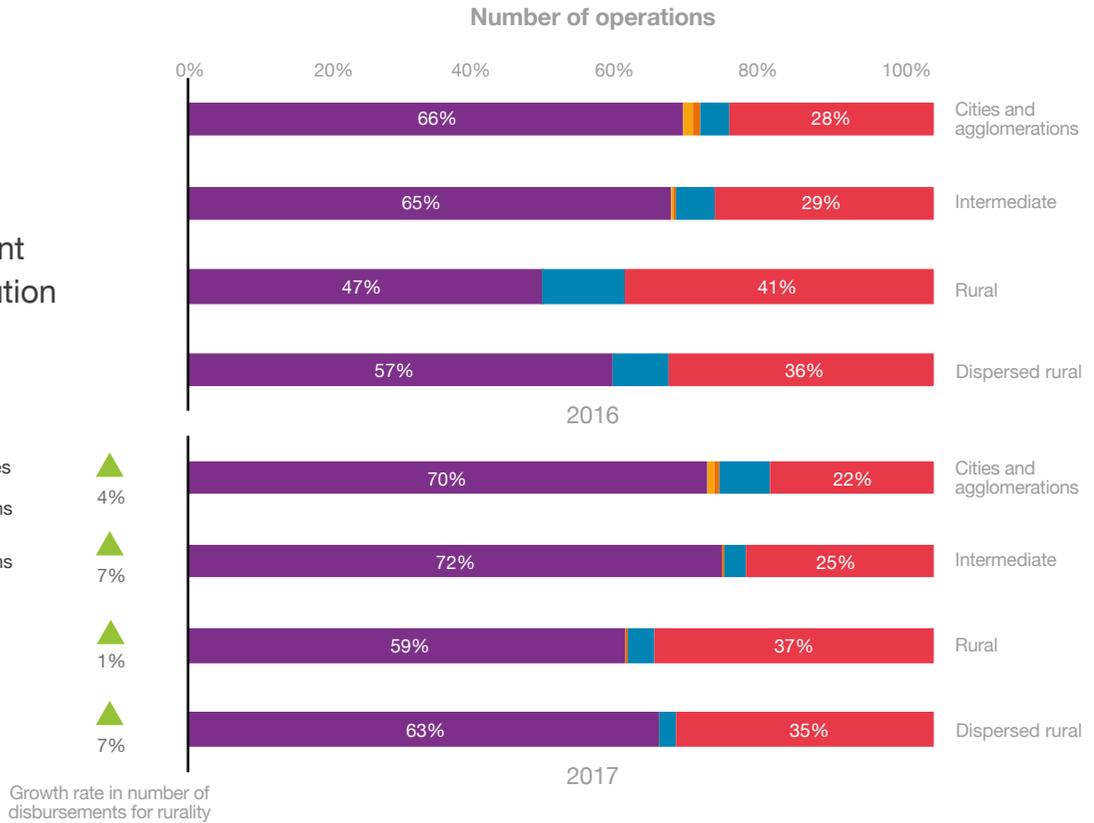


CHART 5.22
 Distribution of the number of microcredit operations and disbursed amount by type of institution and rurality



Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.



Just like in 2016, in 2017 women had the highest share on the number operations (61%) and disbursed amount (53%) in cities and rural agglomerations. Regarding the evolution of businesses, even though they concentrated between 1% and 3% of total operations, they contributed to 10% of the disbursed amount in rural and dispersed rural municipalities during the last two years (Chart 5.23).

Department wise, the distribution of the number of microcredit operations exhibited homogeneous trend compared to other credit products. Particularly, the five departments concentrated 39.3% of total operations: 9.8% in Antioquia; 8% in Valle del Cauca; 7.8% in Santander; 7.2 % in Nariño; and 6.5% in Bogotá, D.C. (Map 5.3).

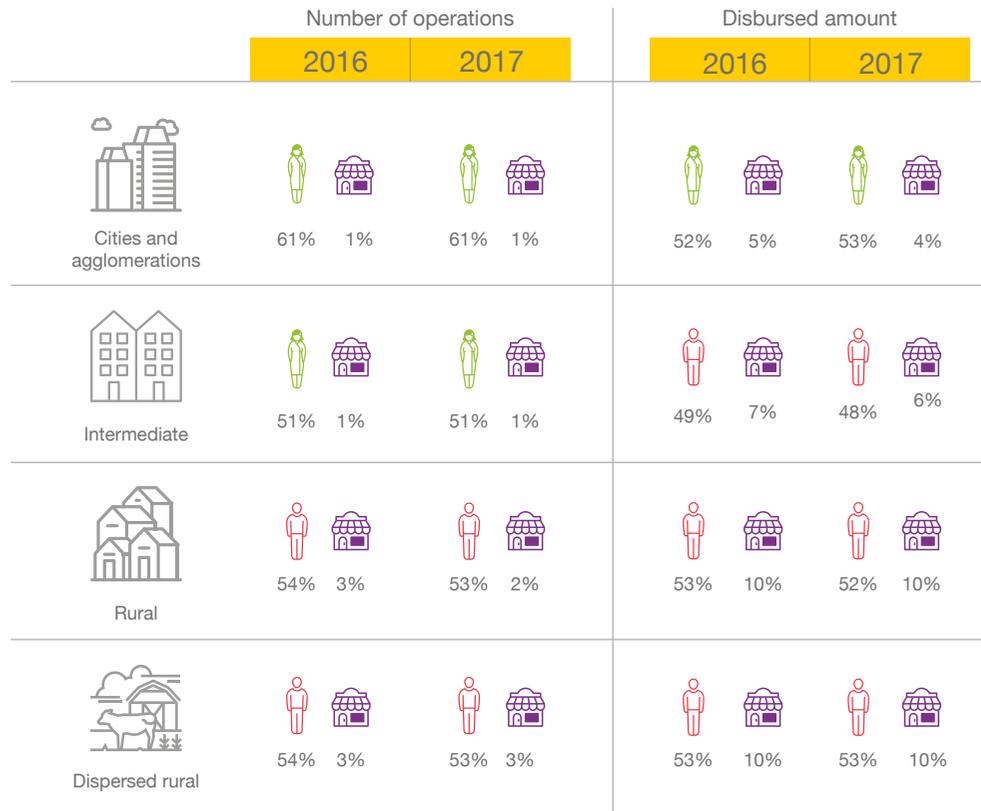
Additionally, in 29 of all 33 departments (including Bogotá, D.C.) women’s share on the total number of operations was greater than that of men. Comparatively, by the end of 2016, microcredit operations to women were higher in all departments but Norte de Santander.

In 2017, there was a higher concentration of microcredits for disbursed amounts between 4 minimum wages and 10 minimum wages among 24 of all 33 Colombian departments (including Bogotá, D.C.) (Map 5.4).

Finally, by the end of 2017, the five departments accounting for the highest share on total microcredit operations geared toward businesses were as follows: Antioquia (18.5%); Bogotá, D.C. (9.6%); Boyaca (9.6%); Cundinamarca (8.2%); and Valle del Cauca (6%) (Map 5.4).

CHART 5.23
Distribution of microcredit operations and disbursed amounts by gender and rurality level

-  Greater share for women
-  Greater share for men
-  Companies' share

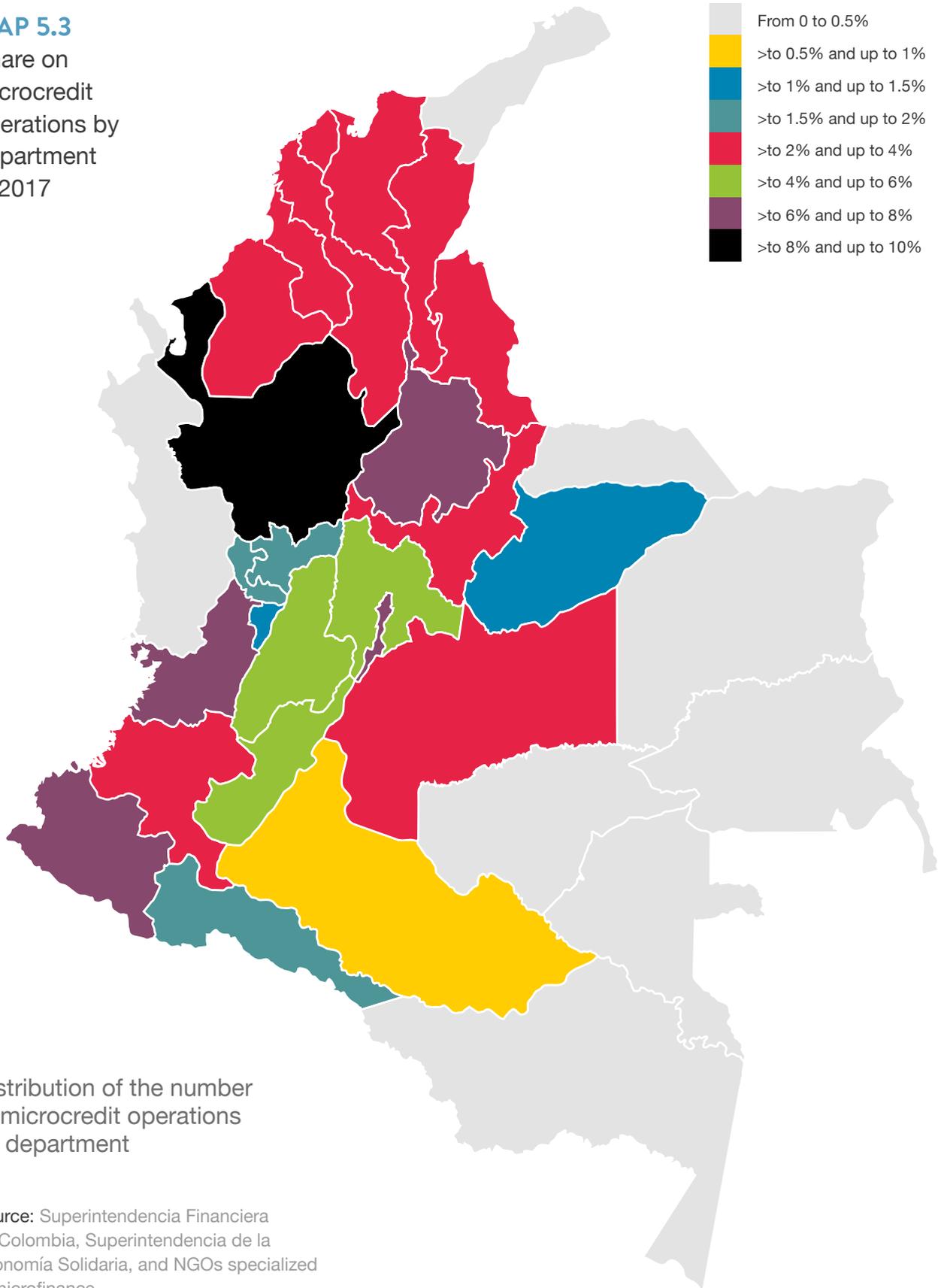


Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

Note: Information by gender and companies is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia.

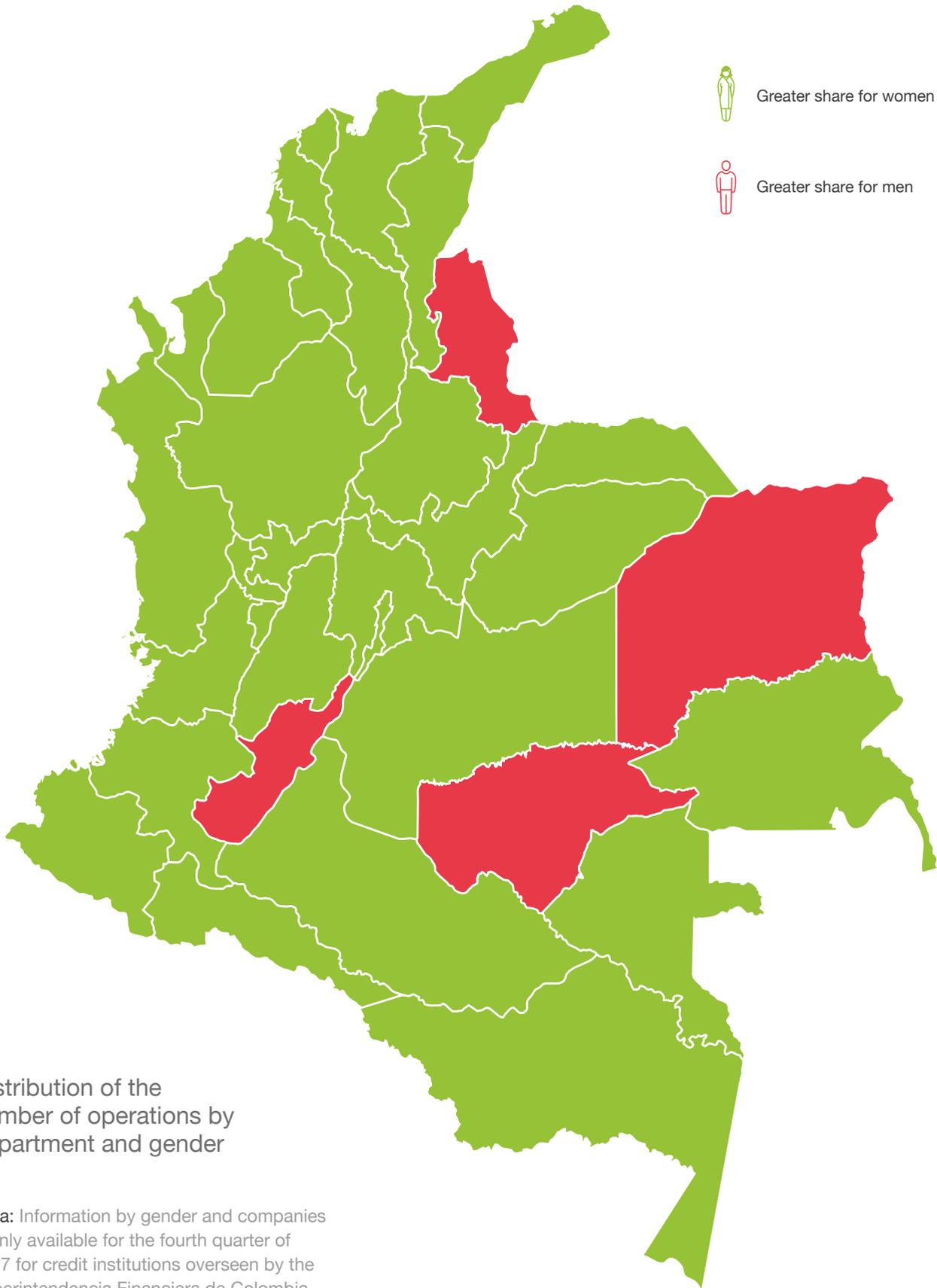
MAP 5.3

Share on microcredit operations by department in 2017



Distribution of the number of microcredit operations by department

Source: Superintendencia Financiera de Colombia, Superintendencia de la Economía Solidaria, and NGOs specialized in microfinance.

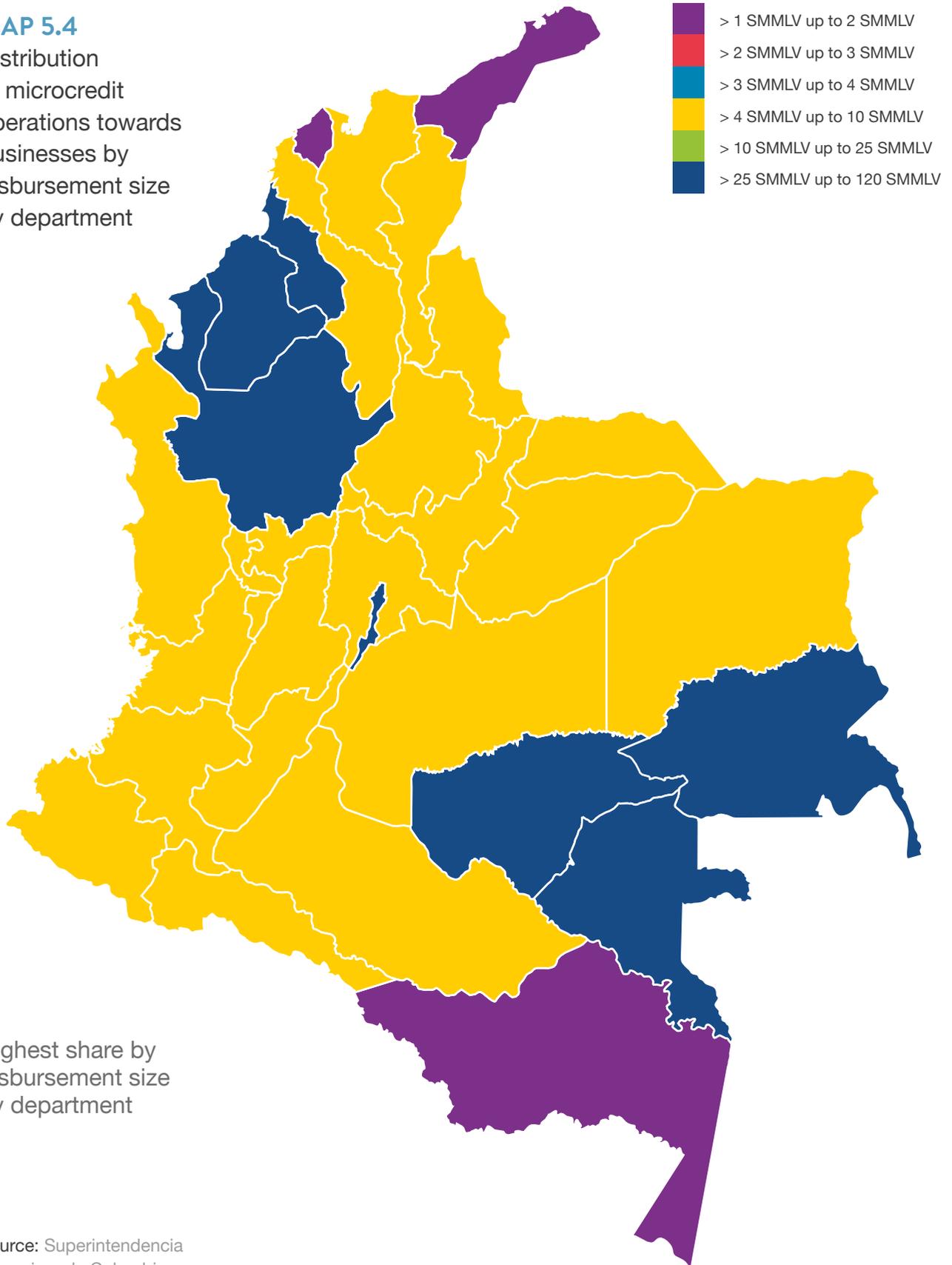


Distribution of the number of operations by department and gender

Nota: Information by gender and companies is only available for the fourth quarter of 2017 for credit institutions overseen by the Superintendencia Financiera de Colombia

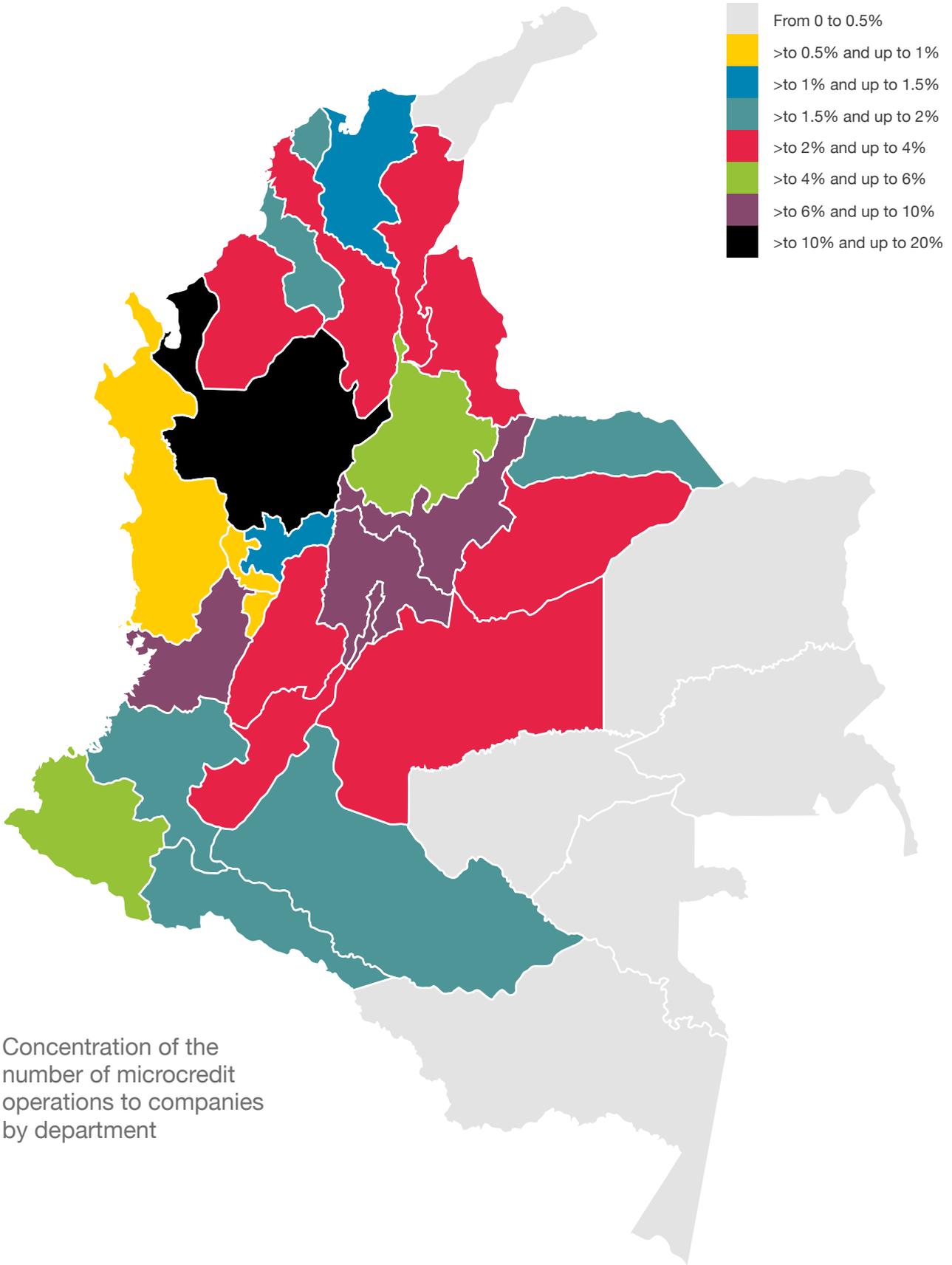
MAP 5.4

Distribution of microcredit operations towards businesses by disbursement size by department



Highest share by disbursement size by department

Source: Superintendencia Financiera de Colombia.



Concentration of the number of microcredit operations to companies by department

**FINANCIAL
INCLUSION REPORT 2017**

6



6.

ACCESS AND USAGE OF INSURANCE

Insurance plays a significant role in financial inclusion strategies as they enable families to mitigate external shocks, smoothen consumption, protect savings and improve management of expenses related to uncertain events such as medical emergencies, decease, theft or natural disasters. Given its relevance, the insurance sector has fostered not only the creation of products accessible and affordable to low-income segments of the population, but it has also designed innovative products that respond to the specific needs of clients.

Vision 2025, a strategy developed at the Superintendencia Financiera de Colombia, establishes inclusion, reliability, competitiveness and sustainability principles aimed at the consolidation of a comprehensive insurance market. As an initial measure, it sought to diversify mass- and micro-insurance commercialization channels, so they would contemplate simplified and low-cost transactional channels, such as the use of insurance networks and correspondents. Furthermore, it promoted the design of simple and expedite products in terms of subscription and payment of claims,

by allowing products meeting the criteria of simplicity, universality and standardization, to be commercialized through correspondents. Lastly, it enabled the commercialization of mass products by eliminating some client-characterization obligations to insurance companies, for insured amounts below 135 minimum monthly legal salaries (SMMLV - for its Spanish acronym) and a maximum bi-monthly premium payment of less than or equal

to the ninth part of 1 SMMLV¹. The chapter analyzes the performance of the Colombian insurance industry as a relevant component for financial inclusion, by identifying advancements, opportunities and challenges per type of insurance, policies and commercialization channels. It presents main sector figures, an overview of the Colombian insurance market and relevant information on fostering insurance for inclusions.

MAIN FIGURES, 2017

Annual growth of newly issued premiums² was **16%**:
Personal Insurance **30%** and General Insurance **4%**.

The percent increase in the number of insurance policies related to financial inclusion (onwards, insurance for inclusion)³ is **14%**:
Personal Insurance **17%** and General Insurance **6%**.

Insurance policies for inclusion represent **31%** of issued premiums:
Personal Insurance **43%** and General Insurance **18%**.

1 These dispositions are published in Decreto 034 of 2015 and the Circulares Externas 049, 034 and 050 of 2015 of the Superintendencia Financiera de Colombia.

2 It relates to revenues on the sale of insurances carried, accounting for annulments and cancellations and including coinsurance.

3. Classification of policies for financial inclusion survey of the SFC - Circular letter 91 of 2017:

- Personal Insurance: Funeral expenses, Accidents, Group Voluntary Life, Group Debtors Life Insurance, Individual Life Insurance, Periodic Financial Benefits and Unemployment.
- General Insurances: Fire, Earthquake, Theft, Home and Agroindustry.

Insurance penetration (issued premiums/GDP) stood at **2.8%:**
Personal Insurance **1.5%** and General Insurance **1.3%**.

Insurance density⁴ in Colombia (expenses per capita) is **\$530,386:**
Personal Insurance **\$274,854** and General Insurance **\$255,533**

Women represent **44%** of the total number of insurance policies for financial inclusion in the system: Personal Insurance **48%** and General Insurance **17%**.

The claims ratio⁵ by the end of 2017 was **50%:**
Personal Insurance **48%** and General Insurance **53%**.

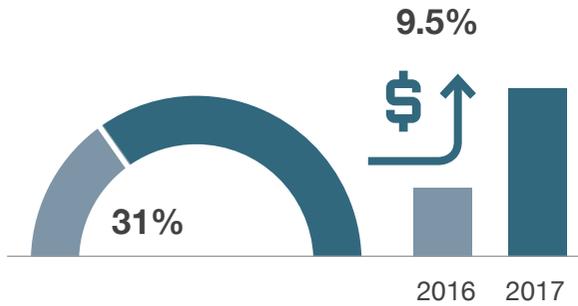
The claims ratio of insurance policies for inclusion stood at **24%:**
Personal Insurance **27%** and General Insurance **16%**.

The cancellation rate⁶ of insurance policies for inclusion was **28%:**
Personal Insurance **30%** and General Insurance **21%**.

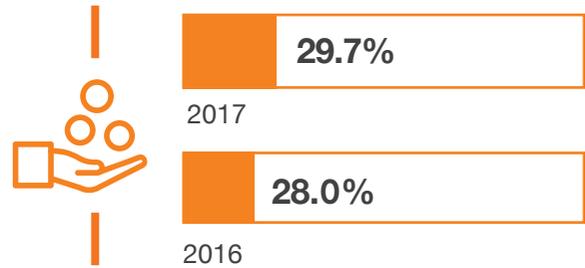
The rate of objections⁷ of insurance policies for inclusion was **24%:**
Personal Insurance **27%** and General Insurance **15%**.

-
4. Issued premiums as a proportion of total population as of December 2017 Source of Data: DANE
 5. The claims ratio is the percentage of claims costs incurred in relation to the premiums earned.
 6. The number of accrued cancellations as a proportion of the number of effective accrued policies enables knowing the business index that complete coverage before their expiration date.
 7. Objection refers to the no-payment of claims on the basis of absence of responsibility.

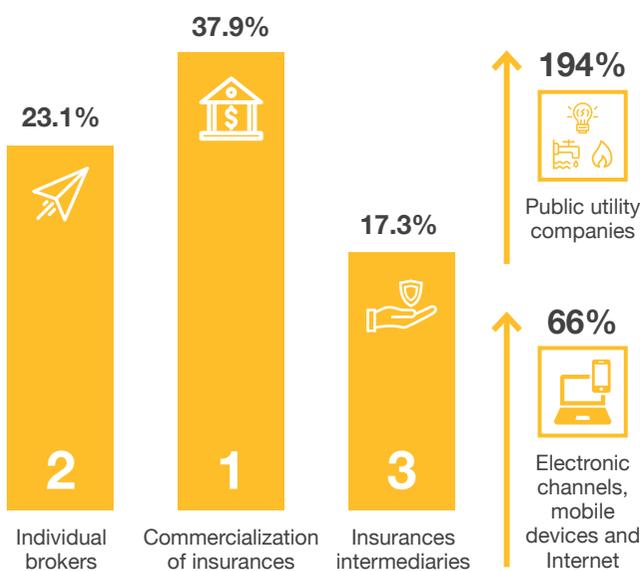
1 The accrued **total value** of issued premiums of insurance policies for financial inclusion reached **\$8 trillion**, with a **31.3% share on total production** of the insured sector. **This represents a 9.5%** annually in real terms increase and **14% nominal annual** increase, which is 2 percentage points below the industry growth levels of 2016.frente al 2016.



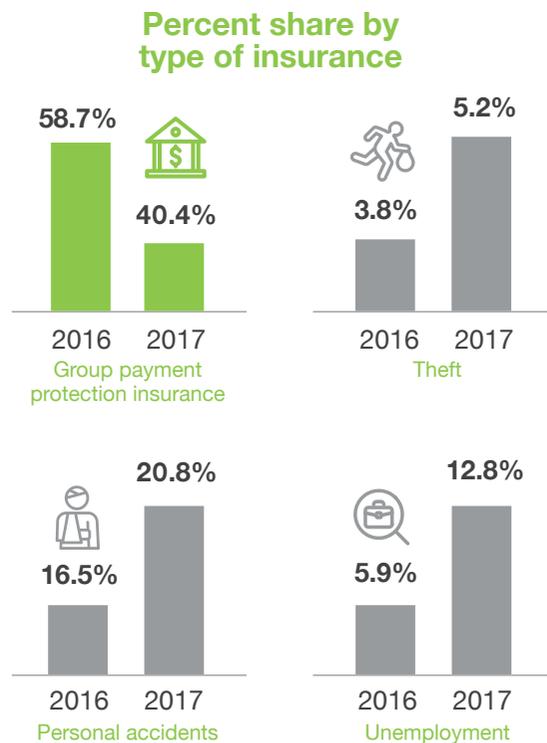
2 Within the segment of insurance for inclusion, **29.7% of policyholders paid a monthly premium of less than \$20,000**. The most affordable insurance policies were funeral **expenses, personal accidents, Periodical Economic Benefits (BEPS, for its Spanish acronym), unemployment, theft and payment protection insurance**.



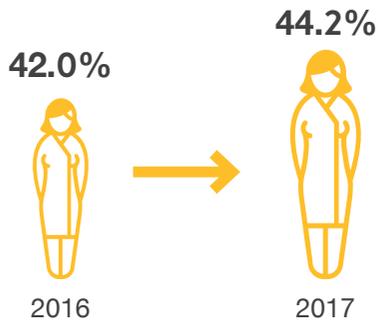
3 The **use of networks** of credit institutions overseen by the Superintendencia Financiera de Colombia, was the **most representative distribution channel** for the commercialization of insurances in Colombia, representing **37.9%** of total policyholders, followed by **individual brokers (23.1%) and insurance intermediaries (17.3%)**. The channels experienced the fastest growth rate of policyholders were public utility companies (**194%**) and electronic mediums, mobile devices and Internet (**66%**).



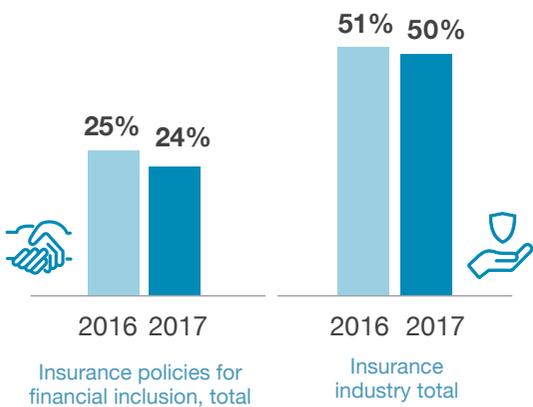
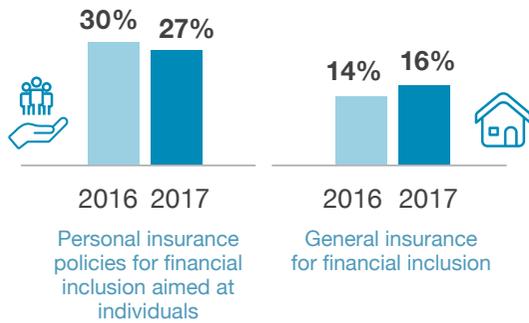
4 In the market of insurance for inclusion, **the number of policyholders acquiring insurance policies different from payment protection or mandatory policies increased**. These correspond to voluntary insurances related to theft, personal accidents and unemployment.



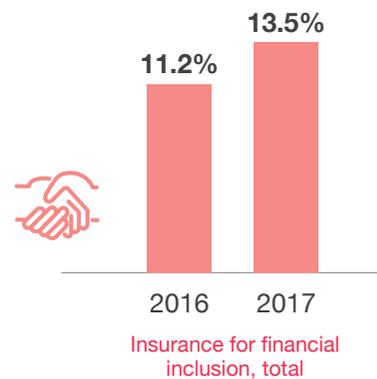
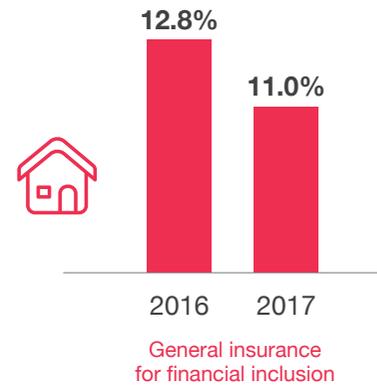
5 The share of women with access to insurance policies for inclusion increased by **2.2 pp**, vis-à-vis the previous year. Likewise, in the case of **policies covering fire damages**, theft, home property damage and unemployment, as well payment protection insurance policies, there was an **increase in women's share in the microfinance institutions and networks channels.**



7 The segment of insurance for **inclusion** had a **claims ratio of 23.8%**, **1.3pp less compared to 2016 and 26.3pp below industry levels.**



6 The share of people using formal financial insurance services increased by **2.3 pp** between **2016 and 2017**. **This trend is also seen in rural areas.**





6.1. PERFORMANCE OF THE COLOMBIAN INSURANCE MARKET

According to Fundación Mapfre, insurance penetration⁸ in Latin America is 3%, which is low when compared to that of more developed economies, 7%. This makes Latin America a key market for the insurance industry⁹. Particularly, throughout 2018, the global insurance industry is expected to grow, especially among emerging economies¹⁰.

Colombia still needs to increase insurance penetration, which is close to 2.75%, even though the Colombian insurance market has grown in the past few years through the innovation of products and diversification in commercialization channels.

During the past five years, the penetration index in Colombia grew from 2.65% to 2.75% (Chart 6.1). During that same period, issued premiums grew at an annual real rate of 4.7%, totaling \$26 trillion in 2017, driven mainly by life insurance policies, which contributed \$13.5 trillion (51.8%), and ge-

neral insurance policies, which amounted \$12.5 trillion (48.2%). Similarly, per capita insurance expenditures grew by 52.5% annually in real terms, standing at \$530,386 (Chart 6.2).

On the other hand, the claims ratio (the percentage of claims costs incurred in relation to the premiums earned), showed a favorable behavior, moving from 51% in 2016 to 50.4% in 2017.

Furthermore, administrative and personnel costs decreased by 1.8% annually in real terms and commercialization costs decreased in real terms by 11.9%, resulting in an expenses factor of 29.9% as of December 2017.

Lastly, the sector had earnings amounting to \$1.9 trillion, a 2.9% annual increase in real terms. Industry's profit is backed, in part, by the results of its investment portfolios.

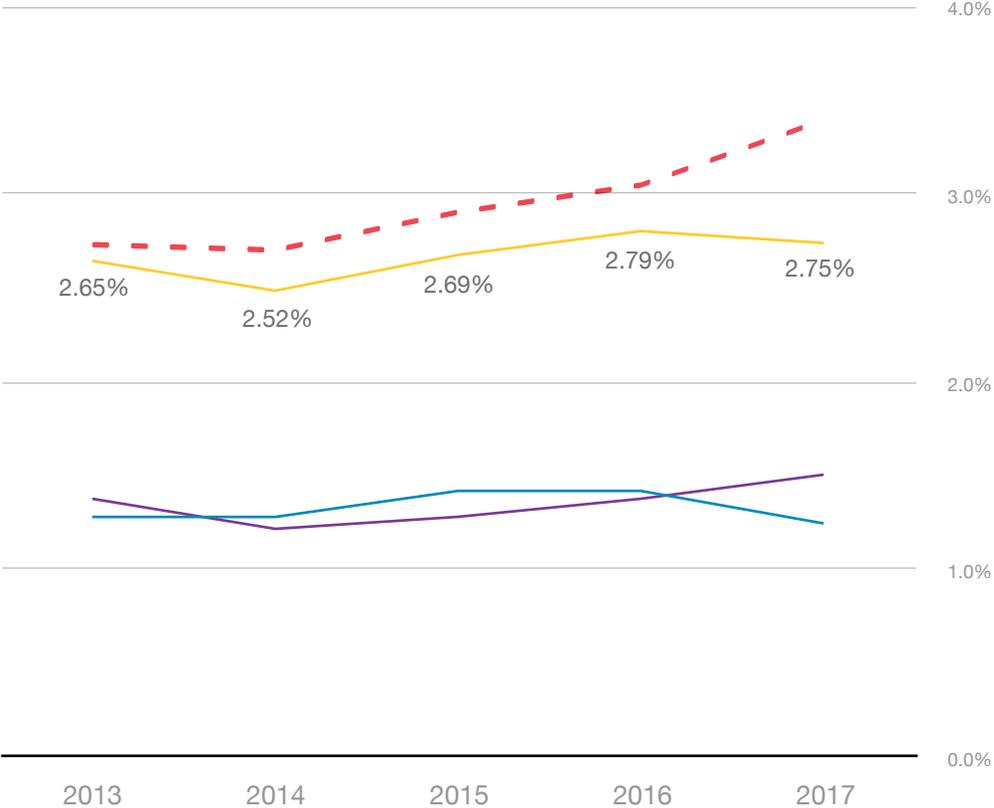
8. Issued premiums as a share of GDP.

9. Source: "El Mercado asegurador colombiano". Fundación Mapfre, 2017.

10. Source: Mapfre Study Services, 2017.

CHART 6.1
Historical insurance penetration

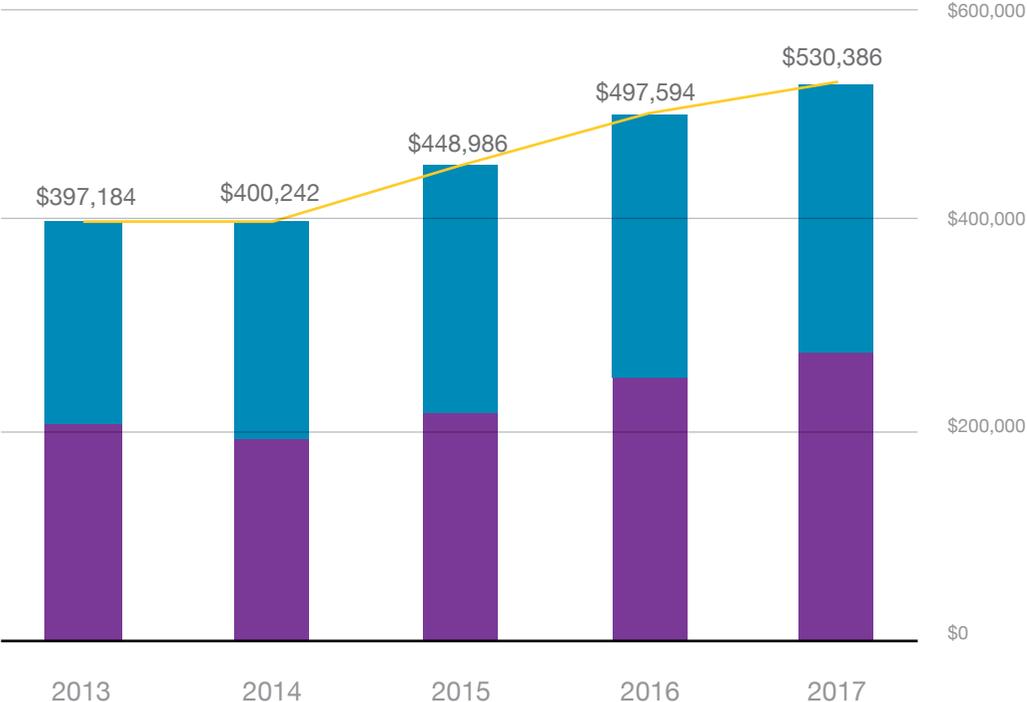
- Individuals
- Total industry
- General
- - - Latin America average



Source: Superintendencia Financiera de Colombia and Fundación Mapfre

CHART 6.2
Historical insurance density¹¹

- Total industry
- Individuals
- General

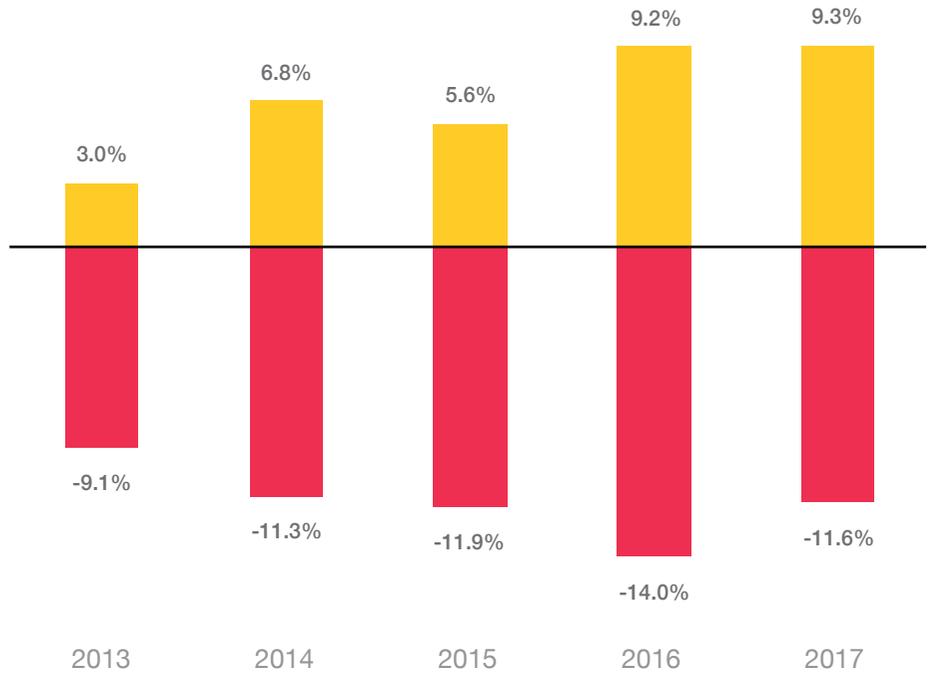


Source: Superintendencia Financiera de Colombia and Fundación Mapfre

11. Per capita premiums, measured in Colombian Pesos (COP).

CHART 6.3
Historical Result

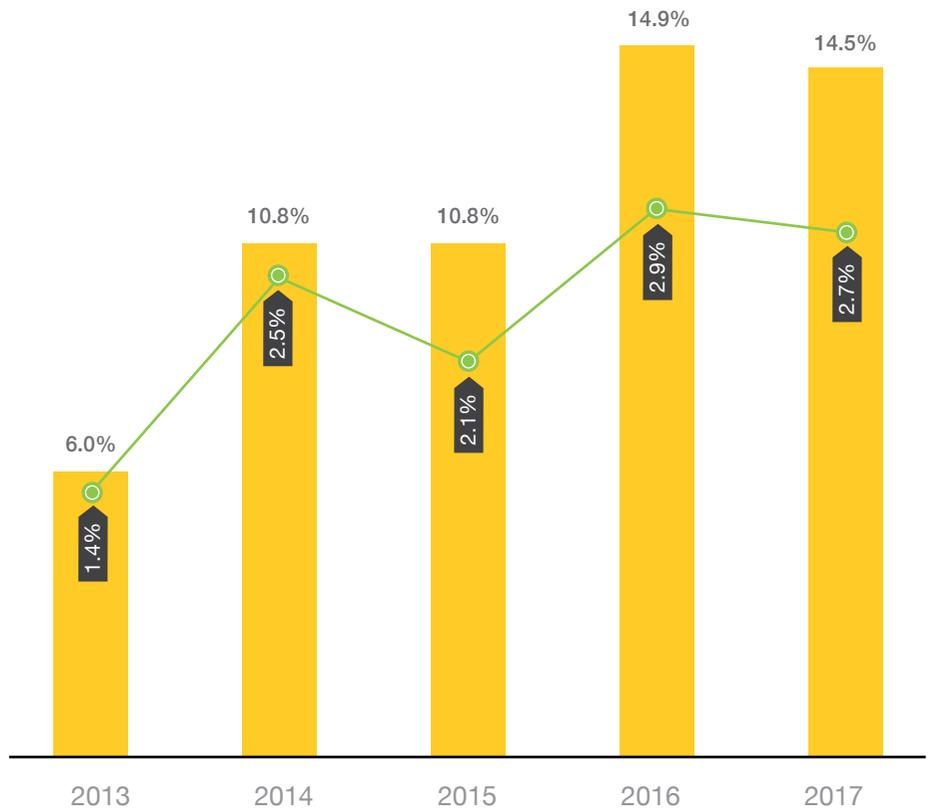
■ Technical result / accrued premiums
■ Result for the year / accrued premiums



Source: Superintendencia Financiera de Colombia

CHART 6.4
Historic return on equity (ROE) and return on assets (ROA)

■ ROE
—○— ROA



Source: Superintendencia Financiera de Colombia

6.2. INSURANCE FOR FINANCIAL INCLUSION¹²

Microinsurance Network¹³ launched its most recent publication on the overview of microinsurance in Latin America and the Caribbean¹⁴ Colombia is reported to cover 12.5%¹⁵ of its market target for microinsurance (i.e., those with a daily income between US \$1.90 and US \$4). Countries with the best coverage were Peru and Ecuador (over 12.5%), followed by Mexico, Colombia and Chile, which had a penetration rate fluctuating between 10% and 12.5%.

In Colombia, although there is not a specific regulatory framework defining inclusive insurances or microinsurance, Circular Letter 91 of 2017 issued by the Superintendencia Financiera de Colombia defined 12 principles deemed important for the promotion of financial inclusion per characteristics such as the insured risk, commercialization channels and insurance pricing. The policies defined were: Funeral expenses, Accidents, Group Voluntary Life Insurance, Group Debtors Life Insurance, Individual Life Insurance, Periodic BEPS and Unemployment¹⁶, fire, earthquake, theft, home and agroindustry. Through such Circular Letter, the Superintendencia Financiera

de Colombia carried out a survey to insurance companies overseen by it, seeking to obtain information on the usage of insurance products by the population, breaking them down by gender and commercialization channels. For purpose of this chapter, the Superintendencia identified information related to these policies and exhibits such information grouped insurance for inclusions, as follows.

-
12. The information presented in this chapter, refers to figures provided by insurance companies as per Circular Letter 91 of 2017 - Superintendencia Financiera de Colombia.
 13. Microinsurance Network is a global platform for professionals and organizations, which commit to making insurance products inclusive. This network has the involvement of over 70 organizations and 30 individual members in 30 countries around the world. <https://www.microinsurancenetwerk.org>
 14. Microinsurance Network (2017). The Landscape of Microinsurance in Latin America and the Caribbean 2017. The World Map of Microinsurance. Final report.
 15. People living with US\$1.9 to US\$4 per day and have a microinsurance / people living with US\$1.90 and US\$ per day.
 16. In the insurance section for financial inclusion, the classification of personal insurance includes the unemployment policy.

ISSUED PREMIUMS ¹⁷

In 2017, the total accrued value of issued premiums related to insurance for inclusions reached \$8 trillion, equivalent to 31.3% vis-à-vis total production of the insured sector and represents annually in real terms increase of 9.5% and 14% nominal annual increase, 2pp above nominal industry growth (Chart 6.5). This growth

was driven mainly by personal insurances, moving from 7.3% in 2016 to 17.1% in 2017. (Chart 6.6).

17. Issued premiums: Direct issued premiums, plus premiums accepted in co-insurance, minus cancellations or cancellations of direct issued premiums and co-insurance, plus premiums accepted and or assigned by the Compensation Chamber of mandatory insurance against traffic accidents.

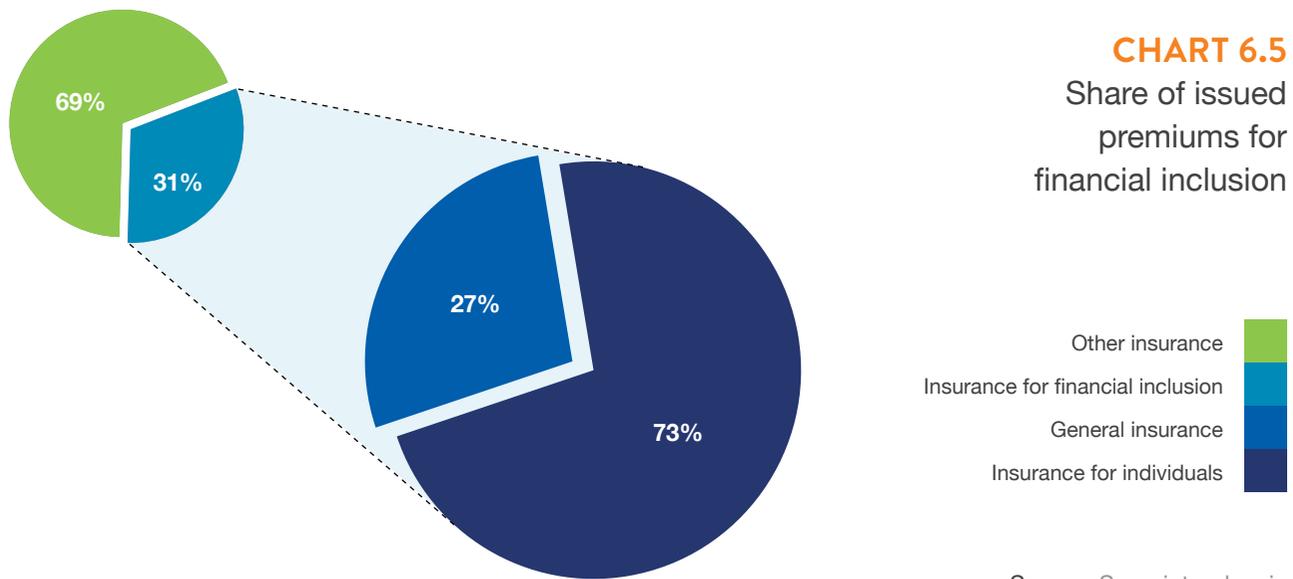
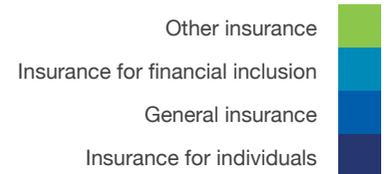


CHART 6.5
Share of issued premiums for financial inclusion



Source: Superintendencia Financiera de Colombia

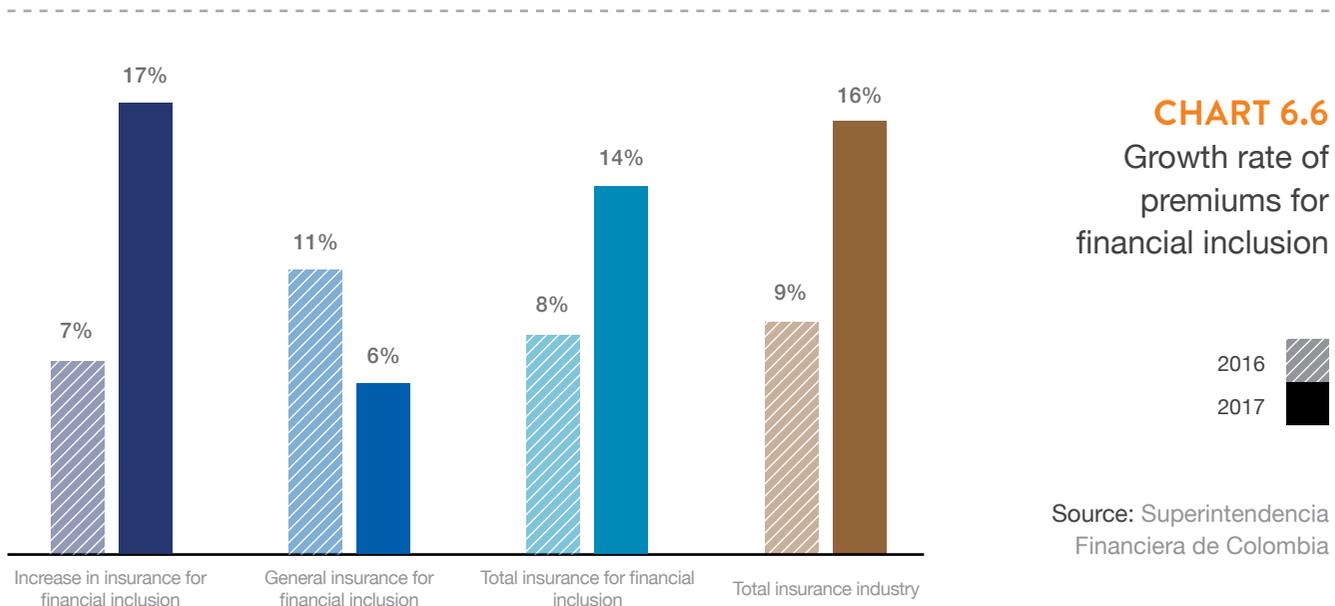
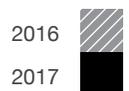


CHART 6.6
Growth rate of premiums for financial inclusion



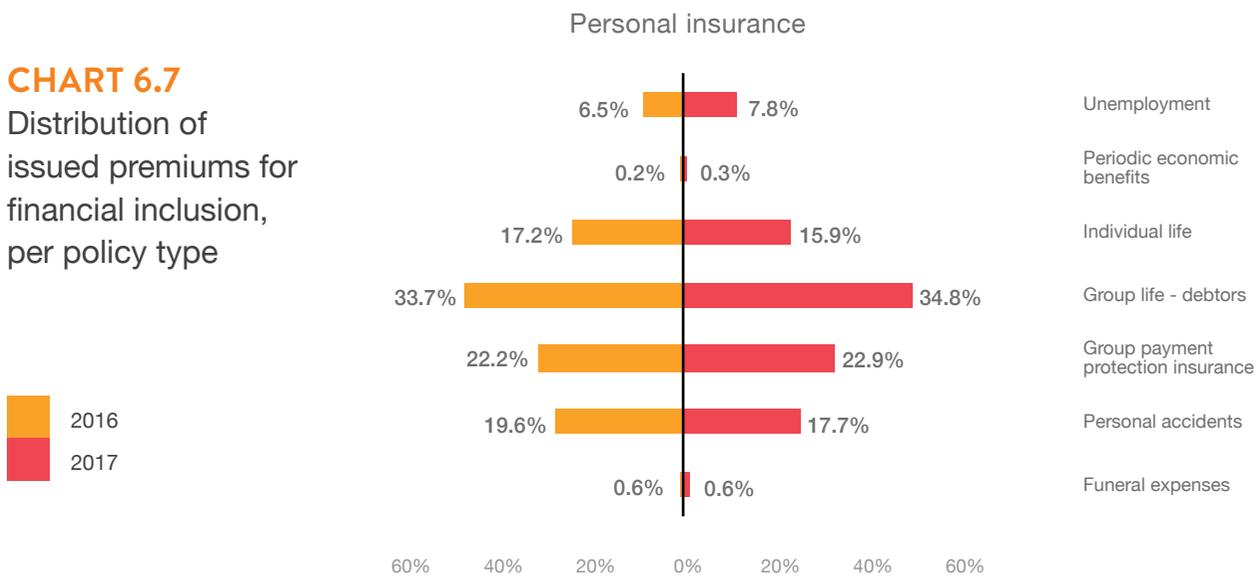
Source: Superintendencia Financiera de Colombia

Within personal insurance, the policies of collective payment-protection insurance and group life insurance represented 57.7% of total policies. Unemployment insurance policies had the greatest increase in terms of share, increasing by 1.3pp, resulting from the annually in real terms growth of premiums of 35.7%, which is a significant variation as this type of policy was recent-

ly approved by some insurance companies (Chart 6.7).

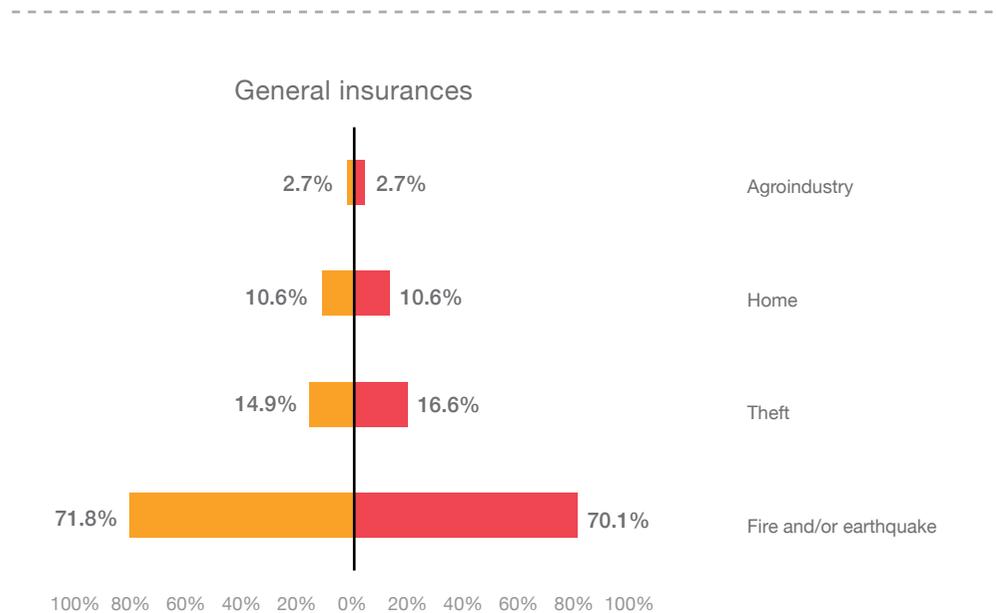
In the case of general insurances, during 2017, 70.1% of issued premiums correspond to fire and earthquake policies. Theft was the policy showing greatest growth when compared to 2016 as regards issued premiums, growing by 14.1% annually in real terms. (Chart 6.7).

CHART 6.7
Distribution of issued premiums for financial inclusion, per policy type



2016
2017

Source: Superintendencia Financiera de Colombia



2016
2017

The value of insurance premiums is one of the most important components to incentivize sector's inclusion, as it may be an access barrier for financial services. During 2017, 29.7% of total issued premiums in products related to insurances for inclusion entailed a monthly average premium of less than \$20,000 (28% in 2016). The most accessible policies were funeral expenses, personal accidents, periodic BEPS, unemployment, theft and group debtors life insurance (Chart 6.8).

previous year. The use of networks became the most representative distribution channel for the commercialization of insurances in Colombia having 37.9% of total policyholders, followed by individual brokers (23.1%) and insurance intermediaries (17.3%) Channels experiencing greater growth of policyholders were public utility companies (194%) and electronic media, mobile devices and Internet, with annually in real terms increases of 193.6% and 66%, respectively (Chart 6.9).

POLICYHOLDERS

In 2017, the number of effective policyholders¹⁸ increased by 7.7% vis-à-vis the

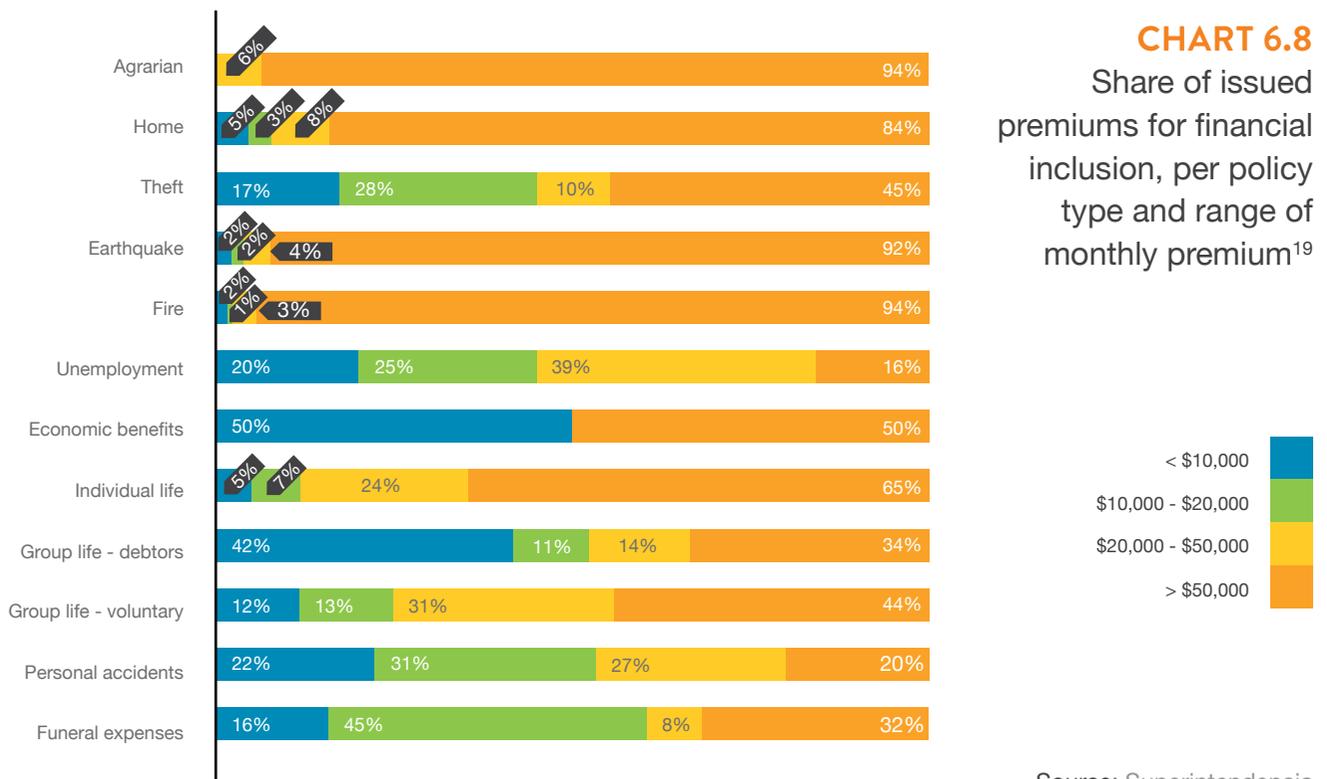


CHART 6.8
Share of issued premiums for financial inclusion, per policy type and range of monthly premium¹⁹

Source: Superintendencia Financiera de Colombia

18 The monthly premium refers to the value in pesos of issued premiums and paid on a monthly basis per policyholders.

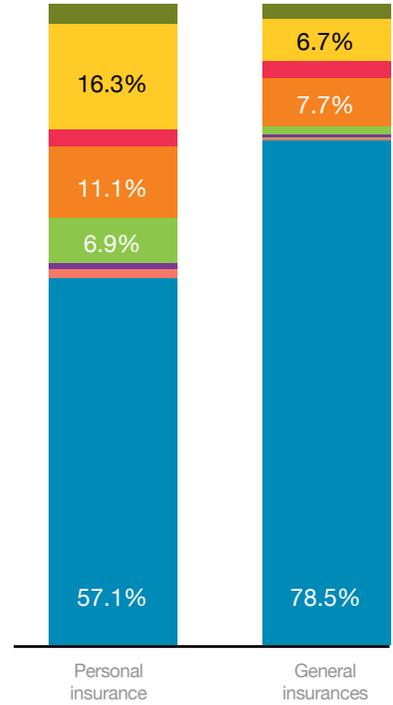
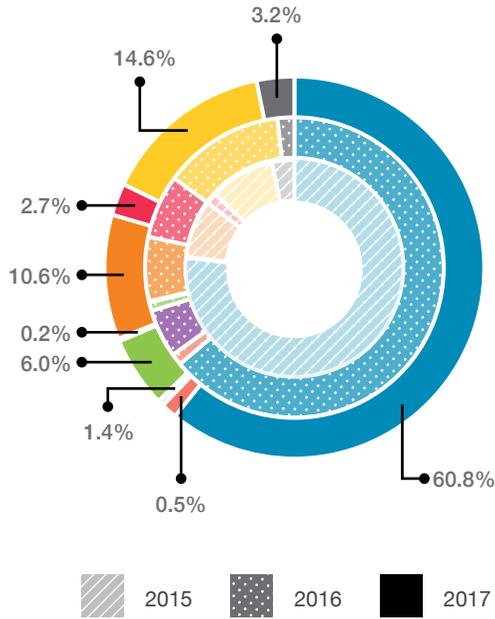
19. The number of current insured refers to the number of insured with policies in force as of December of the year under study.

CHART 6.9

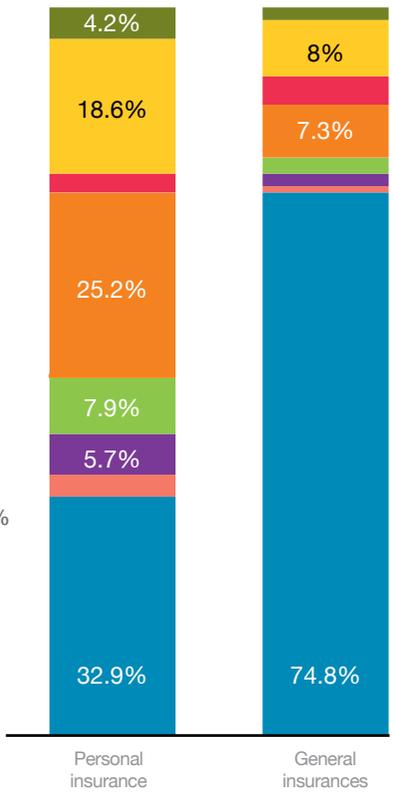
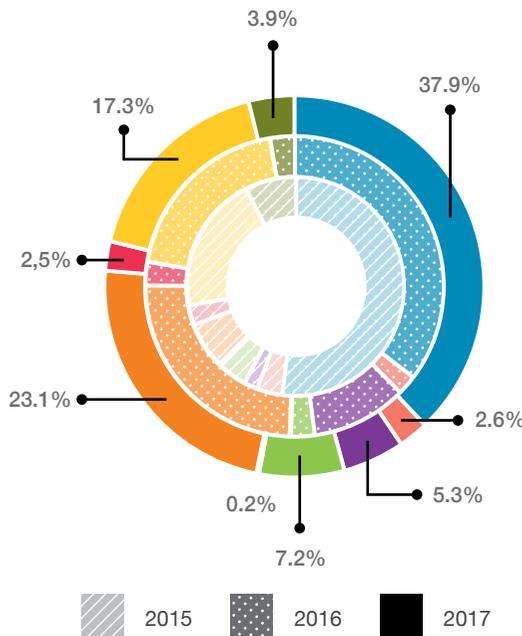
Evolution of insurance market share for financial inclusion, per sales channel

- Use of network
- Microfinance institutions
- Solidarity sector
- Utility companies
- Electronic means, mobile devices and Internet
- Own work
- Stores and large surfaces
- Insurance brokers
- Other

Share by number total of risks policyholders in per year



Share by number total effective policyholders



Source: Superintendencia Financiera de Colombia

Although during 2017 the use of network continued as the most important channel in terms of insurance placement, its total share of new policyholders for the year decreased by 15.9pp, from 76.7% in 2015 to 60.8% in 2017. The foregoing is mainly the result of the decrease in the ratio of payment protection insure to the total number of insured risks.

When reviewing data per type of insurance, there is evidence that although 88% of effective policyholders of insurances for financial inclusion in 2017 were personal insurance clients, their share was 3pp lower when compared to the previous period. The number of

new insured risks through general insurance coverage increased its share by 10.8pp over the total, from 6.4% to 17.2% (Chart 6.10).

New policyholders with insurances for financial inclusion entered mainly through the group debtors life insurance business (40.4%), this share has decreased from 2015 (Chart 6.11). This situation may be interpreted as positive, as it is indicative that insurance growth for inclusion is driven by different types of insurances placed through loans or other mandatory policies, as voluntary theft insurance, personal accidents and unemployment policies.

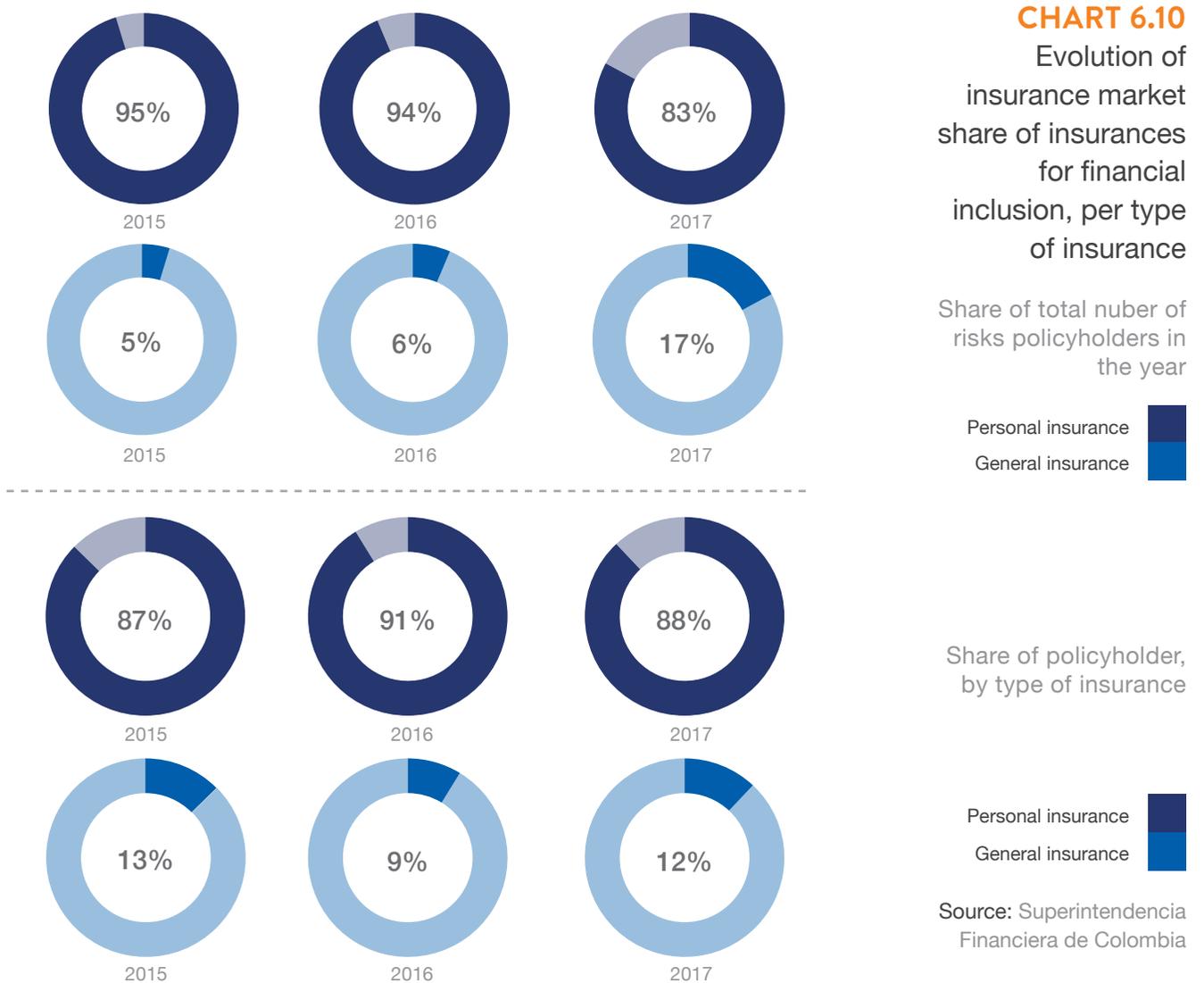
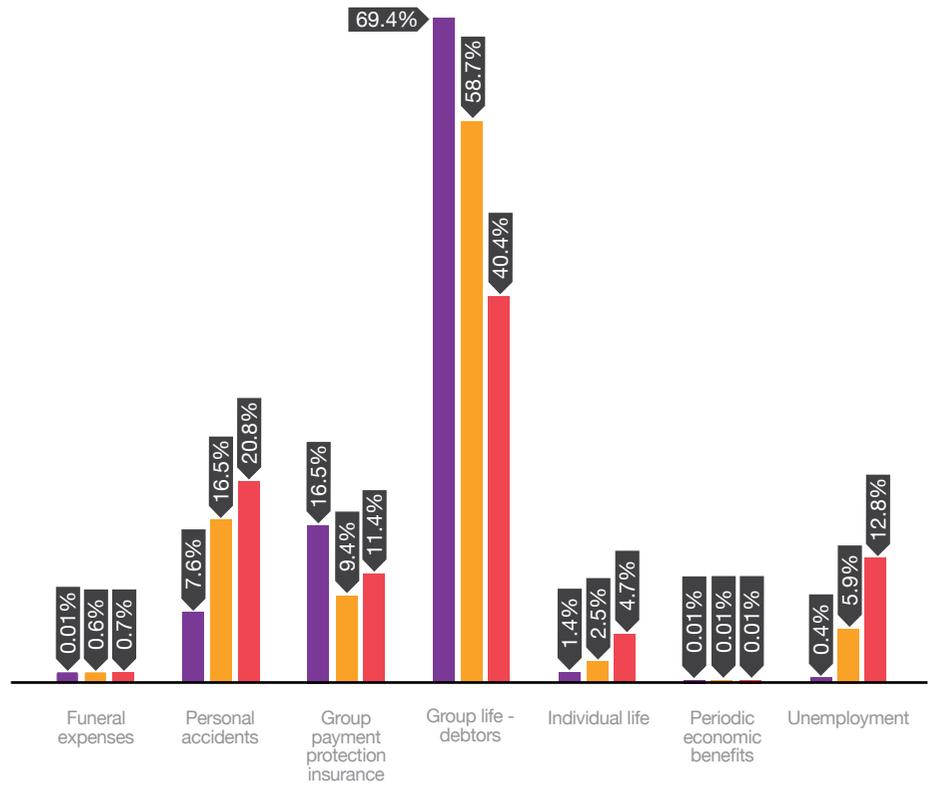


CHART 6.11

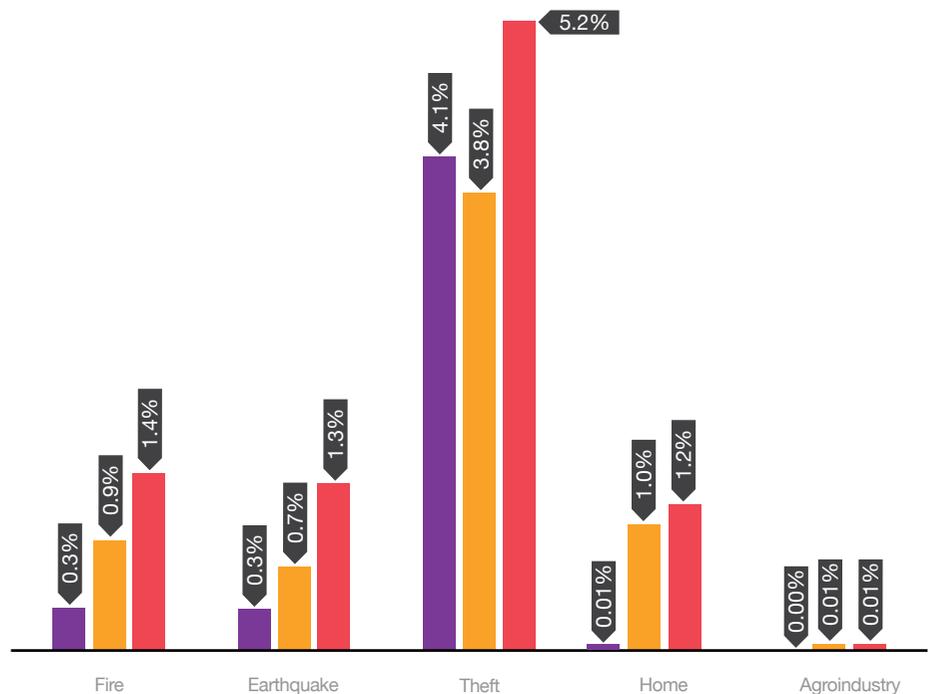
Evolution of the share of effective number of policyholders of insurances for financial inclusion, per policy type



Personal insurance



General Insurance



Source: Superintendencia Financiera de Colombia



Regarding the policies for financial inclusion, personal accident and group debtors life insurance have the largest number of effective policyholders, which share amounting to 31.2% and 30.1% respectively. (Chart 6.12) Regarding associated policies to general insurances, theft contributed most to the evolution of financial inclusion, as it increased its market share by 4.8pp in the total number of policyholders.

When reviewing market share of policyholders per distribution channels and policies in 2017, the following came out (Chart 6.13)

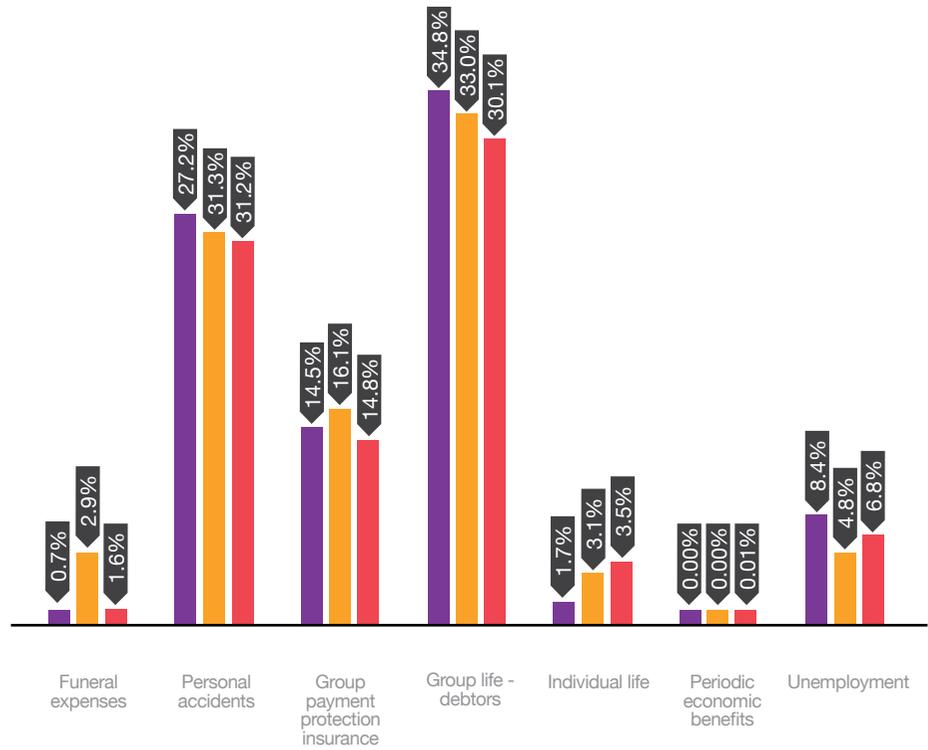
- Funeral expenses insurances were commercialized mainly through stores and large retailers.
- Own sales force and intermediaries were driven by the placement of policies of personal accidents, individual life insurance, fire, earthquake, home and agro-industry policies.
- The channel that contributed less to the increase of policyholders of insurance for financial inclusion was the solidarity-based sector²⁰.

20. Commercialization channels, corresponding to financial credit unions that are not overseen by the SFC and funds. Pursuant to the law, it is understood by financial credit unions employee funds, mutual funds, unions and other entities of solidarity-based economies.

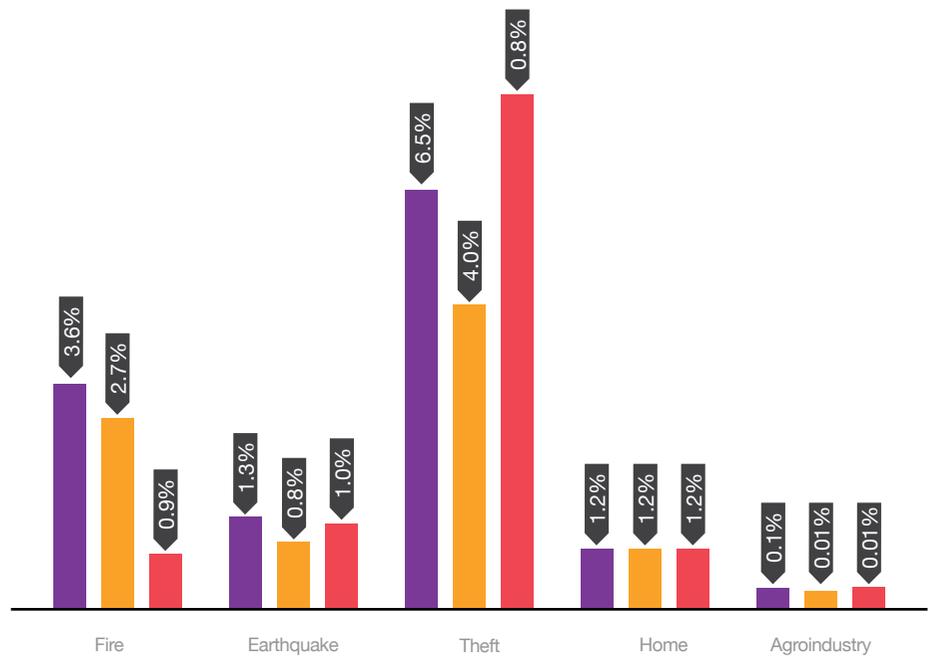
CHART 6.12
Evolution of the share of effective policyholders of insurances for financial inclusion, per policy type



Personal insurance



General Insurance



Source: Superintendencia Financiera de Colombia

Market share of total number of risks insured during the year

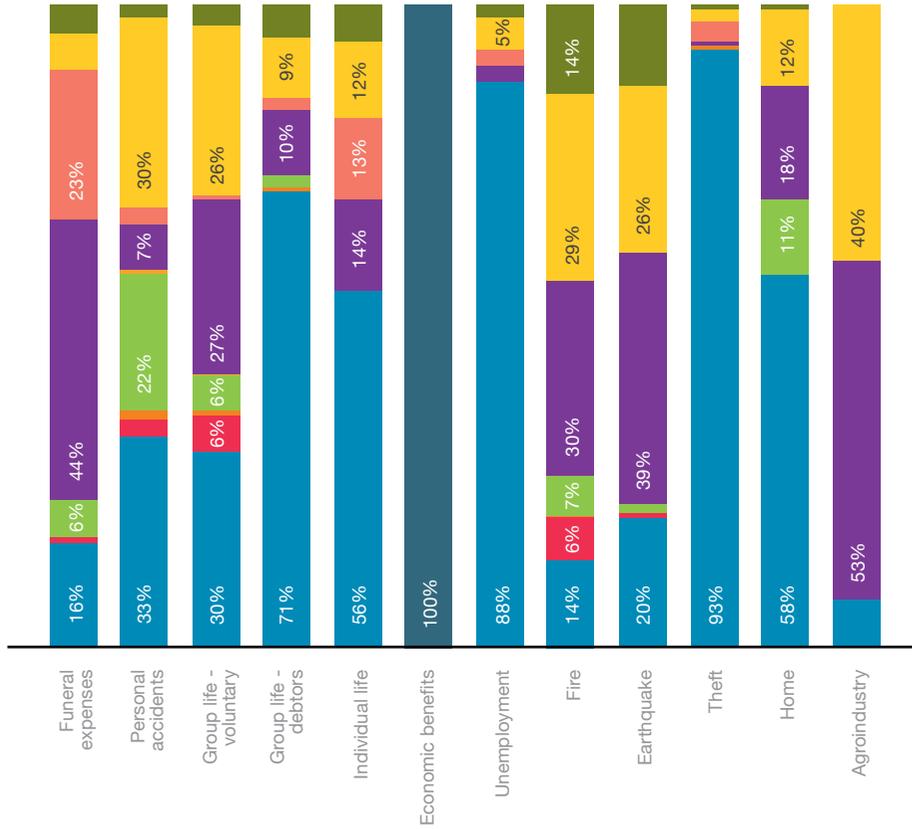
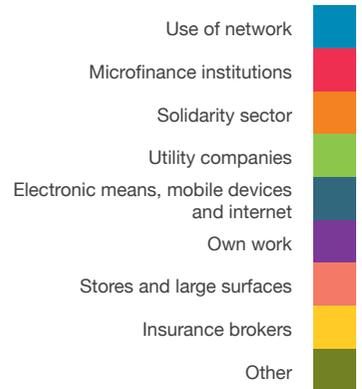
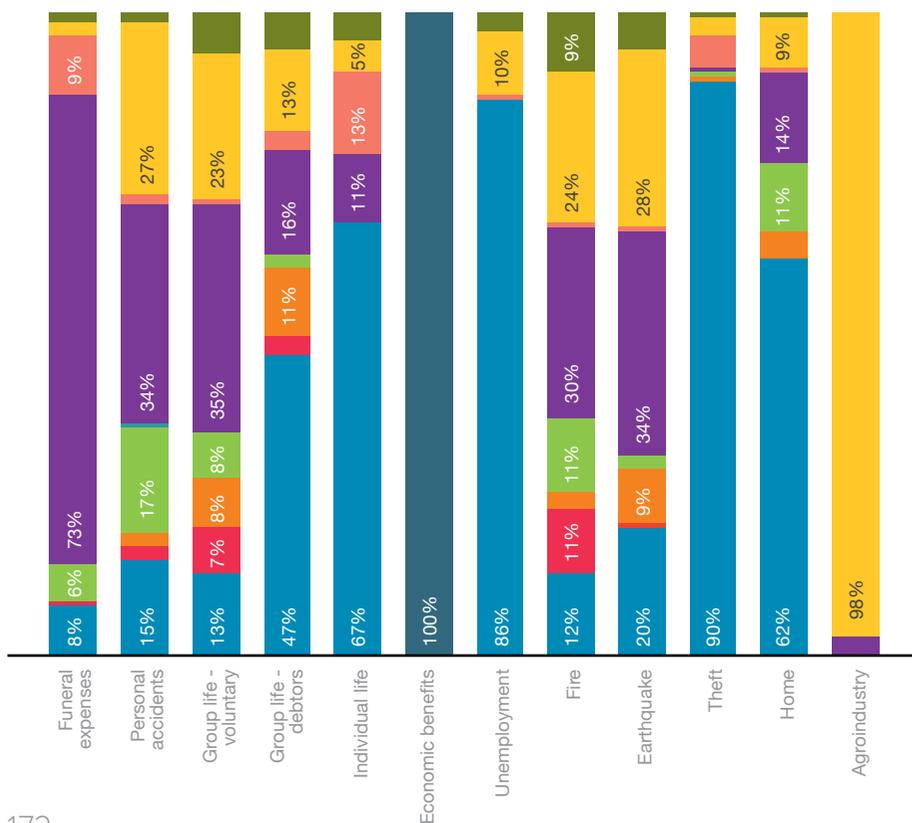


CHART 6.13

Market share of number of policyholders of insurances for financial inclusion, per channel and policy type



Market share of effective policyholders



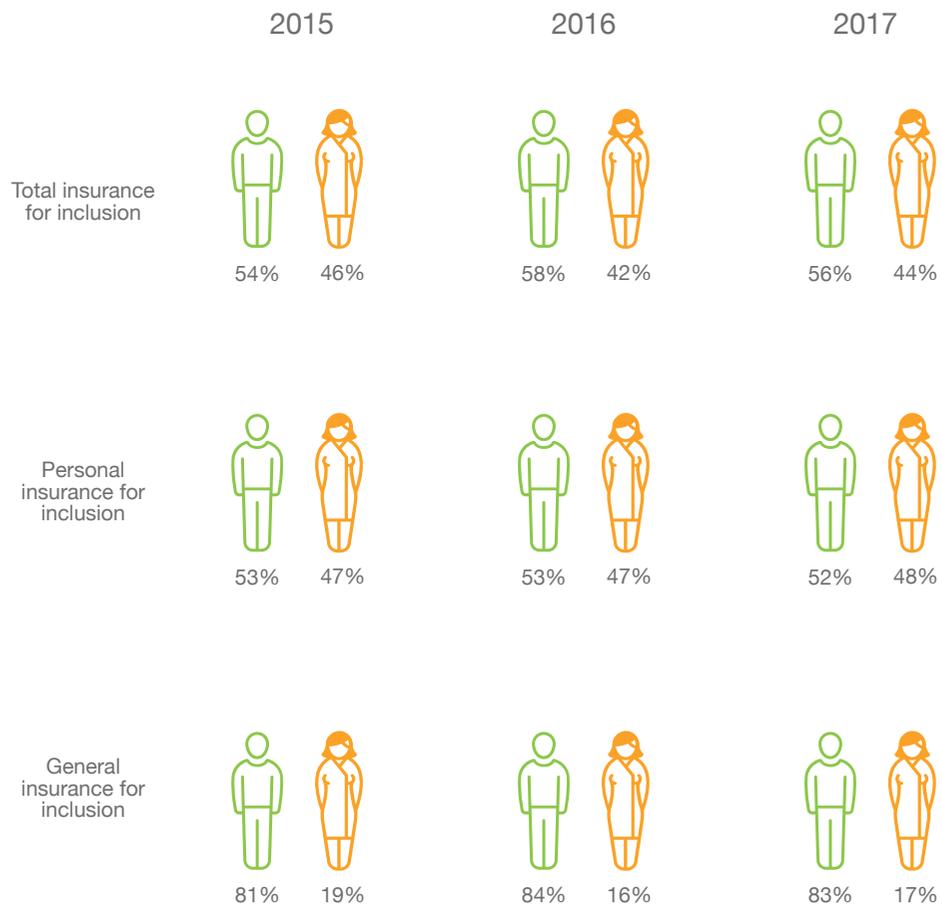
Source: Superintendencia Financiera de Colombia

Regarding distribution by gender, during 2017, 56% of policyholders in the business of financial inclusion insurances were men and 44% were women. Between 2016 and 2017, the market share of women in insurances for financial inclusion grew by 2pp, driven by an increase in the number of women policyholders of personal and general insurance policies. These results may be attributed to the efforts carried out by the sector to design products differentiated by gender, such as policies with coverage for illnesses related to men and women and/or those offering coverage for

products that are specific to women (accessories, hand bags, among others) Chart 6.14.

When reviewing data per policy and gender, there is evidence of an equal distribution with the exception of the policies related to theft and agro-industry that had a larger share of men, 88% and 84% respectively (Chart 6.15). The businesses with greatest growth of women policyholders relate to periodic BEPS (7pp), group voluntary life insurance (3pp) and group debtors life insurance (3pp) and businesses with greatest growth of number of men policyholders are theft (14pp) and home (9pp).

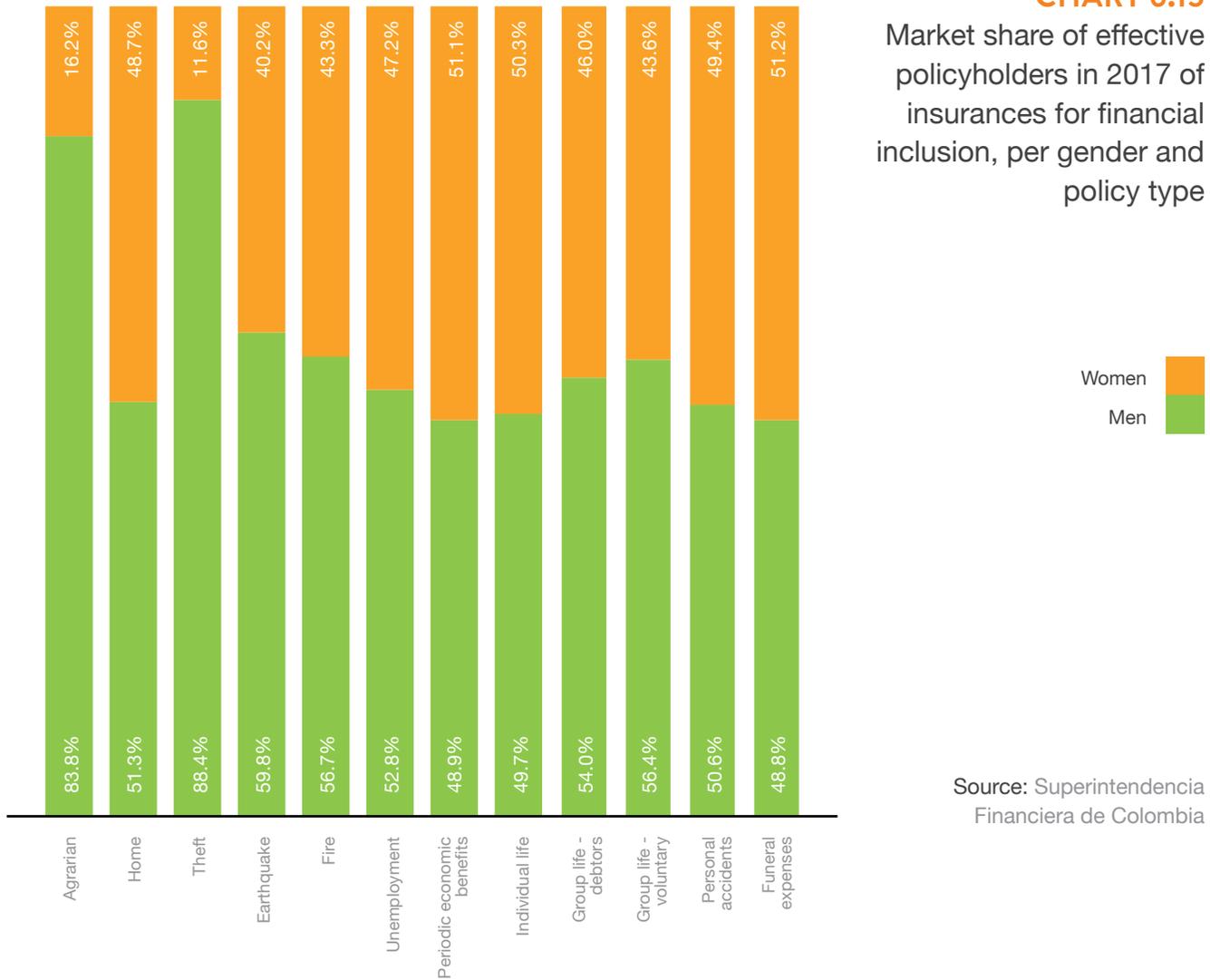
CHART 6.14
Evolution of the share of total effective policyholders of insurances for financial inclusion, per gender



Source: Superintendencia Financiera de Colombia

CHART 6.15

Market share of effective policyholders in 2017 of insurances for financial inclusion, per gender and policy type



Source: Superintendencia Financiera de Colombia

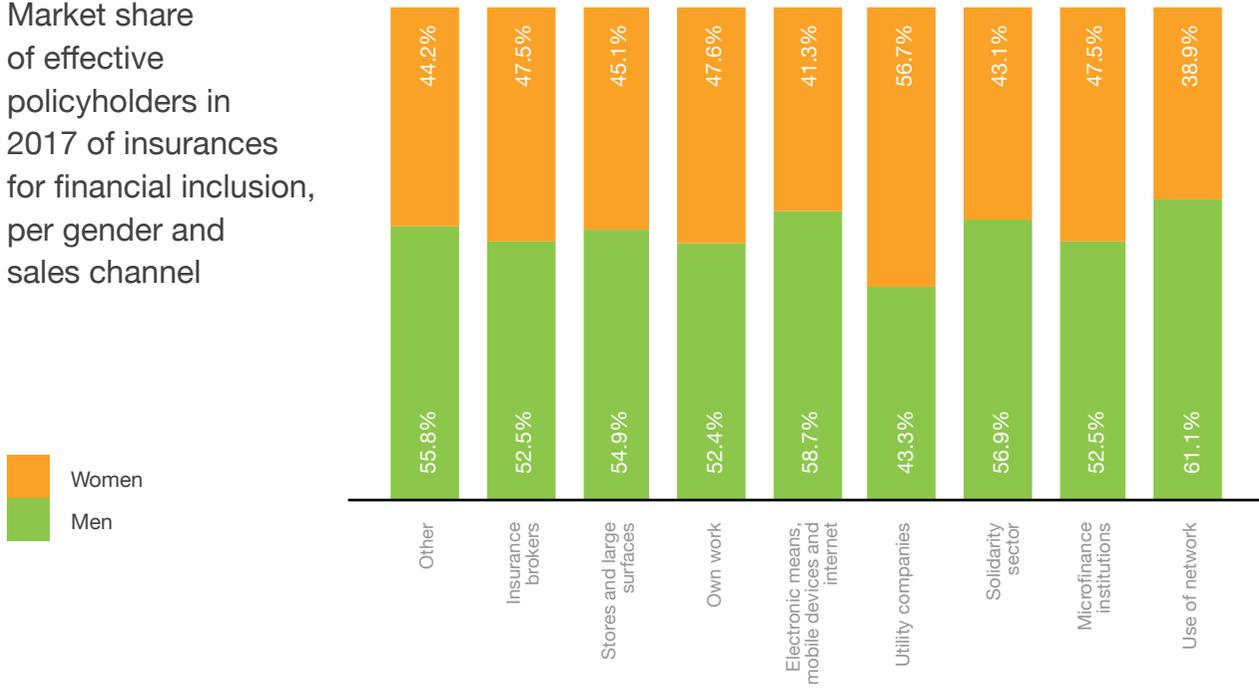
The sales channel with the greatest number of effective men policyholders was the use of network (61.1%) while public utility companies was the channel having the largest women representation in its products (56.7%). When analyzing variation in feminine market share per channel and policy, it was observed that the greatest growth were

in microfinancial institutions²¹, and the use of networks through the policies of fire, theft, home, unemployment and group life insurances (Chart 6.16).

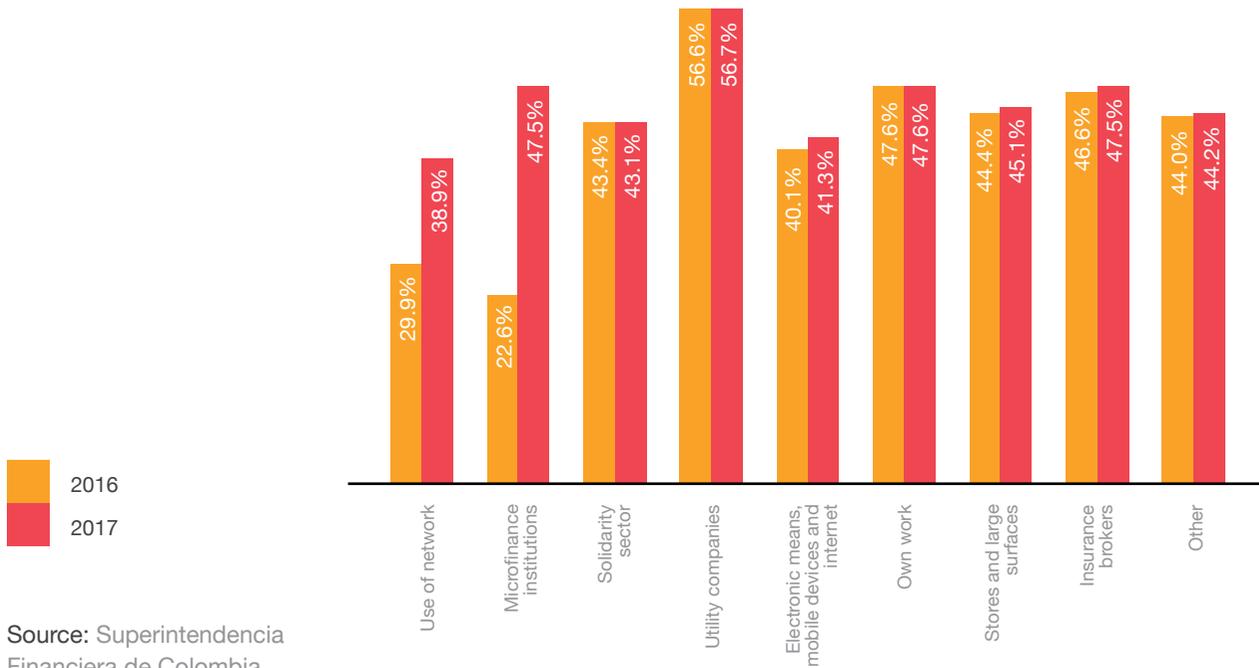
Among the purposes of financial inclusion is to provide affordable products that ensure coverage to address needs of the population, irrespective of their geographical location.

21. Commercialization channel corresponding to non-profit organizations and NGO's.

CHART 6.16
Market share of effective policyholders in 2017 of insurances for financial inclusion, per gender and sales channel



Market share of effective policyholders

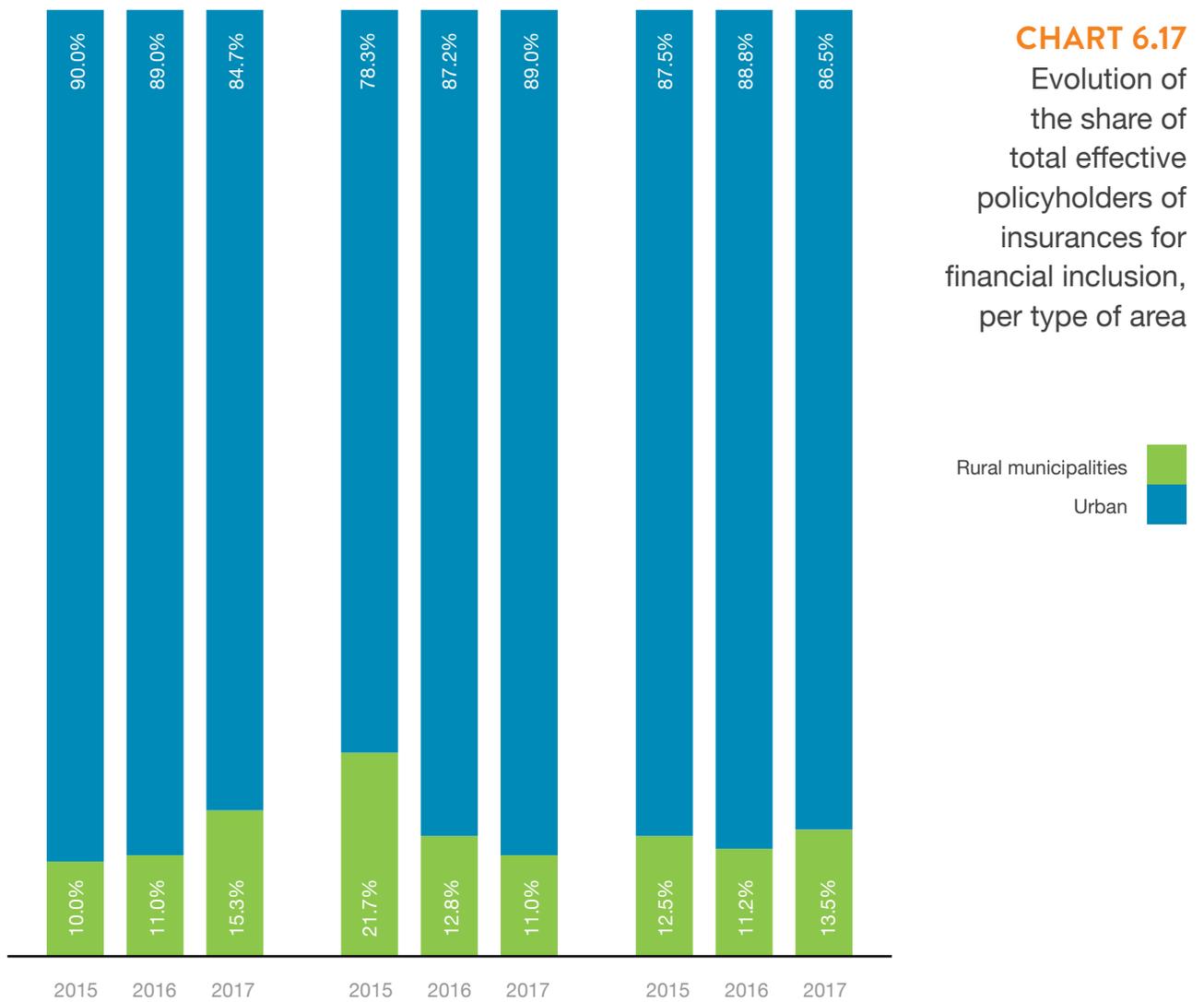


Source: Superintendencia Financiera de Colombia

In the insurance sector, one may observe a 3pp increase in the number of policyholders living in rural municipalities and dispersed rural areas in the country during 2017 (13.5%). This growth means progress as regards the objective of insurance for inclusions, which seek that Colombians from all areas of the country have mechanisms in place that allow them to maintain their quality of life and ensure tranquility to their families to fulfill long term objectives and

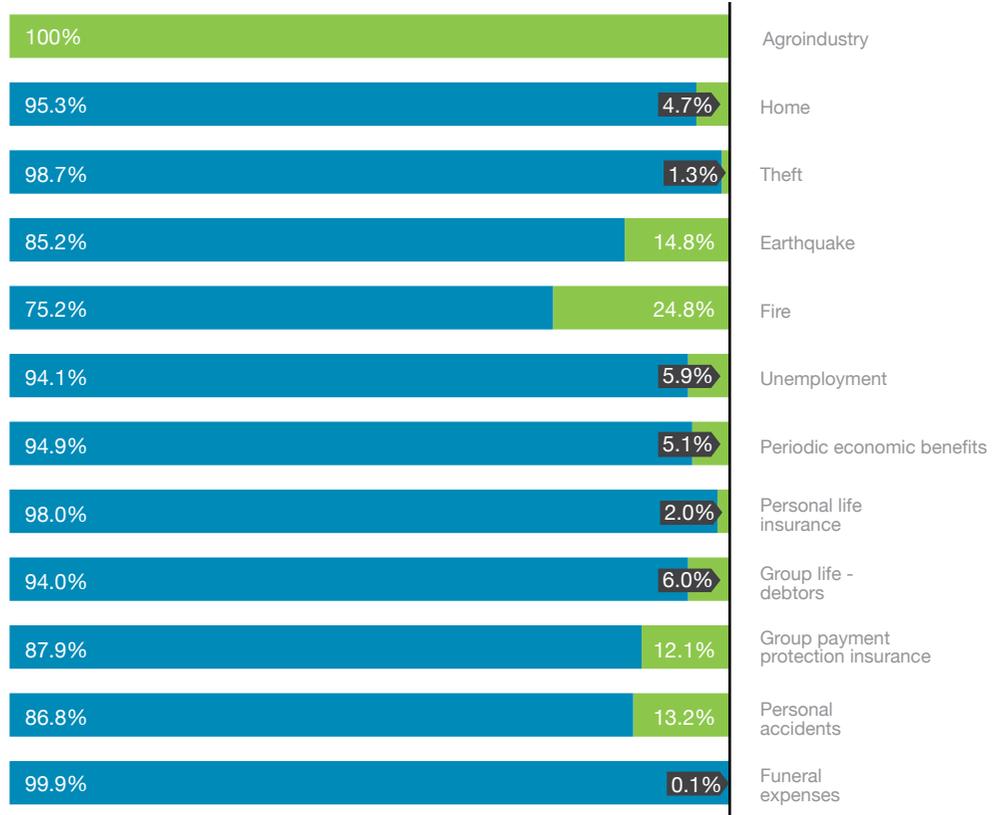
overcome financial crisis when faced with unforeseen events (Chart 6.17).

The policy showing the greatest growth of clients located in rural areas was fire, which had an increase of 13.3%, becoming the third policy with greatest share of effective policyholders in this area (24.8%). Basic coverages of the following insurance policies are more appealing to inhabitants from rural areas and dispersed rural areas: fire, explosions, water damage, flooding and avalanches (Chart 6.18).

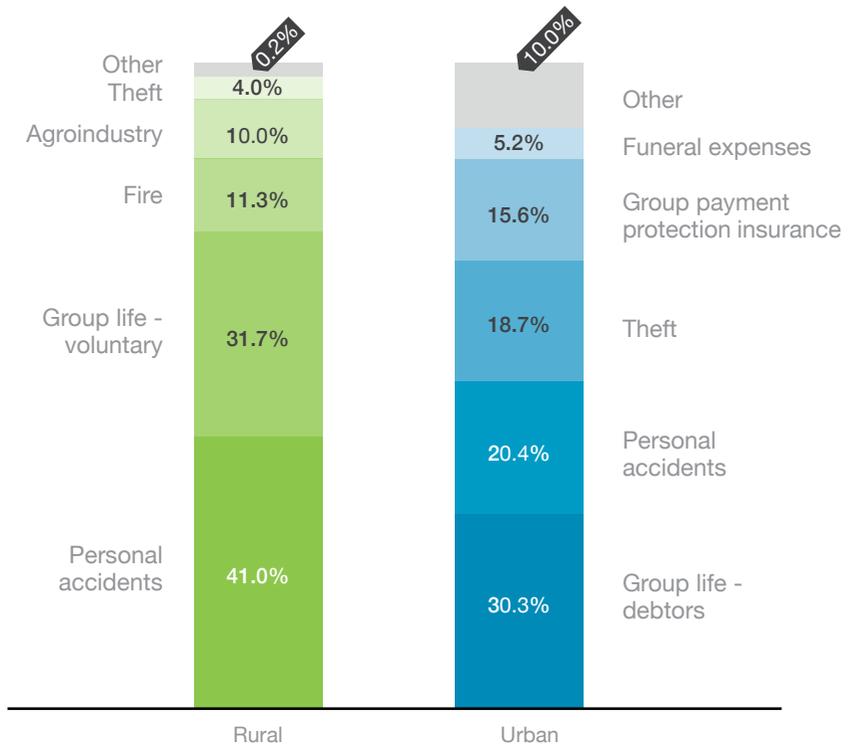


Source: Superintendencia Financiera de Colombia

CHART 6.18
Market share of effective policyholders who in 2017 of insurances for financial inclusion, per type of area and policy type



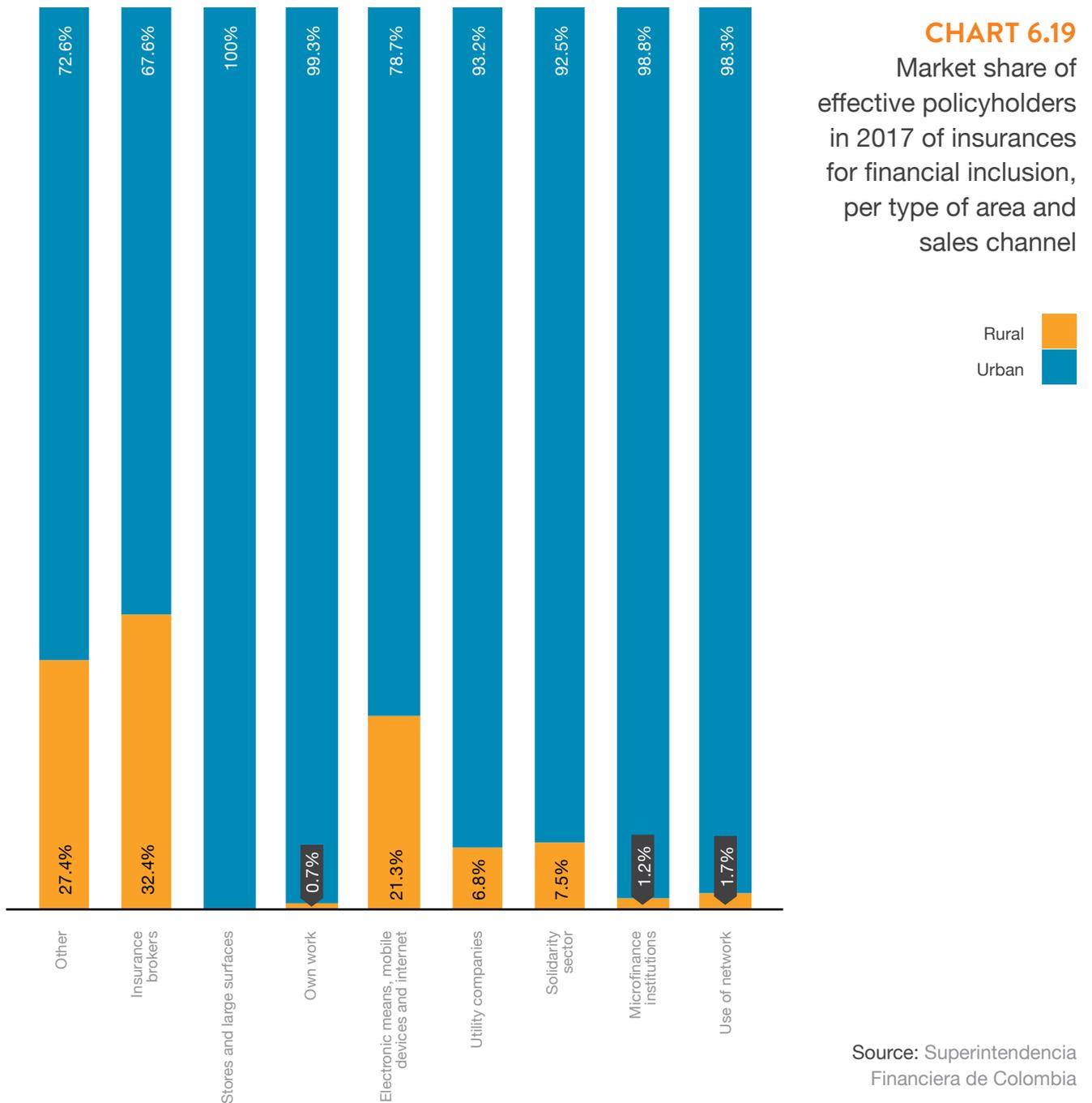
Top 5 policies per area



Source: Superintendencia Financiera de Colombia

The commercialization channel with the greatest concentration of effective policyholders in rural areas was that of insurance intermediaries (32.4%), followed by electronic media, mobile devices and Internet (21.3%). This last option is related to insurance policies with low

insured amounts, which value is discounted from the balance of products under deposit that allow managing money from their mobile phones. These policies do not need insurability requirements nor are exclusions applicable thereto (Chart 6.19).



CANCELLATIONS

The cancellation of an insurance contract before its expiration occurs mainly due to delinquent premium payments, not complying with guarantees or obligations of the insured individual or policyholder, not giving notification to the insurance company on modifications that influence the status of the risk, the non-existence of policyholders interest and revocation from policyholders as they are not satisfied with the service rendered or changes in pricing or coverages of the insurance company.

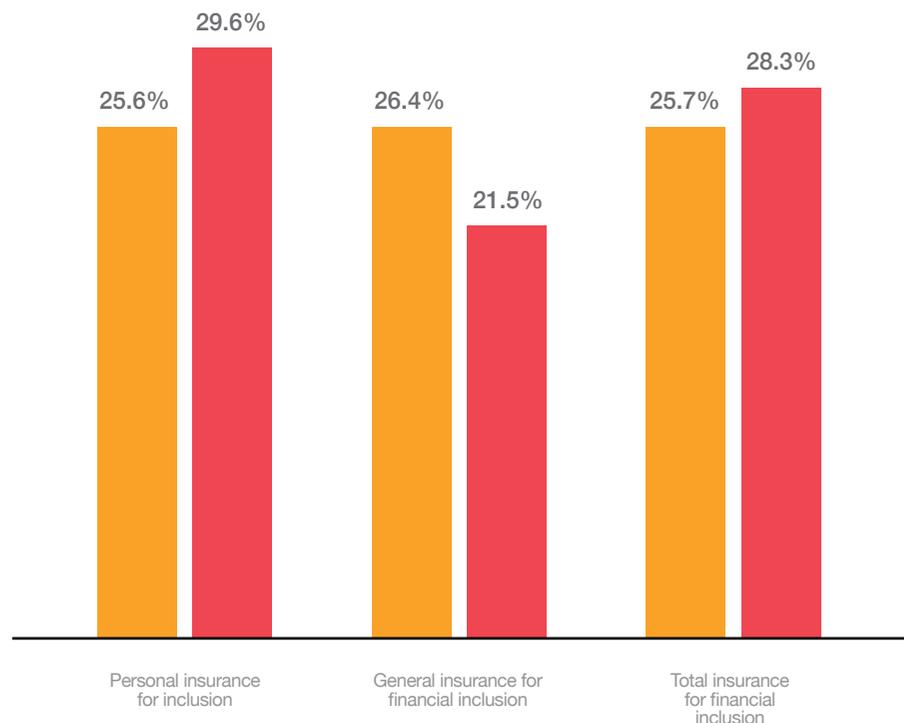
The number of accrued cancellations over the number of accrued effective policies ena-

bles knowing the business index that complete coverage before their expiration date. During 2017, the policy related to insurances for financial inclusion experienced a cancellation index of 28.3%, 2.6 pp greater than in 2016. Personal insurance reached an index of 29.6%, growing 4pp vis-à-vis the previous year, and general insurance reached 21.5% of cancelled businesses, 4.9pp less than in 2016 (Chart 6.20).

22. The number of accrued policies that complete coverage before their expiration date as a proportion of number of effective and accrued policies.

CHART 6.20

Cancellation index of insurances²² for financial inclusion, per type of insurance



Source: Superintendencia Financiera de Colombia

Personal insurance

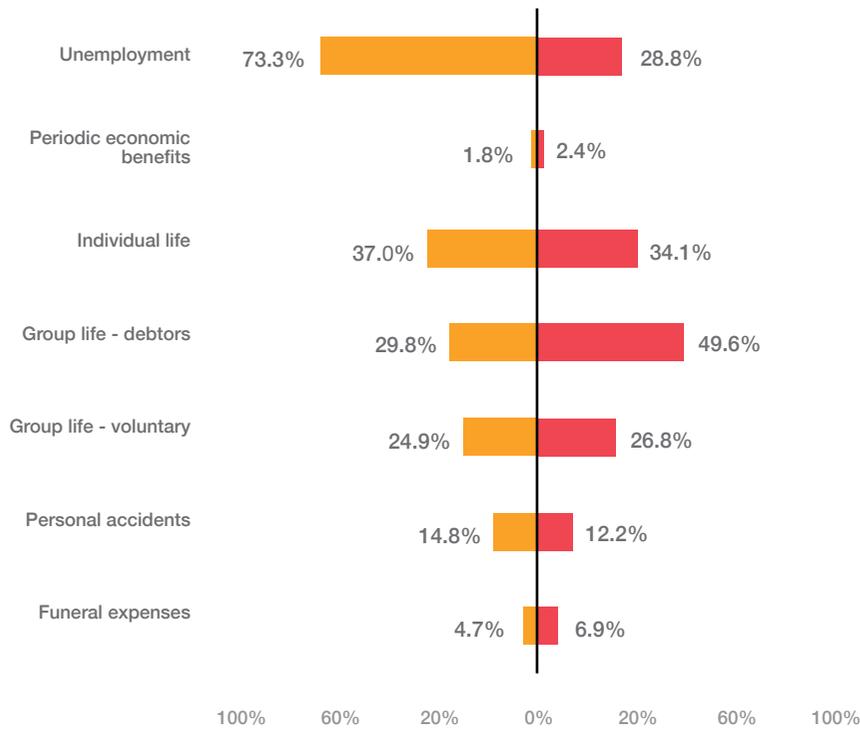
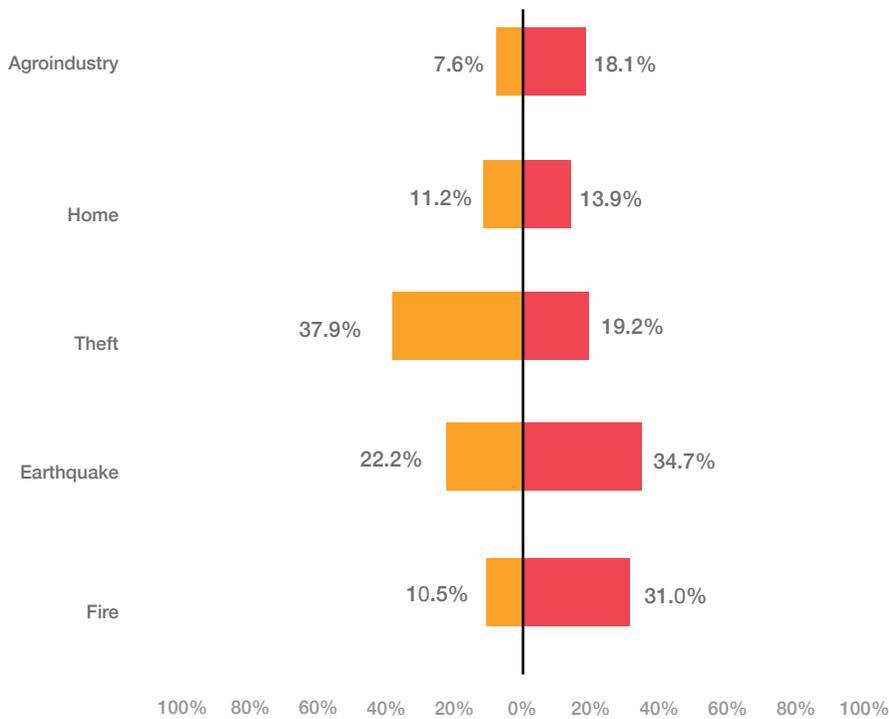


CHART 6.21
Cancellation index of insurances for financial inclusion, per type of insurance and policy

2016
2017

General insurances



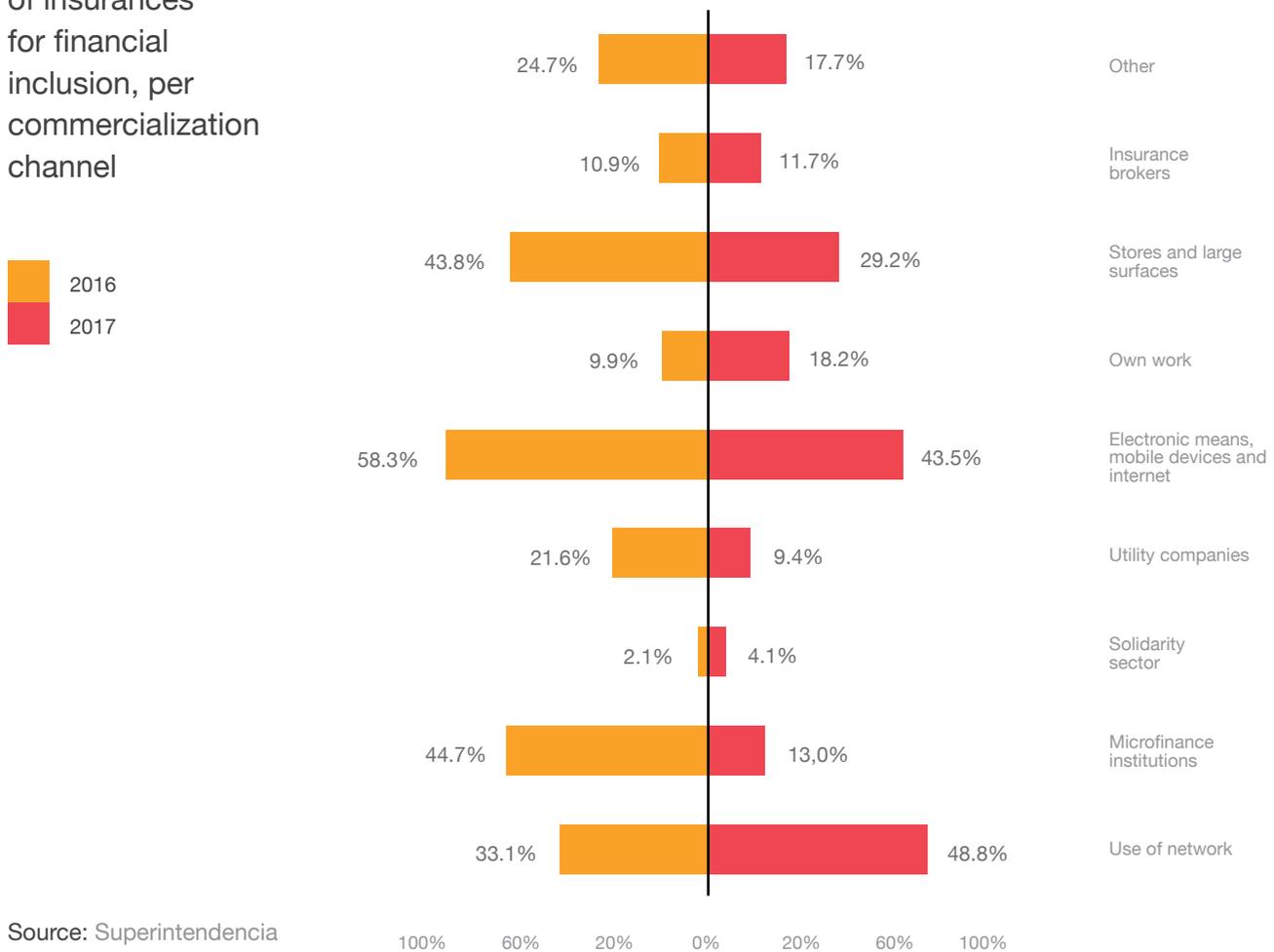
2016
2017

Source: Superintendencia Financiera de Colombia

The policies with the greatest cancellation index in 2017 were group debtors life insurance (49.6%), followed by earthquake (34.7%) and individual life insurance (34.1%). Those experiencing greater increases in the indicator were fire, group debtors life and earthquake (Chart 6.21). It is worth noting that the cancellation of products linked to these policies may be related, in part, to the payment of the loan by policyholders to financial institutions

As per the foregoing, and given that the commercialization channel of insurances associated to loans is the use of networks, the highest cancellation index was found in this channel (48.8%). In second place, electronic media, mobile devices and Internet (43.5%) and in third place were stores and large retailers (29.2%) (Chart 6.22). These results allow concluding that channels with massive placement of policies show the largest number of completed transactions before their expiration.

CHART 6.22
Cancellation index of insurances for financial inclusion, per commercialization channel



Source: Superintendencia Financiera de Colombia

ACCIDENT RATE

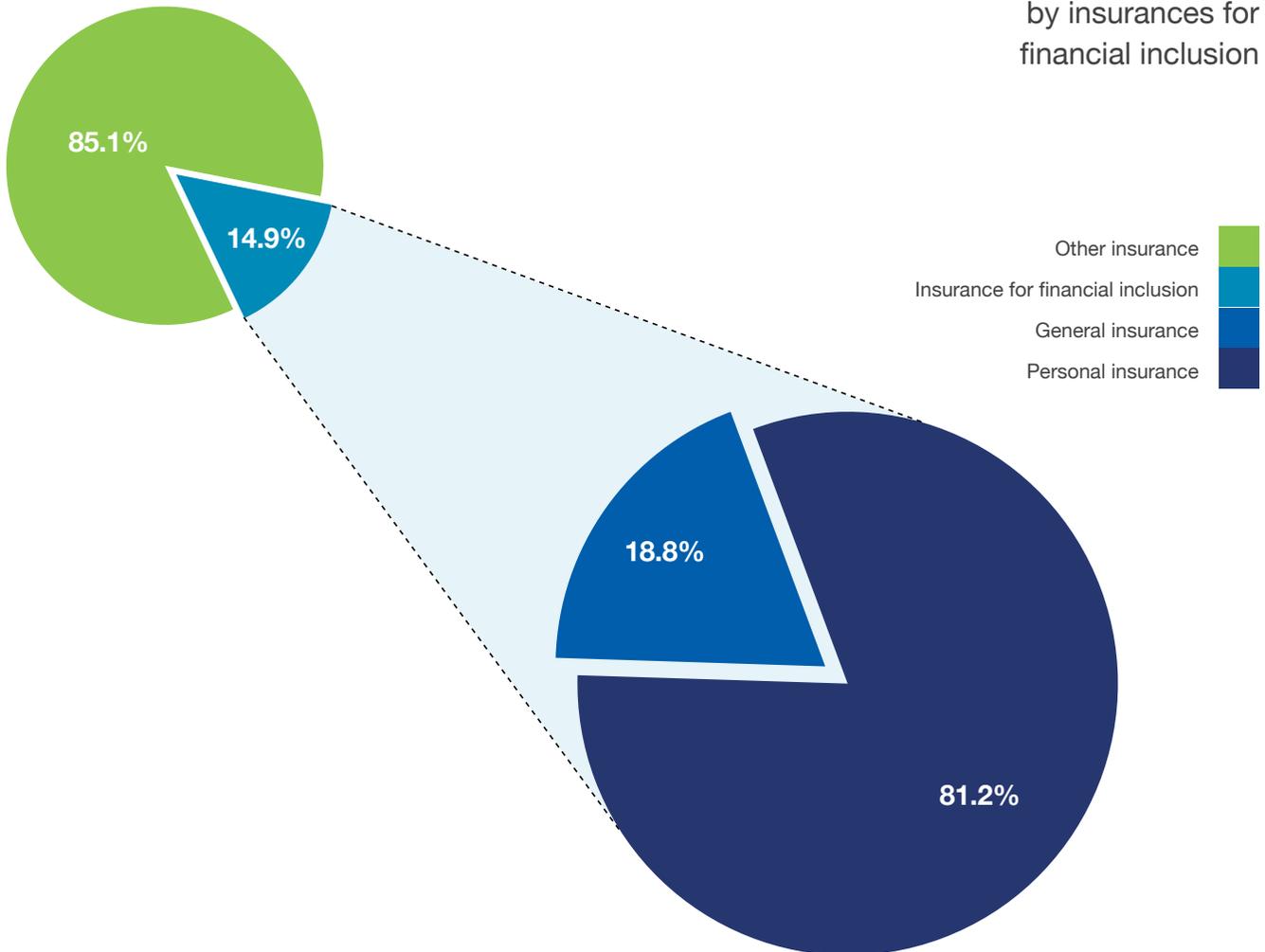
As previously mentioned, the claims ratio is the existing ratio between the amount of losses paid and revenues on the sale of insurances. If the index increases, the insurance company will have to assess the sufficiency of the rate as of technical revenues and expenditures, hence, insurance companies may make changes to subscription conditions and increase the price of the insurance to maintain

adequate solvency levels. Therefore, an adequate accident rate index is not only in relation to risk management policies, but also to the effort of promoting financial inclusion.

For 2017, insurances for financial inclusion had a market share of 14.9% of paid losses, representing a claims ratio of 23.8%. This figure, which is 1.3pp lower than the previous year and 26.3pp below industry index, is explained by the reduction of accident rate in personal insurances. Within personal insurances, the policies of

CHART 6.23

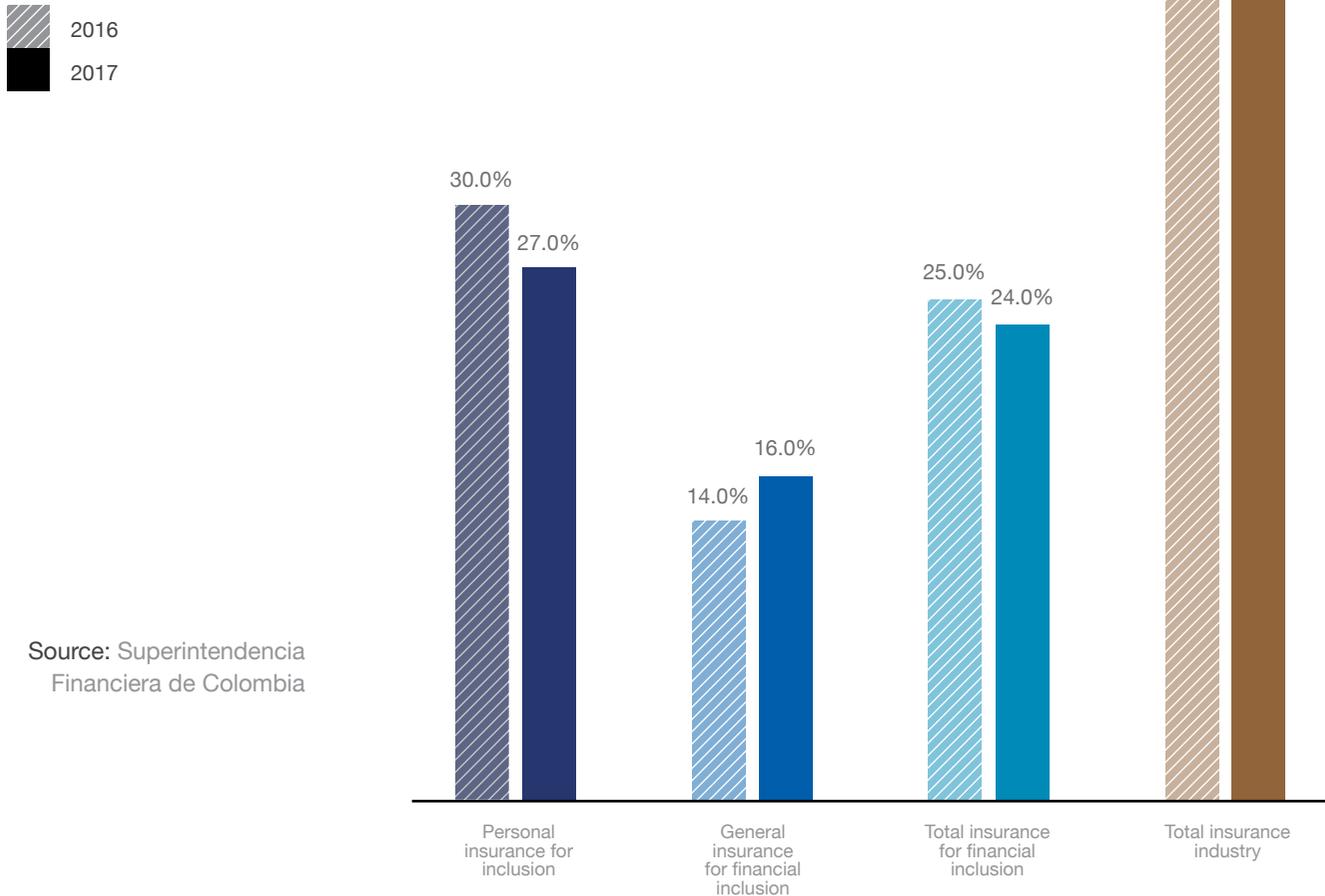
Share of losses by insurances for financial inclusion



Source: Superintendencia Financiera de Colombia

CHART 6.24

Claims ratio by insurances for financial inclusion



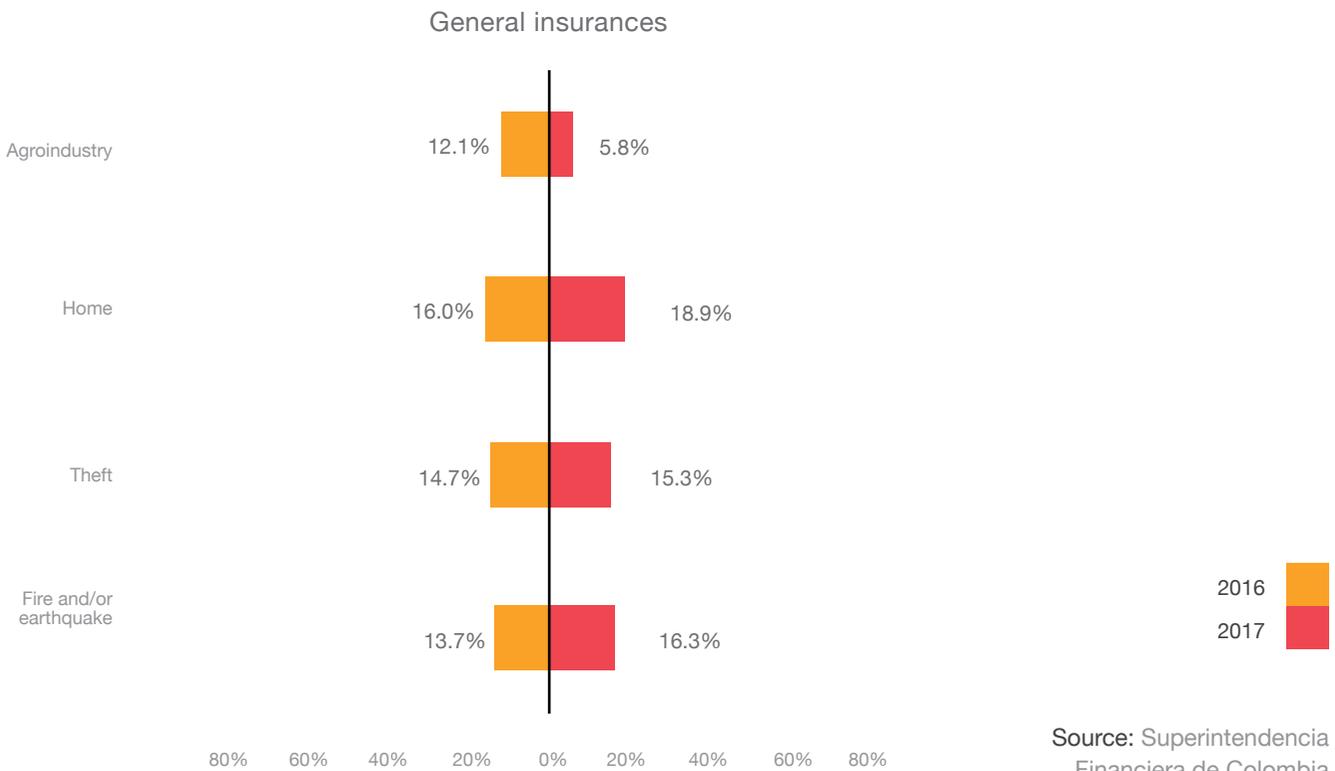
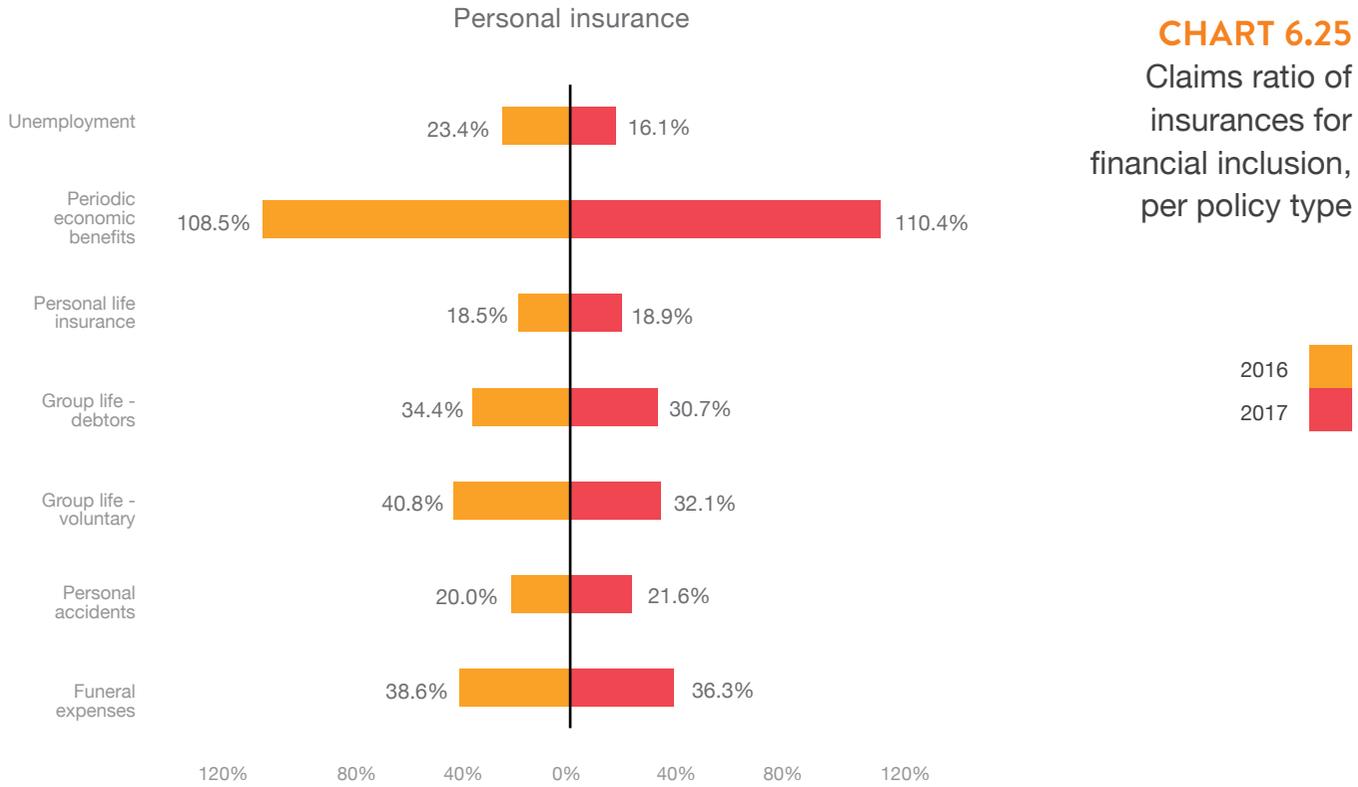
Source: Superintendencia Financiera de Colombia

voluntary group life insurance, unemployment and group debtors life insurance drove the decrease in the accident rate for this type of insurance, showing a decrease of 8.7pp, 7.2pp and 3.7pp respectively. (Chart 6.23).

Understanding by objection the non-payment of claims in the case of the incident claim, due to circumstances that exclude the

responsibility of the insurance company, the rate of objection of insurances for financial inclusion in 2017 reached 24.4%, 6.6pp above the previous year. Regarding personal insurance, the policy with the greatest rate of objection was unemployment (52.4%) and in general insurances, the policy of theft showed the greatest rate of objection (22.6%).

CHART 6.25
Claims ratio of insurances for financial inclusion, per policy type



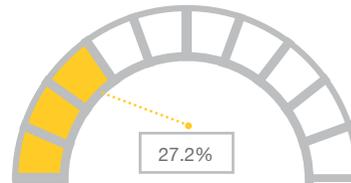
Source: Superintendencia Financiera de Colombia



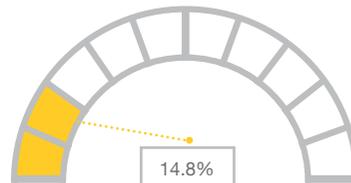
CHART 6.26

Rate of objection of insurances for financial inclusion, per type of insurance

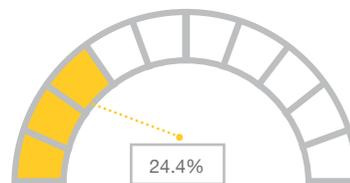
Personal insurance for inclusion



General insurance for financial inclusion



Total insurance for financial inclusion



Source: Superintendencia Financiera de Colombia

**FINANCIAL
INCLUSION REPORT 2017**

7



7.

FINANCIAL CONSUMER PROTECTION¹

Financial consumer protection drives the development of long-term relationships between consumers and financial institutions, allowing consumers to achieve a favorable experience and have access to mechanisms to exercise their rights at all stages of the interaction between parties, that is, when they search for the ideal product or service; when they establish a contractual relationship with a financial institution; and when they make use their acquired financial products.

There are many aspects surrounding the creation of a financial consumer protection

framework, which are addressed differently in the regulation and supervision. These scenarios cover aspects from ensuring the suitability of advertising solutions of overseen institutions and the suitability of information provided to consumers; limiting the use of practices and conducts that may not favor consumers' interests; to ensuring the availability of effective disputes settlement mechanisms to be settled.

1. This chapter uses information on financial institutions overseen by the Superintendencia Financiera de Colombia.



In this regard, in the Good Practices for Financial Consumer Protection (2017) report, the World Bank highlights that jurisdictions must ensure that overseen institutions have enough capacity and adequate internal processes to receive and handle consumers' complaints and, in addition, ensure consumers have dispute resolution mechanisms available other than institutions and ordinary justice systems.

In addition, in 2017, within the internal processes and requirements aimed at complaints management, 124 jurisdictions reported in a World Bank survey setting time limits; maintaining databases with information on their characteristics and management; having specialized management areas within financial institutions; making channels available to consumers; and informing about the various complaint mechanisms available; and periodically submitting information to the government regarding these (Chart 7.1).

In the case of Colombia, different advancement have helped the country become aligned with most regulatory good practices. However, there are no explicit provisions stating that institutions must have a specific department to receive and handle complaints made by financial consumers. Also, regarding complaint-management times, the regulation states that requests, including complaints from public and private institutions, are given a maximum management timeframe of fifteen business days upon receipt².

Nonetheless, regulation from the Sistema de Atención al Consumidor Financiero for institutions overseen by Superintendencia Financiera de Colombia states that institutions shall

“...effectively handle requests, complaints or claims filed by financial consumers, which shall include: reasonable response time...”³, with the foregoing leading to ambiguities about response time to be met by overseen institutions in responding to complaints.

About complaints made to the Superintendencia Financiera de Colombia, the regulation is very clear about response time, providing a maximum fifteen business day period after the date complaints are received.

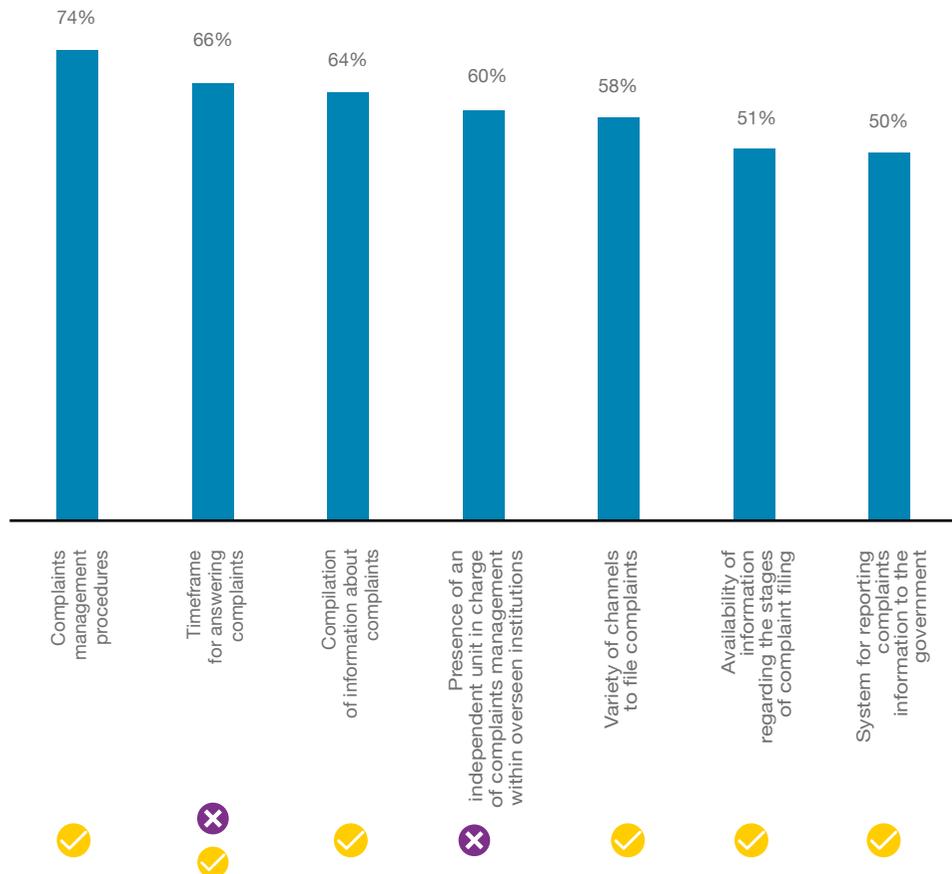
In addition, in 2015 the Superintendencia Financiera de Colombia created the “express complaints” category, whose management process is more agile and which are recurrent complaints; complaints made

by individuals under special protection; complaints classified as small as well as easy to handle cases; violation of habeas data; or complaints about opening of accounts to manage political campaign funds. The maximum response time for express complaints is five business days⁴.

2. Law 1755 of 2015.
3. Article 1.5.2.2 of Chapter II, Title III, Part I of Circular Básica Legal.
4. Article 8.5 of Chapter II, Title IV, Part I of Circular Básica Legal.

CHART 7.1
Percentage of jurisdictions stating to have specific requirements for complaint management processes

Source: World Bank (2017)



Incorporated into the Colombian regulation



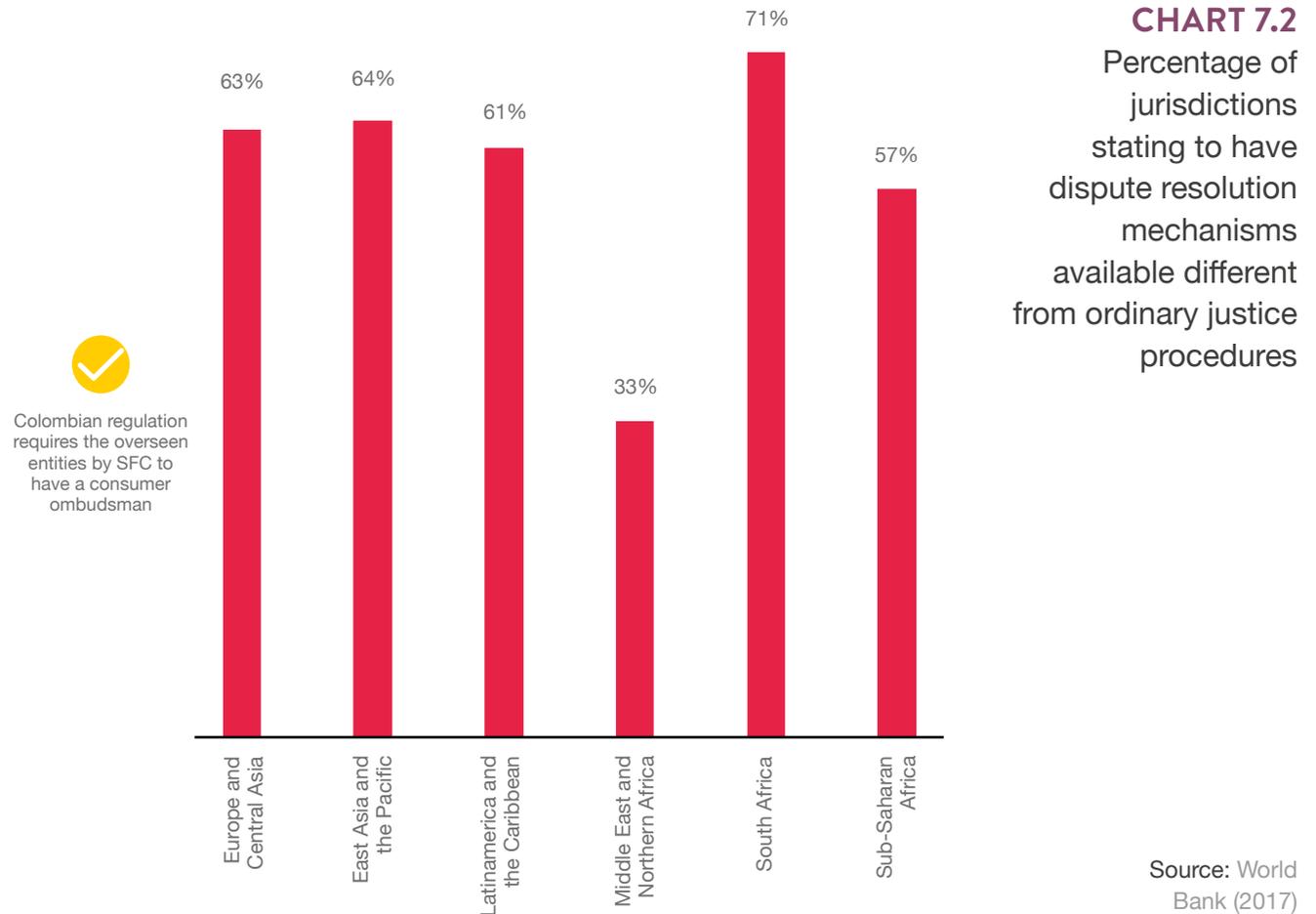
According to the World Bank’s survey on Good Practices for Financial Consumer Protection, 61% of Latin American and Caribbean countries said that there are alternative dispute resolution mechanisms other than ordinary justice, of which Colombia is a part of, as overseen institutions are required to have a financial consumer ombudsman. In contrast, 33% of surveyed Middle East and North Africa countries responded positively. Other regions of the world gave affirmative answers as follows: 63% by countries in Europe and Central Asia, and 71% by countries in South Africa (Chart 7.2).

It is worth mentioning that in Colombia, most institutions overseen by the Superintendencia Financiera de Colombia must have

a financial consumer ombudsman for complaints⁵ and, in addition, since 2012, consumers may settle conflicts with institutions before this institution by filing claims in full use of its jurisdictional powers granted by Law 1480 of 2011, which serves as an alternative to ordinary justice.

This chapter provides significant information on receipt and management of complaints made to institutions overseen by the Superintendencia Financiera de Colombia and the financial ombudsman in 2016 and 2017, as well as claims received by the Superintendencia Financiera de Colombia over that same period.

5. Article 2.34.2.1.1 of Decree 2555 of 2010.





MAIN MESSAGES ON FINANCIAL CONSUMER PROTECTION

1

In 2017, there was a **decrease in the number of complaints** received by overseen institutions and financial consumer ombudsmen, and progress was made on the percentage of settled complaints relative to 2016.

1,283,057
Complaints received in 2016

1,261,593
Complaints received in 2017

94%
Settled in 2016

95.2%
Settled in 2017

3

The upward trend of **complaints received about deposit products** was due to savings accounts and certificates of deposits. In the first case for ATM failures, and in the second case due to issues with review and/or settlement of product conditions.

Saving accounts

177,388 complaints 2% ▲

Failures at ATMs 28% ▲

Certificates of deposits

2,254 complaints 38% ▲

Review and/or settlement of product conditions 58% ▲

5

A higher share of group life insurance was found in insurance product related complaints. However, received complaints about **personal accidents and fire showed an increase by over 70%**, mostly due to inappropriate supply of information by the time of filing.

Personal accidents

16,015 complaints 72% ▲

Inappropriate supply of information by the time of filing 76% ▲

Fire

13,020 complaints 230% ▲

Inappropriate supply of information by the time of filing 275% ▲

7

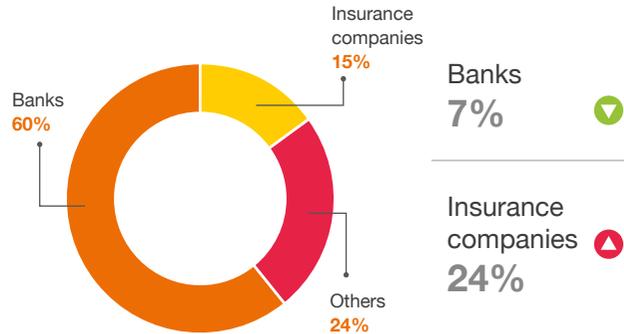
Claims received by the Superintendencia Financiera de Colombia were mostly filed in **Bogota (49%)**. However, the scheme implemented by the Superintendencia Financiera de Colombia enables complaint filing and management in the regions. In particular, there was an **increase in 2017 in the number of complaints** filed in Cordoba, Cundinamarca, Huila, Nariño and Quindio.

	2016	2017
Bogotá		49%
Córdoba	19	30
Cundinamarca	73	91
Huila	57	75
Nariño	23	46
Quindío	53	80
Rest of the country	51%	

192

2

Most received complaints were filed against **banks**. However, **insurance companies** showed the highest increase in received complaints.



4



Even if most complaints about loan products were related to credit cards, in **2017** complaints about **mortgage loans and microcredits went up** driven by issues with review and/or settlement of product costs, rates and balances.

Mortgages

29,590 complaints 18% ▲
 Review and/or settlement of product conditions 20% ▲

Microcredits

10,352 complaints 17% ▲
 Review and/or settlement of product conditions 66% ▲

6

The Superintendencia Financiera de Colombia, in full use of its jurisdictional powers, continued to receive claims for amounts similar to those seen in 2016, with women having a **40%** share and men **56%**, **63%** of which were minimum-amount complaints.



The remaining 4% corresponds to businesses.



8



Complaints against credit institutions decreased by **8%**. Most **complaints were mainly filed about term, interest and contract obligation conflicts**. On the other hand, complaints against insurance companies increased by **18%** due to conflicts over indemnity payments under insurance agreements.

Credit institutions

1,774 complaints 8% ▼

Insurance companies

773 complaints 18% ▲
 Indemnity payments under insurance agreements 16% ▲

7.1 COMPLAINTS AGAINST INSTITUTIONS OVERSEEN BY THE SUPERINTENDENCIA FINANCIERA DE COLOMBIA

In 2017, 1,342,120 complaints were filed across all competent entities (89% to overseen institutions; 5% to financial consumer ombudsmen; and 6% to Superintendencia de Financiera de Colombia. Overseen institutions and financial consumer ombudsmen received 1,261,593

complaints in total, a decrease of 2% relative to 2016. These complaints, together with outstanding complaints from 2016 (i.e., complaints to be settled in 2017) went up to 1,336,898 by the end of 2017 (Chart 7.3).

The results of complaints handled by overseen institutions and financial consumer ombudsmen had a higher performance in 2017 relative to the preceding year. Regarding the total number of complaints to be settled, 95% (1,273,102) were settled, and 4% (57,422) remained outstanding for settlement during the following period, which is 1.3pp less compared to 2016.

From the total number of settled complaints, 45% were awarded to financial consu-

How about complaint management in 2017?

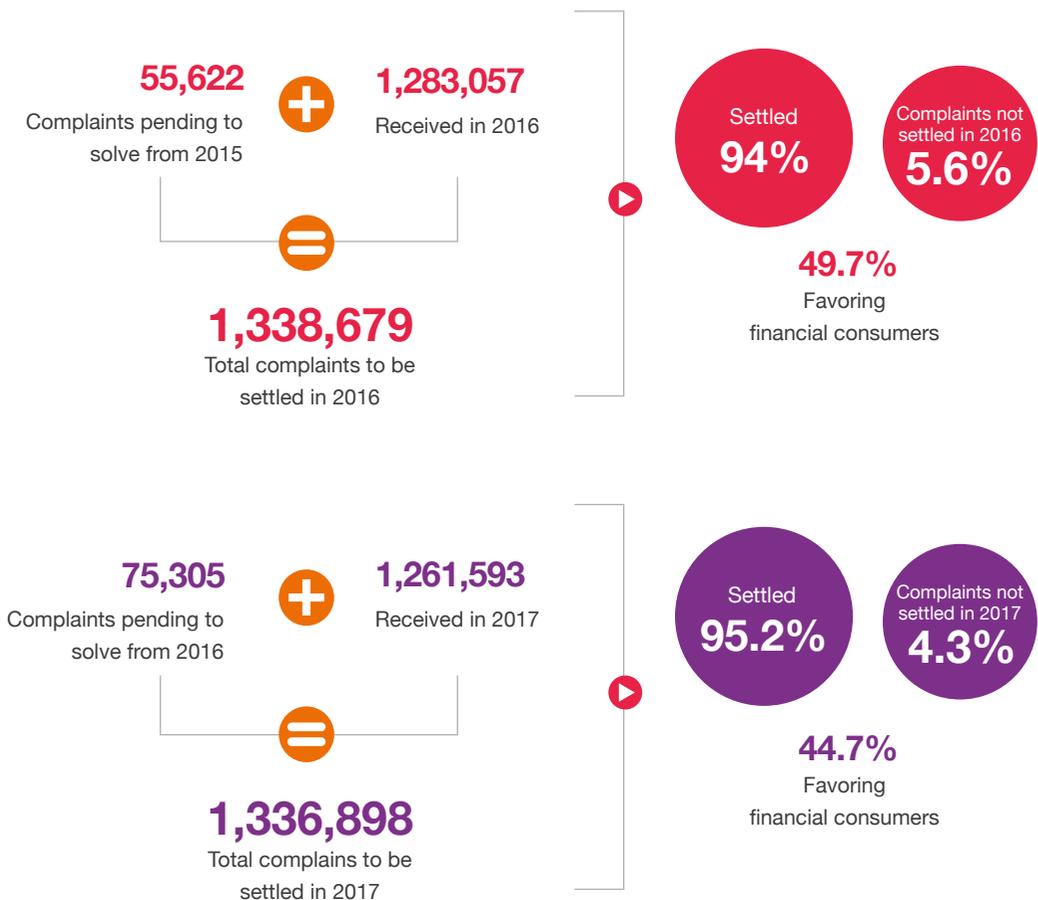


CHART 7.3
Complaint receipt and management by overseen institutions and financial consumer ombudsmen

Source: Superintendencia Financiera de Colombia.

mers, 5pp less than the percent of settlement favoring consumers in 2016. At this point, it is important to note that complaints that are not awarded to financial consumers do not necessarily mean that the sense of the reply was not appropriately provided.

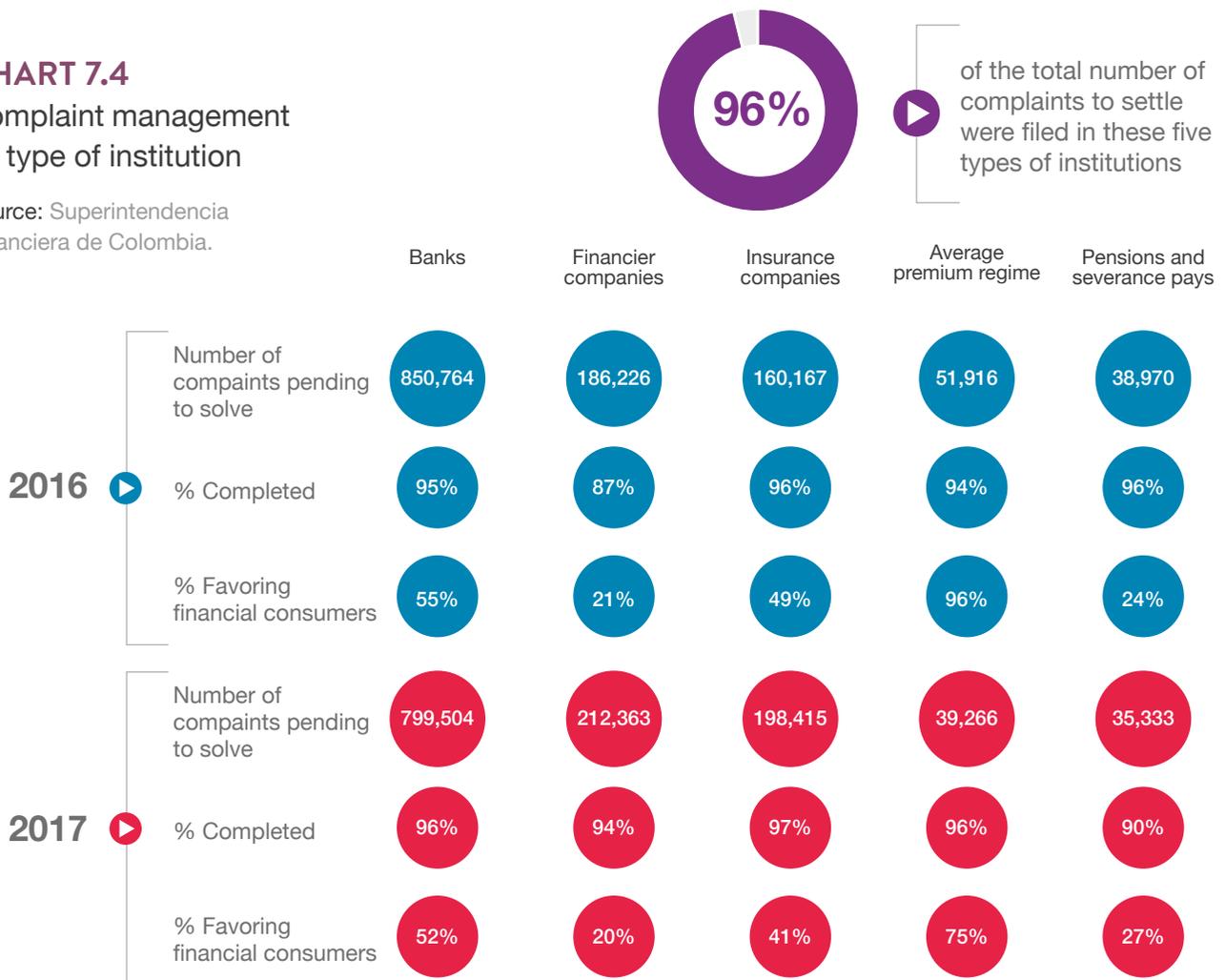
When analyzing complaint management by the institutions that received most complaints to be handled during the year (96% of complaints to be settled), it is found that, with the exception of pensions and severance pays, while the other types of institutions reached a higher completion level of complaints to be settled in 2017 relative to 2016 (Chart 7.4).

As to the completion of complaints to be settled, there is heterogeneity in the share of settled complaints awarded to financial consumers among the five types of institutions. In 2016 and 2017, the institutions who administered the average premium regime had a highest settlement level in favor of financial consumers, despite its drop over the last year, going from 96% to 75% of total settled complaints.

On the other hand, financing companies showed a settlement level in favor of financial consumers that reached almost 20% in both years, being the institution with the lowest settlement level in favor of financial consumers.

CHART 7.4
Complaint management by type of institution

Source: Superintendencia Financiera de Colombia.



CHARACTERIZATION OF RECEIVED COMPLAINTS

As explained above, 96% of complaints received in 2017 were mostly filed in five types of institutions, with banks accounting for the largest share (60%), but showing a 7% drop over the last year.

On the other hand, there was an increase in complaints received by financing companies and insurance companies, 3% and 24%, respectively, relative to 2016 (Chart 7.5).

Credit cards –ranking second in terms of penetration in Colombia following savings accounts– was in first place among all five products that financial consumer complain the most about, representing 44% of all complaints filed in 2017. Over the last year, complaints related to current accounts fell outside the trend of these five products, with 51% less complaints received, with auto insurance being now on the list, despite complaints for this product showing similar levels in both years (Chart 7.6).



CHART 7.5
Main institutions receiving complaints



96%
of the total number of received complaints were filed in these five types of institutions

Source: Superintendencia Financiera de Colombia.

Which institutions do financial consumers complain the most about?

	2017	2016	
Banks	762,006	816,256	▼
Insurance companies	192,139	155,466	▲
Financier companies	188,988	183,276	▲
Average premium	35,934	42,465	▼
Pensions and severance payment	34,145	37,194	▼

CHART 7.6
Main products receiving complaints



76%
of the total number of received complaints were about these five products

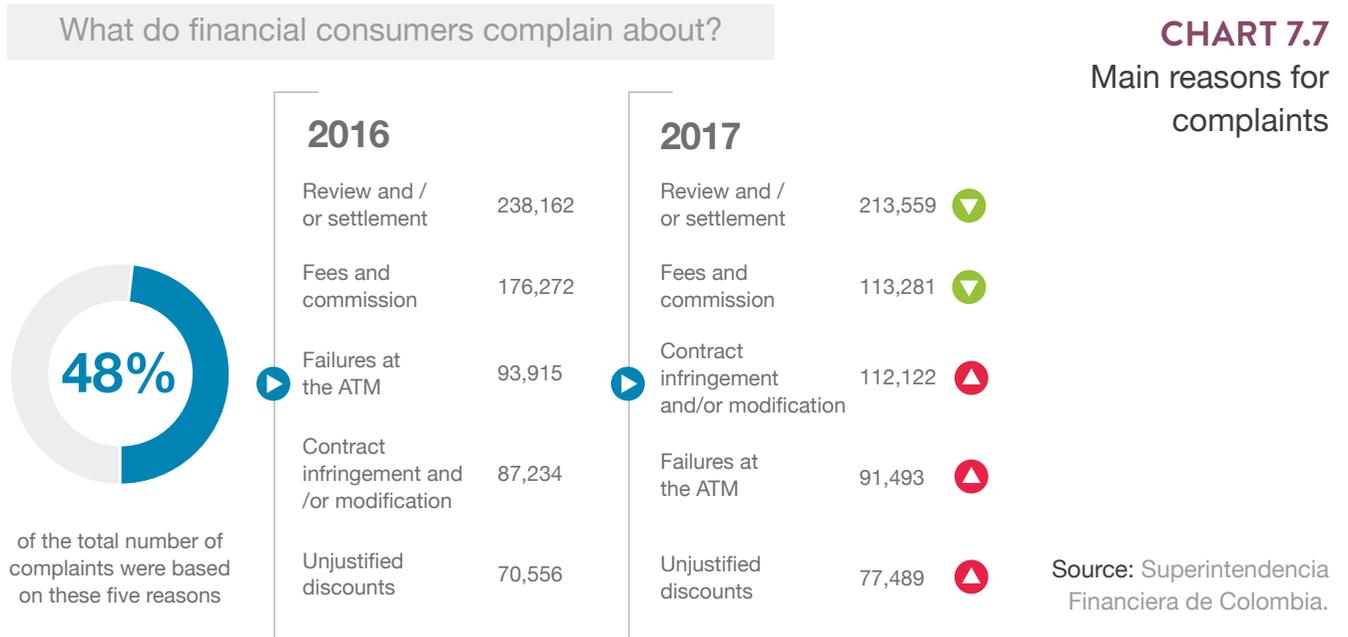
Source: Superintendencia Financiera de Colombia.

Which products do financial consumers complain the most about?

2016		2017		
Credit card	567,282	Credit card	555,084	▼
Saving account	173,819	Saving account	177,388	▲
Commercial or consumer loan	138,816	Commercial or consumer loan	135,689	▼
Current account	80,224	Elderly retirement	53,164	▼
Elderly retirement	61,155	Car insurance	40,241	▼

Regarding the reasons why financial consumers complain, issues with product costs, rates and balances ranked first, for 17% of the total number of received complaints. Compared to 2016,

the trend in complaints related to contract infringement and/or modification, a 28% increase took them from ranking fourth to third in the top five reasons for complaints in 2017 (Chart 7.7).



CHARACTERIZATION OF RECEIVED COMPLAINTS BY PRODUCTS

Below is an analysis of the main reasons for complaints received in 2017 by type of financial products (categorized into deposits, loans and insurance).

Deposits

Deposit products' related complaints represented 17% of total complaints received by overseen institutions and consumer ombudsmen in 2017. This year saw an increase in the number of complaints about savings accounts (2%) and certificates of deposits (38%).

The analysis of complaints per 100,000 customers shows a different perspective on savings accounts, which dropped from 6,732 to 6,667. On the other hand, the indicator of complaints related to certificates of deposits increased from 166 to 223.

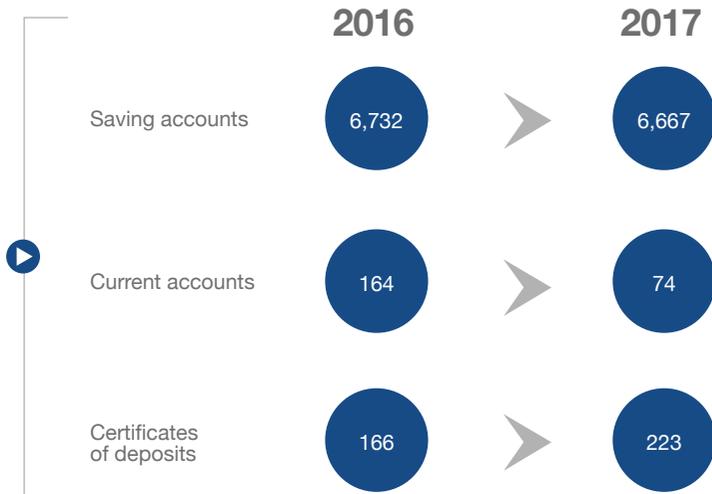
The main reason for savings accounts complaints was AMT failures, which increased by 28% and represented 41% of the total complaints for this product. As to certificates of deposits, the 38% increase in the total number of complaints was driven by complaints about issues with the review and/or settlement of product costs, rates and balances, having a share of 35% on the total for this type of product (Chart 7.8).

CHART 7.8

Received complaints about deposit products



Received complaints per 100,000 customers



Number of received complaints by product and share by complaint reasons	Type of complaint	Growth rate relative to 2016
 <p>Saving accounts 177,388 ▲ 2% Vs. 2016</p>	41% Failures at the ATM	▲ 28%
	19% Unjustified discounts	▲ 15%
	10% Wrongful charges for services or commissions	▼ 34%
 <p>Current accounts 39,308 ▼ 51% Vs. 2016</p>	31% Failures at the ATM	▼ 61%
	15% Wrongful charges for services or commissions	▼ 28%
	6% Contract infringement and/or modification	▼ 22%
 <p>Certificates of deposit 2,254 ▲ 38% Vs. 2016</p>	35% Review and/or settlement of product conditions	▲ 58%
	16% Contract infringement and/or modification	▲ 31%
	11% Wrongful charges for services or commissions	▲ 459%

Source: Superintendencia Financiera de Colombia.



Credit products

Credit products had the highest number of complaints received by institutions overseen by Superintendencia Financiera de Colombia and consumer ombudsmen, accounting for 58% of the total number of complaints filed in 2017. Last year saw a drop in the number of credit cards and consumer and commercial loans complaints – a trend also found when analyzing complaints received per 100,000 debtors. On the other hand, even if mortgage loans and microcredits had a lower share of complaints, annual growth rates of over 15% were observed for both products.

The analysis by reasons for complaints shows that the decrease in credit cards complaints was due to the fact that in 2016 there were 8% fewer complaints about issues related to the review and/or settlement of product costs, rates and balances (which concentra-

ted 25% of the total number of complaints), and 39% fewer complaints about wrongful charges for services or commissions.

Also, in the case of consumer or commercial loans, the trend was due to the 20% decrease seen in the last year in the main reason for complaints about this product – review and/or settlement of product costs, rates and balances– for 25% of the total.

As for mortgages, the increase in the number of received complaints resulted from the increase in all the main reasons for complaints, in particular, the lack of information provided to financial consumers (81% greater than 2016), and contributing to 8% of the total for this type of product. In parallel, the increase in the number of received microcredits complaints was driven by the increase in issues with the review and/or settlement of product costs, rates and balances (66%) and reports to credit bureaus (39%) (Chart 7.9).

CHART 7.9

Received complaints about credit products



of the total number of received complaints were about these five products

Received complaints per 100,000 debtors

	2016		2017
Credit card	9,089	➤	8,638
Commercial or consumer loan	3,031	➤	2,871
Mortgage loan	2,826	➤	3,170
Microcredit	445	➤	518

Number of received complaints by type of product and share by complaint reasons

Type of complaint

Growth rate relative to 2016


Credit cards
555,084 ▼
2% Vs. 2016


Commercial or consumer loan
135,689 ▼
2% Vs. 2016


Mortgages loan
29,590 ▲
18% Vs. 2016


Microcredit
10,352 ▲
17% Vs. 2016

25% Review and/or settlement of product conditions ▼ 8%

15% Wrong collection of services and commissions ▼ 39%

11% Contract infringement and/or modification ▲ 53%

36% Review and/or settlement of product conditions ▼ 20%

11% Contract infringement and/or modification ▲ 12%

11% Reports to credit bureaus ▲ 1%

37% Review and/or settlement of product conditions ▲ 20%

13% Contract infringement and/or modification ▲ 34%

8% Lack of information provide ▲ 81%

20% Review and/or settlement of product conditions ▲ 66%

19% Contract infringement and/or modification ▼ 14%

15% Reports to credit bureaus ▲ 39%

Source: Superintendencia Financiera de Colombia.



Insurance products⁶

The main insurance products represented 6% of the total number of complaints received by overseen institutions and financial consumer ombudsmen in 2017. This year saw a particular increase in the number of complaints in most areas, particularly complaints about personal accidents and fire, with increases in the number of received complaints of 72% and 230%, respectively.

The reasons driving the increase in the number of received complaints emphasize the inappropriate supply of information provided to financial consumers, which for complaints saw an increase across all areas, except for group payment protection and home damage insurance, ranging from 76% for personal accident insurance and 275% for fire insurance.

Complaints about contract infringement and/or contract modification also had an effect over the increase in the number of received complaints, ranging from 25% in group payment protection insurance and 231% in fire insurance (Chart 7.10).

6. Considering available information about insurance complaints included in the insurance chapter of this Financial Inclusion Report.

CHART 7.10
Received complaints
about insurance products



of the total number of received complaints were about these six products

Number of received complaints by product and share by reasons	Type of complaint	Growth rate relative to 2016
 Group payment protection 18,551 ▼ 1% Vs. 2016	48% Inappropriate supply of information by the time of filing	▼ 12%
	16% Contract infringement and/or modification	▲ 25%
	11% Delay in payment	▼ 10%
 Personal accidents 16,015 ▲ 72% Vs 2016	78% Inappropriate supply of information by the time of filing	▲ 76%
	8% Contract infringement and/or modification	▲ 52%
	4% Claim objection	▲ 78%
 Life insurance 13,309 ▲ 6% Vs. 2016	23% Contract infringement and/or modification	▲ 51%
	13% Delays in indemnity payments	▼ 23%
	8% Inappropriate supply of information by the time of filing	▲ 260%
 Fire insurance 13,020 ▲ 230% Vs. 2016	88% Inappropriate supply of information by the time of filing	▲ 275%
	6% Contract infringement and/or modification	▲ 231%
	1% Delays in indemnity payments	▲ 53%
 Theft 7,107 ▲ 116% Vs. 2016	54% Inappropriate supply of information by the time of filing	▲ 179%
	22% Contract infringement and/or modification	▲ 154%
	8% Claim objection	▲ 93%
 Home damage 5,136 ▲ 17% Vs. 2016	12% Delays in indemnity payments	▲ 127%
	10% Inappropriate supply of information by the time of filing	▲ 22%
	5% Claim objection	▲ 74%

Source: Superintendencia Financiera de Colombia.

7.2 CLAIMS FILED TO THE SUPERINTENDENCIA FINANCIERA DE COLOMBIA

In 2017, the Superintendencia Financiera de Colombia received 2,709 claims, 1% fewer relative to the preceding year. Out of the total number of claims received, 40% were filed by women and 56% by men⁷. In addition, 63% of filed claims were minimum-amount

claims, for a 4pp increase compared to the previous year. It is to recall that minimum-amount claims are claims for amounts of less than 40 Colombian minimum wages (COP 29,508,680 in 2017) that may be filed verbally (claims for other amounts must be filed differently).

By the end of 2017, 78.3% of received claims were settled –a percentage higher than the level achieved in 2016 (73%). By the end of 2017, 99.8% of received claims in 2016 had been settled (Chart 7.11).

How many claims were received by gender and amount, and how many claims were settled?

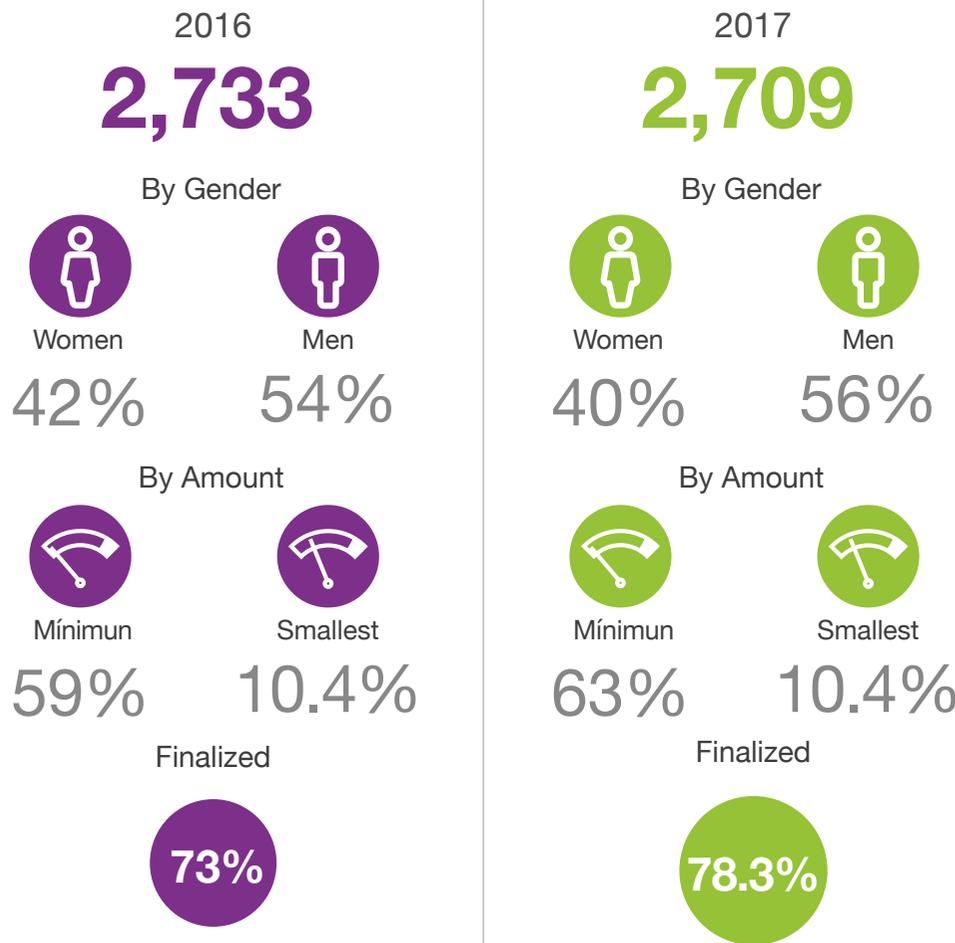


CHART 7.11
Received and settled claims

Nota: lower-amount claims are claims between 40 SMMLV (COP29,508,680 in 2017) and 150 SMMLV (COP 110,657,550). Claims that are not classified by gender correspond to claims filed by legal entities.

Source: Superintendencia Financiera de Colombia.

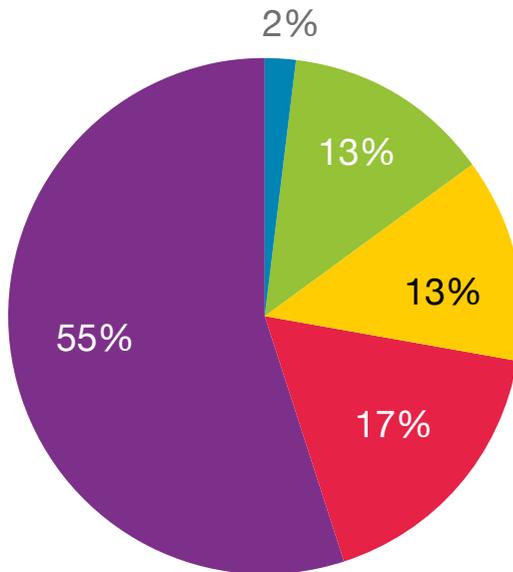
All of the 2,120 claims settled in 2017 had been filed for several settlement reasons, particularly rejected claims, representing 55% of all received complaints in 2017, followed by claims that were settled based on a ruling issued by the Superintendencia Financiera de Colombia, or 17%, and dismissed claims by financial consumers, and claims settled between the institution and the consumer, or 13% each. Out of the 1,173 claims rejected in 2017, 65% were rejected because of lack of remediation (documentation and supports) presented by the claimant, and 35%

because of lack of jurisdiction of the Superintendencia Financiera de Colombia (Chart 7.12).

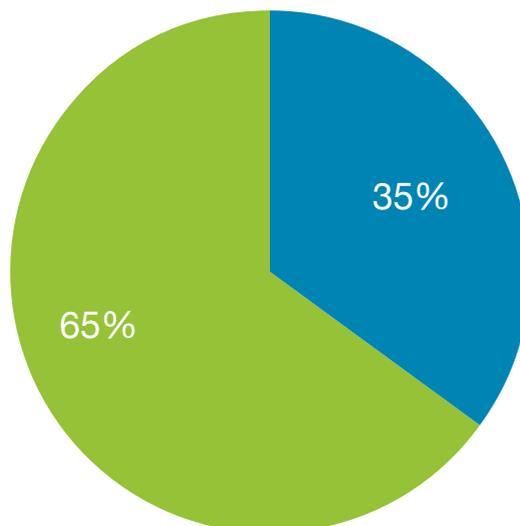
An analysis by department shows, just like previous years, that most received claims were filed in Bogota, 1,320 claims (49% of the total number of claims received during the year). However, in 2017 there was an increase in the number of claims received in other departments, in particular: Cordoba, Cundinamarca, Huila, Nariño and Quindío (Map 7.1).

7. The remaining 4% refers to legal entities.

CHART 7.12
Claim settlement



Reasons for claim settlement in 2017

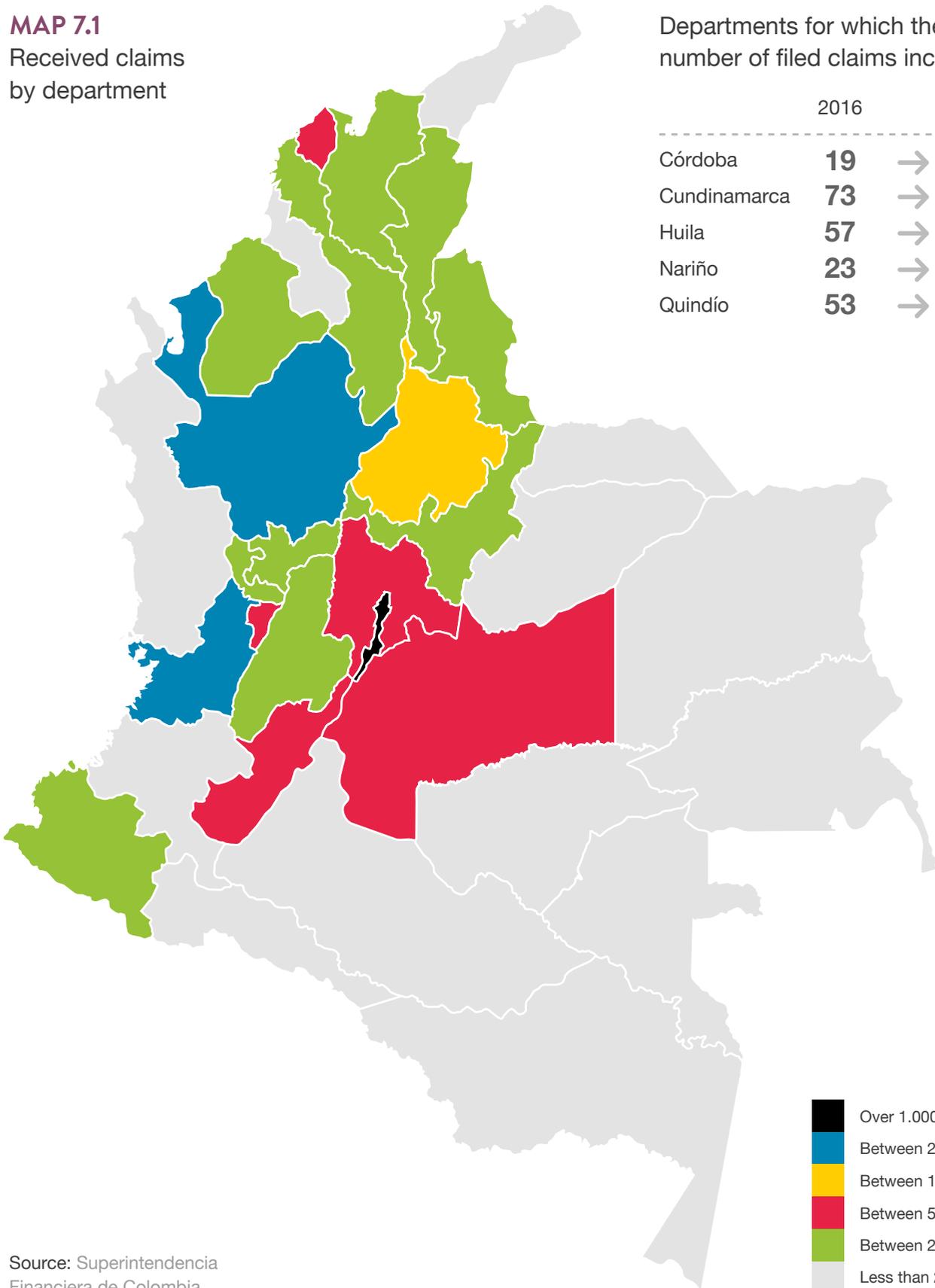


Reasons for claims rejection in 2017

Source: Superintendencia Financiera de Colombia.

MAP 7.1
Received claims
by department

Departments for which the
number of filed claims increased



	2016		2017
Córdoba	19	→	30
Cundinamarca	73	→	91
Huila	57	→	75
Nariño	23	→	46
Quindío	53	→	80

Source: Superintendencia
Financiera de Colombia.

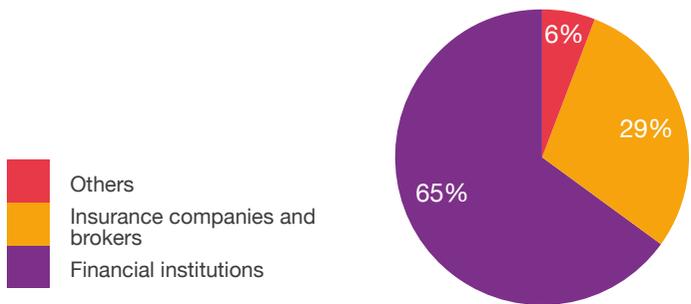
By type of institution, 94% of received claims were filed against credit institutions (65%), and insurance companies and insurance brokers (29%). Compared to 2016, claims against credit institutions decreased by 8%, driven by the decrease in the number of conflicts over terms, interest and contract obligations by 19%, and fraud on electronic channels, by 24% and 19%,

respectively, of received claims against credit institutions.

Regarding claims against insurance companies and insurance brokers, there was an increase in 2017 of 18%, mostly due to issues with payments indemnity under insurance agreements, accounting for 83% of the total number of claims, which increased by 16% in the last year (Chart 7.14).

CHART 7.14
Received claims by type of institution and by complaint reason

Which entities did financial consumers complain about and why?



94% of the total number of received claims by the Superintendencia Financiera de Colombia were filed against credit institutions and insurance companies and insurance brokers.

Number of received claims by type of institution and share by complaint reason	Type of complaint	Growth rate relative to 2016
 Credit institution 1,774  8% Vs. 2016	24% Number of conflicts over terms, interest and contract obligations	 19%
	20% Unauthorized credit card charges	 36%
	19% Fraud on electronic channels	 27%
 Insurance companies and insurance brokers 773  18% Vs. 2016	83% Payments indemnity under insurance agreements	 16%
	11% Number of conflicts over terms, interest and contract obligations	 8%

Fuente: Superintendencia Financiera de Colombia.

