

This report was prepared for use within the Bank and its affiliated organizations. They do not accept responsibility for its accuracy or completeness. The report may not be published nor may it be quoted as representing their views.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

APPRAISAL OF
FIVE DEVELOPMENT FINANCE COMPANIES
IN
COLOMBIA

April 30, 1971

Development Finance Companies

CURRENCY EQUIVALENTS

Currency Colombian Pesos (Col\$)
As of April 23, 1971

Col\$19.42	-	US\$ 1.00
Col\$ 1.00	-	US\$ 0.0515
Col\$ 1,000,000	-	US\$ 51,500

APPRAISAL OF FIVE DEVELOPMENT FINANCE COMPANIES IN COLOMBIA

Table of Contents

	<u>Page</u>	<u>Paragraph</u>
BASIC DATA	- a -	
SUMMARY	i - iii	i - xi
I. INTRODUCTION	1	1.01 - 1.02
II. THE COLOMBIAN ECONOMY	1 - 4	2.01 - 2.14
Present Situation and Trends	1 - 2	2.01 - 2.03
Industrial Development	2 - 3	2.04 - 2.07
Government Policy Towards Industry	3 - 4	2.08 - 2.14
III. THE STRUCTURE OF INDUSTRIAL FINANCE	4 - 10	3.01 - 3.23
Internal and External Financing of Industry	4 - 5	3.01
Sources of Industrial Finance	5 - 7	3.02 - 3.15
Cost of Industrial Finance	7 - 9	3.16 - 3.18
Interest Rate for the Proposed Loan	9 - 10	3.19 - 3.23
IV. RESOURCE MOBILIZATION BY THE FIVE FINANCIERAS	10 - 12	4.01 - 4.10
V. RESOURCE ALLOCATION BY THE FIVE FINANCIERAS	12 - 21	5.01 - 5.38
Project Appraisal and Supervision	12 - 14	5.02 - 5.15
Lending Activities	14 - 17	5.16 - 5.24
Equity Investments and Promotion of Projects	17 - 18	5.25 - 5.29
Economic Impact of Lending and Investment Activities	18 - 20	5.30 - 5.37
Performance of Loan and Equity Portfolio	20	5.38
VI. THE FIVE FINANCIERAS	20 - 29	6.01 - 6.46
Colombiana	21 - 23	6.02 - 6.15
Nacional	23 - 24	6.16 - 6.24
Valle	24 - 25	6.25 - 6.31
Caldas	25 - 27	6.32 - 6.38
Norte	27 - 28	6.39 - 6.46
VII. PROSPECTS FOR THE FIVE FINANCIERAS	28 - 33	7.01 - 7.15
Economic Outlook	28 - 29	7.01 - 7.03
Business Prospects	29 - 32	7.04 - 7.13
Operational and Financial Forecast	32 - 33	7.14 - 7.15
VIII. CONCLUSIONS AND RECOMMENDATIONS	33 - 36	8.01 - 8.09
Evaluation of the Financieras	33 - 34	8.01 - 8.05
Need for Funds	34 - 35	8.06 - 8.07
Recommendations	35 - 36	8.08 - 8.09
ANNEXES		

This report was prepared by Messrs. Nilsson, Hughes and Knotter who visited Colombia from September 27 to November 7, 1970.

BASIC DATA

	<u>Colombiana</u> 1959	<u>Nacional</u> 1959	<u>Valle</u> 1961	<u>Caldas</u> 1961	<u>Norte</u> 1963
Established in					
<u>As of December 31, 1970</u>					
Number of Shareholders	199	146	185	234	548
Share Capital (in Col\$ mil.)	137.8	115.8	99.5	96.4	46.4
Shareholdings as % of total share capital:					
1. Colombian Private	52.9	59.5	65.4	65.2	40.0
2. Colombian Government	0.3	4.2	7.2	10.3	12.8
3. Foreign controlled	3.2	1.9	1.8	-	4.8
4. Foreign	29.4	25.2	18.0	14.3	26.2
5. IFC	14.2	9.2	7.6	10.2	16.2
Assets (in Col\$ mil.)	<u>1110.5</u>	<u>666.3</u>	<u>621.8</u>	<u>439.1</u>	<u>269.2</u>
Loans	633.7	523.2	441.9	204.7	184.8
Export-Import financing	210.7	21.8	111.3	24.2	31.0
Equity investments	181.8	96.6	35.3	127.5	19.0
Other assets	84.3	24.7	33.3	82.7	34.4
Liabilities (in Col\$ mil.)	<u>869.4</u>	<u>473.7</u>	<u>472.1</u>	<u>332.8</u>	<u>204.3</u>
Borrowings					
Bonds	237.8	84.8	51.8	73.1	25.4
Central Bank	242.5	109.4	167.8	69.1	46.6
IBRD	188.1	208.3	103.8	48.6	73.0
Other	75.0	37.9	96.5	65.9	38.8
Other Liabilities	126.0	33.3	52.2	76.1	20.5
Equity (in Col\$ mil.)	241.1	192.6	149.7	106.3	64.9
Total debt/equity	4.0	2.5	3.3	3.6	3.3
Equity portfolio as % of net worth	75.4	50.2	22.3	119.9	29.3
Reserves and retained earnings as % of total portfolio	10.0	11.9	8.5	2.7	7.8
Book value as % of par value	175.0	166.3	150.4	110.3	139.9
<u>January-December 1970</u>					
Total Income (in Col\$ mil.)	113.8	86.1	78.6	46.9	39.3
Net Income (in Col\$ mil.)	27.8	30.4	22.5	3.6	8.2
Net Income as % of average:					
paid-in share capital	20.7	28.3	24.7	3.7	18.3
equity	12.2	17.4	17.0	3.4	13.4
total assets	2.8	5.0	4.0	0.9	3.3
General expenses as % average total assets	1.5	1.1	1.6	-	2.3
Dividend on 1970 profits, as % of par value	12	17.6	12	0	12
Dividend pay-out %	59	67	53	0	68

IBRD/DFC

April 23, 1971

APPRAISAL OF FIVE DEVELOPMENT FINANCE

COMPANIES IN COLOMBIA

SUMMARY

i. The Bank Group has had close relations with Colombiana, Nacional, Valle, Caldas and Norte, the five oldest, and the leading private development finance companies (financieras) in Colombia since 1961. IFC is a shareholder in all of them. Through Colombia's central bank, Banco de la Republica (BR), the Bank has made three loans totalling US\$62.5 million for use by the five companies.

ii. In recent years, growth of Colombia's GDP in real terms has increased from a 4.4% annual average between 1965 and 1967, to 6.1% in 1968 and 6.5% in 1969, and has been well above the 3.3% annual growth rate of population. Other indications of Colombia's recent substantial economic progress are the success of the Government's anti-inflationary policies, higher investment levels of the private and public sectors and the improvement of the country's net international reserves position.

iii. With estimated 19.2% of GDP in 1969, the output of Colombia's manufacturing sector is still small, but its growth in 1969 and 1970 has apparently substantially exceeded the average of the economy. Exports of manufactured goods have doubled between 1964 and 1968. Consumer goods industries are still predominant but output of intermediate goods is growing fastest. Although industry is important for achieving the Government's development goals, the Government's tight monetary policy has curtailed, in particular, the availability of industrial working capital finance and increased its cost. This complex problem, however, is being studied. The Government is also aware of the need to reconsider protectionist policies, which were introduced to change Colombia's balance of payments, but have led to high levels of protection for some sectors.

iv. The five financieras are making a significant contribution to the Colombian economy; together with the government-owned Institute of Industrial Development (IFI), they are the most important sources of industrial term finance for private industry.

v. Government policy has created an interest rate structure, with lending rates to agriculture of around 0-14%, housing 9-18%, and the effective cost for industry of 17-20% for funds from the banking system and 24-36% from the "curb market" (the extra-bank market). Under the previous loan to the financieras the interest rate was 10% plus an 8% fee to BR if the ultimate borrower did not want to take the exchange risk. In view of the current cost of loans to industry from the banking system of 17-20%, an interest rate of 18.75% to the ultimate borrower, as proposed by BR and the financieras seems also appropriate for the proposed loan.

vi. A fair amount of domestic resources has been mobilized by the financieras through issues of their shares. Mainly due to tax exemption of government bonds, most financieras have not been very successful in marketing their bonds. The financieras have channeled to their clients external credits from international and national lending agencies and from foreign commercial banks.

vii. Resource allocation by the financieras, including equity investments, and project appraisal, promotion and supervision have been beneficial for Colombia's economy. However, the appraisal and follow-up work of most financieras can be further improved. Among other aspects, and as agreed during negotiations, more emphasis will be put on the economic merits of investment projects.

viii. Overall, the financieras' lending grew rapidly in 1969 but levelled off in 1970. Their lending has reflected the existing structure of Colombian industry. The financieras have remained by far the most important institutional source of equity finance for private industry. They have financed firms whose products substituted for a fair amount of imports and were exported, which has contributed to improving Colombia's balance of payments. Through their projects, the financieras also helped create a substantial number of new jobs.

ix. Except that of Caldas, the financieras' portfolios are generally sound, arrearage is not a major problem and the financieras have been reasonably profitable. In most cases, provisions for doubtful loans and investments are more than adequate. Caldas, alone among the financieras, has been in a difficult situation, with its liquidity threatened and its portfolio in bad shape. However, new management has taken over and is taking corrective measures. The chances are good that the financiera will be able to solve its difficulties. To assure that adequate solutions have been found to the company's problems, it will have to be reviewed at a later date.

x. The financieras' volume of loan commitments is expected to rise from Col\$ 1,598 million in 1971 to Col\$ 1,780 million in 1972, with annual growth rates ranging between 5.7% (Colombiana) and 41.1% (Norte). Over this period they would need US\$45 million in foreign exchange, with the Bank expected to provide US\$40 million. To provide adequate local currency financing to their clients, the financieras, supported by adequate government measures, are expected to make more efforts to mobilize domestic resources in the market.

xi. Excluding Caldas, the financieras have performed in a generally satisfactory manner. The financieras can therefore be considered to be creditworthy for additional loans. The final decision on Caldas will have to be based on a special review of the company. Thus, a loan of US\$40 million is recommended, to be made to BR for relending to the five financieras.

US\$20.0 million would be allocated in equal amounts among the five financieras; any portions unused 12 months before the end date for project submission would be transferred to the unallocated balance of US\$20.0 million for projects on a first-come-first-served basis and for joint projects. The ultimate borrower would pay an interest rate that in addition to the Bank's lending rate (7.25%) would cover a 0.5% administration fee for BR and at least a 3.0% spread for the financieras. BR would be prepared to cover the exchange risk for a fee of 8% p.a. All financieras except Caldas would have equal free limits of US\$250,000 and aggregate free limits of US\$4.0 million; all of Caldas' projects would be reviewed by the Bank. Finally, not more than US\$4.0 million of the costs of a single project, whether financed by one financiera individually or by a group combined, should be financed from the proceeds of this loan except when the project has a high economic priority and cannot be financed from other sources.

I. INTRODUCTION

1.01 Private development finance companies (financieras) are a major source of industrial credit in Colombia. At present, 13 private financieras located in the country's four major cities - Bogota, Medellin, Cali and Barranquilla - and in Manizales, Bucaramanga, Pereira, Cucuta and Ibague, are in operation. The Bank has had close relations with the five oldest, and still the leading, companies. The oldest one, Corporacion Financiera Colombiana (Colombiana), started operations in Bogota in 1959; Corporacion Financiera Nacional (Nacional), in Medellin in 1960; Corporacion Financiera del Valle (Valle), in Cali in 1962; Corporacion Financiera de Caldas (Caldas), in Manizales in 1962; and Corporacion Financiera del Norte (Norte), in Barranquilla in 1964. The Bank has already made three loans to Banco de la Republica (BR), Colombia's central bank, totalling US\$62.5 million for use by these companies to assist them in financing productive projects in the private sector, and IFC has made equity investments in all five of them. At the end of 1970, their assets amounted to Col\$ 3.1 billion and accounted for about 85% of the assets of all 13 financieras.

1.02 Practically all Bank funds previously made available to the financieras were committed by mid-1970. Thus, the Government of Colombia and the five financieras have asked the Bank for a fourth loan. This report considers their application in the light of recent developments in the Colombian economy, and of the recent performance and prospects of the companies themselves. It focuses on the impact of the financieras' activities on Colombia's economy, on the results of the financieras' resource mobilization and allocation policies, and on an assessment of the companies' institutional and financial performance, mainly since the previous appraisal report (No. DB-48a, May 27, 1969). Description of the financieras' organization, financial structure and institutional aspects has been limited, because details on these aspects are given in previous appraisal reports and in the annexes to this report. A detailed description of the economic environment can be found in "Economic Growth of Colombia, Problems and Prospects", issued in 12 volumes as No. WH-200a, November 1, 1970.

II. THE COLOMBIAN ECONOMY

Present Situation and Trends

2.01 In recent years, Colombia has made substantial economic progress. Growth of GDP in real terms has been well above the 3.3% growth rate of Colombia's population and has shown a marked acceleration from a rate of 4.4% between 1965 and 1967 to 6.1% in 1968 and 6.5% in 1969. On a sector basis, agriculture and construction have expanded most. At present, real growth is estimated at 7%. Improvement in the Government's monetary, fiscal and exchange rate policies, the rise in domestic savings to support increasing expenditures for fixed domestic investment, the rise in non-

traditional exports, and favorable coffee prices have contributed to the acceleration of growth. Prospects for maintaining Colombia's comparatively high level of growth are good.

2.02 Apart from growth of GDP, several other indicators show the steady improvement of Colombia's economic situation. The Government's anti-inflationary policies have been successful. The rate of consumer price increases slowed down from about 16% in the early 1960's to 8.1% in 1967, 7.4% in 1968, 6.9% in 1969 and 6.3% in 1970. Both private and public sectors have raised gross investment levels. Gross fixed investment as a percentage of GDP has increased from 17.2% in 1965 to 19.5% in 1968, and is estimated to have remained at the higher level mainly due to greater availability of foreign exchange. It is expected that investment at the higher level can be maintained.

2.03 Colombia's balance of payments problems are still a serious obstacle to economic growth. However, the Government corrected one of the principal causes by introducing a flexible exchange rate in 1967. In 1968, for the first time since 1960, Colombia moved to a positive net international reserves position, with reserves amounting to US\$35 million at the end of that year. This trend has since continued. Net international reserves amounted to US\$97 million at the end of 1969 and to US\$152 million at the end of 1970. Improvement of conditions for foreign capital has led to a substantial increase in total private foreign investment, mainly in manufacturing and mining, from US\$20 million in 1967 to US\$48 million in 1968 and an estimated US\$50 million in 1969. It is not yet clear what effect the investment code recently agreed between representatives of the Andean Group countries might have on this development. (It will, of course, have no effect if it fails to receive the necessary ratification of all member countries.)

Industrial Development

2.04 The manufacturing sector in Colombia is still small, relative to the country's total value added (estimated 19.2% of GDP in 1969), and is less important than in many other countries comparable in population and per capita income. However, annual growth is estimated at 8.8% in 1969 and 9.4% in 1970, which indicates that industry in 1969 and 1970 has been more dynamic than the average of the economy.

2.05 To achieve past growth rates of industrial output, a level of new fixed industrial investment of 16-17% of total fixed investment had to be maintained in the period 1965-1967. The figure for 1967, the latest year for which data are available, was 16.1% and was equivalent to US\$150 million. Since then investment has probably risen slightly in real terms.

2.06 Colombia still produces mainly consumer goods (57% of total gross value). The production of intermediate goods, however, is the fastest growing sector. It has been an important factor in the rapid increase of

manufactured exports, which doubled in the period 1964 to 1968 and accounted for 41% of total non-traditional exports in the latter year. This trend has continued since, and future prospects for increase in manufacturing exports are good.

2.07 In 1970, total industrial employment reached only about 300,000 or 5% of the country's economically active population. The rate of industrial growth has not been sufficient adequately to absorb the rapidly growing labor force and a higher growth rate of industry would therefore be desirable.

Government Policy Towards Industry

2.08 Industry plays an important role in the achievement of the Government's development goals. Lacking a clear-cut policy, the Government has acted in some ways to limit the funds available to industry, and in other ways to provide industry with additional funds.

2.09 The Government's tight monetary policy over the years has acted in general to channel funds primarily to agricultural borrowers, housing and other public sectors and to leave private industrial borrowers as residual claimants. The resulting credit squeeze has curtailed the availability of working capital and increased its cost for industry. The Colombian authorities are aware of this complex problem and are presently studying the capital market and the adequacy of the interest rate structure for different borrowers.

2.10 Fiscal policy has been used to transfer industrial revenues to the public sector through high corporate taxes which include, besides income taxes (36% of net profits over Col\$ 1 million) and indirect sales taxes (about 4%), such measures as additional penalty taxes (up to 56%) levied only on corporation profits in excess of certain rates of return on net worth.

2.11 The Government has also recently acted to make public revenues available to industry. Social security funds, which were previously directed to the Central Mortgage Bank, are being channelled to Instituto de Fomento Industrial (IFI) for use in its financing of industry. In 1963, a Private Investment Fund (PIF) was created with the Banco de la Republica (BR) to receive direct foreign currency loans, and to act as a channel for both foreign exchange loans made to the Government and for counterpart funds in Col\$. These funds are relent through the financieras, commercial banks and semi-official banks for the purpose of export diversification, import substitution and the elimination of bottlenecks necessary to achieve these aims. Recently, additional funds have been created to provide financing for small and medium-sized industry, and for urban development projects. In addition, the Government has granted incentives to exporters (tax credit certificates, exemption or refund of duties on imported inputs, export financing guaranteed by BR).

2.12 Recently, the Government has provided an incentive towards attracting private investment in shares of the financieras. By law, firms can put 5% of their net profit into an economic development reserve. These funds are tax exempt, and can be used for investment in designated institutions, among others, the financieras. This measure has been helpful to the financieras, for two were able to place their shares above par. At the same time, however, the Government has also acted to improve the competitiveness of its own bonds in the capital market by granting a tax-exemption to increase the effective return to the purchaser.

2.13 Import restrictions, originally imposed to change the structure of Colombia's balance of payments have, as a secondary effect, resulted in high levels of protection for some rather efficient industrial enterprises and price levels for some industrial goods are unnecessarily high. On the other hand, many sectors are not high cost producers in spite of high tariffs. Given this situation, the Government has become more aware of the need to reconsider its protectionist policies in order to stimulate sound industrial development.

2.14 Present indications are that the new Government will adopt policies conducive to further growth of industry. In seeking to decrease unemployment, it intends to follow a policy of encouragement to both public and private investment. It has also expressed the intention to rationalize taxes on industry, and to reduce the amount and term of deposits needed for industrial imports. Thus, further growth of industry can be foreseen for the next few years, with the principal role of the private sector in that growth receiving due recognition. Such a situation should provide a basis for expansion of financing opportunities for the financieras.

III. THE STRUCTURE OF INDUSTRIAL FINANCE

Internal and External Financing of Industry

3.01 Industrial enterprises have two basic sources of finance: internal source of finance: i. e. retained earnings, and external sources, i.e. issues of share capital and borrowed funds. For most firms, both sources are rather limited. Internal cash generation, particularly of small corporations, is low, partly due to the structure of Colombian business taxes which do not allow revaluation of assets, a measure frequently adopted in inflationary economies to avoid high tax payments on inflated profits. This situation is aggravated by the Colombian shareholders' strong preference for cash dividends, as a result of which industrial enterprises distribute dividends of up to 40% of gross profits. Public share capital issues are mainly open to major industrial firms, and smaller firms often have to make great efforts to raise new equity from their shareholders. However, the shortage of borrowed funds, especially for working capital finance, is most pressing. The inability of almost all industrial companies to obtain bor-

rowed funds is reflected in their balance sheets, which often show a debt-equity relationship of less than 1:1. This chapter concentrates on external financing of industry.

Sources of Industrial Finance

3.02 Capital Market Instruments. The rapid pace of development of the capital market in recent years has provided new sources of funds for industry. The value of turnover increased from Col\$ 380 million in 1960 to Col\$ 2,100 million in 1968. The principal instruments of investment included both those with a fixed and those with a variable return: shares and bonds of industrial companies, bonds of the Central Mortgage Bank, the Government's economic development bonds and tax credit certificates (CAT). These instruments provide resources for industry either directly, such as industrial shares and bond issues and tax credit certificates, or indirectly, such as government funds and mortgage bonds; these latter determine to a large extent the price level in the capital market.

3.03 Trading of shares of corporations is confined to a few enterprises. About a dozen companies, or less than 10% of the companies which are listed on the stock exchange, are responsible for two-thirds of the exchange turnover. However, the rapid expansion of mutual funds in recent years (from total assets of Col\$ 2.5 million at the end of 1964 to around Col\$ 1.5 billion at December 31, 1970) attests to the considerable investor interest in this type of security. The issuing of new shares has shown a steady though lesser increase, from a total of new issues of Col\$ 202 million in 1964 to Col\$ 548 million in 1969. Although a satisfactory level of dividends (i.e. something over 12% p.a.) is now considered necessary for a newly-listed company to gain the interest of investors, such is not necessarily the case for established companies or banks, for which dividend rates vary considerably.

3.04 It would appear that floating bonds would be an attractive form for corporations of raising money on established stock exchanges, such as exist in Bogota and Medellin, since interests are tax deductible costs while dividends are not. However, although their issues were generally well received, only very few industrial companies such as Bavaria, Coltejer and Fabricato have floated bond issues, and these companies have relied much more heavily on share issues to provide them with needed funds. The most recent bond issue, by Bavaria in 1967, had a 16% coupon rate. The bonds were traded at a discount (95%) and so the effective return was about 17%.

3.05 Tax credit certificates were created by the Government as an incentive for export promotion. BR issues these certificates to the exporter in an amount equal to 15% of the value in Col\$ of the goods exported. The certificates are in "bearer" form and are thus freely negotiable on the stock exchanges. They are short-term (recently reduced from 12 to 9 months), pay an 11% coupon and can be used at maturity to pay national taxes. The market price is not supported by the Government and the discounted price varies inversely with the maturity.

3.06 Central Mortgage Bank Bonds have a 20-year term and carry a 9-1/2% coupon, but the real interest is 11%, since the bonds are sold at a discount. A market price of 86% of the face amount is maintained through the device of a redemption fund, which stands ready to buy and sell the bonds at any time. Consequently, not only is a stable price assured, but liquidity as well, since any bondholder can convert his security to cash upon presentation at any of about 40 bank branches. The bonds are tax exempt and, assuming a 40% marginal tax rate, the effective return is 18.3%.

3.07 Economic Development Bonds are issued by the Colombian Government. The interest rate of these bonds is 11%; however, the real interest rate is slightly higher, since the market price of these bonds is also maintained (at 95% of par) by a redemption fund. The bonds are also tax-exempt. The public's response to these issues has not been as favorable as in the case of the Central Mortgage Bank. This is very probably due to the fact that they are sold only on the stock exchanges (90% on the Bogota exchange), and are therefore not as easily marketable to investors all over the country.

3.08 The Five Financieras and IFI. The most important institutional sources of term finance for Colombian private industry are the five financieras and the government-owned IFI. A very substantial portion of IFI's financing is made to government-owned firms. The financieras still lead in providing medium- and long-term finance for private fixed industrial investment.

3.09 The most recent data for fixed industrial investment are for the year 1967. Assuming that fixed investment in industry has since kept pace with the growth of total gross fixed investment, industrial fixed investment amounted to Col\$ 4,625 million in 1969. A fair estimate is that out of this, IFI financed about Col\$ 850 million, or 18% and was the most important source of fixed industrial finance, followed by the financieras with Col\$ 350 million, or 8%. IFI should continue to be the most important institutional source of finance for Colombian industry and, with the substantial government financial support at its disposal, is likely to grow faster than the financieras. The level of the financieras' lending in recent years (see paragraph 5.16) has been more a function of available resources than of demand for industrial finance.

3.10 IFI's operations have reached real importance only recently. The legal basis for the broadening of its role was provided by a law of 1963, which granted to IFI all the powers of a private "corporacion financiera". Other decrees in succeeding years authorized IFI to act as trustee for the Government in managing AID funds and public debentures. In 1966, IFI started its rapid growth by the acquisition of substantial new funds. As of December 31, 1970, IFI's total assets amounted to Col\$ 3.4 billion. The total assets of the five financieras at the same date were Col\$ 3.1 billion.

3.11 Commercial Banks. Colombia's well-developed commercial banking system provides primarily short-term credits and is the principal supplier of working capital finance to industry, with the financieras also playing an important role. About two-thirds of the total loan portfolio of the commercial banking system is made up of loans to commerce and industry with the balance going to transportation, consumers, public services and other sectors. Total commercial bank loans at December 31, 1970 to industry and mining (excluding construction) was Col\$ 3 billion, as against Col\$ 2.4 billion total loans made by the financieras.

3.12 Suppliers Credits. The precise impact of suppliers credits on industrial finance cannot be determined with any degree of real accuracy. Nevertheless, indications are that such credits contribute significantly to the financing of industry. Information available from IFI a year ago, indicated that up to 30% of its clients' future needs would be met by suppliers' credits.

3.13 More recent information has been provided by one of the financieras, from a representative sample of 23 of its clients. These firms varied greatly in their use of suppliers' credits. Only three firms received no financing of this type. Five firms depended nominally (0.4 - 2.1% of total financing) on such credits, over one-third (eight firms) depended somewhat more heavily on them (5.3 - 16.0%), and almost another third (seven firms) relied considerably (26.0 - 42.7%) on suppliers' credits.

3.14 It is difficult to generalize from such scanty information; nevertheless, it indicates that at least one-third of the manufacturing firms in Colombia rely to an important degree on suppliers credits as a means of financing their operations.

3.15 The "Curb Market". If a company is unable to satisfy its requirements (particularly working capital) in the organized markets, it may have to obtain funds at rates of 24% and above in the "curb market". Even some prime borrowers have to resort to this market to meet expenses. For example, manufacturers of home appliances, who have to give their distributors and customers two-year terms, cannot obtain all the working capital they need from the banking system. The size of the "curb market" cannot be determined, but the extremely high rates of interest that are paid by borrowers indicate that demand far exceeds supply.

Cost of Industrial Finance

3.16 Effects of Government Interest Policy. Levels and changes in interest rates and resources result more from Government policy than from market demand and supply movements. Monetary policy has placed strict requirements on financial intermediaries regarding the allocation of their funds and the interest rates that they can charge, with the result, in the case of commercial banks, that although interest rates are more favorable for industrial lending, the banks must maintain in their portfolios agricul-

tural investments equal to at least one-fifth of total portfolio. The Government has tried to limit the increase of interest rates, by requesting that all rates in the banking system be tied to the 14% short-term rate approved by the Junta Monetaria, but its success has been limited.

3.17 The effect of Government policy has been to create a diverse rate structure. Current lending rates to agriculture are around 9-14%, to housing 9-18%, while for industry the effective cost of a loan from the banking system could be 17-20%, and is estimated at 24-36% for loans from the "curb market". In light of the more favorable rates for agriculture and housing, it may be argued that present interest rate policy discriminates against the industrial sector and that an attempt ought to be made to redress the balance. However, in present circumstances, a reduction in interest rates would result in an even stronger demand for industrial finance and supply would also have to be stimulated to provide the funds necessary to satisfy this demand. Since demand for funds is already high, and cannot be fully satisfied, the main obstacle to the growth of industrial sector finance appears to be the lack of new resources rather than the level of interest rates.

3.18 Cost of Peso Funds. Depending on the source, the cost of capital in Colombian Pesos varies widely. The availability of funds from the banking system, eligibility for government finance, and the need to go outside the banking system, all involve different costs to the borrower. Therefore, industrial borrowers are faced with a number of cost alternatives, such as the following:

- a. Short-term working capital from a commercial bank may be obtained at a nominal rate of 14-15%, but it effectively would cost around 18%, depending upon the amount of compensating deposit balances required.
- b. Funds are presently available from BR for specific purposes and relent through the banking system at rates varying from 12% to 18%, depending on the source of funds and term of the loan. (18% is the cost not only of World Bank funds but also of a 10-year money under the most recent AID loan.)
- c. Like other financial institutions, the financieras keep nominal interest rates in line with government policy, and try to charge commissions as a means to raising the effective return. Consequently, the effective cost to industrial companies of such loans would be about 18% for loans over one year.
- d. Although IFI's financing is in general directed towards firms which, due to either their size or complexity, are outside the scope of the financieras' operations, there is no prohibition against its financing any enterprise. IFI loans are

available at rates of 14% for loans of up to one year, and 1/2% for each additional year, with a 20% maximum for an 8 - 10 year loan.

- e. A borrower can also try to sell shares or bonds on the capital market. In order to compete with Government bonds, industrial bonds must show an effective return about equal to the 18% return on the bonds of the Central Mortgage Bank.
- f. As a last resort, the "curb market" would be able to provide financing, often even to large firms with serious working capital shortages, at rates ranging from 24% to 36%, according to best estimates.

Interest Rate for the Proposed Loan

3.19 Cost of Bank Funds in Foreign Exchange. Fixing a price for the relending of Bank funds is difficult, given the problems of establishing an opportunity cost of capital and the rigidities imposed by the Government's monetary policy. One approach would be to add up the costs that have to be met before the funds reach their ultimate user. Thus, a loan in foreign exchange would include the following costs:

- a. the present cost of World Bank funds is 7.25%;
- b. the 3% spread now allowed the financieras seems satisfactory to cover their expenses and provide a reasonable surplus;
- c. BR, as borrower, receives a fee of 0.5%, which seems adequate.

The total cost in foreign exchange would be 10.75%. This compares with 10% under the present loan, the increase resulting from the rise in the interest rate on World Bank loans.

3.20 In practice, the interest rate on loans denominated in foreign currency has not been important; for in only one case has a client of a financiera been willing to assume the foreign exchange risk.

3.21 Exchange Risk Coverage. In the past two loans to the financieras, BR has been prepared to cover the foreign exchange risk at 8% p.a. The adequacy of the 8% fee is difficult to assess. The long-term aspect is simply not quantifiable, as may be seen by the actions of the financieras' clients. Historically, the devaluation of the Colombian peso in relation to the US dollar averaged 10.9% from 1959-1969 and 9.1% for the period 1967-1969. During these same periods, the consumer price index rose by average annual rates of 10.7% and 7.1%, respectively. In 1967, Colombia adopted the "crawling peg" system by which devaluation is carried out in regular steps. Since 1967, devaluation has slightly exceeded the rise in

consumer prices. Devaluation in Colombia has not taken into account the effect of inflation of the US dollar, and has not therefore been related to the net inflationary change resulting from a comparison of the changes in price indexes for the two currencies involved in the calculation. The best estimates are that the rate of inflationary advance will continue at about 7%. Due to the compounding effect on interests and varying time lags before conversion, the risk coverage should be slightly higher than actual devaluation and a continuation of the 8% charge for foreign exchange risk could therefore be considered reasonable. Consequently, the total cost of World Bank funds, without foreign exchange risk, would be 18.75%.

3.22 Cost of Other Long-term Funds. Apart from the above cost calculation for Bank funds, a comparison with other borrowing rates for industry may give a further idea as to the adequacy of a particular rate. Costs for the ultimate beneficiary of other PIF managed long-term hard currency funds (with or without foreign exchange risk coverage) are about in line with cost of World Bank funds. In relation to the cost of most short- and medium-term foreign exchange, World Bank funds are, apparently, not expensive, although suppliers' credits may sometimes be considerably cheaper. However, short- and medium-term rates fluctuate with the market to a wider extent than long-term rates and are therefore only of limited value for comparison. Thus, in general, a comparison of available market prices for foreign exchange funds provides only an indication but not a very satisfactory basis for assessing the adequacy of the cost of Bank funds. In the case of local currency, a comparison can also be made with IFI's rates, which are 20% for long-term loans of 8 - 10 years.

3.23 Proposed Interest Rate. BR and the financieras reached agreement that the interest rate charged to the ultimate borrower for loans from World Bank resources should be 10.75%, and that if a borrower is not willing to take the exchange risk, BR would do so, for a fee of 8%. In the light of the considerations in the foregoing paragraphs, that arrangement is reasonable.

IV. RESOURCE MOBILIZATION BY THE FIVE FINANCIERAS

4.01 The financieras have mobilized a fair amount of domestic resources through issues of bonds and shares. They have been successful in obtaining external credits through BR from international and foreign national lending agencies. In addition, some of the financieras have tapped significant resources from foreign commercial banks, used chiefly for export-import financing. The financieras' investment banking operations have not yet reached any real importance. Caldas has tried to mobilize resources through a "mutual fund" scheme.

4.02 Share Capital Issues. The financieras have been successful in raising share capital and have relied heavily on their own equity to finance operations. As of December 31, 1970, their paid-in share capital totalled Col\$ 496 million and reserves and surplus of Col\$ 259 million brought their equity to a total of Col\$ 755 million. Although Nacional's and Caldas'

shares are listed on stock exchanges, only Nacional's are being traded (at 130% of par). In addition, since the shares of the financieras were made eligible for investments with funds from the "reserva de fomento economico", the market for their shares has improved, as has the possibility of selling shares at a premium.

4.03 Bond Issues. Only Colombiana has had any significant success in issuing its own bonds, perhaps because an important insurance company is on its board. From 1962 through 1970, Colombiana placed bonds amounting to Col\$ 275 million, while the other four financieras combined placed bonds totalling Col\$ 180 million. These bonds are not freely available funds. They are, rather, a vehicle for obtaining funds from insurance companies for working capital financing of their clients. An arrangement is made in advance with an insurance company, which usually involves the purchase of some insurance in exchange for the discounting of the bond. The financieras have not been active in raising savings directly through public placement of their bonds. The largest financieras should now be in a position to do so. The possibility of their going to the market with negotiable "bearer" bonds is discussed in paragraph 7.12.

4.04 Funds Channelled Through BR. Resources made available through BR to the five financieras represented, at December 31, 1970, around 50% of all resources disbursed by them. Of these BR resources more than one-third represented World Bank loans, and about one-half loans from PIF, the special BR fund used to finance private enterprises.

4.05 The financieras have varied considerably in their use of World Bank funds, ranging from 11% to 26% of total resources disbursed by each financiera. As of January 31, 1971, amounts credited under the three loans together have been the following: Nacional US\$18.3 million; Colombiana, US\$16.8 million; Valle, US\$12.8 million; Norte, US\$7.4 million; Caldas, US\$5.2 million.

4.06 Besides local currency loans received from counterpart funds available to BR, the financieras have also utilized the proceeds of loans to BR from AID, KfW, and IDB. Total utilization of those resources has amounted to only about 6% of the total resources used by all the five.

4.07 In 1966, BR agreed to receive 10-year bonds in payment for amounts due to it under earlier credit lines to the financieras, thereby increasing considerably the term of this obligation. The financieras have been active in issuing such bonds. (Col\$ 262 million was outstanding as of December 31, 1970.) In 1969, BR established an Industrial Financing Fund (IFF) to finance small- and medium-sized companies and an Urban Development Fund (UDF) for urban projects. The financieras have begun to use these resources, which add greatly to the flexibility of their financing and should play an increasingly important role in their lending operations.

4.08 Foreign Commercial Banks. All the financieras, but Colombiana, Norte and Valle in particular, have been able to raise short-term financing from foreign commercial banks for export-import financing. The total outstanding was Col\$ 314 million as of December 31, 1970.

4.09 Investment Banking. The financieras have not been active as investment bankers in the period under review. Nacional managed to place 50% of an issue on a "best efforts" basis, while Caldas was unable to place the shares of a company for which it had a firm underwriting commitment.

4.10 "Mutual Funds" Operations. In order to attract the interest of investors to companies in its portfolio, Caldas began in 1966 to sell blocks, of Col\$ 100,000 containing a mix of shares of 10 companies in Manizales. Caldas guaranteed a minimum return of 8% on the blocks, and agreed to split with the investor any return in excess of 8%. Caldas sold 35 blocks, but suspended further sales in 1967 when one of the companies fell into difficulties.

V. RESOURCE ALLOCATION BY THE FIVE FINANCIERAS

5.01 An indication of how efficiently the financieras have allocated resources can be given by reviewing the quality and volume of the financieras' appraisal and follow-up activities, the development and direction of their lending, their efforts to promote projects and make equity investments, the economic implications of projects carried out with their assistance, and the overall performance of their portfolios.

Project Appraisal and Supervision

5.02 Appraisal and follow-up standards of the financieras determine to a considerable extent the quality of resource allocation for Colombia's industry, given the relative importance of their lending and investment activities. The quality first of appraisal and then of follow-up work is therefore highlighted for each financieras.

5.03 Quality of Appraisal Work and Related Technical Assistance. Although most financieras have improved the quality of appraisal work, there is still room to better the appraisal techniques of all of them. In particular, financial projections and market appraisals have sometimes been inadequate. Also, considerable work needs to be done to upgrade the appraisal of the economic merit of investment projects (see paragraph 5.31). During negotiations the financieras declared their intention to improve appraisal and follow-up, including giving increased emphasis to the economic aspects of investment projects. They will add to their studies of projects over US\$250,000 a calculation of the effective rate of protection.

5.04 Valle's appraisals are generally well done. Its relatively small Technical Department often assists its customers substantially in the preparation of feasibility studies and in modifying projects.

5.05 Appraisals of projects recently submitted by Colombiana for Bank approval have also been of generally good quality. The financieras is pro-

viding a fair amount of technical assistance in the preparation of feasibility studies. Among the financieras, the quality of Colombiana's and Valle's appraisal are the best, overall.

5.06 Nacional's appraisal work is influenced by the facts that its business is focused on the Antioquian region and that its management maintains a close relationship with all principal enterprises in the region. Consequently, appraisal staff can be kept small and formal appraisal reports are relatively thin. There is a tendency to rely largely on feasibility studies submitted to it by the large and well-established firms among its clients, rather than on Nacional's own critical faculties, and on Nacional's personal knowledge of the management and financial position of its clients. Due to the nature of most of Nacional's clientele, the extent of the financiera's technical assistance is limited. As Nacional grows in size, this reliance on contact and relationships may become risky. More extensive technical work already is needed to help lay a basis for managerial judgment. The development of staff, especially on the technical side, and the employment of a top-ranking deputy to the President are matters of priority of which the President is aware.

5.07 The quality of Norte's appraisal reports has varied but has improved overall. Reports sometimes still do not focus adequately on important issues, especially market aspects. However, many projects submitted to Norte by its clients lack thorough preparation and, often, the financiera has to put them together from scratch. This valuable technical assistance requires a considerable amount of staff time.

5.08 Caldas' appraisal work often appears to be hastily done. Investment decisions have often been based, to an excessive extent, on management's and board's first-hand knowledge of the business community. The financiera's new management will have to base investment decisions on deeper study than has been the case in the recent past.

5.09 Project Supervision. Procedures, quality and extent of follow-up visits work differ among the financieras, but the following common features are noteworthy: in all the financieras, the number of follow-up visits has increased substantially during 1970 over the previous year's figures, but visits tend to be shorter; the financieras give priority to follow-up visits of Bank-financed projects over PIF and BR financed projects and projects financed from other sources. Clearly, this is an area in which all the financieras need to improve their work.

5.10 Colombiana has made substantial efforts to improve its follow-up work. It has the largest loan portfolio of all the financieras, but also by far the largest professional staff to cope with appraisal and follow-up activities. Colombiana concentrates its follow-up work on firms in which it has a significant exposure, on problem cases and on firms in the construction stage. Follow-up reports for these special cases often analyze problems and their possible solutions in great depth.

5.11 Staff shortages limit Nacional's follow-up even more seriously than its appraisal work. The number of visits is comparatively small, and as in the case of appraisal work, follow-up rests primarily on continuing close, but often informal relationship with clients. Moreover, through the presence of the major regional banks on its board, Nacional can close the information gap regarding the current financial condition and prospects of its clients. However, this can not be relied on as Nacional grows and its operations become more complex, and a system of follow-up and prompt reporting wants urgently to be established.

5.12 A substantial improvement of Nacional's appraisal and follow-up work can be expected only after its professional staff is increased. During negotiations, Nacional said this matter would be given urgent attention.

5.13 Due to staff limitations, Valle concentrates its efforts on appraisal work and the quality of its follow-up supervision is therefore less impressive. Valle regularly receives financial statements from all customers, but this information is not always analyzed, reflecting a tendency of Valle's management to rely to a considerable extent on first-hand information obtained through direct contact with its clients' senior management. Recently, showing the financiera's awareness of the need to improve its follow-up work, Valle began to set up a more efficient supervision system, the full implementation of which can be expected after the planned increase of the financiera's professional staff in the first half of 1971 (see paragraph 6.25).

5.14 Caldas has improved its follow-up activities. It now seeks regular financial information from its customers. The number of plant visits has increased considerably, after introduction of a system for follow-up visits which, however, has not always been adhered to. Visits are still made primarily to deal with problems, and are not geared to anticipating problems. Reports are often short and lacking in depth. It can be expected that the financiera's present difficulties will lead to a further concentration on, and improvement of, its follow-up activities.

5.15 Norte's follow-up work is quite good. The staff pays regular visits to customers and produces, in most cases, extensive follow-up reports of good quality. Norte closely checks the regular receipt of financial information, which is also thoroughly analyzed. Whenever visits and analyses show that a company is experiencing even minor difficulties, the financiera's findings and recommendations are discussed in detail with the client; thus, potential crisis situations are detected fairly early.

Lending Activities

5.16 Loan approvals by the financieras soared from Col\$ 771 million in 1968 to Col\$ 1,048 million in 1969, an increase of 36%. The level of approvals

in 1970 Col\$ 1,072 million was about equal to 1969. However, there have been marked differences in the development of lending by the individual financieras.

5.17 Development of Lending Operations by Financiera. Colombiana approved loans of Col\$ 356 million in 1969, an increase of 72% over 1968. During 1970, the financiera about maintained the 1969 level of approvals. The number of loans approved has actually decreased somewhat; but the average size of a loan has increased fast. Loans approved averaged Col\$ 1.1 million in size in 1968, and soared to Col\$ 2.5 million in 1969 and Col\$ 3.0 million in 1970. Colombiana is leading by far in the average size of loans approved. About three-fourths of its loans continue to go to chemical, textile and food/beverage/tobacco firms and to manufacturers of metal products. Increasingly, Colombiana has been lending as follows: (1) to firms in its home province of Cundinamarca; (2) for working capital purposes; (3) to existing firms (see Annex 4). However, Colombiana's loan portfolio is still the most geographically widespread of the financieras and it is trying for business in other Departments even more aggressively than before (see paragraph 6.02).

5.18 Mainly as a result of concentrating on lending with terms over 2 years, Nacional's loan approvals fell from Col\$ 204 million in 1968 to Col\$ 195 million in 1969 and to Col\$ 190 million in 1970. The average size of loans approved increased slightly from Col\$ 716,000 in 1968 to Col\$ 752,000 in 1969; this trend has continued in 1970. Nacional's lending operations continue to be concentrated in the Antioquia area, with an emphasis on textile firms and a preference for existing rather than new companies. Almost all of Nacional's loans are for two years and more, and nearly half continue to be for working capital (see Annex 14).

5.19 Valle's lending operations have expanded rapidly. Loan approvals in 1970 amounting to Col\$ 254.5 million were 38% over the Col\$ 184.6 million in 1969, which was up 10% over the 1968 approvals. The average size of loan approved rose from Col\$ 526,000 in 1968, to Col\$ 592,000 in the following year and Col\$ 695,000 in 1970. Valle's lending activities are almost entirely limited to existing enterprises in the Cauca Valley. Although a considerable portion of its lending activity continues to be heavily concentrated in the textile and food/beverage/tobacco sectors, loans to manufacturers of metal products increased substantially in 1969 and 1970. Working capital lending operations continue to form a sizeable portion of Valle's portfolio; during the last two years 61% of loans were granted for this purpose. Loans with a maturity of less than two years still form a substantial portion of Valle's lending (see Annex 24).

5.20 After a peak in 1968, Caldas' loan approvals slowed down in 1969 to about the 1967 level. They amounted to Col\$ 95.1 million in 1969 and Col\$ 97.5 million in 1970 compared with Col\$ 124.1 million in 1968 and Col\$ 92.5 million in 1967. However, Caldas has been steadily increasing the terms of its loans, 61% of which in 1970 were for two years or more (56% in 1969 and 46% in 1968). The average loan approved increased from

Col\$ 465,000 in 1968 to Col\$ 602,000 in 1969 and to Col\$ 793,000 in 1970. Caldas' financing of working capital still exceeds its lending for fixed assets. As in the past, about two-thirds of its lending goes to textile and chemical firms and to manufacturers of metal products, and more than three-quarters to enterprises located in Caldas (see Annex 34).

5.21 During 1970, Norte's loan approvals totalled Col\$ 189.5 million. However, the level of approvals was considerably higher in 1969, Col\$ 217.4. The average loan approved was Col\$ 0.8 million in 1968 and rose to more than double this sum in 1969 and 1970; this average is second only to that of Colombiana. The composition of Norte's lending is similar to that of the other financieras. In 1969, 57% of the loans approved were for enterprises in the textile, food/beverage/tobacco, metal manufacturing and chemical sectors. The financing of two large pulp and paper projects in 1970 resulted in a commitment to this sector of one-fifth of all loans granted in 1970. Although 47% of loans in 1969 and 27% in 1970 were for working capital purposes, over 60% of all loans made 1969 and 1970 had maturities of two years or more. This trend is more or less in line with past operations. Almost a half of Norte's loans were granted to firms in Atlantico and Bolivar, which is less than in previous years. A considerable portion of loans made outside the Atlantic coast region involves large projects in which Norte has participated with other financieras (see Annex 44).

5.22 Geographic Distribution. The five financieras as a whole have been criticized for concentrating their lending operations too heavily in their own Departments and for not responding adequately to the needs in other regions. Between January 1, 1968, and June 30, 1970, 84.9% of the financieras' loans were for enterprises located in their "home" provinces: Antioquia (Nacional), Atlantico (Norte), Caldas (Caldas), Cundinamarca (Colombiana) and Valle (Valle). (See Annex 51.) However, these provinces (with the exception of Caldas) are also Colombia's main industrial regions and accounted for 83.2% of total employment in manufacturing, 80.3% of total value added by manufacturing and 53.9% of total population. Within the above period, the geographical concentration of the financieras' lending has been roughly in line with the regional distribution of employment and value added in manufacturing, in most provinces. By comparison, lending for industry by the commercial banking system has been much more heavily concentrated in Cundinamarca (Bogota) which is clearly favored even over the other relatively industrialized departments.

5.23 It is notable that the concentration of the financieras in their "home" departments has grown recently. Lending in these five regions went up from 77.8% before 1967 to 84.9% since then. This development is, in part, due to scarcity of resources. Local borrowers are clearly in a better position to answer questions and push their projects than those some distance away. It is encouraging, however, that the financieras are alive to the need to finance nation-wide Colombia's industry and Colombiana is taking steps to broaden its lending operations (see paragraph 6.02).

5.24 Sector Distribution. In the 1967 - 1969 period, producers of intermediate goods received slightly over 50% of loans, non-durable consumer

goods industry about one-third, durable consumer goods 6% and capital goods industry 2% of total lending (see Annex 52). In 1970, a marked swing away from financing of non-durable consumer goods industry to the other sectors occurred, but it is still too early to conclude whether this is permanent shift. In the absence of information on a sector distribution of fixed investment, a comparison of other indicators of industrialization (such as value added, gross value of production, and employment in manufacturing) with disbursements of the financieras is of interest. It shows that, over the past 3-1/2 years, the financieras have preferred intermediate goods and, in particular, the textile industry, against financing non-durable consumer goods industries. Overall, the industrial sector distribution of the financieras' loans reflects to a large extent the existing distribution of industrial activity in Colombia.

Equity Investments and Promotion of Projects

5.25 The five financieras have made substantial equity investments in the past. As of December 31, 1970, these investments in private enterprises totalled Col\$ 460.2 million, or 61% of the financieras' combined networth totalling Col\$ 754.6 million. In comparison with IFI and the commercial banks, the financieras remain by far the most important institutional source of equity finance for private industry. As of December 31, 1970, IFI's equity investment portfolio amounted to Col\$ 969.4 million, of which Col\$ 710.0 million was invested in one publicly owned enterprise, Planta de Soda. Commercial banks have practically no industrial enterprises in their investment portfolios and their main contribution to equity finance of industry is made by being important shareholders in the private financieras.

5.26 The relation of the financieras' equity portfolio to their total equity and term loan portfolio shows considerable differences. At the end of 1970, it reached 38.4% in the case of Caldas, followed by Colombian's 22.2%, Nacional's 15.5%, and finally Norte's with 9.3% and Valle's 7.3%. However, these percentages are only a limited indicator of the promotional efforts of each financiera. Only a small portion of the equity investments of some of the financieras are in enterprises which they have promoted. Overall, the major part of their investment portfolios, with the exception of Caldas, consists of share subscriptions in already existing enterprises.

5.27 Caldas was established in order to support and stimulate the economic diversification of a predominantly coffee-growing region. Its impact on the development of regional industry has been considerable. In pursuit of its developmental role, Caldas' operations have been largely promotional and regionally oriented, with the bulk of its financial assistance being confined to companies located in the Manizales area. Such concentration of investment activity in an area lacking industrial tradition has made Caldas' task singularly difficult. In addition to this unfavorable environment, Caldas' project analysis was sometimes insufficient, and its

investment judgement faulty. As a result, Caldas had to assume controlling interest in several new or reorganized companies and to provide financial, managerial and technical assistance far exceeding its ability to do so.

5.28 Up to 1966, Colombiana was very promotion-minded. Circumstances led it to follow, thereafter, a more cautious policy of consolidation; and it has provided, to a considerable degree, financial and technical assistance to companies experiencing difficulties in which it already had a considerable exposure. The recent increase in Colombiana's equity portfolio is accounted for mainly by investments in already existing companies.

5.29 Nacional, Valle and Norte have not been particularly active in promoting projects. They have generally limited themselves to investing in existing enterprises and to participating in projects promoted by other financieras.

Economic Impact of Lending and Investment Activities

5.30 Protection Enjoyed by the Financieras' Clients. Colombian manufacturers are protected by a combination of ad valorem tariffs, a system of quantitative import restrictions embodied in an import licensing system and a system of prior deposits. Since these elements make it difficult to calculate levels of effective protection for the various industrial sub-sectors to which the financieras lend, an indication of their clients' protection is given by the nominal tariff rates. A rough analysis of the financieras' lending shows that in the 3-1/2 years from January 1, 1967 to June 30, 1970, 32% of their total disbursements were made to enterprises in the up-to-50% tariff bracket (basis 1970), 58% to industries in the 51-100% range, and 10% to industries protected by nominal tariff rates over 100%. Over this period, a slight tendency has developed to finance sectors with lower nominal tariff rates. The table below also shows that the disbursements of Norte, Valle and Colombiana, are more or less in line with the above totals, whereas Caldas' lending operations have been more concentrated in the lower tariff bracket and Nacional's in the medium range. However, this is obviously due to the different industrial patterns of their clients, rather than to their lending policies.

Disbursements to Clients in
Various Tariff Brackets, January 1, 1967 - June 30, 1970

(in percentages)

<u>Average nominal tariff (%)</u>	<u>Colombiana</u>	<u>Nacional</u>	<u>Valle</u>	<u>Caldas</u>	<u>Norte</u>	<u>Total</u>
0 - 50	38	23	29	42	29	32
51 - 100	54	68	59	44	61	58
over 100	8	9	12	14	10	10
	100	100	100	100	100	100

5.31 The tariff level is only a limited indicator of the cost and price level of industrial sectors, and, although tariff protection for Colombian industries is relatively high, many sectors are efficient and are not high cost producers. However, to avoid investing in less efficient industries whose efficiency may be concealed by excessive protection, it is important that the financieras focus with increasing sharpness on economic criteria in making their investment decisions. At present, investment decisions of financieras are mainly based on analysis of financial, marketing, technical and management aspects.

5.32 Financing of Export-Oriented and Tourism Projects. Colombia's vigorous efforts to increase non-traditional exports have recently been successful, with minor exports in 1969 growing by 22% over their 1968 level. Reported total exports of all the financieras' clients grew 53% from US\$53.4 million in 1968 to US\$81.7 million in 1969, at a rate much faster than Colombia's minor exports, and represented 35.8% of Colombia's minor exports in 1968/1969 and 11.5% of the country's total exports during this period.

5.33 Tourism has only recently been given attention in Colombia. The country has considerable potential for international tourism development. Financing tourism does not yet form an important part of the financieras' operations, since it was only in 1968 that a law was passed authorizing the financieras to finance projects in this field. One particular project is worth mentioning as an indication of future possibilities: Compañía de Desarrollo de Hoteles de Turismo (Hoturismo), in which all financieras are engaged, except Caldas, and in which IFC is also a shareholder. Hoturismo's goal is to set up major hotels in Medellín, Cali, Santa Marta, Cartagena, San Andrés and Bogotá. With the financieras' participation, it has promoted the new Intercontinental in Medellín and one which is being built in Cali.

5.34 Foreign Exchange Earnings and Savings. Although the financieras have not pushed exports strongly, they have nevertheless made some contribution to improving the country's balance of payments by financing customers who realized foreign exchange earnings and savings. Estimated net foreign exchange earnings ^{1/} through exports by enterprises financed by the financieras amounted to US\$47.8 million in 1968 and reached US\$74.0 million in the following year.

^{1/} Estimates of imported inputs are based on information provided by the financieras, on analyses of their customers' profit and loss statements, and on percentages of imported input in industrial production published in Statistics Department (DANE), Monthly Statistics Bulletin, March 1970.

5.35 The financieras' clients sell their products mainly in the domestic market. These products have undoubtedly substituted for a fair amount of imports. Import substitution of a sample of projects mainly carried out for this purpose, reached US\$23.8 million in 1968 and US\$28.8 million in 1969 and net foreign exchange savings amounted to US\$16.4 million and US\$18.0 million respectively. The total import substitution by all their clients is probably substantially higher since industry's total hypothetical foreign exchange savings were US\$179.2 million for 1967. 1/

5.36 Additional Employment. 10-15% open urban unemployment and another 10% technically unemployed make unemployment one of the most serious challenges which Colombia faces today. The new government has stated its determination to encourage public and private investment that will contribute to an overall solution of the unemployment problem. In appraising projects, the financieras are also becoming increasingly concerned with the employment effect of their financing. For example, in the case of some IFF-financed loans, the capital investment per worker must not exceed Col\$ 100,000 and the financieras have to report on the effective creation of employment.

5.37 Over the past years, projects that the financieras have partly or fully financed, have created a substantial number 2/ of jobs which rose from 6,127 in 1966, to 6,356 in 1967, 8,288 in 1968 and 8,977 in 1969. During this period, Colombia's total industrial labor force remained at about 300,000.

Performance of Loan and Equity Portfolio

5.38 The quality of financieras' loan and equity portfolios provides another indication of the effectiveness of their resource allocation. This aspect will be dealt with in detail for each company in the following section. With the exception of Caldas, the financieras' portfolios generally contain sound companies and relatively few of their customers experience repayment difficulties.

VI. THE FIVE FINANCIERAS

6.01 The following paragraphs indicate important developments in the financieras in the past two years, and provide an assessment of their present situations.

1/ IBRD Report WH-200a, November 1970. "Economic Growth of Colombia: Problems and Prospects", Vol. IV: Industry: Manufacturing and Mining.

2/ The figures are estimates since, in most cases, job creation was assumed as stated in project appraisal and for the year of the project approval. Double counts for joint projects could not be eliminated from available data.

Colombiana

6.02 The Institution. Colombiana's Board has been increased by one seat to include a representative for European shareholders (see Annexes 1 and 2). Only one major managerial change has occurred since the end of 1968. This involved the elimination of the office of Executive Vice President. The company's three Vice-Presidents now report directly to the President, Mr. Ignacio Copete. Colombiana's organization has been expanded with the establishment of three regional representatives and of one European representative, in an effort to broaden its activities outside the Bogota area. Colombiana's professional staff remains large in comparison with other financieras.

6.03 Lending Operations. The quality of Colombiana's loan portfolio (Col\$ 633.7 million as of December 31, 1970) has improved. With one exception (see paragraph 6.06), Colombiana's total exposure in any one client does not exceed 15% of its own equity. The total outstanding loan principal of clients in arrears shows a sharp decline from the situation in August 1968, when they involved an amount of Col\$ 229 million. The comparable figure on December 31, 1970 was Col\$ 11 million. Some of this reduction was brought about by rescheduling a number of loans to firms in which Colombiana had large exposures. As of December 31, 1970 arrears for more than 3 months amounted to Col\$ 2.6 million out of a total principal outstanding to these clients of Col\$ 10.6 million. Write-offs in 1969 on defaulted loans amounted to Col\$ 3.7 million for three cases and to Col\$ 0.3 million in 1970 for one company.

6.04 Equity Investments. The total balance sheet value at December 31, 1970 (see Annexes 3 and 5) of Colombiana's equity investment portfolio has shown a 19% increase since the end of 1969.

6.05 Investments in firms under construction or with profitable operations total Col\$ 111.6 million. Investments in three firms (Tolcemento, Forjas, El Labrador) with operating difficulties amount to Col\$ 70.3 million and the total exposure in these companies to Col\$ 232.3 million.

6.06 A continuing matter of concern is Colombiana's substantial exposure (69.9% of its own net worth) in Tolcemento. Its profits have not been sufficient to repay debt maturities. Tolcemento expects to break even in 1971. Profit margins will, however, be small for a number of years thereafter.

6.07 Serious problems still exist for Forjas. Substantial funds will be needed to keep it operating. While it is recognized by all concerned that Forjas could contribute significantly to the country's economy, there are problems of developing an appropriate market both within Colombia and outside. Colombiana also considers the survival of the enterprise of great importance to Colombia's economy and is prepared to make a limited increase of its exposure in Forjas, subject to adequate Government support and a workable proposal for a long-range solution of Forjas' problems. There

have been encouraging efforts by the various shareholders to develop a workable proposal for a long-range solution. At the moment, however, Forjas continues to operate at reduced capacity at a loss and additional investment could hardly be justified. IFC is also a shareholder in this company.

6.08 El Labrador is an agricultural enterprise which is now shedding its unprofitable production lines at a loss; Colombiana's loss is expected to amount to Col\$ 4.0 million. El Labrador's prospects appear more promising after this transaction, and it has recently showed some operating profit.

6.09 Equity investments written-off in 1969 amounted to Col\$ 2.3 million for three cases; no write-off was made in 1970.

6.10 Total reserves and unallocated earnings amounted to Col\$ 103.3 million (Col\$ 86.8 million after dividends) at December 31, 1970 (see Annex 5). Colombiana has an exposure in firms with unresolved operating problems of Col\$ 232.3 million and a total portfolio of Col\$ 1,029.0 million. Present reserves might be large enough to provide protection from the risk inherent in these very large exposures; the reserves, however, have been kept at the same percentage of the portfolio, and the dividend payout ratio has been high in recent years. Colombiana's reserve policy was therefore reviewed and reconsidered during negotiations. It was agreed that Colombiana's Board of Directors, until otherwise agreed with the Bank, shall every year recommend to the shareholders to set aside 30% of the year's net profit to a reserve for portfolio protection plus such additional amounts that shall appear appropriate in the light of the current condition of the portfolio. The 30% allocation will not include any amounts set aside for other purposes.

6.11 Other Operations. Colombiana has not been active in underwriting, and guarantee operations have only increased from Col\$ 86.8 million outstanding at December 31, 1969 to Col\$ 97.7 million at December 31, 1970.

6.12 Colombiana has, with some success, issued bonds for working capital financing. One of Colombia's most important insurance companies is a principal shareholder and is on Colombiana's Board; it has taken up most of the issues and has undoubtedly been instrumental in the success of this operation. In 1970, Colombiana carried out bond issues of Col\$ 80 million.

6.13 Financial Results. Colombiana's recent operating results (see Annex 6) have been satisfactory, with net income of Col\$ 23.2 million in 1969 (up 30% over 1968) and Col\$ 27.8 million in 1970. Return on assets, paid-in capital, equity, and capital employed have shown an increasing trend. Administrative costs, in proportion to average total assets, continue to be high (1.5%) compared with other development finance companies of the same size and age.

6.14 Colombiana's payout on 1968 net profits was 57.2% (equal to an 8% dividend), and in March 1970, the stockholders voted to distribute 56.7% of 1969 net profits, equal to a 10% dividend.

6.15 Colombiana's shares are not listed on any stock exchange. Since the end of 1968, about 1,000,000 shares have changed hands in private transactions, mostly at par. The book value of the shares is 175% of par.

Nacional

6.16 The Institution. No significant organizational changes have occurred recently (see Annexes 11 and 12). For a company the size of Nacional, it lacks depth of management. The Technical Vice-Presidency remains vacant. Although the growth of Nacional's operations has been considerable in recent years, the number of professional staff has remained the same, with the result that both appraisal and follow-up of Nacional's projects suffer. (See paragraphs 5.06 and 5.11.)

6.17 Lending Operations. Nacional has a sound loan portfolio (Col\$ 633.7 million as of December 31, 1970). Loans in arrears more than 3 months are nominal; however, 4 loans totalling only Col\$ 2.7 million have been rescheduled and no losses are expected. Loan portfolio write-offs in 1969 and 1970 were nominal.

6.18 Equity Investments. Equity participation in industrial companies has not been an important part of Nacional's activities. The net increase in total equity portfolio was only 7% in 1970, and chiefly involved firms whose shares were already held by Nacional. A single investment of Col\$ 0.4 million was written off in 1970. The quality of Nacional's equity portfolio has improved (see Annex 13). Although Nacional's total exposure in any one company is less than 18% of its own net worth, it does have sizeable investments in five companies which have had operating problems in the past but, with the exception of Forjas, are out of the red.

6.19 Nacional is well secured, and reserves and retained earnings of Col\$ 56.3 million (see Annex 15) would be more than sufficient to cover anticipated portfolio losses.

6.20 Other Operations. Nacional has not acted as underwriter for securities issues. However, it did assist in marketing one share issue on a "best efforts" basis; it was able to place 50% of the shares with other investors.

6.21 Financial Results. Although Nacional receives most of its income from its lending operations, it receives a greater return on its equity portfolio than does any of the other financieras. Equity investments, which made up 20% of total loan-equity portfolio in 1969, produced 12% of Nacional's gross income (including dividends and capital gains). In 1970 equity investments decreased to 16% of total portfolio but provided 13% of gross income.

6.22 Nacional continues to be the most profitable of the financieras (see Annex 16), both in absolute terms (a net profit of Col\$ 23.6 million in 1969 and Col\$ 30.4 million in 1970), and as return on capital employed (12% in 1969 and 13% in 1970). Its administrative costs, 1.1% of average total assets for both periods, were also relatively the lowest.

6.23 Nacional declared a 17.6% dividend on 1970 earnings, which required a payout of 67% of net profit. A 14.4% dividend, paid on 1969 earnings, involved a 55% payout.

6.24 The shares of Nacional are listed on both the Bogota and Medellin stock exchanges. Since the beginning of 1969, 758,000 shares have been traded. Until August 1969 the selling price varied between Col\$ 9.90 and Col\$ 10.50 per share, on a par value of Col\$ 10 per share. Since that time almost all trades have been made at Col\$ 13 per share. Since the end of 1968 Nacional has issued over 1,000,000 shares of Col\$ 10 per share. Nacional has, with only limited success, tried to market 1,054,000 new shares at a price of Col\$ 16 per share, to investors who are looking for tax-free investments from the Reserva de Fomento Economico.

Valle

6.25 The Institution. IFC purchased an 8% interest in Valle in 1969, and Valle's Board was enlarged by one seat to include IFC's representative (see Annexes 21 and 22). Valle's Executive Vice-President resigned in the same year, and at that time a decision was made to eliminate this position. As a result, Valle's two Vice-Presidents now report directly to the President, Mr. Benjamin Martinez Moriones. Valle's professional staff of 19 has been hard pressed to handle the company's rapidly increasing volume of operations, and plans have been made to hire additional professional staff when the financiera moves to more spacious offices in 1971.

6.26 Lending Operations. Valle's loan portfolio (Col\$ 441.9 million at December 31, 1970) is basically sound. As of December 31, 1970 total loans in arrears more than 12 months amounted to Col\$ 4.2 million, all granted to Sucroquimica Colombiana (in which Valle holds shares of Col\$ 3.5 million). A further Col\$ 0.3 million was owed to Valle by several firms in arrears more than three months. As a result the total principal outstanding of all clients in arrears over 3 months was Col\$ 7.4 million. The total amount at risk in these enterprises was Col\$ 10.9 million.

6.27 Equity Investments. The net value of Valle's equity portfolio has not increased in 1970 (see Annex 23). It amounts to only 22% of its own net worth, and less than 7% of its total loan/equity portfolio. Valle has had considerable success in selling one of the items in its portfolio at a profit; 186,000 shares of Siderurgica del Pacifico have been sold at Col\$ 17-18 per share (purchased at Col\$ 15 per share), and at the same time Valle has acquired 7,000 additional shares at the par value of Col\$ 10.

6.28 Three companies in which Valle holds equity totalling Col\$ 3.8 million are in liquidation. The balance of Valle's portfolio is basically sound, and, with the exception of Sucroquimica, its exposure in firms which are experiencing operating difficulties is small. Valle's portfolio is diversified, and only in the case of one company does its total exposure of loans equity and guarantees slightly exceed 10% of its own equity. Portfolio losses should be limited to the Col\$ 3.8 million invested in the three firms in liquidation mentioned above. Valle's reserves and retained earnings of Col\$ 35.4 million are adequate to cover loan and equity portfolio losses.

6.29 Other Operations. Valle has not undertaken any underwriting operations. Since the end of 1968, Valle has issued US\$ guarantees to four companies totalling the equivalent of Col\$ 7.1 million.

6.30 Financial Results. Net profit (see Annex 26) in 1969 was Col\$ 14.3 million, up 52% from 1968, and was Col\$ 22.5 million in 1970, up 57% over 1969. Assets and equity have increased considerably since the end of 1969 (see Annex 25), and at the same time the company has maintained its satisfactory rate of return on assets, capital employed and equity. Non-financial costs grew at a slower rate, and administrative costs as a percentage of average total assets declined from 1.9% of average total assets in 1968 to 1.6% in 1969 and 1970.

6.31 Valle declared a 12% cash dividend on 1970 earnings, equivalent to 53% of net profits. During 1969, Col\$ 4.3 million of total Col\$ 4.5 million dividends were taken in stock. In addition, new shares totalling Col\$ 22.2 million were issued and subscribed at par, of which IFC subscribed Col\$ 7.5 million. Valle's subscribed share capital increased 48% in 1969 over the previous year's and in 1970 its paid-in share capital increased 21% to Col\$ 98.2 million. Valle's shares are not listed on any stock exchange. Private trades have been made at Col\$ 12 per share.

Caldas

6.32 The Institution. Some time after the last Bank loan was made in mid-1969, the situation of Caldas began to deteriorate. The main symptoms were portfolio losses and a critical illiquidity. Several of Caldas' senior staff resigned; and, in response to a growing lack of confidence on the part of the Board, the President, Mr. Roberto Ocampo Mejia, resigned in October 1970. A new President, Mr. Eduardo Arango Restrepo, took office on November 2, 1970.

6.33 Operations and financial results. As of December 31, 1970, almost a third of Caldas' loan portfolio (Col\$ 228.9 million) consisted of loans granted to clients in arrears and to clients with loans rescheduled. Much of these appear to be doubtful debts since in many cases collateral is insufficient or the loans are unsecured.

6.34 The situation of the equity portfolio was no better. Caldas increased its equity investments by 25% in 1970 (mainly to help enterprises in trouble), and its investments stood at Col\$ 132.9 million at the end of the year (see Annex 33). This was Col\$ 26.6 million in excess of its own net worth. Nine firms in which Caldas had equity investments of Col\$ 15.8

million (representing some 11% of equity portfolio) and loan/guarantees of Col\$ 25.2 million, are in bankruptcy or liquidation. Thirty percent of Caldas' equity portfolio is invested in 15 firms which are operating at a loss. These investments amounted to Col\$ 42.5 million and Caldas' total exposure was Col\$ 109.8 million. Some 42% of the equity investments are in companies operating profitably and another 17% in preoperating stages.

6.35 Administrative expenses have been high, amounting to 27% of income in 1969. The company's accounts for 1969 showed a profit of Col\$ 8.9 million. Caldas' auditors, Price Waterhouse & Co., were unable to issue an unqualified opinion on the accounts since loans to companies in liquidation (Col\$ 9.6 million) had not been written off. Despite doubtful profitability, Caldas paid a dividend of 8% on 1969 earnings, 7% in shares and 1% in cash or shares.

6.36 Reconstruction of Caldas. The new President is a capable person with both industrial and international experience. He has shown considerable vigor and initiative in rapidly tackling Caldas' critical problems. Among others, he appointed Mr. Hernan Jaramillo, former Minister of Finance and a respected consultant, to help him with reorganizing the company. Caldas and its two main shareholders requested the help of the Bank in October 1970 to investigate Caldas' problems. In response, and in agreement with BR, the Bank appointed Mr. Justo Garcia Rayneri, formerly of the Bank Group staff, to conduct an investigation. A special audit of the Company was also undertaken by Price Waterhouse. Mr. Garcia worked closely with Mr. Arango, Mr. Jaramillo, and with officials of BR.

6.37 As a result, important actions and decisions have been taken or are in process, to restore Caldas' health. These include the following:

- a. Caldas has succeeded in selling some notes and bonds and obtaining some deposits with the assistance of its main Colombian shareholders. This has helped stave-off the liquidity crisis. Realistic cash flows are to be made periodically and closely reviewed.
- b. BR has granted Caldas a five-year loan of US\$ 4.0 million with one year grace, at 4% out of coffee compensation balances, which Caldas has arranged to convert into cash at a 13.5% discount. BR will carry the exchange risk for a fee of not more than 9%.
- c. In order to bring its equity investments within the total of its own equity and to raise new cash, the company has begun to take action on a program to sell some of its equity investments.
- d. Caldas' two main Colombian shareholders, Federacion Nacional de Cafeteros and Banco Cafetero (see Annex 31) have stated their intentions to subscribe about Col\$ 10 million each to Caldas' share capital.
- e. Administrative expenses have already been reduced significantly, the Bogota office was closed down, new promotions are suspended, and the Shareholder's meeting in February decided to declare no dividends for 1970.
- f. Caldas has systematically reviewed its portfolio and, based on the new audit, intends to make appropriate write-offs and provisions in its accounts for 1970.

- g. To increase the effectiveness of the Board, its number has been reduced from 11 to 7 Principals (see Annex 32) and some changes in membership have been made. Mr. Jaramillo will continue to be the advisor to Caldas' Board and management. The administration will be further strengthened, procedures streamlined and internal consultation improved.

6.38 Participation in Bank loan. Although Caldas' situation looked critical at the end of 1970, the actions mentioned above have set the company on the way to recovery. The Bank's continued support will be crucial to that recovery. However, at the present time it cannot yet be considered in a condition which would justify its being given access to a new Bank loan. Therefore, its situation should be reviewed by a Bank mission, not earlier than July 1, in order to determine whether the actions agreed have been taken and whether its situation has improved to a point at which it can receive Bank funds. More specifically, before allowing Caldas to use the loan, it should have been determined to the Bank's satisfaction that:

- a. the liquidity of the financiera has been restored and realistic projections of the Company's business over the next five years show satisfactory cash flows;
- b. fresh injections of equity have been provided or have been irrevocably committed to Caldas in adequate amounts;
- c. the administrative organization, the internal control of investments and the financial condition have been improved;
- d. Caldas has acted on such recommendations as might emerge from the special review.

Norte

6.39 The Institution. In 1969 IFC purchased an interest in Norte (see Annex 41) and is the largest individual shareholder (16.2% of total shares). Norte's Board was enlarged by one seat to include IFC (see Annex 42).

6.40 Lending Operations. The loan portfolio (Col\$ 215.8 million at December 31, 1970) is sound. Loans in arrears more than six months amount to Col\$ 5.8 million; total principal outstanding of those clients was Col\$ 6.8 million.

6.41 Equity Investments. During 1969, Norte earned a capital gain of Col\$ 1.1 million on the liquidation of one of its investments which cost Col\$ 3.8 million. The equity portfolio has increased only 9% from the end of 1969 to December 31, 1970 (see Annex 43) and the total of Norte's equity portfolio is only 29% of its own net worth.

6.42 Norte's equity portfolio is sound overall, and two-thirds of its investments are in companies which are operating profitably. The largest single total exposure as of December 31, 1970 was Col\$ 12.7 million or 20% of Norte's own net worth.

6.43 Retained earnings and reserves of Col\$ 18.5 million (see Annex 45) are sufficient to cover anticipated portfolio losses and doubtful loans.

6.44 Other Operations. Norte has not engaged in underwriting or other activities in the capital market, and recent guarantee operations have been nominal.

6.45 Financial Results. Norte's net income in 1970 was 34% over the previous years, rising from Col\$ 6.1 million to Col\$ 8.2 million (see Annex 46). Return on assets, equity and paid-in capital have fluctuated recently but are satisfactory. Administrative costs as a percentage of average total assets were 2.3% at the end of 1970.

6.46 A 12% dividend declared for 1970 was equal to 68% payout of that years earnings. Norte's shares are not listed on any stock exchange. Since the end of 1968, around 250,000 shares have changed hands in private transactions (106,000 in an inter-company transaction), and almost 1.8 million new shares have been issued, of which IFC purchased 750,000. The book value as of December 31, 1970 of the shares is 140% of par.

VII. PROSPECTS FOR THE FIVE FINANCIERAS

Economic Outlook

7.01 The Government has attempted to create a broader-based growth by promoting non-traditional exports. It has helped to make Colombian exports more competitive by granting tax incentives to exporters and matching devaluations of the Col\$ with inflationary price advances. At the same time, the Government has tried to stimulate public investment through increases in public sector savings and income. These policies are being effective. The sharp rise in public investment reflects Colombia's increased capacity to undertake development projects, and has resulted in an increase in fixed capital investment, to levels (18% in 1968 and 19% in 1969) higher than the recent historical average (16.1% for 1963-67). Also, an expansion of non-traditional exports and a rise in world coffee prices in 1969 have resulted in a reduction in the overall foreign exchange constraint to growth. Consequently, a basis has been laid for a continuation of a high rate of growth, at least during the next several years.

7.02 Political uncertainty, however, clouds the economic picture. A period of political unity and stability may be coming to an end, since the National Coalition of Conservative and Liberal Parties, which has ruled Colombia under a constitutional mandate since 1958, is in its last term of office. It is unlikely that there will be a joint Conservative-Liberal candidate in the 1974 election.

7.03 Within the incentives and constraints mentioned above, industry in Colombia should continue to grow. Changes in the market demand for manufactures have tended to follow changes in GDP, and there are indications

that GDP can follow the present 7% growth rate. ^{1/} The sustained high growth rates of the past several years (see paragraph 2.01) have led to a rise in real income. The associated increase in consumer demand provided new investment opportunities and has led to pent-up demand for industrial financing, which, given additional resources, could lead to further expansion in industrial investment. Although the Government is easing some restrictions on industry, such as prior deposits for imports, credit remains tight. In order to provide the financial assistance their clients require, the financieras must increase their investment activity in both foreign and local currency resources. Their prospects for doing so are discussed below.

Business Prospects

7.04 A number of factors indicate that industry's demand for funds in Colombia is high:

- a. Not only are the poorer credit risks willing to pay the high rates in the "curb market", but apparently also large firms with serious working capital shortages.
- b. Financial institutions are able without losing business to increase substantially the effective cost of their funds through the use of commissions, fees, compensating deposit balances and other mechanisms.
- c. Industrial companies which have access to the capital market for shares, have had to finance a greater proportion of their activities with equity rather than debt. As a result most of these companies have a debt-equity relationship of less than 1:1.

7.05 Nevertheless, forecasting the annual volume of the financieras' operations on the basis of demand for funds is difficult. The financieras have gone to considerable effort to establish a pipeline of projects requiring foreign exchange financing, since they know that a careful justification for requests for Bank financing must be provided. However, since they have not had the same incentive in regard to their local currency needs, they have tended to neglect this aspect in their projections. The desirability of operations forecasting as an instrument of benefit to themselves has been impressed on the financieras.

^{1/} IBRD Report WH-200a, November 1970. "Economic Growth of Colombia: Problems and Prospects", Vol. I: The Overall View.

7.06 As a result, a reasonably good estimate can be made only of the foreign exchange needs of the financieras. The financieras requirements will be dealt with separately: on the basis of a well-defined pipeline in the case of foreign exchange needs and, in the case of local currency requirements, on the basis of expected development of overall demand in the industrial sector.

7.07 Demand for Foreign Exchange Resources. Projects under study by the financieras on October 31, 1970 required foreign exchange financing of US\$38.8 million, of which projects requiring US\$19.0 million were received during the six-month period ending October 30. This flow may have been stimulated in part by the coffee boom, partly by the recent change of government and partly by the knowledge that a new loan from the World Bank was pending; and there is reason to believe that the flow of new projects may slow down, as reflected in the financieras' forecasts. The financieras expect to receive further applications of US\$30 million, in time to be submitted to the Bank before the end of 1972, the proposed terminal date of project submission. The total US\$68.8 million of expected applications is subject to a considerable uncertainty as to what projects will be judged sound and bankable. On the assumption that 75% of applications are approved, and, in addition, that 90% of this amount is eventually committed, actual demand for the financing of fixed assets could amount to about US\$45 million for commitment up to the end of 1972.

7.08 Availability of Foreign Exchange Resources. Virtually no funds are now available to the financieras under existing World Bank loans. In fact, by May 1970 (except for a portion of Norte's tranche of US\$1.5 million), BR had received more than enough projects to use up the full amount of Loan 625-CO. This accounts for the relatively large size of the present backlog of projects. Like other financial institutions in Colombia, the financieras have access on a first-come-first-served basis, through BR, to funds provided by IDB, AID and KfW; but, except for the most recent AID loan, these loans have been fully utilized. At the end of October 1970, US\$6 million was available under the AID loan; however, this is of limited utility since the loan is tied to US exports. Thus, a foreign exchange gap of about US\$40 million seems evident and a Bank loan for this amount is reasonable.

7.09 Demand for Local Currency Resources. As mentioned above, the financieras did not provide an estimate of the demand of their clients for local currency financing. They projected use of local currency resources on the basis of the expected availability of resources rather than of the demand for funds. For industry as a whole, however, the present high level of demand (particularly for working capital) is expected to continue, and the financieras have had to consider how to meet this situation by increasing their resources.

7.10 Availability of Local Currency Resources. Most of the financieras' medium- and long-term resources are obtained from their own funds or from BR. Since BR finances particular kinds of local costs through special funds set up for that purpose, the financieras must use their own

funds for most of working capital loans. The financieras are precise about the earnings they visualize and the share capital that they expect to raise. However, as the availability of resources from BR is more uncertain, the financieras have been conservative in their projected utilization of BR funds.

7.11 The result of projecting operations on the basis of a combination of demand for foreign exchange and of resource availability for local currency is that the financieras have projected a considerable increase in the utilization of Bank funds over the next four years as a proportion of their total funds. This is likely to have an important effect on the kind of operations that the financieras will be able to finance; as the foreign exchange financing of projects increases, more and more of the financieras' scarce peso resources will probably be used for financing peso requirements of these same projects. Although the financieras usually provide rather little initial working capital financing for projects which receive financing from the World Bank, a considerable portion of their lending is used for the continuing working capital needs of these projects once they are in operation. But, since the financieras do not expect to be able to raise any significant amount of funds through share capital increases or portfolio sales, the overall contribution of their own funds to resource requirements will be moderate. It is probable that the clients with projects financed partly with World Bank funds will be adequately financed but that at least some of their other customers will not be able to obtain the working capital they need on a continuing basis. Unless the financieras take steps at this time to widen their resource base by acquiring additional local currency resources, their capacity to provide a range of financing to all their clients could be impaired.

7.12 In the absence of financing by the Government, the financieras would have to look to abroad, which would be difficult, or attempt to raise funds directly from local investors. Raising local savings through the issuing of securities in "bearer" form would have several advantages. Aside from providing the financieras with the resources they need, it would help develop the capital market. The largest and oldest of the financieras may now be in a position to do something in this area, given proper support from the Government necessary to make securities issued by the financieras competitive with other negotiable instruments. The Government has already taken some action in this regard. Early in 1970, Colombian financieras were designated as eligible to receive investments in their share capital of funds which are deductible from taxable income (see paragraph 2.12). This action has enabled two of the financieras (the only two who have attempted to do so) to sell their shares above par (see paragraphs 6.24 and 6.31).

7.13 During negotiations the question of local resource requirements for industry and what measures might be appropriate to assure its availability in adequate amounts (through the financieras or by other means) was discussed with the Colombian Government and the financieras. The Government representatives indicated that this question was under active consideration

in Colombia as part of a study of the interest rate structure and capital market, and they agreed that the matter would be reviewed again with the Bank when the study was completed.

Operational and Financial Forecast

7.14 Projected Operations. On the basis of the demand and resource consideration discussed above, loan commitments for the five financieras are expected to amount to Col\$ 1,598 million in 1971 and Col\$ 1,780 million in 1972. 1/ The financieras anticipate that one-fourth of these commitments will require Bank financing. In 1970, Bank funds amounted to 16% of the total amount committed by the financieras. Some comments can be made regarding possible slippage in forecasted growth trends. For example, Colombiana's growth rate is projected to slow down but may maintain itself at more than the projected 5.7% since Colombiana is making new efforts to expand its business in other regions. Nacional might be expected to slow down its growth rate to one more in line with its experience in 1965-69, but a growth rate of around 20% is justifiable given the expected continuation of the present expansion of industry in Medellin. The growth of industry in the Cauca Valley has been second only to the metropolitan area of Bogota, and Valle should be able to sustain its originally projected growth rate if it obtains additional share capital. The growth of Caldas' and Norte's operations may be difficult to maintain at the projected rates over the entire period, since suitable projects in the respective regions are not so easily identifiable and gaps could occur in project submission. Actual and projected growth rates of the financieras' portfolios are as follows:

Average Annual Growth Rates of Portfolio

	<u>1965-69</u> (actual)	<u>1969-70</u> (actual)	<u>1971-72</u> (projected)
Colombiana	8.6%	17.2%	5.7%
Nacional	14.1%	21.6%	23.1%
Valle	73.7%	39.6%	40.8%
Caldas	26.3%	16.7%	23.8%
Norte	60.0%	25.8%	41.1%

1/ Annexes 7, 17, 27, 37, 47.

7.15 Projected Financial Results. The projected profit and loss statements 1/ and balance sheets 2/ of the financieras are derived from and are conditional upon achievement of the projected evolution of resource development 3/ and operational volume. 4/ Given such an evolution, Colombiana, Nacional, Valle and Norte expect a continuation of the rising trend in the profitability. As operations grow, so will costs, and the financieras have not projected any appreciable increase in return on total assets. Since the four companies, in particular Norte and Valle, will be attempting to get more leverage on their capital by increasing their debt, return on capital and equity is expected to increase. As volume increases, administrative expenses, which are more fixed than variable, will be reduced as a percentage of total assets. Colombiana is the only company which, according to its projections, will not be able to reduce the relationship of administrative expenses to total assets, mainly because cost savings in Bogota will be off-set by the cost of maintaining its new regional representative offices. All four companies intend to maintain a fairly high level of dividend payout. As already recommended, Colombiana should reduce its payout to conform with a more stringent policy of reserve allocation. For Caldas, return on operations, at least until 1972, is expected to be reduced considerably. Caldas should stop dividends for an indefinite period, and allocate all net profits to portfolio reserves.

VIII. CONCLUSIONS AND RECOMMENDATIONS

Evaluation of the Financieras

8.01 The financieras are a diverse group of institutions which have developed in areas characterized by differences in natural resources and tradition. They have mobilized substantial financial and human resources, and invested them generally in an effective way; and they are thereby fulfilling an important role in the economic development of Colombia. Their financial and promotional activities have contributed significantly to a balanced growth of industry and have created additional employment and increased savings and earnings of foreign exchange. They have also contributed to improve the standards of project appraisal techniques in Colombia.

-
- 1/ Annexes 9, 19, 29, 39, 49.
2/ Annexes 8, 18, 28, 38, 48.
3/ Annexes 10, 20, 30, 40, 50.
4/ Annexes 7, 17, 27, 37, 47.

8.02 The oldest of the financieras, Colombiana and Nacional, have recently completed their first decade of operation, and have achieved well-established positions in the financial community. Valle is 8 years old, and is showing evidence of growth equal to the two larger companies. Norte is 6 years old and is still a relatively small company; some time and effort will be necessary to increase its scale of operations. Caldas is presently attempting to resolve serious operating and financial problems.

8.03 Colombiana, Nacional, Valle and Norte are effectively organized and have well-established operating policies and procedures. All require improvement in the areas of project appraisal and follow-up.

8.04 These four financieras have also acquired a diversified portfolio composed chiefly of sound companies. Nacional's portfolio has the best overall quality. Colombiana has a considerable exposure in companies with operating difficulties, and needs to pay particular attention to increasing reserves. Valle and Norte have only minor portfolio problems. While continuing to grow, these financieras have established an increasing trend of profitability, and are sound financially. They have demonstrated their creditworthiness for a fourth Bank loan.

8.05 Caldas' situation while improving, is still uncertain. One important factor in producing this situation was no doubt Caldas' excessive promotional activity in an area where both industry and industrial entrepreneurship are conspicuously absent. Weakness of management and staff problems aggravated the underlying situation. Caldas' new President has taken steps to correct the financiera's organizational problems, to find the finance needed to meet its current obligations and to obtain new capital with which to buttress its poor investments. The Bank had a consultant report independently on the situation (see paragraph 6.36). The new Bank loan would be made available to Caldas when the evidence is satisfactory that its creditworthiness has been restored.

Need for Funds

8.06 Projections of their activities made by the financieras leave much to be desired. However, based on projects now before them and a reasonable estimate of additional projects that might be submitted in the period until December 31, 1972, the financieras are likely to be able to commit about \$45 million in the period. Since only a small amount of foreign exchange might be provided by sources other than the World Bank, a new loan of US\$40 to cover foreign exchange costs of projects committed to the end of 1972 would be appropriate.

8.07 The increased level of financing the import requirements of projects will require the financieras to raise considerable amounts of local financing, so as to meet the local currency needs of their clients. The financieras have not been able effectively to estimate the volume of demand on them for peso resources. It is likely, however, that they will

have no difficulty putting to effective use any amounts they can realistically be expected to raise. There are savings available to be tapped in Colombia, and at least the two largest and most well-known of the financieras, Colom-biana and Nacional, should be able to tap them. The financieras should step up their efforts to raise peso funds on the market. Their ability to do so will depend on their ability to compete with securities which so far receive preferential treatment from Government.

Recommendations

8.08 The Loan. A loan of US\$40 million to BR to cover foreign exchange cost of import requirements of productive projects to the end of 1972, is recommended, the proceeds to be available to the five financieras, subject, however, to the reservation in paragraph 8.09 g. below. The terms and conditions of the loan should include those normally applied in lending to development finance companies, including standard commitment charge.

8.09 During negotiations the following was agreed:

- a. Of the proposed loan, US\$4 million would be allocated to each of the five financieras.
- b. The remaining US\$20 million would be used for joint projects which involve three or more financieras, and as required by each individual financiera on a first-come-first-served basis, after its allocation under . has been exhausted.
- c. Any amounts allocated under a. or b. above which remain unused at June 30, 1972, i.e. twelve months prior to the closing date for submission of projects, would be merged in a single fund to be used as explained under b.
- d. As agreed between BR and the financieras, BR would charge the financieras the interest rate applicable to the Bank loan plus a 0.5% p.a. to cover administrative costs and the financieras would add at least 3% p.a. to the ultimate borrower. In practice the financieras would charge 10.75%. The ultimate borrower would have the option of paying 10.75% and taking the exchange risk or, if it did not wish to take it, BR would do so, for a fee of 8%.
- e. The limit for projects not needing the Bank's prior approval would be US\$250,000 and the aggregate free limit US\$4 million for Colom-biana, Nacional, Valle and Norte. All of Caldas' projects would be submitted to the Bank for approval.
- f. The proceeds of the Bank loan would be used to finance only up to US\$4 million of the cost of a single project, except where the project is of a high economic priority and there is demonstrably no alternative source of financing available.

- g. The Special Case of Caldas. While a portion of the proposed loan would be allocated for Caldas, it would not be available to Caldas until a special review, to be undertaken as soon after July 1, 1971 as Caldas indicates it is ready, shall have determined to the Bank's satisfaction that:
- i. the liquidity of the financiera has been restored and realistic projections of the Company's business over the next five years show satisfactory cash flows;
 - ii. fresh injections of equity have been provided or have been irrevocably committed to Caldas in adequate amounts;
 - iii. the administrative organization, the internal control of investments and the financial condition have been improved;
 - iv. Caldas Board has adopted such policy guidelines as the special review may find necessary.

FIVE DEVELOPMENT FINANCE COMPANIES IN COLOMBIA

LIST OF ANNEXES

I. CORPORACION FINANCIERA COLOMBIANA

1. List of Major Shareholders
2. Board of Directors as of December 31, 1970
3. Status of Equity Investments
4. Analysis of Loans Approved
5. Balance Sheets as of December 31, 1967-1970
6. Profit and Loss Statements for Periods ended December 31, 1967-1970
7. Projections of Operations 1970-1975
8. Projected Balance Sheets as of December 31, 1971-1975, compared with December 31, 1970 (Actual)
9. Projected Profit and Loss Statements January-December 1971-1975, compared with 1970 (Actual)
10. Projected Sources and Uses of Funds January-December 1971-1975, compared with 1970 (Actual)

II. CORPORACION FINANCIERA NACIONAL

11. List of Major Shareholders
12. Board of Directors as of December 31, 1970
13. Status of Equity Investments as of December 31, 1970
14. Analysis of Loans Approved
15. Balance Sheets as of December 31, 1967-1970
16. Profit and Loss Statements for Periods ended December 31, 1967-1970
17. Projections of Operations 1970-1974
18. Projected Balance Sheets as of December 31, 1971-1974, compared with December 31, 1970 (Actual)
19. Projected Profit and Loss Statements January-December 1971-1974, compared with 1970 (Actual)
20. Projected Sources and Uses of Funds January-December 1971-1974, compared with 1970 (Actual)

III. CORPORACION FINANCIERA DEL VALLE

21. List of Major Shareholders
22. Board of Directors as of December 31, 1970
23. Status of Equity Investments
24. Analysis of Loans Approved
25. Balance Sheets as of December 31, 1967-1970
26. Profit and Loss Statements for Periods ended December 31, 1967-1970
27. Projections of Operations 1970-1974
28. Projected Balance Sheets as of December 31, 1971-1974, compared with December 31, 1970 (Actual)
29. Projected Profit and Loss Statements January-December 1971-1974, compared with 1970 (Actual)
30. Projected Sources and Uses of Funds January-December 1971-1974, compared with 1970 (Actual)

IV. CORPORACION FINANCIERA DE CALDAS

31. List of Major Shareholders
32. Board of Directors as of February 23, 1971
33. Status of Equity Investments
34. Analysis of Loans Approved
35. Balance Sheets as of December 31, 1967-1970
36. Profit and Loss Statements for Periods ended December 31, 1967-1970
37. Projections of Operations 1970-1975
38. Projected Balance Sheets as of December 31, 1971-1975, compared with December 31, 1970 (Actual)
39. Projected Profit and Loss Statements January-December 1971-1975, compared with 1970 (Actual)
40. Projected Sources and Uses of Funds January-December 1970-1975,

V. CORPORACION FINANCIERA DEL NORTE

41. List of Major Shareholders
42. Board of Directors as December 31, 1970
43. Status of Equity Investments
44. Analysis of Loans Approved
45. Balance Sheets as of December 31, 1967-1970
46. Profit and Loss Statements for Periods ended December 31, 1967-1970
47. Projections of Operations 1970-1975
48. Projected Balance Sheets as of December 31, 1971-1975, compared with December 31, 1970 (Actual)
49. Projected Profit and Loss Statements January-December 1971-1975, compared with 1970 (Actual)
50. Projected Sources and Uses of Funds January-December 1971-1975, compared with 1970 (Actual)

VI. FIVE DEVELOPMENT FINANCE COMPANIES IN COLOMBIA

51. Geographical Distribution of Loans Approved and Economic Indicators by Departments
52. Sector Distribution of Loans Disbursed and Key Industrial Sector Indicators
53. Schedule of Disbursements

CORPORACION FINANCIERA COLOMBIANAList of Major Shareholders
(as of December 31, 1970)

	<u>Number of Shares</u> (Col\$ 10 par value)	<u>% of</u> <u>Total</u>
I. <u>Private Colombian Shareholders</u>		
1. Banco de Bogotá	2,541,328	18.44
2. Cía Colombiana de Seguros	1,887,717	13.70
3. Sociedad de Capitalización y Ahorro Bol.	576,747	4.18
4. Cía. de Seguros Bolivar	511,825	3.71
5. Seguros Comerciales Bolivar	511,824	3.71
6. Cía Colombiana de Ind. e Inver.	320,544	2.33
7. Acerías Paz del Río	125,928	0.91
8. Banco de Colombia	113,569	0.82
9. Restrepo Arenas Elkin	95,764	0.69
10. Nacional de Construcciones S.A.	84,849	0.62
11. Eternit Colombiana S.A.	78,137	0.57
12. Banco de Santander	38,942	0.28
13. Cervecería Andina S.A.	28,557	0.20
14. Caja de Auxilios y Prest. de Acdac.	25,942	0.19
15. García V. de Tamara María	25,186	0.18
16. Banco de la Sabana	24,211	0.17
153 Private Colombian Shareholders with less than 20,000 shares	<u>303,872</u>	<u>2.20</u>
Sub-total	7,294,942	52.90
II. <u>Governmental Shareholders</u>		
1. Empresa Licorera del Norte de Santander	32,400	0.24
2. Electrificadora de Boyacá S.A.	<u>11,880</u>	<u>0.09</u>
Sub-total	44,280	0.33
III. <u>Foreign Controlled Shareholders</u>^{1/}		
1. Esso Andina Inc.	235,008	1.70
2. Banco Francés e Italiano	124,555	0.90
3. Reynolds Aluminum	34,344	0.25
4. Banque Nationale de Paris	30,992	0.22
5. Cartón de Colombia S.A.	<u>12,970</u>	<u>0.09</u>
Sub-total	437,869	3.16

^{1/} Companies with 50% or more of their share capital owned by foreign partners.

	<u>Number of Shares</u> (Col\$ 10 par value)	<u>% of</u> <u>Total</u>
--	---	-----------------------------

IV. Foreign Shareholders

1. Balfor Williamson & Co. Ltd.	1,274,400	9.25
2. Manufacturers Hanover Banking Corp.	775,527	5.63
3. The First Pennsylvania Overseas Finance Corp.	378,000	2.74
4. ADELA Investment Company S.A.	376,665	2.73
5. Brown Boveri y Cia A. G.	138,553	1.01
6. Thyssenrohr International GmbH	138,553	1.01
7. Wimpey & Co. Ltd.	105,754	0.77
8. The English Electric Col. Ltd.	97,200	0.71
9. Simon Engineering Co. Ltd.	97,200	0.71
10. Fletcher & Stewart Ltd.	97,200	0.71
11. Didier Werke A.G.	83,132	0.60
12. Hochtief A.G.	83,132	0.60
13. Kloeckner Humboldt Deutz A.G.	83,132	0.60
14. Siemaq Maschinenbau GmbH	83,132	0.60
15. Dresdner Bank A.G.	62,802	0.46
16. Detusche Bank A.G.	62,802	0.46
17. Citizens and Southern Int.. Corp.	29,200	0.21
18. Financiera Banamex S.A.	21,574	0.16
19. Bureckhard & Co.	16,632	0.12
20. Ibero Amerika Bank A.G.	16,632	0.12
21. Sal Oppenheim Jr. & Cie.	16,632	0.12
22. Kuelh Hermann	<u>11,750</u>	<u>0.09</u>
Sub-total	4,049,604	29.41

V. International Organizations

International Finance Corporation	<u>1,956,960</u>	<u>14.20</u>
Sub-total	1,956,960	14.20
GRAND TOTAL	<u>13,783,655</u>	<u>100.00</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Board of Directors as of December 31, 1970

<u>Principals</u>	<u>Description</u>
Jorge Mejia Salazar (Chairman)	President, Banco de Bogotá
Javier Ramirez Soto (Vice-Chairman)	President, Compañia Colombiana de Seguros
Jose Alejandro Cortes	President, Seguros Bolivar
James R. Greene	Senior Vice-President, Manufacturers Hanover Trust Company
Jack Ashworth	Director, Bank of London and Montreal (Lima)
Ernst W. Monnsen	President of Thyssenrohr International GmbH
 <u>Alternates</u>	
Roberto Pardo Vargas	Vice-President, Banco de Bogotá
Carlos Serna Cortes	Board member, Compañia Colombiana de Seguros
Rodrigo Jaramillo	Vice-President, Seguros Bolivar
Alberto Vargas Martinez	Vice-President, Petroquímica Colombiana S.A.
Jose Gomez Pinzon	President, Cuellar Serrano Gómez
Alfredo Miani	General Manager, Banco Francés e Italiano para la América del Sud

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Status of Equity Investments

(As of December 31, 1970)

(in Thousands of Col\$)

<u>Name</u>	<u>Sector</u>	<u>Status</u>	<u>Cost of Shares</u>	<u>% of Total Ownership</u>	<u>1970 Dividends Received</u>	<u>Loans Granted</u>	<u>Guarantees Outstanding</u>	<u>Total Exposure</u>
Cales y Cementos de Toluviejo S.A.	Non-metallic minerals	Operating at a loss	49,185	76		107,035	12,399	168,619
Abonos Colombianos S.A.	Chemical (fertilizers)	Operating profitably	35,134	33		4,518		39,652
Industria Ganadera Colombiana S.A.	Cattle raising	Operating profitably	16,919	39		1,500		18,419
El Labrador S.A.	Agriculture	Operating profitably	12,023	48		24,438		36,461
Nylon Colombiana S.A.	Textiles	Operating profitably	11,690	33	1,376	17,925		29,615
Forjas de Colombia S.A.	Metal products (stamp forge)	Operating at a loss	9,044	10		18,174		27,218
Tennessee Colombiana S.A.	Mining (petroleum)	In development	4,250	7		2,778		7,028
Financiera Centro-americana de Desarrollo S.A.	Finance Company	Operating profitably	3,867	30				3,867
Petroquimica Colombiana S.A.	Chemicals	Operating profitably	3,864	10		2,315		6,179
Adela Investment Company	Finance Company	Operating at a profit	3,462		190			3,462
Hilanderias del Fonce S.A.	Textiles	Operating at a profit	2,196	34	576	9,301		11,497
Industrias Metalurgicas Apolo S.A.	Metal products	Operating at a profit	2,841	10	410			2,841
V. Burrowes-Industrias El Frayle S.A.	Chemicals	Operating at a loss	1,500	21	30			1,500
Petroleos Nacionales	Mining (petroleum)	In promotion	4,500	38				4,500
Pro-Hoteles	Hotels	In promotion	1,034			6,046		7,080
Others (under Col\$ 800,000)			<u>3,102</u>		<u>347</u>	<u>2,486</u>		<u>5,588</u>
	TOTAL		<u>164,611</u>		<u>2,929</u>	<u>196,516</u>	<u>12,399</u>	<u>373,526</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Analysis of Loans Approved
(in Col\$ Million)

By Size	1968			1969			1970			Total since inception		
	No.	Value		No.	Value		No.	Value		No.	Amount	
		Amount	%		Amount	%		Amount	%		Amount	%
Col\$ 500,000 - Col\$ 1,000,000	76	13.3	6	43	13.6	4	23	6.5	2	853	176.4	9
Col\$ 1,000,001 - Col\$ 5,000,000	33	20.0	10	33	28.8	8	17	10.8	3	257	180.5	10
	70	116.9	56	46	109.4	31	35	118.7	35	366	728.0	40
	6	57.0	28	18	204.3	57	18	204.4	60	65	754.0	44
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
By Duration												
1 year to 2 years	67	56.1	27	45	77.0	22	34	33.5	10	486	365.9	20
2 years to 5 years	74	78.9	38	71	122.6	34	54	133.9	40	786	679.6	37
More than 5 years	44	72.2	35	24	156.5	44	25	173.0	50	269	793.4	43
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
Funds Used												
Own funds	67	56.1	27	43	77.0	22	36	44.5	13	486	376.9	21
Bonds	43	49.7	24	40	75.6	21	33	108.4	32	311	352.0	19
BR credit line	27	27.7	13	7	11.0	3	1	53.2	16	423	264.6	14
Mt-PIF	30	12.1	6	5	50.6	14	10	3.0	1	144	309.3	17
BR-NDP	4	1.5	1	1	20.0	6	1	14.5	4	2	23.0	1
BR-IFP	14	60.1	29	17	106.0	30	14	116.8	34	50	31.9	2
AID										74	47.4	26
Other										48	7.2	-
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
Fixed/Working Capital												
Fixed capital	75	101.4	49	29	167.6	47	25	173.0	51	694	1,059.5	58
Working capital	110	105.8	51	111	188.5	53	88	167.4	49	847	779.4	42
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
Nature of Projects												
New enterprises	9	9.7	5	8	51.6	14	7	19.7	6	71	272.2	15
Existing enterprises	176	197.5	95	132	304.5	86	106	320.7	94	1,470	1,566.7	85
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
By Economic Activity												
Manufacturing												
Food, beverages and tobacco	29	33.5	16	18	40.8	11	9	20.3	6	194	211.2	11
Textiles and apparel	25	51.0	24	22	85.2	24	15	26.2	8	175	250.6	14
Paper and printing	6	13.8	7	8	13.7	5	6	32.4	10	78	139.0	7
Leather goods	4	5.7	3	2	2.5	1	4	1.9	-	47	30.3	2
Rubber goods	3	3.6	2	1	1.9	1	2	20.3	6	25	56.5	3
Chemicals	29	38.6	19	32	88.9	25	18	40.1	12	184	291.8	16
Wood products	9	6.7	3	1	0.3	-	3	2.3	1	42	25.5	1
Non-metallic minerals	4	4.8	2	13	15.2	4	15	83.6	25	138	172.5	9
Metals and engineering	23	22.0	11	29	65.5	18	23	55.4	16	290	308.5	17
Others	11	9.6	5	5	35.0	10	8	38.4	11	103	108.2	6
Subtotal	143	189.3	92	131	349.0	99	103	320.9	95	1,276	1,594.8	86
Other Sectors												
Mines and petroleum	3	2.8	1	1	1.6	-	2	8.3	2	18	33.2	2
Electricity							2	6.5	2	15	11.4	1
Agriculture	38	10.2	5	6	4.0	1	5	3.2	1	167	170.5	9
Livestock	1	4.9	2	2	1.5	-	1	1.5	-	45	29.0	2
Others												
Subtotal	42	17.9	8	9	7.1	1	10	19.5	5	265	244.1	14
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100
By Location (Departments)												
Antioquia	53	48.5	23	18	71.9	20	7	13.3	4	187	227.6	12
Atlantico	5	4.3	2	4	4.4	1	2	5.2	1	60	50.6	3
Bolivar	2	4.0	2	1	0.5	-	1	1.0	-	29	89.0	5
Boyaca	2	0.3	-	3	1.6	-	2	6.5	2	38	24.9	1
Caldas				2	2.0	1	1	7.8	2	15	18.0	1
Cordoba										1	0.1	-
Cundinamarca	100	100.7	48	91	217.8	61	78	245.1	72	858	929.6	51
Hulla	3	3.5	2	3	2.4	1	2	0.8	-	29	18.2	1
Magdalena	5	5.7	3	1	1.1	-	2	2.5	1	48	55.0	3
Meta										3	1.5	-
Narino							2	4.0	1	2	4.0	-
Norte de Santander				1	0.5	-	2	4.0	1	37	62.7	3
Quindio										5	.7	-
Risaralda	1	0.3	-							11	2.9	-
Santander	6	15.8	8	3	1.5	1	3	2.1	1	92	104.5	6
Sucre				1	1.5	1	5	10.5	3	8	33.5	2
Tolima										20	4.9	-
Valle del Cauca	8	24.1	12	12	50.9	14	6	37.6	11	97	210.8	12
Intendencias (S. Andres)										1	.2	-
Total	185	207.2	100	140	356.1	100	113	340.4	100	1,541	1,838.9	100

CORPORACION FINANCIERA COLOMBIANA

Balance Sheets as of December 31, 1967-1970
(in Col\$ million)

	1967 (Audited)	1968 (Audited)	1969 (Audited)	1970 (Unaudited)
<u>ASSETS</u>				
Cash and banks	16.9	22.7	10.6	9.3
Accounts receivable	22.1	18.6	24.0	15.9
<u>Portfolio</u>				
Loans	333.5	463.4	565.5	633.7
Equity investments (at cost)	142.7	155.8	153.0	181.8
Other investments	4.3	19.0	19.2	2.8
Export-Import financing	191.5	127.4	100.2	210.7
Total Portfolio	675.0	765.6	837.9	1029.0
Fixed assets	1.2	7.6	7.3	7.1
Other assets	4.5	8.4	8.4	49.2
TOTAL ASSETS	719.7	822.9	888.2	1110.5
<u>LIABILITIES</u>				
Accounts payable	13.7	28.6	25.7	69.7
Income tax (estimated)	10.5	11.1	12.4	12.2
Due to banks	177.8	124.3	113.2	75.0
Time deposits	-	-	-	6.4
Dividends payable	2.6	-	2.3	0.1
Unrealized gains on exchange	2.7	4.9	0.2	1.0
Other liabilities	17.0	19.9	25.6	36.6
Sub-total	224.3	188.8	179.4	201.0
Bonds payable	58.6	74.1	93.6	141.9
BR:				
Bonds ^{1/}	40.3	82.2	108.0	95.9
IFF	-	0.2	6.5	28.3
KfW and BID	5.6	16.8	24.1	23.0
PIF Credit line	69.9	76.8	72.8	60.9
AID	29.7	42.6	45.3	45.3
IBRD	34.2	99.3	135.7	188.1
Other	67.6	35.5	7.5	85.0
Total BR	247.3	353.4	399.9	526.5
Paid-in share capital	118.3	127.8	131.3	137.8
Reserves and retained earnings	71.2	78.8	84.0	103.3
Sub-total	189.5	206.6	215.3	241.1
TOTAL LIABILITIES & CAPITAL	719.7	822.9	888.2	1110.5
<u>CONTINGENT LIABILITIES</u>	73.4	110.1	86.8	97.7
<u>RATIOS</u>				
Growth of assets, %	3.2	14.3	7.9	25.0
Total debt/equity	3.2	3.5	3.5	4.0
Equity portfolio as % of total portfolio	21.1	20.3	18.3	17.7
Equity portfolio as % of net worth	74.1	75.4	71.1	75.4
Reserves and retained earnings as % of total portfolio	10.5	10.3	10.0	10.0
Book value as % of par value	162.7	161.7	164.0	175.0

^{1/} Issued to BR in repayment of debt

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Profit and Loss Statements for Periods ended December 31, 1967-1970

(In Col\$ million)

	<u>1967</u> (Audited)	<u>1968</u> (Audited)	<u>1969</u> (Audited)	<u>1970</u> (Unaudited)
<u>INCOME</u>				
Interest	51.8	69.2	82.0	96.7
Commissions and fees	5.7	5.1	4.4	11.6 ^{1/}
Dividends	2.2 ^{1/}	0.8	2.2	2.9 ^{2/}
Capital gains (losses)	2.4	(1.5)	0.7	-
Other income	1.5	5.5	5.1	2.6
Total Income	<u>63.6</u>	<u>79.1</u>	<u>94.4</u>	<u>113.8</u>
<u>EXPENSES</u>				
Financial cost	30.4	39.0	47.5	56.9
General expenses				
Administration	10.3	11.7	12.4	14.0
Depreciation	0.2	0.7	1.4	1.3
Total Expenses	<u>40.9</u>	<u>51.4</u>	<u>61.3</u>	<u>72.2</u>
Net income before tax	22.7	27.7	33.1	41.6
Provision for tax	(10.8) ^{3/}	(9.9)	(10.0)	(13.8)
NET INCOME	<u>11.9</u>	<u>17.8</u>	<u>23.1</u>	<u>27.8</u>
<u>APPROPRIATIONS</u>				
Reserve for portfolio losses	0.7	4.4	5.8	6.9
Other reserves and retained earnings	1.7	3.2	4.2	4.4
Dividends	9.5 ^{4/}	10.2 ^{5/}	13.1 ^{6/}	16.5 ^{7/}
	<u>11.9</u>	<u>17.8</u>	<u>23.1</u>	<u>27.8</u>
Net income as % of average				
paid-in share capital	10.1	14.5	17.8	20.7
equity	6.3	8.9	10.9	12.2
total assets	1.7	2.3	2.7	2.8
(a) Interest income as % of average				
loan portfolio	10.7	12.4	13.0	12.8
(b) Financial cost as % of average				
borrowings	6.4	7.0	7.4	8.4
(a) minus (b)	4.3	5.4	5.6	4.4
Dividend income as % of average equity				
portfolio	3.4	0.5	1.4	1.7
Total income less financial cost as %				
of average total assets	4.5	5.1	5.5	5.7
General expenses as % of average total				
assets	1.5	1.6	1.6	1.5
EBIT as % of average total assets	7.3	8.8	9.4	9.9

^{1/} Of which 1.2 stock dividend.^{2/} Of which 0.5 stock dividend.^{3/} Overstated by 3.4 million.^{4/} All in stock, at 8.0%.^{5/} All in cash, at 8.0%.^{6/} Operational cash or stock, at 10%.^{7/} All in cash, at 12%.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Projections of Operations 1970-1975
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>APPROVALS</u>						
Local currency loans	306.7	324.0	327.5	382.2	388.0	414.0
Foreign currency loans	202.1	30.4	28.6	28.6	28.6	28.6
Equity investments	<u>9.9</u>	<u>4.2</u>	<u>4.5</u>	<u>4.5</u>	<u>5.0</u>	<u>5.0</u>
Total	518.7	358.6	360.6	415.3	421.6	447.6
<u>COMMITMENTS</u>						
Local currency loans	305.5	320.8	324.3	378.5	384.2	409.9
Foreign currency loans	202.1	30.4	28.6	28.6	28.6	28.6
Equity Investments	<u>9.9</u>	<u>4.2</u>	<u>4.5</u>	<u>4.5</u>	<u>5.0</u>	<u>5.0</u>
Total	517.5	355.4	357.4	411.6	417.8	443.5
<u>DISBURSEMENTS</u>						
Local currency loans	270.1	234.6	308.1	380.0	338.9	337.0
Foreign currency loans	202.1	30.4	28.6	28.6	28.6	28.6
Equity investments	<u>9.9</u>	<u>4.2</u>	<u>4.5</u>	<u>4.5</u>	<u>5.0</u>	<u>5.0</u>
Total ^{1/}	482.1	269.2	341.2	413.1	372.5	370.6
<hr/>						
^{1/} Of which IBRD	68.5	60.0	100.0	100.0	38.8	42.0

IBRD/DFC

April 23, 1971

ANNEX 8

CORPORACION FINANCIERA COLOMBIANA

Projected Balance Sheets
As of December 31, 1971-1975, compared with December 31, 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
ASSETS						
Cash and banks	9.3	2.9	2.1	6.2	12.3	13.7
Accounts receivable, other assets	65.1	62.3	59.0	52.3	45.9	42.6
Outstanding loans in						
foreign currency	210.7	158.0	101.4	69.5	45.7	36.7
local currency	636.5	722.2	858.0	973.4	1018.4	1020.0
Equity investments	181.8	184.9	187.9	190.9	194.9	198.9
Total Portfolio	<u>1029.0</u>	<u>1065.1</u>	<u>1147.3</u>	<u>1233.8</u>	<u>1259.0</u>	<u>1255.6</u>
Fixed assets	7.1	6.6	6.4	6.2	6.0	5.8
Total Assets	<u>1110.5</u>	<u>1136.9</u>	<u>1214.8</u>	<u>1298.5</u>	<u>1323.2</u>	<u>1317.7</u>
LIABILITIES						
Tax payable	12.2	13.9	13.6	16.2	18.5	19.3
Accounts payable, other liabilities	113.8	93.1	71.8	63.3	63.2	63.2
Borrowings in						
foreign currency	75.0	48.3	28.7	28.7	28.7	28.7
local currency	668.4	726.5	808.4	856.1	828.2	797.2
Total Borrowings	743.4	774.8	837.1	884.8	856.9	825.9
Share capital	137.8	137.8	152.8	172.8	200.0	200.0
Reserves & retained earnings	103.3	117.3	139.5	161.4	184.6	209.3
Total Equity	<u>241.1</u>	<u>255.1</u>	<u>292.3</u>	<u>334.2</u>	<u>384.6</u>	<u>409.3</u>
Total Liabilities	<u>1110.5</u>	<u>1136.9</u>	<u>1214.8</u>	<u>1298.5</u>	<u>1323.2</u>	<u>1317.7</u>
RATIOS						
Total debt/equity	3.6	3.4	3.1	2.9	2.4	2.2
Equity portfolio as % of total portfolio	17.7	17.3	16.3	15.5	15.5	15.8
Equity portfolio as % of net worth	75.4	72.5	64.3	57.1	50.7	48.6
Reserves & retained earnings as % of total portfolio	10.0	11.0	12.1	13.1	14.7	16.7
Book value as % of par value	175.0	185.1	191.3	193.4	192.3	204.6
<u>1/</u> IBRD in Col\$ million	188.1	225.3	296.5	357.8	357.8	357.8
As % of total borrowings	25.3	29.1	35.4	40.4	41.7	43.3

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Projected Profit and Loss Statements
 January-December 1971-1975, compared with 1970 (Actual)
 (in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>INCOME</u>						
Interests	96.7	108.5	123.6	139.4	146.4	147.4
Commissions and fees	11.6	12.6	13.8	15.2	16.7	18.4
Dividends	5.0	6.5	10.1	10.6	12.7	13.5
Others	0.5	0.7	0.8	0.9	1.0	1.1
Total Income	<u>113.8</u>	<u>128.3</u>	<u>148.3</u>	<u>166.1</u>	<u>176.8</u>	<u>180.4</u>
<u>EXPENSES</u>						
Financial cost	56.9	67.0	74.3	83.3	87.2	83.2
General expenses						
Personnel	8.4	10.0	11.2	12.5	14.0	15.7
Other	6.9	7.2	7.7	8.4	9.2	10.2
Total Expenses	<u>72.2</u>	<u>84.2</u>	<u>93.2</u>	<u>104.2</u>	<u>110.4</u>	<u>109.1</u>
Net income before tax	41.6	44.1	55.1	61.9	66.4	71.3
Provision for tax	(13.8)	(13.5)	(16.2)	(18.5)	(19.3)	(20.8)
NET INCOME	27.8	30.6	38.9	43.4	47.1	50.5
<u>APPROPRIATIONS</u>						
Dividends	16.5	16.8	21.4	23.9	25.9	27.8
Reserves and retained earnings	11.3	13.8	17.5	19.5	21.2	22.7
TOTAL	<u>27.8</u>	<u>30.6</u>	<u>38.9</u>	<u>43.4</u>	<u>47.1</u>	<u>50.5</u>
<u>RATIOS</u>						
Dividends as % of year-end capital	12.0	12.2	14.0	13.8	12.9	13.9
Dividends as % of net income	59.3	54.9	55.0	55.1	55.0	55.0
Net income as % of average:						
paid-in capital	20.6	22.2	26.8	26.6	25.3	25.2
equity	12.2	12.3	14.2	13.8	13.1	12.7
total assets	2.8	2.7	3.3	3.4	3.6	3.8
Net income as % of total income	24.4	23.8	26.2	26.1	26.6	28.0
General expenses as % of average total assets	1.5	1.5	1.6	1.7	1.8	2.0
Earnings before financial cost as % of average total assets	9.8	9.9	11.0	13.0	11.7	11.7

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA COLOMBIANA

Projected Sources and Uses of Funds

January-December 1971-1975, compared with 1970 (Actual)

(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>SOURCES</u>						
Share capital	6.6	-	15.0	20.0	27.2	-
Borrowings	492.2	191.6	243.4	243.4	185.4	188.6
Collections	295.1	202.8	230.4	298.1	318.6	345.3
Sales from portfolio at cost	13.4	8.0	8.0	8.0	8.0	8.0
Cash generation	42.9	45.6	56.4	63.0	67.4	72.2
Other	<u>0.4</u>	<u>5.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Sources	<u>850.6</u>	<u>453.0</u>	<u>553.2</u>	<u>632.5</u>	<u>606.6</u>	<u>614.1</u>
<u>USES</u>						
Fixed assets	-	-	-	-	-	-
Disbursements	472.2	265.0	336.7	408.6	367.5	365.6
Repayments	312.0	148.5	168.8	175.7	184.6	191.1
Investments in shares	9.9	4.2	4.5	4.5	5.0	5.0
Dividends	14.5	17.0	16.8	21.4	23.9	25.9
Taxes	15.1	12.0	13.9	13.6	16.2	18.5
Other	28.2	12.7	13.2	4.7	3.2	6.7
Cash increase (decrease)	<u>(13.0)</u>	<u>(6.4)</u>	<u>(0.7)</u>	<u>4.0</u>	<u>6.2</u>	<u>1.3</u>
Total Uses	<u>850.6</u>	<u>453.0</u>	<u>553.2</u>	<u>632.5</u>	<u>606.6</u>	<u>614.1</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

List of Major Shareholders
(as of December 31, 1970)

	<u>Number of Shares</u> (Col\$ 10 par value)	<u>% of Total</u>
<u>I. Private Colombian Shareholders</u>		
1. Banco Comercial Antioqueño	2,150,643	18.57
2. Banco Industrial Colombiano	852,645	7.36
3. Inversiones e Industria S.A.	564,792	4.88
4. Fábrica de Hilados y Tejidos del Hato S.A.	385,151	3.33
5. Cía Colombiana de Tejidos S.A.	273,911	2.36
6. Cia. Suramericana de Seguros	271,163	2.34
7. Cia. Suramericana de Seguros de Vida	256,269	2.21
8. Edificio Andes S.A.	177,539	1.53
9. Tejidos el Cóndor S.A.	167,370	1.45
10. Cia. Colombiana de Seguros	157,532	1.36
11. Cervecería Unión S.A.	140,839	1.22
12. Cia. de Cemento Argos S.A.	136,955	1.18
13. Fondo Suramericana de Inversiones	116,834	1.01
14. Cia. Nacional de Chocolates	109,550	0.95
15. Cia. de Empaques S.A.	102,633	0.89
16. Droguerías Aliadas S.A.	79,546	0.69
17. Gaseosas Posada Tobón S.A.	79,433	0.69
18. Ingenio Pichichí S.A.	64,899	0.56
19. Confecciones Colombia S.A.	59,708	0.52
20. Cementos del Caribe S.A.	45,121	0.39
21. Fundación Gabriel Echavarría	43,436	0.38
22. Nacional de Construcciones S.A.	43,436	0.38
23. Cia. de Productos de Caucho Grulla S.A.	40,700	0.35
24. Gaseosas Colombia S.A.	36,192	0.31
25. Cia. Colombiana de Industria e Inversiones SA	34,131	0.29
26. Carvajal y Cia.	32,505	0.28
27. Indust. Metálicas de Palmira S.A.	32,434	0.28
28. Tapas la Libertad S.A.	31,557	0.27
29. Cementos del Valle S.A.	30,000	0.26
30. Alvaro Rafael Mora Uribe y Comanditarios	29,204	0.25
31. Marta Lucía Mora de Mejía y Comanditarios	29,204	0.25
32. Inversiones Aliadas S.A.	23,250	0.20
97 accionistas privados colombianos con me- nos de 20.000 acciones	<u>290,805</u>	<u>2.51</u>
Sub-Total	6,889,387	59.50

	<u>Number of Shares</u> (Col\$ 10 par value)	<u>% of</u> <u>Total</u>
II. <u>Governmental Shareholders</u>		
1. Empresa Colombiana de Petróleos	440,367	3.80
2. Oleoducto del Pacífico S.A.	<u>36,855</u>	<u>0.32</u>
Sub-Total	477,222	4.12
III. <u>Foreign Controlled Shareholders</u>^{1/}		
1. Unión Carbide de Colombia S.A.	72,777	0.63
2. Cristalería Peldar S.A.	50,839	0.44
3. Cartón de Colombia S.A. ²	33,813	0.29
4. Landers Mora & Cia.	27,649	0.25
5. The Liverpool y London y Globe Ins.	11,786	0.10
6. Royal Insurance Co.	11,786	0.10
7. Sintéticos S.A.	7,965	0.07
8. Collins Colombiana S.A.	5,495	0.05
9. Agroganadera Amsterdam Colombia S.A.	1,100	Nil
10. Cia. Colombiana de Desarrollo Agrícola S.A.	<u>1,100</u>	<u>Nil</u>
Sub-Total	224,310	1.93
IV. <u>Foreign Shareholders</u>		
1. Balfour Williamson & Co. Ltd.	1,000,000	8.63
2. Boston Overseas Financial Corporation	995,017	8.59
3. Bankers Trust International (Delaware)	738,314	6.37
4. ADELA Investment Co. S.A.	<u>189,200</u>	<u>1.63</u>
Sub-Total	2,922,531	25.22
V. <u>International Organizations</u>		
International Finance Corporation	<u>1,069,091</u>	<u>9.23</u>
Sub-Total	1,069,091	9.23
GRAND TOTAL	<u>11,582,541</u>	<u>100.00</u>

^{1/} Companies with 50% or more of their share capital owned by foreign partners.

ICRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Board of Directors as of December 31, 1970

Principals

<u>Principals</u>	<u>Description</u>
Gabriel Angel E. (Chairman)	Promoter of Compañía Suramericana de Seguros, Banco Industrial Colombiano, Corporación Financiera Nacional, A.N.D.I. Board member of Electroquímica Colombiana S.A.
Vicente Uribe Rendón	President, Banco Comercial Antioqueño. Board member of Cementos Cairo, Ganadera Nacional, Banco de la República in Medellín.
Enrique Villa R.	Adviser to the President and Board of Banco Industrial Colombiano. Former President, Banco Industrial Colombiano.
Jorge Pérez Vásquez	President, Compañía Colombiana de Tabaco S.A. Board member of Banco Comercial Antioqueño and of the Banco de la República in Medellín, and Colombiana Kimberly S.A.
Carlos Gutierrez Bravo	Board member of Compañía de Cemento Argos S.A., Compañía Colombiana de Tabaco S.A., Banco Industrial Colombiano, Compañía Suramericana de Seguros, Promotora de Hoteles de Turismo, Empresas Públicas de Medellín.
Jorge Ortiz Rodríguez	Board member of Enka de Colombia S.A., Banco Comercial Antioqueño, Promotora de Hoteles de Turismo. Former mayor of Medellín and Governor of Antioquia.
Pedro María Botero	President, Tejidos El Cóndor S.A. Former Governor of Antioquia.
Jack Ashworth	Director, Bank of London & Montreal Ltd. in Lima, Perú

Richard M. Bliss	Senior Vice President, Bankers Trust Co.
John Allen	Vice President, Boston Overseas Financial Corporation, Boston, Massachusetts.
<u>Alternates</u>	
Diego Tobón Arbeláez	Vice President, Banco Comercial Antioqueño, Board member of Coltejer, Colcafé, Electroquímica Colombiana S.A., Derivados del Maíz S.A.
Iván Correa Arango	General Manager, Banco Industrial Colombiano. Board member of Fabricato.
Luis Mariano Uribe	Manager, Promotora de Hoteles de Turismo. Board member of Cervecería Unión S.A., Confecciones Colombia S.A., Textiles Papalifa S.A., Industria Colombiana de Pasamanería Indiana.
Carlos J. Echevarría	President, Bavaria, S.A., Board member of Colmotores.
Darío Arango Tamayo	Manager, Compañía Colombiana de Seguros in Medellín. Board member of Compañía Nacional de Chocolates, Fabricato, Paños Vicuña Santa Fé S.A., Industrias Metalúrgicas Apolo.
Adolfo Arango M.	Manager, Compañía de Cemento Argos. S.A. Board member of Banco Comercial Antioqueño and Industrias Metalúrgicas Apolo.
Jorge Posada Greiffestein	President, Fábrica de Hilados y Tejidos del Hato S.A. Board member of Textiles Panamericanos S.A., Prominsa and Diagonal.
Ian C. Massie	Director, Bank of London and Montreal, Medellín.
Carlos M. Canal Jr.	Vice President, Bankers Trust Company.
John A. Sisto	Assistant Vice President, First National Bank of Boston

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONALStatus of Equity Investments as of December 31, 1970
(In Thousands of Col\$)

<u>Name</u>	<u>Sector</u>	<u>Status</u>	<u>Cost of Shares</u>	<u>% of Total ownership</u>	<u>1970</u>		<u>Total Exposure</u>
					<u>Dividends Received</u>	<u>Loans Granted</u>	
Industrias Metálicas de Palmira	Metal furniture	Operating at a profit	20,854	36.8	2,799	7,094	27,948
Enka de Colombia	Synthetic fibres and yarn	Operating at a profit	15,225	9.4	1,142	12,369	27,594
Ganadera Nacional	Cattle	Operating at a profit	11,428	28.6	571	-	11,428
Forjas de Colombia	Forged Steel	Operating at a loss	7,239	8.0			7,239
Cía. Colombiana de Carburo y Derivados	Chemical	Operating at a profit	6,761	11.3		6,356	13,117
Tejidos El Condor	Textile	Operating at a profit	6,770		1,341	26,855	33,625
Aluminio Alcan de Colombia	Aluminum products	Operating at a profit	3,240	11.3	277		3,240
Industrias Estra S. A.	Plastic products	Operating at a profit	3,238	17.6	384	5,893	9,131
Industrias Metalúrgicas Apolo	Machinery	Operating at a profit	3,328	7.4	448	10,689	14,017
Electroquímica Colombiana	Hydrogen peroxide	Operating at a profit	2,475	45.0	772	4,329	6,802
Industrias Metalúrgicas Unidas	Kitchenware	Operating at a profit	2,222	7.1	130	4,941	7,163
Tennessee Colombia S. A.	Mining oil	Operating at a loss	1,833				1,833
ADELA Investment Company	Finance Company	Operating at a profit	1,802				1,802
Cementos del Valle	Cement	Operating at a profit	1,322	3.1	449		1,322
Gas Natural Colombiano	Natural gas	Operating at a profit	870	3.6	251		870
Ecuatoriana de Desarrollo	Development finance	Operating at a profit	891	2.0	66		891
Cía. Col. de Comercio Exterior	Imports and exports	In promotion	750	7.5			750
Petroquímica del Atlántico	Petrochemicals	Operating at a loss	731				731
Petroleos Nacionales	Petroleum	Operating a a loss	2,700				2,700
Promot. Hoteles de Turismo	Hotels	In promotion	800			5,528	6,328
Others (under Col\$500,000)			912			86	912
TOTAL			<u>95,391</u>		<u>8,716</u>	<u>84,054</u>	<u>179,445</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Analysis of Loans Approved
(in Col\$ million)

	1968			1969			1970			Total since inception		
	No.	Value		No.	Value		No.	Value		No.	Value	
		Amount	%		Amount	%		Amount	%		Amount	%
By Size												
- Col\$ 500,000	183	42.9	21	135	28.7	15	117	32.0	13.2	1,637	355.7	27.2
Col\$ 500,001 - Col\$ 1,000,000	47	37.8	19	75	56.5	29	71	62.8	25.9	385	326.5	25.0
Col\$ 1,000,001 - Col\$ 5,000,000	56	123.7	60	49	104.2	53	56	119.7	49.4	276	580.5	44.5
Col\$ 5,000,001 -	-	-	-	1	6.0	3	4	27.9	11.5	6	43.4	3.3
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100
By Duration												
Less than 1 year												0
1 year to 2 years	65	50.8	25	101	29.5	15	34	31.8	13.2	909	376.1	28.8
2 years to 5 years	111	76.7	37	100	110.6	57	113	96.4	39.7	993	547.8	41.9
more than 5 years	110	76.9	38	59	55.3	28	101	114.2	47.1	402	382.2	29.3
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100
Funds Used												
Own funds	128	88.6	43	137	98.5	50	109	102.7	42.3	1,253	594.0	45.5
Bonds	12	6.3	3	6	4.3	2	22	7.8	3.2	213	74.8	6.0
IR credit line	31	22.9	16	31	19.8	10	9	10.5	4.3	536	252.5	19.3
IR - PIF	30	22.5	11	16	13.7	8	22	12.5	5.2	119	130.6	10.0
IR - UDF				2	3.3	2	22	15.0	6.2	24	18.3	1.0
IR - IFF				11	3.9	2	7	7.2	3.0	18	11.1	1.0
IR - IFRD	85	54.1	27	57	51.9	26	57	66.7	35.8	241	224.8	17.2
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100
Fixed/Working Capital												
Fixed capital	167	109.5	54	148	102.3	52	137	124.0	51.2	1,008	644.2	49.3
Working capital	119	74.9	46	112	93.1	48	111	118.4	48.8	1,296	661.9	50.7
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100
Nature of Projects												
New Enterprises	8	10.1	5	113	10.8	6	24	24.7	10.2	63	81.1	7.6
Existing enterprises	278	194.3	95	247	184.6	94	224	217.7	89.6	1,589	955.0	92.2
Total	286	204.4	100	260	195.4	100	248	242.4	100	1,652	1,036.1	100.0
By Economic Activity												
Manufacturing												
Food, beverages and tobacco	37	34.1	17	21	26.6	14	31	43.2	17.8	276	210.6	16.1
Textiles and apparel	92	81.8	40	77	63.6	33	54	65.0	26.8	596	433.4	33.2
Paper and printing	16	6.3	3	14	17.9	9	27	29.5	12.2	143	110.4	8.5
Leather goods	4	1.4	1	3	5.5	3	2	0.3	0.1	95	19.3	1.5
Rubber goods	1	0.2	-	3	0.5	-	1	0.4	0.2	24	2.4	0
Chemicals	16	12.0	6	19	12.3	7	20	17.2	7.1	133	74.8	5.7
Wood products	5	1.3	1	3	0.7	-	7	6.6	2.3	66	13.0	1.0
Non-metallic minerals	6	4.4	2	12	12.7	6	5	3.0	1.2	73	38.6	3.0
Metals and engineering	47	27.7	13	34	20.9	11	20	10.8	4.5	324	130.8	10.0
Others	44	24.4	12	55	13.1	7	56	39.1	16.1	456	184.5	14.1
Sub-total	268	193.6	95	240	173.8	90	223	214.1	88.3	2,186	1,217.8	93.1
Other Sectors												
Mines and petroleum	-	-	-	2	5.4	2	1	0.5	0.2	12	11.2	1.0
Electricity	10	6.7	3	-	-	-	-	-	-	21	17.6	1.3
Agriculture	8	4.1	2	4	3.0	1	4	2.6	1.1	26	14.2	1.1
Livestock	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	14	13.2	7	20	25.2	10.4	59	45.3	3.5
Sub-total	18	10.8	5	20	21.6	10	25	28.3	11.7	118	88.3	6.9
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100
By Location (departments)												
Antioquia	240	171.9	85	233	167.5	86	220	223.5	92.2	1,963	1,051.3	80.9
Atlantico	1	0.2	-	1	0.1	-	-	-	-	21	13.4	1.0
Bolivar	11	2.1	1	1	1.0	1	-	-	-	39	14.1	1.1
Caldas	6	2.4	1	3	1.3	1	11	5.2	2.1	47	24.4	1.9
Cauca	-	-	-	-	-	-	-	-	-	10	8.2	0.6
Cundinamarca	6	2.3	1	14	4.5	2	7	7.1	2.9	40	27.1	2.1
Magdalena	2	-	-	-	-	-	-	-	-	3	1.7	0
Risaralda	2	0.4	-	2	0.5	-	3	1.1	0.5	7	2.0	0.1
Santander	3	0.8	-	6	6.0	3	2	0.3	0.1	46	16.9	1.3
Valle del Cauca	17	24.3	12	10	14.5	7	5	5.2	2.2	128	141.0	11.0
Total	286	204.4	100	260	195.4	100	248	242.4	100	2,304	1,306.1	100

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Balance Sheets as of December 31, 1967-70
(in Col\$ million)

	1967 (Audited)	1968 (Audited)	1969 (Audited)	1970 (Unaudited)
<u>ASSETS</u>				
Cash and banks	9.0	8.4	13.5	10.8
Accounts receivable	6.0	3.4	4.9	5.8
<u>Portfolio</u>				
Loans	249.6	348.0	418.5	523.2
Equity investments (at cost)	79.4	81.3	90.2	96.6
Other investments	-	1.4	1.7	2.3
Export-Import financing	30.7	18.8	12.7	21.8
Total Portfolio	359.7	449.5	523.1	643.9
Fixed assets	0.5	0.7	0.7	0.9
Other assets	1.4	1.2	1.4	4.9
TOTAL ASSETS	<u>376.6</u>	<u>463.2</u>	<u>543.6</u>	<u>666.3</u>
<u>LIABILITIES</u>				
Accounts payable	2.9	2.7	4.0	4.4
Income tax (estimated)	5.9	9.0	11.2	10.3
Due to banks	25.1	29.2	39.5	37.9
Time deposits	3.0	1.2	3.4	3.1
Dividends payable	-	-	-	-
Unrealized gains on exchange	2.3	2.6	1.9	2.3
Other liabilities	5.1	5.9	7.6	13.2
Sub-total	44.3	50.6	67.6	71.2
Bonds payable	26.5	21.6	15.0	14.5
BR:				
Bonds ^{1/}	13.5	37.7	55.1	70.3
IFF and UDF	-	-	4.6	18.0
KfW and BID	0.3	12.3	14.9) 91.4
PIF Credit line	71.3	64.2	63.9	
AID	4.1	12.1	12.1) 208.3
IBRD	31.9	84.8	133.2	
Other	56.7	42.5	21.2	-
Total BR	177.8	253.6	305.0	388.0
Paid-in share capital	91.3	91.3	98.9	115.8
Reserves and retained earnings	36.8	46.1	57.1	76.8
Sub-total	128.1	137.4	156.0	192.6
TOTAL LIABILITIES & CAPITAL	<u>376.7</u>	<u>463.2</u>	<u>543.6</u>	<u>666.3</u>
<u>CONTINGENT LIABILITIES</u>	18.9	6.7	16.8	
<u>RATIOS</u>				
Growth of assets, %	4.8	23.0	17.4	22.6
Total debt/equity	2.1	2.4	2.6	2.5
Equity portfolio as % of total Portfolio	22.1	18.1	17.3	15.0
Equity portfolio as % of net worth	62.0	59.2	57.8	50.2
Reserves and retained earnings as % of total portfolio	10.2	10.3	11.0	11.9
Book value as % of par value	140.3	150.5	157.7	166.3

1/ Issued to BR in repayment of debt

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Profit and Loss Statements for Periods ended December 31, 1967-1970
(In Col\$ million)

	<u>1967</u> (Audited)	<u>1968</u> (Actual)	<u>1969</u> (Audited)	<u>1970</u> (Unaudited)
<u>INCOME</u>				
Interest	25.7	41.3	53.6	66.6
Commissions and fees	3.7	4.3	5.4	8.0
Dividends	6.1 ^{1/}	6.2 ^{2/}	6.6 ^{3/}	8.7 ^{4/}
Capital gains (losses)	-	(1.2)	(0.1)	1.7
Other income	0.3	1.9	0.8	1.1
Total Income	<u>35.8</u>	<u>52.5</u>	<u>66.3</u>	<u>86.1</u>
<u>EXPENSES</u>				
Financial cost	10.6	20.0	28.3	37.9
General expenses				
Administration	4.4	4.9	5.6	6.6
Depreciation	-	-	0.1	0.2
Total Expenses	<u>15.0</u>	<u>24.9</u>	<u>34.0</u>	<u>44.7</u>
Net income before tax	20.8	27.6	32.3	41.4
Provision for tax	(5.5)	(8.1)	(8.8)	(11.0)
NET INCOME	<u>15.3</u>	<u>19.5</u>	<u>23.5</u>	<u>30.4</u>
<u>APPROPRIATIONS</u>				
Reserve for portfolio losses	3.9	-	-	-
Other reserves and retained earnings	2.3	7.5	10.6	10.0
Dividends	9.1 ^{5/}	12.0 ^{6/}	12.9 ^{6/}	20.4 ^{7/}
	<u>15.3</u>	<u>19.5</u>	<u>23.5</u>	<u>30.4</u>
Net income as % of average				
paid-in share capital	17.4	21.5	24.7	28.3
equity	12.6	14.5	16.0	17.4
total assets	4.1	4.7	4.7	5.0
(a) Interest income as % of average				
loan portfolio	9.3	12.8	13.9	14.1
(b) Financial cost as % of average				
borrowings	4.7	7.1	8.7	9.5
(a) minus (b)	4.7	5.7	5.2	4.6
Dividend income as % of average equity				
portfolio	8.0	7.8	7.7	9.3
Total income less financial costs as %				
of average total assets	6.8	7.7	7.5	8.0
General expenses as % of average total				
assets	1.2	1.2	1.1	1.1
EBIT as % of average total assets	8.5	11.4	12.0	13.1

^{1/} Of which 0.2 stock dividend.^{2/} Of which 1.3 stock dividend.^{3/} Of which 0.3 stock dividend.^{4/} Of which 0.6 stock dividend.^{5/} All in cash, at 10%^{6/} All in cash, at 13%^{7/} All in cash, at 17.6%.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Projections of Operations 1970-1974
(in Col\$ million)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>APPROVALS</u>	(Actual)				
Local currency loans	359.8	327.6	347.4	375.8	395.7
Foreign currency loans	174.1	64.3	75.7	87.8	93.3
Equity investments	<u>24.6</u>	<u>28.0</u>	<u>42.5</u>	<u>30.4</u>	<u>47.7</u>
Total	558.5	419.9	465.6	494.0	536.7
 <u>COMMITMENTS</u>					
Local currency loans	230.7	315.4	347.7	358.4	391.2
Foreign currency loans	250.5	64.3	75.7	87.8	93.3
Equity investments	<u>24.6</u>	<u>28.0</u>	<u>42.5</u>	<u>30.4</u>	<u>47.7</u>
Total	505.8	407.7	465.9	476.6	532.2
 <u>DISBURSEMENTS</u>					
Local currency loans	155.7	298.2	315.5	357.8	368.5
Foreign currency loans	86.7	64.3	75.7	87.8	93.3
Equity investments	<u>24.6</u>	<u>28.0</u>	<u>42.5</u>	<u>30.4</u>	<u>45.5</u>
Total ^{1/}	267.0	390.5	433.7	476.0	507.3
 <u>1/ Of which IBRD</u>	86.7	100.0	120.0	120.0	135.0

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Projected Balance Sheets
As of December 31, 1971-1974, compared with December 31, 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
ASSETS					
Cash and banks	12.1	15.1	23.0	14.0	15.2
Accounts receivable, other assets	10.6	12.6	12.0	15.0	19.8
Outstanding loans in foreign currency	21.9	22.0	23.0	24.0	23.2
local currency	524.1	670.6	797.7	940.3	1075.5
Equity investments	96.8	97.0	119.6	125.5	157.5
Total Portfolio	<u>642.8</u>	<u>789.6</u>	<u>940.3</u>	<u>1089.8</u>	<u>1256.2</u>
Fixed assets	0.9	1.0	1.0	1.2	1.2
Total Assets	<u>666.4</u>	<u>818.3</u>	<u>976.3</u>	<u>1120.0</u>	<u>1292.4</u>
LIABILITIES					
Tax payable	10.3	19.2	21.4	23.4	25.9
Accounts payable, other liabilities	18.1	11.7	11.7	11.8	9.7
Borrowings in foreign currency	20.9	23.6	24.3	26.4	24.0
local currency ^{1/}	422.2	554.2	664.7	783.9	906.0
Total Borrowings	<u>443.1</u>	<u>577.8</u>	<u>689.0</u>	<u>810.3</u>	<u>930.0</u>
Share capital	115.8	111.8	134.2	134.2	161.1
Reserves & retained earnings	79.1	97.8	120.0	140.3	165.7
Total Equity	<u>194.9</u>	<u>209.6</u>	<u>254.2</u>	<u>274.5</u>	<u>326.8</u>
Total Liabilities	<u>666.4</u>	<u>818.3</u>	<u>926.3</u>	<u>1120.0</u>	<u>1292.4</u>
RATIOS					
Total debt/equity	2.4	2.9	2.8	3.1	3.0
Equity portfolio as % of total portfolio	15.0	12.3	12.7	11.5	12.5
Equity portfolio as % of net worth	49.6	46.3	47.0	45.7	48.2
Reserves & retained earnings as % of total portfolio	12.3	12.4	12.8	12.9	13.2
Book value as % of par value	168.3	187.5	189.4	204.5	202.9
^{1/} IBRD in Col\$ million	208.3	290.4	393.1	487.5	587.0
As % of total borrowing	47.6	50.3	57.1	60.2	63.1

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Projected Profit and Loss Statement
 January-December 1971-1974 compared with 1970 (Actual)
 (in Col\$ Million)

	1970 (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>INCOME</u>					
Interests	66.4	91.8	114.6	138.3	165.7
Comission and fees	8.2	7.8	9.0	9.1	10.7
Dividends	8.9	10.9	10.6	11.9	13.5
Other	3.0	1.3	2.7	3.9	5.0
Total Income	<u>86.5</u>	<u>111.8</u>	<u>136.9</u>	<u>163.2</u>	<u>194.9</u>
<u>EXPENSES</u>					
Financial cost	38.3	53.0	72.1	91.1	114.1
General expenses					
Personnel	4.3	4.6	5.1	5.2	5.7
Other	2.5	2.5	2.9	3.6	4.0
Total Expenses	<u>45.1</u>	<u>60.1</u>	<u>80.1</u>	<u>99.9</u>	<u>123.8</u>
Net income before tax	41.4	51.7	56.8	63.3	71.1
Provision for tax	(11.0)	(16.3)	(18.5)	(20.5)	(23.1)
NET INCOME	<u>30.4</u>	<u>35.4</u>	<u>38.3</u>	<u>42.8</u>	<u>48.0</u>
<u>APPROPRIATIONS</u>					
Dividends	20.4	16.1	22.5	22.5	29.0
Reserves and retained earnings	10.0	19.3	15.8	20.3	19.0
	<u>30.4</u>	<u>35.4</u>	<u>38.3</u>	<u>42.8</u>	<u>48.0</u>
<u>RATIOS</u>					
Dividends as % of year-end capital	17.6	14.4	16.8	16.8	18.0
Dividends as % of net income	66.9	54.5	58.4	52.6	60.4
Net income as % of average:					
paid-in capital	28.4	31.7	31.1	31.9	32.5
equity	17.3	17.7	16.5	16.2	16.0
Total assets	5.0	4.8	4.3	4.1	4.0
Net income as % of total income	35.2	31.7	28.0	26.2	24.6
General expenses as % of average total assets	1.2	1.0	0.9	0.8	0.8
Earnings before financial cost as % of average total assets	13.1	14.1	14.4	14.7	15.4

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA NACIONAL

Projected Sources and Uses of Funds

January-December 1971-1974, compared with 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>SOURCES</u>					
Share capital	16.9	-	22.4	-	20.8
Borrowings	236.8	238.3	246.1	280.1	298.9
Collections	195.9	224.0	263.1	302.0	327.4
Sales from port- folio at cost	17.5	23.7	19.9	24.5	13.5
Cash generation	41.6	48.9	57.1	63.5	71.4
Other	<u>4.0</u>	<u>-</u>	<u>0.6</u>	<u>0.1</u>	<u>-</u>
Total Sources	<u>512.7</u>	<u>535.4</u>	<u>609.2</u>	<u>670.2</u>	<u>738.1</u>
<u>USES</u>					
Fixed assets	0.1	0.2	0.3	0.4	0.3
Disbursements	312.2	362.4	391.4	445.6	461.8
Repayments	155.2	111.2	134.9	158.8	179.2
Investments in shares	24.6	28.0	42.5	30.4	45.5
Dividends	15.1	16.1	16.1	22.5	22.0
Taxes	7.0	14.1	16.3	18.5	20.6
Other	-	0.4	-	3.0	6.9
Cash increase (decrease)	<u>(1.5)</u>	<u>3.0</u>	<u>7.9</u>	<u>(9.0)</u>	<u>1.2</u>
Total Uses	<u>512.7</u>	<u>535.4</u>	<u>609.2</u>	<u>670.2</u>	<u>738.1</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLEList of Major Shareholders
(as of December 31, 1970)

	<u>Number of Shares</u> (Col\$10 par value)	<u>% of</u> <u>Total</u>
I. <u>Private Colombian Shareholders</u>		
1. Banco Cafetero	937,589	9.4
2. Manuelita S. A.	513,688	5.2
3. Ingenio Riopaila Ltda.	506,934	5.1
4. Banco de Occidente	420,144	4.2
5. Angela M. Caicedo T.	312,170	3.2
6. Banco del Comercio	252,575	2.5
7. Comité Deptal. de Cafeteros del Valle	212,844	2.1
8. Lloreda Grasas y Aceites Vegetales	212,515	2.2
9. Gonzalo Caicedo T.	138,873	1.4
10. Ingenio Mayaguez	135,230	1.4
11. Inversiones Arizona Ltda.	130,637	1.4
12. Hernando Caicedo T.	130,637	1.4
13. Compañias Tecnoquímicas	103,735	1.1
14. Ingenio Providencia S. A.	101,283	1.0
15. Cementos del Valle S. A.	100,000	1.0
16. Central Castilla Ltda.	92,392	.9
17. Ingenio San Carlos	89,224	.9
18. Carvajal y Cia.	88,452	.9
19. Banco Industrial Colombiano	70,000	.7
20. Compañia Inversionista Nacional	67,167	.6
21. Hijos de Adolfo Bueno Madrid & Cia.	60,000	.6
22. A. Lloreda y Cia.	53,868	.5
23. Ingenio del Cauca	53,174	.5
24. Ingenio Pichichí	51,663	.5
25. Motores del Valle	47,854	.4
26. Luis H. Gomez	46,570	.5
27. Fábrica de Dulces Colombina Ltda.	44,583	.4
28. Banco del Estado	43,600	.4
29. Torrelavega S.A.	43,334	.4
30. Central Tumaco	40,000	.4
31. Grasas S. A.	39,850	.4
32. Compañia Suramericana de Seguros	38,557	.4
33. La Garantía A. Dishington S. A.	37,367	.4
34. Banco de Caldas	32,500	.3
35. Gonzalo Echeverri & Co.	30,068	.3
36. Calero Alfonso	30,000	.3
37. Fábrica Nacional de Carrocerías Ltda.	27,359	.2
38. Alfredo Lloreda C. e Hijos Ltda.	27,084	.3
39. Ingenio Melendez Ltda.	27,084	.3
40. Pavimentaciones Asfálticas Ltda.	25,864	.3
41. El Marañon S. A.	25,286	.2

	<u>Number of Shares</u> (Col\$10 par value)	<u>% of</u> <u>Total</u>
42. Inversiones Dominguez	25,134	.2
43. Construcciones Civiles Limitadas	25,134	.2
44. N. Hurtado & Cía.	24,964	.2
45. Embotelladora de Cali S.A.	23,167	.2
46. Eternit Pacifico S. A.	22,859	.2
47. Transgranel Ltda.	21,667	.2
48. Seguros Tequendama y Albingia S. A.	21,380	.2
49. Aseguradora Mercantil	21,380	.2
50. Agricola e Industrial de Colombia	21,035	.2
51. Industrias Textil El Cedro	20,418	.2
126 Private Colombian shareholders with less than 20,000 shares	<u>879,203</u>	
Sub-Total	6,548,095	<u>65.4</u>
 II. <u>Governmental Shareholders</u>		
1. Empresa Colombiana de Petroleos "Ecopetrol"	646,827	6.5
2. Corporación Autonoma Regional del Cauca C. V. C.	<u>70,761</u>	<u>.7</u>
Sub-Total	717,588	7.2
 III. <u>Foreign Controlled Shareholders</u>^{1/}		
1. Cartón de Colombia	100,000	1.0
2. Banco Francés e Italiano	70,763	.7
3. Banque Nationale de Paris	<u>11,700</u>	<u>.1</u>
Sub-Total	182,463	1.8
 IV. <u>Foreign Shareholders</u>		
1. Continental International Finance Corporation of Chicago	950,000	9.7
2. Citizens and Southern Int. Corp.	520,566	5.4
3. ADELA Investment Company S.A.	<u>281,288</u>	<u>2.9</u>
Sub-Total	1,751,854	18.0
 V. <u>International Organizations</u>		
International Finance Corporation	<u>750,000</u>	<u>7.6</u>
Sub-Total	750,000	7.6
GRAND TOTAL	<u>9,950,000</u>	<u>100.0</u>

^{1/} Companies with 50% or more of their share capital owned by foreign shareholders.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLEBoard of Directors as of December 31, 1970

<u>Principals</u>	<u>Description</u>
Rodrigo Llorente Martínez	General Manager, Banco Cafetero (Bogotá)
Justo García Rayneri	Representative of International Finance Corporation
Evan Hill	Vice President, Continental Illinois National Bank and Trust Company (Chicago)
Jaime H. Caicedo	Industrialist - Caicedo Group (Cali)
Bernardo Garcés Córdoba	Minister of Public Works (Bogotá)
Luis Ernesto Sanclemente	Manager, Ingenio Riopaila Ltda., Caicedo Group (Cali)
Alberto Bernal Correa	President, Manuelita S.A. (Cali)
Alfonso Díaz Viana	President, Banco de Occidente (Cali)
Omar González Escobedo	Vice President and Manager, Banco del Comercio (Cali)
William B. Griffin	Vice President, The Citizens and Southern National Bank (Atlanta, Georgia)
<u>Alternates</u>	
Rodrigo Múnera Zuluaga	Manager, Banco Cafetero (Cali)
Franz X. Stirnimann	Adela Compañía de Inversiones S.A. (Bogotá)
Pedro Pablo Scarpetta	Lawyer, represents Continental International Finance Corporation (Cali)
Henry J. Eder	Director, Corporación Autónoma Regional del Cauca C.V.C. (Cali)
Hernando Caicero Toro	Caicedo Group (Cali)
Jaime Carvajal Sinisterra	Vice President, Carvajal & Cia. (Cali)
Mario Vernaza P.	Financial Manager, Ingenio Riopaila Ltda., Caicedo Group (Cali)
Luis Horacio Gómez	Ganadero e Industrial - Cali
Armando Lloreda Zamorano	Manager, Lloreda Grasa y Aceites Vegetales S.A. (Cali)
Francisco Barberi Z. DFC/IBRD	Manager, Compañías Tecnoquímicas Ltda.(Cali)

CORPORACION FINANCIERA DEL VALLE

Status of Equity Investments

(as of December 31, 1970)

(in Thousands of Col\$)

<u>Name</u>	<u>Sector</u>	<u>Status</u>	<u>Cost of Shares</u>	<u>% of Total Ownership</u>	<u>1970 Dividends Received</u>	<u>Loans Granted</u>	<u>Guarantees Outstanding</u>	<u>Total Exposure</u>
Siderurgica del Pacifico S.A.	Steel Mill	Operating at a profit	1.774	3.5	815	8.753		10.527
Sacroquímica Colombiana S.A.	Acids	Operating at a loss	3.500	9.1		5.718	5.974	15.192
Empaques del Cauca S.A.	Fiber bags	Operating at a loss	3.250	22.0		6.661		9.911
Consorcio Pesquero Colombiano S.A.	Fishing	In promotion	3.091	17.0				3.091
Adela Investment Company S.A.	Finance Company	Operating at a profit	2.865	0.3				2.865
Oleoducto del Pacifico S.A.	Oil Pipeline	Operating at a profit	1.951	5.6	97	4.200		6.151
Petroleos Nacionales S.A.	Petroleum and natural gas	Operating at a profit	1.800	1.3				1.800
Diseños y Confecciones S.A.	Clothing	In liquidation	1.800	15.9				1.800
Tennessee Colombia S.A.	Petroleum	Operating at a loss	1.700	1.3				1.700
V. Burrowes Industrias "El Fraile S.A."	Soaps	Operating at a loss	1.500	20.8	30	1.193		2.693
Industrias Camel S.A.	Clothing	In liquidation	1.200	14.0				1.200
Industria Nacional de Repuestos S.A.	Automotive spare parts	Operating at a profit	1.960	15.8	72	10.769		12.729
Prodesa	Agricultural promotion	In promotion	1.000	12.9				1.000
Nylon de Colombia S. A.	Synthetic fiber	Operating at a profit	1.000	2.9	120			1.000
Pastas Ramos y Semolas S.A.	Noodle products	In liquidation	766	25.5				766
Gia. Colombiana de Comercio Exterior Ltda.	Import-export	Operating at a profit	750	7.5				750
Pro-Hoteles	Hotels	In promotion	715	3.1		5.000		5.715
Fumigadoras Triunfo S.A.	Fumigation equipment	Operating at a profit	367	12.9	27	1.324		1.691
Others (under Col\$ 350,000)			<u>629</u>			<u>1.200</u>		<u>1.829</u>
TOTAL			<u>31.618</u>		<u>822</u>	<u>44.818</u>	<u>5.974</u>	<u>82.410</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLE

Analysis of Loans Approved
(in Col\$ million)

	1968			1969			1970			Total since 1966 ^{2/}		
	No.	Value Amount %		No.	Value Amount %		No.	Value Amount %		No.	Value Amount %	
By Size												
- Col\$ 500,000	242	63.5	39	229	71.3	38	235	66.8	27	1,017	278.9	35
Col\$ 500,001 - Col\$ 1,000,000	37	29.5	19	58	47.8	26	72	62.3	24	219	180.3	23
Col\$ 1,000,001 - Col\$ 5,000,000	24	44.9	28	21	42.3	23	58	114.5	45	139	273.1	34
Col\$ 5,000,001 -	3	23.2	14	4	23.2	13	1	8.0	4	9	62.3	8
Total	<u>306</u>	<u>161.1</u>	<u>100</u>	<u>312</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>	<u>1,384</u>	<u>793.6</u>	<u>100</u>
By Duration												
Less than 1 year	182	65.8	41	158	76.0	41	210	105.0	41	858	363.3	46
1 year to 2 years	74	31.9	20	115	56.9	31	86	73.3	29	349	205.5	26
2 years to 5 years	50	63.4	39	39	51.7	28	70	76.2	30	177	224.8	28
more than 5 years												
Total	<u>306</u>	<u>161.1</u>	<u>100</u>	<u>312</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>	<u>1,384</u>	<u>793.6</u>	<u>100</u>
Funds Used												
Own Funds	188	72.9	45	219	106.8	58	251	131.2	52		418.1	53
Bonds	32	7.7	5	15	4.6	3	17	10.2	4		34.6	4
BR credit line	34	16.5	10	16	9.4	4	15	10.5	4		74.5	9
BR-PIF	20	29.2	18	19	26.0	14	23	25.3	10		112.9	14
BR-UDF				2	8.6	5	8	22.0	9		30.6	4
BR-IFB				21	6.2	3	13	8.8	3		15.0	2
BR-IBRD	32	34.8	22	20	23.0	13	39	46.5	18		107.7	14
Total	<u>306</u>	<u>161.1</u>	<u>100</u>	<u>312</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>		<u>793.6</u>	<u>100</u>
Fixed/Working Capital												
Fixed capital	86	80.5	50	62	63.0	34	279	113.8	45		340.2	43
Working capital	220	80.6	50	250	121.6	66	87	140.7	55		453.5	57
Total	<u>306</u>	<u>161.1</u>	<u>100</u>	<u>312</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>		<u>793.6</u>	<u>100</u>
By Economic Activity												
Manufacturing												
Food, beverages and tobacco	56	33.2	21	53*	39.4	21	65	45.4	18	272	180.1	23
Textiles and apparel	41	38.9	24	43	32.6	18	30	37.8	15	147	129.0	16
Paper and printing	20	8.2	5	22	14.9	8	17	18.7	7	96	69.5	9
Leather goods							1	.2	-	1	.2	-
Rubber goods				2	1.0	-	2	6.1	3	44	7.1	1
Chemicals	41	22.6	14	24	110.4	6	21	18.4	7	119	65.1	8
Wood products	4	2.3	1	3	1.7	1	3	13.3	5	22	25.9	3
Non-metallic minerals	1	-	-	1	.7	-	-	-	-	7	4.8	1
Metals and engineering	61	22.7	14	83	47.8	26	130	62.0	24	310	157.5	20
Others	53	23.2	14	42	17.6	10	44	20.2	8	184	72.6	9
Subtotal	<u>276</u>	<u>151.1</u>	<u>93</u>	<u>273</u>	<u>166.1</u>	<u>90</u>	<u>314</u>	<u>222.1</u>	<u>87</u>	<u>1,195</u>	<u>709.8</u>	<u>90</u>
Other Sectors												
Mines and petroleum				4	5.0	3	4	6.0	3	8	11.0	1
Agriculture	18	5.9	4	23	10.8	5	35	18.3	7	121	45.8	6
Livestock	12	4.1	3	12	2.7	2	13	8.1	3	58	23.8	3
Other	1	0.3	-	-	-	-	-	-	-	3	1.3	-
Subtotal	<u>30</u>	<u>10.0</u>	<u>7</u>	<u>39</u>	<u>18.5</u>	<u>10</u>	<u>52</u>	<u>32.4</u>	<u>13</u>	<u>120</u>	<u>64.9</u>	<u>10</u>
Total	<u>306</u>	<u>161.1</u>	<u>100</u>	<u>312</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>	<u>1,385</u>	<u>793.7</u>	<u>100</u>
By Location (Departments)1/												
Valle del Cauca and Cauca	-	135.5	84	-	170.3	92	348	238.3	94	348	737.5	93
Other	-	25.6	16	-	14.3	8	18	16.2	4	18	56.1	7
Total	<u>-</u>	<u>161.1</u>	<u>100</u>	<u>-</u>	<u>184.6</u>	<u>100</u>	<u>366</u>	<u>254.5</u>	<u>100</u>	<u>366</u>	<u>793.6</u>	<u>100</u>

1/ breakdown by number of loans not available.

2/ total since inception 199.4 + 793.6 = 993.0 Breakdown before 1966 not available.

CORPORACION FINANCIERA DEL VALLE

Balance Sheets as of December 31, 1967-1970
(in Col\$ million)

	1967 (Audited)	1968 (Audited)	1969 (Audited)	1970 (Unaudited)
<u>ASSETS</u>				
Cash and banks	6.4	11.7	10.9	18.6
Accounts receivable	2.5	5.4	5.4	8.1
<u>Portfolio</u>				
Loans	152.2	237.2	332.4	441.9
Equity investments (at cost)	25.7	26.1	35.3	33.4
Export-Import financing	13.3	63.9	51.7	111.3
Total Portfolio	<u>191.2</u>	<u>327.2</u>	<u>422.4</u>	<u>586.6</u>
Fixed assets	0.5	0.7	0.7	1.1
Other assets	<u>1.5</u>	<u>3.2</u>	<u>4.5</u>	<u>7.4</u>
TOTAL ASSETS	<u>202.1</u>	<u>348.2</u>	<u>443.9</u>	<u>621.8</u>
<u>LIABILITIES</u>				
Accounts payable	4.7	4.6	8.4	15.9
Income tax (estimated)	4.5	6.5	8.5	9.8
Due to banks	11.1	61.5	53.0	96.5
Time deposits	7.1	10.5	13.5	7.8
Dividends payable	0.1	0.2	0.1	1.3
Unrealized gains on exchange	-	-	-	-
Other liabilities	<u>4.7</u>	<u>7.7</u>	<u>9.5</u>	<u>17.4</u>
Sub-total	<u>32.2</u>	<u>91.0</u>	<u>93.0</u>	<u>148.7</u>
Bonds payable	12.3	17.8	16.3	19.2
BR:				
Bonds ^{1/}	6.1	16.1	25.7	32.6
IFF and UDF	-	-	3.8	30.0
KfW and BID	-	-	-	-
PIF Credit line	54.6	85.8	113.4	111.7
AID	-	-	-	2.7
IBRD	5.7	38.7	60.6	103.8
Other	<u>26.5</u>	<u>19.8</u>	<u>15.6</u>	<u>23.5</u>
Total BR	<u>92.9</u>	<u>160.4</u>	<u>219.1</u>	<u>304.2</u>
Paid-in share capital	46.3	56.0	82.8	99.5
Reserves and retained earnings	<u>18.4</u>	<u>23.0</u>	<u>32.7</u>	<u>50.2</u>
Sub-total	<u>64.7</u>	<u>79.0</u>	<u>115.5</u>	<u>149.7</u>
TOTAL LIABILITIES & CAPITAL	<u>202.1</u>	<u>348.2</u>	<u>443.9</u>	<u>621.8</u>
<u>CONTINGENT LIABILITIES</u>	23.0	24.5	17.8	15.1
<u>RATIOS</u>				
Growth of assets, %	19.9	72.3	27.5	40.0
Total debt / equity	2.5	3.7	3.0	3.3
Equity portfolio as % of total portfolio	13.4	8.0	8.4	5.7
Equity portfolio as % of net worth	39.7	33.0	30.6	22.3
Reserves and retained earnings as % of total portfolio	9.6	7.0	7.7	8.5
Book value as % of par value	139.7	141.1	139.5	150.4

^{1/} Issued to BR in repayment of debt.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLE

Profit and Loss Statements for Periods ended December 31, 1967-1970
(In Col\$ million)

	<u>1967</u> (Audited)	<u>1968</u> (Audited)	<u>1969</u> (Audited)	<u>1970</u> (Unaudited)
<u>INCOME</u>				
Interest	19.0	28.1	43.1	65.7
Commissions and fees	3.4	4.3	4.7	6.0
Dividends	0.9	1.2	1.6	1.2
Other income	-	0.1	0.5	5.7
Total Income	<u>23.3</u>	<u>33.7</u>	<u>49.9</u>	<u>78.6</u>
<u>EXPENSES</u>				
Financial cost	7.6	13.2	21.7	37.3
General expenses				
Administration	3.9	4.9	6.4	8.2
Depreciation	0.2	0.2	0.1	0.1
Total Expenses	<u>11.7</u>	<u>18.3</u>	<u>28.2</u>	<u>45.6</u>
Net income before tax	11.6	15.4	21.7	33.0
Provision for tax	(4.3)	(6.0)	(7.4)	(10.5)
NET INCOME	<u>7.3</u>	<u>9.4</u>	<u>14.3</u>	<u>22.5</u>
<u>APPROPRIATIONS</u>				
Reserve for portfolio losses	3.6	1.5	1.0	5.0
Other reserves and retained earnings	-	3.4	5.0	5.5
Dividends	<u>3.7^{1/}</u>	<u>4.5^{2/}</u>	<u>8.3^{3/}</u>	<u>12.0^{4/}</u>
	<u>7.3</u>	<u>9.4</u>	<u>14.3</u>	<u>22.5</u>
Net income as % of average				
paid-in share capital	17.3	18.3	20.6	24.7
equity	12.3	13.1	14.7	17.0
total assets	3.9	3.4	3.6	4.0
(a) Interest income as % of average				
loan portfolio	12.6	12.0	12.5	14.0
(b) Financial cost as % of average				
borrowings	6.0	7.0	7.7	10.5
(a) minus (b)	6.6	5.0	4.8	3.5
Dividend income as % of average equity				
portfolio	3.6	4.6	5.2	3.5
Total income less financial cost as %				
average total assets	8.5	7.4	7.1	7.8
General expenses as % of average				
total assets	2.2	1.9	1.6	1.6
EBIT as % of average total assets	10.4	10.4	11.0	13.2

^{1/} Optional in cash or stock, at 8%. (3.1 paid in stock)

^{2/} Optional in cash or stock, at 8%. (4.3 paid in stock)

^{3/} Optional in cash or stock, at 10%

^{4/} All in cash, at 12%

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLEProjections and Operations 1970-1974
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>APPROVALS</u>					
Local currency loans	198.0	292.5	377.8	394.4	436.3
Foreign currency loans	73.8	136.8	206.8	225.2	243.6
Equity investments	<u>2.7</u>	<u>10.4</u>	<u>8.5</u>	<u>9.0</u>	<u>9.0</u>
Total	274.5	439.7	593.1	628.6	688.9
<u>COMMITMENTS</u>					
Local currency loans	200.5	291.2	371.3	388.0	428.8
Foreign currency loans	83.6	144.0	256.5	315.0	363.1
Equity investments	<u>2.7</u>	<u>10.4</u>	<u>8.5</u>	<u>9.0</u>	<u>9.0</u>
Total	286.8	445.6	636.3	712.0	800.9
<u>DISBURSEMENTS</u>					
Local currency loans	200.5	310.0	365.4	382.0	420.8
Foreign currency loans	83.6	144.0	256.5	315.0	363.1
Equity investments	<u>2.7</u>	<u>10.4</u>	<u>8.5</u>	<u>9.0</u>	<u>9.0</u>
Total ^{1/}	286.8	464.4	630.4	706.0	792.9
<hr/>					
^{1/} Of which IBRD	102.0	96.3	99.2	104.9	111.2

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLE

Projected Balance Sheets
As of December 31, 1971-1974, compared with December 31, 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
ASSETS					
Cash and banks	18.6	10.5	9.2	9.7	11.1
Accounts receivable, other assets	17.5	24.0	24.5	28.2	32.2
Outstanding loans in					
foreign currency	111.3	115.4	105.6	113.8	130.6
local currency	439.9	690.4	905.7	1060.0	1215.1
Equity investments	33.4	43.8	50.3	60.8	73.1
Total Portfolio	<u>584.6</u>	<u>849.6</u>	<u>1061.6</u>	<u>1234.6</u>	<u>1418.8</u>
Fixed assets	1.1	12.7	12.0	11.3	10.6
Total Assets	<u>621.8</u>	<u>896.8</u>	<u>1107.3</u>	<u>1283.8</u>	<u>1472.7</u>
LIABILITIES					
Tax payable	10.1	13.4	17.0	19.9	22.6
Accounts payable, other liabilities	23.9	36.8	42.0	48.9	53.8
Borrowings in					
foreign currency	107.3	1115.4	105.6	113.8	130.6
local currency	331.0	566.7	761.8	902.7	1044.5
Total borrowings	<u>472.3</u>	<u>732.3</u>	<u>926.4</u>	<u>1085.3</u>	<u>1251.5</u>
Share capital	99.5	100.0	100.0	100.0	100.0
Reserves & retained earnings	50.0	64.5	80.9	98.5	121.2
Total Equity	<u>149.5</u>	<u>164.5</u>	<u>180.9</u>	<u>198.5</u>	<u>221.2</u>
Total Liabilities	<u>621.8</u>	<u>896.8</u>	<u>1107.3</u>	<u>1283.8</u>	<u>1472.7</u>
RATIOS					
Total debt/equity	3.2	4.5	5.1	5.5	5.6
Equity portfolio as % of total portfolio	5.7	5.2	4.7	4.9	5.2
Equity portfolio as % of net worth	22.3	26.6	27.8	30.6	33.0
Reserves & retained earnings as % of total portfolio	8.6	7.6	7.6	7.9	8.5
Book value as % of par value	150.3	164.5	180.5	198.5	221.2
<u>1/</u> IBRD in Col\$ million	162.8	252.6	334.7	412.4	485.9
As % of total borrowings	34.5	34.5	36.1	38.0	38.8

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLE

Projected Profit and Loss Statements
January-December 1971-1974, compared with 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>INCOME</u>					
Interests	65.8	99.8	140.4	172.5	202.2
Commission and fees	6.0	7.8	5.4	4.8	5.1
Dividends	2.4	2.7	2.7	3.5	5.4
Other	<u>4.4</u>	-	-	-	-
Total Income	<u>78.6</u>	<u>110.3</u>	<u>148.5</u>	<u>180.8</u>	<u>212.7</u>
<u>EXPENSES</u>					
Financial cost	37.3	60.5	92.2	114.8	136.2
General expenses					
Personnel	3.4	3.9	5.5	7.5	8.7
Other	<u>4.9</u>	<u>6.0</u>	<u>3.4</u>	<u>3.9</u>	<u>4.5</u>
Total Expenses	<u>45.6</u>	<u>70.4</u>	<u>101.1</u>	<u>126.2</u>	<u>149.4</u>
Net income before tax	33.0	39.9	47.4	54.6	63.3
Provision for tax	<u>(10.5)</u>	<u>(13.4)</u>	<u>(17.0)</u>	<u>(19.9)</u>	<u>(22.6)</u>
NET INCOME	<u>22.5</u>	<u>26.5</u>	<u>30.4</u>	<u>34.6</u>	<u>40.7</u>
<u>APPROPRIATIONS</u>					
Dividends	12.0	14.0	17.0	18.0	22.0
Reserves and retained earnings	<u>10.5</u>	<u>12.5</u>	<u>13.4</u>	<u>16.6</u>	<u>18.7</u>
	<u>22.5</u>	<u>26.5</u>	<u>30.4</u>	<u>34.6</u>	<u>40.7</u>
<u>RATIOS</u>					
Dividends as % of year-end capital	12.1	14.0	17.0	18.0	22.0
Dividends as % of net income	53.3	52.8	55.9	52.0	54.0
Net income as % of average:					
paid-in capital	24.6	26.6	30.4	34.6	40.7
equity	17.0	16.9	17.6	18.3	20.0
total assets	4.2	3.5	3.0	2.9	2.9
Net income as % of total income	28.6	24.0	20.0	19.1	19.1
General expenses as % of average					
total assets	1.6	1.3	0.9	1.0	1.0
Earnings before financial cost					
as % of average total assets	13.2	13.2	13.9	14.2	14.5

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL VALLE

Projected Sources and Uses of Funds

January-December 1971-1974, compared with 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>
<u>SOURCES</u>					
Share capital	16.7	.5	-	-	-
Borrowings	329.4	442.0	486.4	539.9	614.8
Collections	120.0	199.4	416.4	534.5	612.0
Cash generation	33.0	39.9	47.4	54.6	63.3
Other	<u>1.6</u>	<u>13.3</u>	<u>4.7</u>	<u>3.1</u>	<u>2.1</u>
Total Sources	<u>500.7</u>	<u>695.1</u>	<u>954.9</u>	<u>1132.1</u>	<u>1292.2</u>
<u>USES</u>					
Fixed assets	0.4	11.6	-	-	-
Disbursements	284.1	454.0	621.2	697.0	783.9
Repayments	179.5	198.2	301.1	390.1	456.2
Investments in shares	-	10.4	6.5	10.5	12.3
Dividends	8.3	12.0	14.0	17.0	18.0
Taxes	7.4	10.5	13.4	17.0	19.9
Other	13.3	6.5	-	-	0.5
Cash increase (decrease)	<u>7.7</u>	<u>(8.1)</u>	<u>(1.3)</u>	<u>0.5</u>	<u>1.4</u>
Total Uses	<u>500.7</u>	<u>695.1</u>	<u>954.9</u>	<u>1132.1</u>	<u>1292.2</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

List of Major Shareholders
(as of December 31, 1970)

	<u>Number of Shares</u> (Col\$100 par value)	<u>% of</u> <u>Total</u>
I. <u>Private Colombian Shareholders</u>		
1. Federación Nacional de Cafeteros de Colombia*	207,275	21.5
2. Banco Cafetero	135,235	14.0
3. Banco del Comercio	73,522	7.6
4. Federación Nacional de Cafeteros de Colombia - Comité Deptal. de Cafeteros de Caldas -*	72,785	7.5
5. Cía Inversionista Nacional	41,152	4.3
6. Banco de Caldas	22,282	2.3
7. Comité Deptal. de Cafeteros del Tolima*	14,421	1.5
8. Cía. Administradora de Inversiones Crecimiento S. A.	7,799	0.8
9. Cementos de Caldas	6,287	0.7
10. Banco de América Latina	4,262	0.4
11. La Nacional Compañía de Capitalización y Ahorro	3,584	0.3
12. Compañía de Seguros Atlas	4,004	0.4
13. Seguros Comerciales Bolívar	2,885	0.3
14. Flora de Peñaranda	2,803	0.3
15. Banco Industrial Colombiano	2,700	0.3
16. 210 Private Colombian Shareholders with less than 2.000 shares	<u>28,962</u>	<u>3.0</u>
Sub-Total	629,958	65.2
II. <u>Governmental Shareholders</u>		
1. Empresa Colombiana de Petróleos	85,731	8.9
2. Industria Licorera de Caldas	8,764	0.9
3. Central Hidroeléctrica de Caldas	<u>4,573</u>	<u>0.5</u>
Sub-Total	99,068	10.3

* These shareholders have agreed to vote jointly as one person.

	<u>Number of Shares</u> <u>(Col\$100 par value)</u>	<u>% of</u> <u>Total</u>
<u>III. Foreign Shareholders</u>		
1. Wells Fargo Bank International Corporation	42,075	4.4
2. Manufacturers Detroit International Corporation	35,078	3.7
3. The Fidelity International Corporation	34,603	3.6
4. ADELA Investment Company S.A.	18,521	1.9
5. The Bodgan Corporation	<u>6,552</u>	<u>0.7</u>
Sub-Total	136,829	14.3
<u>IV. International Organizations</u>		
International Finance Corporation	<u>98,177</u>	<u>10.2</u>
Grand Total	964,032	100%

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDASBoard of Directors as of February 23, 1971

<u>Principals</u>	<u>Description</u>
Pedro Uribe Mejía	Federación Nacional Cafeteros Comité de Caldas President
Fernan Villegas Velez	Banco Cafetero Assistant Manager
Jaime Restrepo Mejía	Federación Nacional Cafeteros Lawyer
Cesar Gomez Estrada	Ecopetrol Lawyer
Luis Machado	I F C
Franz X. Stirniman	ADELA (Colombia) Representative
Jaime Botero Saenz	Banco Comercio (Manizales) Manager
 <u>First Alternates</u>	
Leon Londoño Londoño	Federación Nacional Cafeteros Comité de Caldas
Gustavo Arango Bernal	Banco Cafetero Assistant Manager
Rafael Escobar Pizano	Federación Nacional Cafeteros Comité de Caldas, Secretary
Jaime Hoyos Arango	Ecopetrol Lawyer
Jorge Navarrete Sierra	I F C
Carlos Rodriguez Pastor	Wells Fargo Bank
Mario Valencia	Bavaria (Manizales) Manager

<u>Second Alternates</u>	<u>Description</u>
Mario Arango Arango	Federación Nacional Cafeteros Comité de Caldas
Gabriel Gomez Rivera	Banco Cafetero (Manizales) Manager
Gustavo Uribe Duque	Federación Nacional Cafeteros Comité de Caldas
Robert A. Herdoiza	Manufacturers Detroit Int'l. Corp., Vice-President
German Villegas Arango	Tejidos Unica Manager
William J. Anthony	Fidelity Philadelphia Trust Co. Vice-President
Luis Guillermo Velez	Banco de Caldas Assistant Manager

IBRD/DFC

April 23, 1971

Status of Equity Investments
(as of December 31, 1970)

(In Thousands of Col\$)

Name	Sector	Status	Cost of Shares	% of total ownership	Dividends Received	Loans Granted	Guarantees Out-standing	Total Exposure
Aceites del Tolima S. A.	Vegetable Oils	Operating at a profit	1,000	10.2	-	4,530	500	6,030
Agrícolas Hawaii S. A.	Agriculture	In promotion	3,000	100.0	-	9,112	2,308	14,420
Bolígrafos Colombianos S. A.	Ball-point pen mfg.	Operating at a loss	3,034	65.1	-	4,367	-	7,401
Carbonífera de Caldas S. A.	Coal mining	Operating at a loss	5,175	61.3	-	920	-	6,095
Cauchosol de Manizales S. A.	Mfg. of battery parts	Operating at a profit	9,188	97.3	1,380	429	-	9,617
Celema S. A.	Milk pasteurizing plant	Operating at a profit	158	2.1	57	439	-	597
Central Metalúrgica S. A.	Metal Industry	In liquidation	2,500	62.5	-	-	-	2,500
Col. de Refrigeración Ltda.	Appliance Sales	Operating at a loss	99	99.0	-	2,977	4,794	7,870
Colombit S. A.	Asbest-Cement Products	Operating at a profit	5,452	30.0	645	10,578	-	16,030
Cía. Col. de Comercio Exterior	Foreign trade	In promotion	750	7.5	-	-	-	750
Cía. Minera Atlas S. A.	Mining & leasing	In liquidation	6,001	100.0	-	(413)	-	5,588
Destilados Agrícolas S. A.	Distillation of essential oils	Operating at a loss	3,849	85.5	-	2,732	-	6,581
Enka de Colombia S. A.	Synthetic fibers	Operating at a profit	5,075	3.1	381	-	-	5,075
Escaucho S. A.	Rubber products	Operating at a profit	336	18.8	19	649	-	985
Fibras Acrílicas	Chemical fibers	Operating at a loss	4,338	87.4	-	5,180	-	9,518
Hacienda Montecristo S. A.	Banana Plantation	In promotion	2,000	100.0	-	(1,506)	-	494
Herramientas Dega de Colombia S. A.	Metal drills	Operating at a loss	790	60.4	-	3,348	-	4,138
Ind. Col. de Camisas Arrow S. A.	Shirts & others	Operating at a profit	22,698	98.5	1,494	46	2,964	25,708
Ind. Nal. de Calefacción y Refrig. S.A.	Refrigeration Plant	New company	8,000	40.0	-	495	-	8,495
Minera Eno S. A.	Mining	In promotion	7,562	97.8	-	-	-	7,562
New Yorker de Colombia S.A.	Sewing machines	In liquidation	750	71.4	-	60	-	810
Oleoducto del Norte S. A.	Oil pipeline	Operating at a loss	1,500	50.0	-	1,989	2,956	6,445
Oleoducto de Caldas Ltda.	Oil pipeline	Operating at a loss	200	0.8	-	-	-	200
Prodatos S. A.	Computer works	In promotion	880	17.6	-	-	-	880
Petróleos Nacionales S. A.	Petroleum	Operating at a loss	1,800	15.1	-	-	-	1,800
Plaza de Ferias de La Dorada S. A.	Cattle market	Operating at a loss	300	18.8	-	-	-	300
Productos Metalizados S. A.	Paper & plasting Metalizing	Operating at a loss	9,380	81.6	-	6,348	-	15,728
Química Suramericana S. A.	Zinc Oxide	Operating at a loss	6,675	20.4	-	23,773	6,436	36,884
Texman S. A.	Clothing	Operating at a profit	2,000	95.6	-	800	-	2,800
Válvulas Colombianas S. A.	Valves manufacturing	In Liquidation	4,300	44.3	-	7,377	-	11,677
Adela Investment Co.	Development company	Operating at a profit	1,986	0.2	99	-	-	1,986
Ind. Col. de Refrigeración S.A.	Refrigeration plant	In liquidation	883	11.4	-	1,091	4,661	6,635
Industrial de Viviendas S.A.	Real estate	In liquidation	595	20.6	-	1,084	-	1,679
Industrias Metálicas Iderna S.A.	Metal springe	Operating at a profit	500	11.7	69	2,331	-	2,831
Industrias Mubel S. A.	Furniture Mfg.	Operating at a loss	3300	60.0	-	4,466	-	4,766
Industrias Thor Ltda.	Valves manufacturing	In liquidation	674	-	-	-	-	674
Jabonerías Hada S. A.	Soap manufacturing	Operating at a profit	123	6.2	27	2,568	1,736	4,427
Urbanizadora San Cancio S. A.	Real estate	Operating at a loss	199	2.7	-	-	-	199
Cementos de Caldas S. A.	Cement Plant	Operating at a profit	1,386	6.4	183	14,418	-	15,804
Electromanufacturas S. A.	Electrical Supplies	Operating at a profit	292	3.0	56	-	-	292
Fondo Ganadero de Caldas S. A.	Cattle Development	Operating at a profit	612	4.6	114	-	-	612
Herramientas Agrícolas S. A.	Farm tools	Operating at a profit	83	0.8	13	322	-	405
Tejidos Unica S. A.	Textile mfg.	Operating at a profit	3,691	12.7	1,290	16,536	-	20,227
Tennessee de Colombia S. A.	Petroleum	Operating at a loss	1,910	1.3	-	-	-	1,910
Thomas de la Rue de Colombia S.A.	Printing	Operating at a profit	500	3.6	88	183	-	683
Others (under Col\$ 100,000)			344	-	-	-	-	344
			<u>132,868</u>		<u>5,915</u>	<u>127,229</u>	<u>26,355</u>	<u>286,452</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

Analysis of Loans Approved
(in Col\$ million)

	1968			1969			1970			Total since Inception		
	No.	Value		No.	Value		No.	Value		No.	Value	
		Amount	%		Amount	%		Amount	%		Amount	%
By Size												
Col\$ 500,000	202	36.8	30	96	18.1	19	71	11.2	12	1,791	253.0	36
Col\$ 500,001 - Col\$ 1,000,000	37	24.7	20	37	27.4	29	23	18.0	18	203	152.6	22
Col\$ 1,000,001 - Col\$ 5,000,000	27	50.4	40	25	49.6	52	27	57.2	59	129	254.3	37
Col\$ 5,000,001 -	1	12.2	10	-	-	-	2	11.1	11	4	33.3	5
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
By Duration												
Less than 1 year							1	-	-	7	.9	-
1 year to 2 years	151	47.7	38	48	18.0	19	52	27.0	28	1,354	314.0	45
2 years to 5 years	43	20.1	16	37	23.7	25	21	11.3	11	460	141.8	20
more than 5 years	73	56.3	46	73	53.4	56	49	59.2	61	306	236.5	35
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
Funds Used												
Own funds	168	73.4	59	83	53.7	56	73	48.5	50	1,475	422.4	59
Bonds	19	5.1	4	7	2.5	3	9	6.3	6	104	42.0	6
BR credit line	27	8.3	7	6	1.0	1	2	0.4	-	342	87.3	13
BR-PIF	23	14.9	12	8	3.9	4	8	21.5	22	56	67.4	10
BR-UDF												
BR-IFP							11	5.4	6	11	5.4	1
BR-IBRD	30	22.4	18	24	14.8	16	14	11.7	12	89	55.4	8
ATD				8	4.8	5	3	1.7	2	11	6.5	1
KFV				8	7.7	8	2	1.6	2	10	9.3	1
Other				14	6.7	7	1	0.4	-	29	7.5	1
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
Fixed/Working Capital												
Fixed capital	83	60.3	49	53	33.9	36	30	34.2	35	481	227.0	33
Working capital	184	63.8	51	103	60.9	64	91	52.3	61	1,642	461.9	66
Others				2	.3	-	2	4.0	4	4	4.3	1
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
Nature of Projects												
New Enterprises	49	20.5	17	33	21.7	23	14	13.1	14	305	96.4	14
Existing enterprises	218	103.6	83	125	73.4	77	109	84.4	86	1,822	596.8	86
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
By Economic Activity												
Manufacturing												
Food, beverages and tobacco	16	5.3	5	2	.9	1	7	1.2	1	107	35.9	5
Textiles and apparel	54	31.3	25	36	25.9	27	24	18.6	19	430	156.4	23
Paper and printing	9	3.9	3	2	.5	-	2	0.3	-	56	16.1	2
Leather goods										14	.9	-
Rubber goods	6	3.7	3	1	.5	1	1	0.2	-	64	22.6	3
Chemicals	38	17.2	14	32	22.4	24	16	18.9	19	201	96.6	14
Wood products	12	1.6	1	4	1.8	2	3	1.6	2	93	9.1	1
Non-Metallic minerals	3	3.0	2	3	4.2	4	5	3.3	3	44	31.3	5
Metals and engineering	62	40.8	33	29	13.3	14	29	21.1	22	584	180.8	26
Others	1	0.1	-	1	.1	-	-	-	-	87	11.3	2
Sub-Total	201	106.8	86	110	69.6	73	87	65.2	66	1,680	561.1	81
Other Sectors												
Mines and petroleum	28	9.8	8	13	14.5	15	9	17.1	18	97	52.7	8
Electricity	-	-	-	-	-	-	-	-	-	14	7.5	1
Agriculture	23	3.9	3	20	8.8	9	14	7.5	8	163	37.5	5
Livestock	5	1.2	1	2	.7	1	8	1.3	1	87	10.8	2
Others	10	2.4	2	13	1.5	2	5	6.4	7	86	23.6	3
Sub-Total	66	17.3	14	48	25.5	27	36	32.3	34	447	132.1	19
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100
By Location (Departments)												
Antioquia	25	13.1	11	13	9.8	10	2	8.1	8	72	54.0	6
Atlantico	-	-	-	2	1.0	1	2	1.1	1	6	3.1	-
Caldas	190	95.1	77	117	74.4	78	89	80.9	83	1,436	489.3	71
Cundinamarca	32	12.9	10	5	5.6	7	8	2.5	3	152	74.5	11
Quindio	1	0.1	-	1	.4	-	-	-	-	29	2.3	-
Risaralda	8	1.8	1	3	.4	-	7	0.8	1	223	42.5	6
Santander				1	-	-	-	-	-	1	-	-
Tolima	8	0.4	-	11	1.0	1	11	2.0	2	186	15.4	2
Valle del Cauca	3	0.7	1	5	2.5	3	3	0.3	-	21	10.3	2
Norte de Santander	-	-	-	-	-	-	1	1.8	2	1	1.8	-
Total	267	124.1	100	158	95.1	100	123	97.5	100	2,127	693.2	100

CORPORACION FINANCIERA DE CALDAS

Balance Sheets as of December 31, 1967-1970
(in Col\$ million)

	1967 (Audited)	1968 (Audited)	1969 (Audited)	1970 (Unaudited)
<u>ASSETS</u>				
Cash and banks	5.9	9.1	4.4	8.9
Accounts receivable	4.4	3.9	4.4	28.5
Deposits	1.1	3.0	2.9	-
<u>Portfolio</u>				
Loans	148.9	189.0	206.0	204.7
Equity investments (at cost)	60.8	75.5	101.8	127.5
Other investments	10.8	9.8	9.9	12.0
Export-Import financing	11.6	1.8	5.9	24.2
Total portfolio	<u>232.1</u>	<u>276.1</u>	<u>323.6</u>	<u>368.4</u>
Fixed assets	0.7	1.1	8.0	7.6
Other assets	<u>20.7</u>	<u>17.3</u>	<u>22.2</u>	<u>25.7</u>
TOTAL ASSETS	<u>264.9</u>	<u>310.5</u>	<u>365.5</u>	<u>439.1</u>
<u>LIABILITIES</u>				
Accounts payable	8.4	7.5	16.6	22.1
Income tax (estimated)	2.7	2.7	0.8	0.4
Due to banks	13.5	23.2	44.7	65.9
Time deposits	24.8	17.5	19.6	27.7
Other liabilities	16.7	14.0	17.1	25.9
Sub-total	<u>66.1</u>	<u>64.9</u>	<u>98.8</u>	<u>142.0</u>
Bonds payable	26.5	28.6	24.5	27.6
BR:				
Bonds ^{1/}	47.2	51.7	49.4	45.5
IFF and UDF	-	-	4.3	9.0
KfW and BID	-	-	-	-
PIF Credit line	25.3	31.2	46.4	59.5
AID	0.1	0.3	-	-
IBRD	6.5	27.1	39.0	48.6
Other	-	-	-	0.6
Total BR	<u>79.1</u>	<u>113.3</u>	<u>139.1</u>	<u>163.2</u>
Paid-in share capital	69.4	79.0	89.7	96.4
Reserves and retained earnings	23.8	24.7	13.4	9.9
Sub-total	<u>93.2</u>	<u>103.7</u>	<u>103.1</u>	<u>106.3</u>
TOTAL LIABILITIES & CAPITAL	<u>264.9</u>	<u>310.5</u>	<u>365.5</u>	<u>439.1</u>
<u>CONTINGENT LIABILITIES</u>	34.6	57.6	61.3	54.4
<u>RATIOS</u>				
Growth of assets, %	13.7	17.2	17.7	20.1
Total debt / equity	2.2	2.5	3.1	3.6
Equity portfolio as % of total portfolio	26.2	27.3	31.5	34.6
Equity portfolio as % of net worth	65.2	72.8	98.7	119.9
Reserves and retained earnings as % of total portfolio	10.3	8.9	4.1	2.7
Book value as % of par value	134.3	131.3	114.9	110.3

1/ Issued to BR in repayment of debt.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

Profit and Loss Statements for Period Ended December 31, 1967-1970
(In Col\$ million)

	<u>1967</u> (Audited)	<u>1968</u> (Audited)	<u>1969</u> (Audited)	<u>1970</u> (Unaudited)
<u>INCOME</u>				
Interest	21.3	26.0	29.5	29.9
Commission and fees	3.5 ^{1/}	6.2 ^{2/}	4.4 ^{3/}	9.9 ^{4/}
Dividends	1.9 ^{1/}	2.1 ^{2/}	4.3 ^{3/}	7.1 ^{4/}
Capital gains (losses)	0.2	(1.0)	(1.1)	-
Other income	0.9	-	0.5	-
Total Income	<u>27.8</u>	<u>33.3</u>	<u>37.6</u>	<u>46.9</u>
<u>EXPENSES</u>				
Financial cost	9.4	13.9	18.0	27.4
General expenses				
Administration	7.1	9.6	9.5	15.3
Depreciation	0.6	0.6	0.7	0.6
Total Expenses	<u>17.1</u>	<u>24.1</u>	<u>28.2</u>	<u>43.3</u>
Net income before tax	10.7	9.2	9.4	3.6
Provision for tax	(2.4)	(2.6)	(0.5)	-
NET INCOME	<u>8.3</u>	<u>6.6</u>	<u>8.9^{5/}</u>	<u>3.6</u>
<u>APPROPRIATIONS</u>				
Reserve for portfolio losses	-	-	-	3.0
Other reserves and retained earnings	2.7 ^{6/}	0.3 ^{7/}	1.7 ^{8/}	0.6
Dividends	<u>5.6^{1/}</u>	<u>6.3^{2/}</u>	<u>7.2^{3/}</u>	<u>-</u>
	<u>8.3</u>	<u>6.6</u>	<u>8.9</u>	<u>3.6</u>
Net income as % of average				
paid-in share capital	12.4	8.9	10.5	3.9
equity	9.3	6.7	8.6	3.4
total assets	3.4	2.3	2.6	0.9
(a) Interest income as % of average				
loan portfolio	12.0	14.7	14.6	14.6
(b) Financial cost as % of average				
borrowings	6.6	7.3	7.6	11.9
(a) minus (b)	5.4	7.4	7.0	2.7
Dividend income as % of average equity				
portfolio	3.5	3.1	4.8	6.2
Total income less financial cost as				
% of average total assets	7.4	6.7	5.8	4.8
General expenses as % of average				
total assets	3.1	3.5	3.1	-
EBIT as % of average total assets	8.1	8.0	8.1	7.7

^{1/} Of which 0.6 stock dividend.

^{2/} Of which 0.8 stock dividend.

^{3/} Of which 0.5 stock dividend.

^{4/} Of which 3.0 stock dividend.

^{5/} Price Waterhouse issued a qualified opinion regarding Caldas' statements of income and retained earnings for 1969, because they do not reflect losses on realization of certain loans and investments.

^{6/} Of which 4.9 in stock and 0.7 optional cash or stock, at 7+1%

^{7/} Of which 5.5 in stock and 0.8 optional cash or stock, at 7+1%

^{8/} Of which 6.3 in stock and 0.9 optional cash or stock, at 7+1%

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

Projections of Operations 1970-1975
(in Col\$ million)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>APPROVALS</u>						
Local currency loans	87.0	82.0	96.0	108.4	114.5	134.5
Foreign currency loans	45.5	70.0	50.0	60.0	72.0	86.0
Equity investments	<u>25.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	158.2	152.0	146.0	168.4	186.5	220.5
<u>COMMITMENTS</u>						
Local currency loans	76.0	70.0	105.0	100.0	112.0	132.0
Foreign currency loans	45.5	70.0	50.0	60.0	72.0	86.0
Equity investments	<u>25.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	147.2	140.0	155.0	160.0	184.0	218.0
<u>DISBURSEMENTS</u>						
Local currency loans	64.5	75.0	83.0	91.0	100.0	110.0
Foreign currency loans	45.5	70.0	50.0	60.0	72.0	86.0
Equity investments	<u>25.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total ^{1/}	135.7	145.0	133.0	151.0	172.0	196.0
<hr/>						
^{1/} Of which IBRD	13.8	5.2	14.9	20.6	25.3	25.3

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

Projected Balance Sheets
As of December 31, 1971-1975, compared with December 31, 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
ASSETS						
Cash and banks	8.9	10.7	0.2	1.9	14.6	19.8
Accounts receivable, other assets	78.4	103.3	110.5	114.6	117.2	121.9
Outstanding loans in						
foreign currency	81.5	140.5	177.5	214.5	262.5	320.5
local currency	123.2	179.2	223.2	261.2	284.2	306.2
Equity investments	139.5	102.8	107.1	113.1	121.1	129.1
Total Portfolio	<u>344.2</u>	<u>422.5</u>	<u>507.8</u>	<u>588.8</u>	<u>667.8</u>	<u>755.8</u>
Fixed assets	7.6	7.0	6.4	5.8	5.2	4.6
Total Assets	<u>439.1</u>	<u>543.5</u>	<u>624.9</u>	<u>711.1</u>	<u>804.8</u>	<u>902.1</u>
LIABILITIES						
Tax payable	0.4	1.4	2.6	5.0	6.7	8.7
Accounts payable, other liabilities	83.9	66.9	75.4	90.7	107.8	125.2
Borrowings in						
foreign currency	79.8	196.2	221.6	240.5	261.5	285.8
local currency	168.7	154.3	191.4	227.9	266.2	301.3
Total Borrowings ^{1/}	<u>248.5</u>	<u>350.5</u>	<u>413.0</u>	<u>468.4</u>	<u>527.7</u>	<u>587.1</u>
Share capital	96.4	115.9	115.9	115.9	115.9	115.9
Reserves & retained earnings	9.9	8.8	18.0	31.1	46.7	65.2
Total Equity	<u>106.3</u>	<u>124.7</u>	<u>133.9</u>	<u>147.0</u>	<u>162.6</u>	<u>181.1</u>
Total Liabilities	<u>439.1</u>	<u>543.5</u>	<u>624.9</u>	<u>711.1</u>	<u>804.8</u>	<u>902.1</u>
RATIOS						
Total debt/equity	3.4	3.6	3.9	4.0	4.0	4.0
Equity Portfolio as % of total portfolio	40.5	24.3	21.1	19.2	18.1	17.1
Equity portfolio as % of net worth	131.2	82.4	80.0	76.9	74.5	71.3
Reserves & retained earnings as % of total portfolio	2.9	2.1	3.5	5.3	7.0	8.6
Book value as % of par value	110.3	107.6	115.5	126.8	140.3	156.3
^{1/} Of which IBRD in Col\$ million	48.9	49.2	59.2	73.9	91.8	112.7
As % of total borrowings	19.7	14.0	14.3	15.8	17.4	19.2

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDAS

Projected Profit and Loss Statement
January-December 1971-1975 compared with 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>INCOME</u>						
Interests	29.9	39.5	57.6	74.5	87.0	100.0
Commission and fees	9.9	10.9	12.0	13.2	14.4	15.9
Dividends	7.1	5.1	5.4	5.5	5.5	5.5
Other	-	5.6	0.3	0.4	-	-
Total Income	<u>46.9</u>	<u>61.1</u>	<u>75.3</u>	<u>93.6</u>	<u>106.9</u>	<u>121.4</u>
<u>EXPENSES</u>						
Financial cost	27.4	34.8	45.0	57.0	66.6	76.9
General expenses						
Personnel	5.3	5.1	5.4	5.7	6.0	6.3
Other	10.6	12.6	13.1	12.8	12.0	11.0
Total Expenses	<u>43.3</u>	<u>52.5</u>	<u>63.5</u>	<u>75.5</u>	<u>84.6</u>	<u>94.2</u>
Net income before tax	3.6	8.6	11.8	18.1	22.3	27.2
Provision for tax	-	(1.4)	(2.6)	(5.0)	(6.7)	(8.7)
NET INCOME	<u>3.6</u>	<u>7.2</u>	<u>9.2</u>	<u>13.1</u>	<u>15.6</u>	<u>18.5</u>
<u>APPROPRIATIONS</u>						
Dividends	-	-	-	-	-	-
Reserves and retained earnings	<u>3.6</u>	<u>7.2</u>	<u>9.2</u>	<u>13.1</u>	<u>15.6</u>	<u>18.5</u>
<u>RATIOS</u>						
Dividends as % of year-end capital	-	-	-	-	-	-
Dividends as % of net income	-	-	-	-	-	-
Net income as % of average:						
paid-in capital	3.9	6.8	7.9	11.3	13.5	16.0
equity	3.4	6.2	7.1	9.3	10.1	10.8
total assets	1.1	1.5	1.6	2.0	2.1	2.2
Net income as % of total income	7.7	11.8	12.2	14.0	14.6	15.2
General expenses as % of average						
total assets	4.7	3.6	3.2	2.8	2.4	2.0
Earnings before financial cost as % of average total assets	9.3	8.8	9.7	11.2	11.7	12.2

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DE CALDASProjected Sources and Uses of Funds
January-December 1970-1975
(in Col\$ million)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>SOURCES</u>						
Share capital	6.7	19.5	-	-	-	-
Borrowings	96.4	176.9	106.0	124.0	145.0	169.0
Collections	90.9	20.6	48.0	68.0	95.0	110.0
Sales from portfolio	-	12.4	3.7	2.0	-	-
Cash generation	4.0	14.4	19.8	25.5	28.6	32.2
Other	<u>14.9</u>	<u>13.4</u>	<u>14.3</u>	<u>20.3</u>	<u>22.1</u>	<u>22.4</u>
Total Sources	<u>212.9</u>	<u>257.2</u>	<u>191.8</u>	<u>239.8</u>	<u>290.7</u>	<u>333.6</u>
<u>USES</u>						
Fixed assets	-	-	-	-	-	-
Disbursements	110.0	145.0	133.0	151.0	172.0	196.0
Repayments	48.0	95.0	52.4	75.9	90.9	112.6
Investments in shares	25.7	-	-	-	-	-
Dividends	-	-	-	-	-	-
Taxes	0.4	0.4	1.4	2.6	5.0	6.7
Other	24.3	15.0	15.5	8.6	10.1	13.1
Cash increase (decrease)	<u>4.5</u>	<u>1.8</u>	<u>(10.5)</u>	<u>1.7</u>	<u>12.7</u>	<u>5.2</u>
Total Uses	<u>212.9</u>	<u>257.2</u>	<u>191.8</u>	<u>239.8</u>	<u>290.7</u>	<u>333.6</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

List of Major Shareholders
(as of December 31, 1970)

	<u>Number of Shares</u> (Col\$10 par value)	<u>% of Total</u>
I. <u>Private Colombian Shareholders</u>		
1. Banco del Comercio	124,762	2.69
2. Compañía Colombiana de Seguros S.A.	116,551	2.51
3. Banco de la Costa	89,782	1.93
4. Cementos del Caribe S.A.	64,130	1.38
5. Moris Gut- Fca. de Grasas y Productos Químicos Ltda.	64,130	1.38
6. Gas Natural Colombiano S.A.	61,215	1.32
7. Compañía Colombiana de Capita- lización S.A.	37,975	0.82
8. Banco Industrial Colombiano	36,729	0.79
9. Compañía Colombiana de Tejidos S.A. Coltejer	36,729	0.79
10. Sociedad de Capitalización y Ahorros Bolívar	32,340	0.70
11. Banco Comercial Antioqueño	25,652	0.55
12. Aerovías Nacionales de Colombia S.A. Avianca	25,652	0.55
13. Compañía Cédulas Colón de Capita- lización	25,652	0.55
14. Compañía de Seguros Aurora S.A.	24,570	0.53
15. Fábrica de Aceites y Grasas Vegetales "Acegrave"	24,486	0.53
16. Banco Ganadero	24,200	0.52
17. Compañía Suramericana de Seguros	23,320	0.50
18. Fábricas Unidas de Aceites y Grasas Vegetales "Fagrave" S.A.	23,320	0.50
19. Mogollón & Cia. S.A.	21,660	0.47
20. Compañía Colombiana de Industrias e Inversiones (COLINSA)	21,094	0.46
515 private Colombian shareholders with less than 20,000 shares	<u>952,714</u>	<u>20.53</u>
Sub Total	1,856,663	40.00
II. <u>Governmental Shareholders</u>		
1. Banco Cafetero	243,128	5.24
2. Empresa Colombiana de Petróleos	233,200	5.02
3. Banco Popular	119,130	2.57
Sub Total	595,458	12.83

	Number of Shares (Col\$10 par value)	% of Total
<u>III. Foreign Controlled Shareholders^{1/}</u>		
1. Esso Andina Inc. (Esso Group)	127,200	2.74
2. Envases Colombianos S.A. (American Can Company)	32,065	0.69
3. Cartón de Colombia S.A. (Container Corp.)	23,826	0.51
4. Esso Colombiana S.A. (Esso Group)	19,080	0.41
5. Aluminio de Colombia - Reynolds Santo Domingo S.A. (Reynolds Aluminum)	11,660	0.25
6. Celanese Colombiana S.A. (Celanese International)	<u>7,500</u>	<u>0.16</u>
Sub-Total	221,331	4.76
<u>IV. Foreign Shareholders</u>		
1. Marine Midland Overseas Corporation	546,247	11.77
2. Philadelphia International Investment Corporation	481,740	10.38
3. ADEIA Investment Company S.A.	<u>190,410</u>	<u>4.10</u>
Sub-Total	1,218,397	26.25
<u>V. International Organizations</u>		
International Finance Corporation	<u>750,000</u>	<u>16.16</u>
Sub-Total	<u>750,000</u>	<u>16.16</u>
GRAND TOTAL	<u><u>4,641,849</u></u>	<u><u>100.0</u></u>

^{1/} Companies with 50% or more of their share capital owned by foreign partners.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Board of Directors as of December 31, 1970

<u>Principals</u>	<u>Description</u>
Jose V. Mogollon Z.	President, J.V. Mogollón & Cia. (Stationery and printing), Board member of ANDI, INCOLDA and various industrial enterprises.
Karl C. Parrish	General Manager, Parrish & Co. (Real estate, urban development). Board member of ANDI (Manufacturers Association) INCOLDA (Institute of Administration), various industrial enterprises, one commercial bank.
Roberto Carbo	Regional Manager, Banco del Comercio, Board member of Fed. Nac. de Comerciantes, the Banking Association and various enterprises in Barranquilla.
Ernesto Rojas	Division Chief, IFC.
Julio Castellanos	Assistant-Vice President, Marine Midland Grace Trust Company
Donald Frankenfield	Vice President, Philadelphia International Investment Corp.
Rodrigo Carbonell	Regional Manager, Banco Cafetero, Board member of the Banking Association and of various enterprises in Barranquilla, former Mayor of Barranquilla.
Martin K. King	Manager of the Refinery in Cartagena, International Petroleum Co. (Esso), Board member of ANDI, Inversiones Esso, Abocol and all the Colombian affiliates of Standard Oil.
Hernando Vergara Tamara	Manager of Fabrica de Grasas Bolivar Ltda. (vegetable oil) and rancher, Board member of ANDI and of various enterprises in Cartagena.
Andres Gomez Tamara	Rancher and merchant, Board member of several enterprises.
Francisco Davila R.	Rancher and Merchant, Former Minister of Mines and Petroleum, Board member of several enterprises, Represents the shares of Empresa Colombiana de Petroleos.

<u>Alternates</u>	<u>Description</u>
Alvaro De Zubiria	Manager of several Cartagena firms
Dario Alvarez Londono	Merchant and rancher, Board member of ANDI and several institutions.
Eduardo Verano Prieto	Manager of COLSEGUROS in Barranquilla
Gerhart Reuss	Executive Secretary of ADELA
Alfredo Steckerl	Manager, A. Steckerl & Hijos (Imports), Board member, Banco de la Costa, Barranquilla Chamber of Commerce, other associations and enterprises, Represents the shares of Marine Midland, Banco de la Costa.
John A. Crump	Manager, Gallo Crump & Cia. (Trade and Cattle), Board member, Empresas Publicas de Barranquilla, Cattle Association, Banco Cafetero in Barranquilla. Represents the shares of Philadelphia Int. Investment Corp.
Alcides de la Espriella	Manager, Empresas Públicas de Barranquilla. Board member of public utilities and commercial enterprises.
Enrique Zurek	Manager, INDUSTRIAL LTDA. (Refrigerators) Board member of ANDI and various enterprises.
Roberto Cavalier	Cattleman and Industrialist.
Jose Roman Fernandez	President, Inversiones Comerciales Ltda. Board member of Bavaria, Reynolds Santo-domingo S.A., other industrial enterprises, Barranquilla Chamber of Commerce, INCOLDA.
Silvestre Dangond Daza	Rancher and farmer.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Status of Equity Investments
(as of December 31, 1970)

(In Thousands of Col\$)

<u>Name</u>	<u>Sector</u>	<u>Status</u>	<u>Cost of Shares</u>	<u>% of Total owner- ship</u>	<u>1970 Dividends Received</u>	<u>Loans Granted</u>	<u>Guarantees out- standing</u>	<u>Total Exposure</u>
Industrias Pecuarias y Agrícolas S.A.	Cattle raising	Operating at a profit	9,751	25.0	717	1,007	1,917	12,675
Consorcio Pesquero del Caribe Vikingos Ltda.	Fishing	Operating at a profit	3,167	21.1		7,525		10,692
Adela Investment Company S. A.	Finance company	Operating at a profit	1,731	0.2	95			1,731
Tennessee Colombiana S. A.	Mining - oil	Operating at a loss	1,080	0.8				1,080
Consorcio Pesquero Colombiano S. A.	Fishing	In promotion	525	2.9		5,002		5,527
Compañía Colombiana de Comercio Exterior Ltda.	Import Export	Operating at a profit	500	5.0				500
Ladrillera El Cerro S. A.	Brick plant	Operating at a profit	400	16.0		1,070		1,470
Promotora Pesquera S. A.	Fishing	In liquidation	400	26.7				400
Petroleos Nacionales	Petroleum	Operating at a loss	1,080	9.1				1,080
Hotel de Turismo de Bogotá S. A.	Tourist hotel	In promotion	100	16.7				100
Others (under Col\$ 100,000)			<u>265</u>					<u>265</u>
			<u>18,999</u>		<u>812</u>	<u>14,604</u>	<u>1,917</u>	<u>35,520</u>

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Analysis of Loans Approved
(in Col\$ million)

	1968			1969			1970			Total since Inception		
	No.	Amount	%	No.	Amount	%	No.	Amount	%	No.	Amount	%
By Size												
- Col\$ 500,000	53	11.6	16	55	13.5	6	49	14.6	8	192	112	15
Col\$ 500,001 - Col\$ 1,000,000	20	15.2	20	31	24.3	11	19	15.6	8	146	118.4	15
Col\$ 1,000,001 - Col\$ 5,000,000	20	41.4	55	28	63.2	29	27	68.4	36	112	262.4	34
Col\$ 5,000,001 -	1	6.2	2	12	116.4	54	11	90.9	48	32	277.5	36
Total	<u>94</u>	<u>75.1</u>	<u>100</u>	<u>126</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>782</u>	<u>770.3</u>	<u>100</u>
By Duration ^{1/}												
Less than 1 year	25	8.0	11	26	8.4	4	27	21.5	11	61	11.4	1
1 year to 2 years	58	36.1	48	112	70.2	32	60	52.4	28	293	100.2	13
2 years to 5 years	18	21.0	41	25	138.8	64	19	115.6	61	366	223.3	29
more than 5 years	1	6.2	2	1	6.2	3	1	6.2	3	134	435.4	57
Total	<u>101</u>	<u>75.1</u>	<u>100</u>	<u>163</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>854</u>	<u>770.3</u>	<u>100</u>
Funds Used ^{1/}												
Own funds	75	41.4	55	70	59.0	28	65	45.5	24	530	306.5	40
Bonds	20	7.6	10	22	31.0	14	15	9.5	5	130	79.5	10
NR credit line	9	5.1	7	4	6.9	3	13	11.4	6	70	49.5	6
BR - PIF	4	5.2	7	6	7.4	3	4	26.5	14	23	53.6	7
BR - UDF												
BR - IFF				19	21.4	10				19	21.3	3
BR - IFRD	7	15.8	21	13	80.9	37	9	96.6	51	49	649.2	32
AID												
Other				8	10.8	5				8	10.7	2
Total	<u>115</u>	<u>75.1</u>	<u>100</u>	<u>142</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>829</u>	<u>770.3</u>	<u>100</u>
Fixed/Working Capital ^{1/}												
Fixed capital	68	34.7	46	22	115.8	53	25	138.3	73	245	383.7	49
Working capital	51	40.4	54	124	101.6	47	81	51.2	27	711	386.6	51
Total	<u>119</u>	<u>75.1</u>	<u>100</u>	<u>146</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>956</u>	<u>770.3</u>	<u>100</u>
By Economic Activity												
Manufacturing												
Food, beverages and tobacco	14	14.5	19	15	36.6	16	21	43.1	23	133	153.1	20
Textiles and apparel	13	13.4	18	17	21.8	10	16	29.2	15	92	118.7	15
Paper and printing	5	4.3	6	4	3.9	2	5	35.9	19	32	67.7	9
Leather goods	3	3.8	5	2	2.0	1	-	-	-	12	11.6	2
Rubber goods							1	2.0	1	1	2.0	-
Chemicals	13	15.5	21	18	43.0	20	16	22.5	12	82	105.7	14
Wood products	5	3.6	5	2	.5	1	3	2.8	1	35	24.0	3
Non-metallic minerals	5	2.0	3	8	17.2	8	2	.3	-	28	24.6	3
Metals and engineering	14	8.4	11	17	23.7	11	9	9.8	5	92	86.6	11
Others	2	.3	-	11	51.8	24	4	4.7	3	35	68.8	9
Sub-total	<u>74</u>	<u>65.8</u>	<u>88</u>	<u>94</u>	<u>200.5</u>	<u>92</u>	<u>77</u>	<u>150.2</u>	<u>79</u>	<u>542</u>	<u>654.8</u>	<u>86</u>
Other Sectors												
Mines and petroleum							3	4.5	3	3	4.5	1
Electricity												
Agriculture	15	7.6	10	25	11.7	5	11	4.3	2	194	56.4	7
Livestock	4	1.4	2	5	1.8	1	5	1.7	1	28	11.0	2
Others	1	.3	-	2	3.4	2	10	26.7	15	15	33.6	4
Sub-total	<u>20</u>	<u>9.3</u>	<u>12</u>	<u>32</u>	<u>16.9</u>	<u>8</u>	<u>29</u>	<u>39.2</u>	<u>21</u>	<u>240</u>	<u>105.5</u>	<u>14</u>
Total	<u>94</u>	<u>75.1</u>	<u>100</u>	<u>126</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>762</u>	<u>770.3</u>	<u>100</u>
By Location (departments)												
Atlantico	58	41.0	54	61	85.1	39	58	77.1	41	381	362.1	47
Bolivar	19	9.7	13	29	45.7	21	21	19.6	10	157	118.0	15
Cesar	10	8.4	11	18	7.7	3	2	.6	-	30	16.7	2
Cordoba										43	4.6	1
Magdalena	4	2.6	4	7	16.9	8	5	3.2	2	113	53.4	7
Other	3	13.4	18	11	62.0	29	17	89.0	47	48	215.5	28
Total	<u>94</u>	<u>75.1</u>	<u>100</u>	<u>126</u>	<u>217.4</u>	<u>100</u>	<u>106</u>	<u>189.5</u>	<u>100</u>	<u>782</u>	<u>770.3</u>	<u>100</u>

^{1/} Number of operations including doublecounts.^{2/} Estimated distribution.

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Balance Sheets as of December 31, 1967-1970
(in Col\$ million)

	1967 (Audited)	1968 (Audited)	1969 (Audited)	1970 (Audited)
<u>ASSETS</u>				
Cash and banks	4.2	3.1	4.4	11.4
Accounts receivable	3.2	4.5	5.0	5.4
<u>Portfolio</u>				
Loans	71.4	110.0	167.3	184.8
Equity investments (at cost)	8.5	11.3	17.4	19.0
Other investments	-	-	0.5	1.7
Export-Import financing	26.4	34.5	33.2	31.0
Total Portfolio	<u>106.3</u>	<u>155.8</u>	<u>218.4</u>	<u>236.5</u>
Fixed assets	0.4	0.4	4.0	5.0
Other assets	<u>0.9</u>	<u>1.0</u>	<u>3.0</u>	<u>10.9</u>
TOTAL ASSETS	<u>115.0</u>	<u>164.7</u>	<u>234.8</u>	<u>269.2</u>
<u>LIABILITIES</u>				
Accounts payable	0.9	5.3	9.4	7.9
Income tax (estimated)	1.6	2.5	3.0	2.9
Due to banks	25.3	32.2	36.8	38.8
Dividends payable	-	0.1	0.4	1.1
Unrealized gains on exchange	-	-	-	0.1
Other liabilities	7.5	5.9	9.1	8.5
Sub-total	<u>35.3</u>	<u>46.0</u>	<u>58.7</u>	<u>59.3</u>
Bonds payable	11.1	6.5	11.0	7.4
BR:				
Bonds ^{1/}	-	11.3	8.9	18.0
IFF and UDF	-	-	2.8	8.3
KfW and BID	-	2.3	6.5	5.6
PIF credit line	9.9	4.5	21.8	23.8
AID	-	5.7	5.3	4.4
IBRD	10.8	38.0	54.0	73.0
Other	15.0	13.5	8.1	4.5
Total BR	<u>35.7</u>	<u>75.3</u>	<u>107.4</u>	<u>137.6</u>
Paid-in share capital	24.2	25.6	43.0	46.4
Reserves and retained earnings	8.7	11.3	14.7	18.5
Sub-total	<u>32.9</u>	<u>36.9</u>	<u>57.7</u>	<u>64.9</u>
TOTAL LIABILITIES & CAPITAL	<u>115.0</u>	<u>164.7</u>	<u>234.8</u>	<u>269.2</u>
<u>CONTINGENT LIABILITIES</u>	3.1	8.6	8.4	6.8
<u>RATIOS</u>				
Growth of assets, %	38.0	43.2	42.6	14.7
Total debt/equity	2.6	3.7	3.2	3.3
Equity portfolio as % of total portfolio	8.0	7.2	8.0	8.0
Equity portfolio as % of net worth	25.8	30.6	30.2	29.3
Reserves and retained earnings as % of total portfolio	8.2	7.2	6.7	7.8
Book value as % of par value	136.0	144.1	134.2	139.9

^{1/} Issued to BR in repayment of debt

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Profit and Loss Statements for Periods ended December 31, 1967-1970
(In Col\$ million)

	<u>1967</u> (Audited)	<u>1968</u> (Audited)	<u>1969</u> (Audited)	<u>1970</u> (Audited)
<u>INCOME</u>				
Interest	8.1	14.3	20.6	35.0
Commissions and fees	1.6	2.1	1.9	3.0
Dividends	-	0.3	1.2	1.0
Capital gains (losses)	-	-	-	-
Other income	<u>0.1</u>	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>
Total Income	<u>9.8</u>	<u>17.1</u>	<u>24.0</u>	<u>39.3</u>
<u>EXPENSES</u>				
Financial cost	2.7	6.5	10.9	21.2
General expenses				
Administration	2.8	3.9	4.1	5.7
Depreciation	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.3</u>
Total Expenses	<u>5.6</u>	<u>10.5</u>	<u>15.1</u>	<u>27.2</u>
Net income before tax	4.2	6.6	8.9	12.1
Provision for tax	<u>(1.6)</u>	<u>(2.5)</u>	<u>(2.8)</u>	<u>(3.9)</u>
NET INCOME	<u>2.6</u>	<u>4.1</u>	<u>6.1</u>	<u>8.2</u>
<u>APPROPRIATIONS</u>				
Reserve for portfolio losses	0.4	0.4	0.3	0.5
Other reserves and retained earnings	0.8	1.2	1.5	2.1
Dividends	<u>1.4^{1/}</u>	<u>2.5^{2/}</u>	<u>4.3^{2/}</u>	<u>5.6^{3/}</u>
	<u>2.6</u>	<u>4.1</u>	<u>6.1</u>	<u>8.2</u>
Net income as % of average				
paid-in share capital	11.0	16.5	17.8	18.3
equity	8.4	11.7	12.9	13.4
total assets	2.6	2.9	3.1	3.3
(a) Interest income as % of average loan				
portfolio	9.5	11.8	11.9	16.8
(b) Financial cost as % of average				
borrowings	4.1	6.8	7.6	12.5
(a) minus (b)	5.4	5.0	4.3	4.3
Dividend income as % of average equity				
portfolio	-	3.0	8.3	5.6
Total income less financial cost as				
% of average total assets	7.1	7.6	6.6	7.2
General expenses as % of average total				
assets	2.9	2.9	2.1	2.3
EBIT as % of average total assets	6.9	9.4	9.9	13.2

1/ Optional cash or stock, at 6%.

2/ Optional cash or stock, at 10%.

3/ Optional cash or stock, at 12%.

CORPORACION FINANCIERA DEL NORTEProjections of Operations 1970-1975
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>APPROVALS</u>						
Local currency loans	189.5	163.3	155.5	187.8	192.6	203.4
Foreign currency loans	34.0	57.6	78.0	95.8	121.2	139.6
Equity investments	<u>2.8</u>	<u>6.0</u>	<u>6.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total	226.3	226.9	239.5	290.6	320.8	350.0
<u>COMMITMENTS</u>						
Local currency loans	132.6	141.6	147.9	167.1	184.1	194.4
Foreign currency loans	34.0	51.0	72.9	89.0	112.8	129.9
Equity investments	<u>2.8</u>	<u>6.0</u>	<u>6.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total	169.4	198.6	226.8	263.1	303.9	331.3
<u>DISBURSEMENTS</u>						
Local currency loans	83.6	127.3	149.7	152.2	179.6	189.6
Foreign currency loans	30.9	49.2	72.9	86.8	106.9	123.0
Equity investments	<u>2.8</u>	<u>6.0</u>	<u>6.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total ^{1/}	117.3	182.5	228.6	246.0	293.5	319.6
<hr/>						
<u>1/</u> Of which IBRD	23.0	56.6	57.7	69.0	75.1	80.4

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Projected Balance Sheets
As of December 31, 1971-1975, compared with December 31, 1970 (Actual)
(in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
ASSETS						
Cash and banks	11.4	6.0	6.0	6.5	7.0	7.0
Accounts receivable, other assets	16.3	16.0	16.0	16.0	16.0	16.0
Outstanding loans in						
foreign currency	31.0	35.6	43.0	51.7	66.4	78.8
local currency	184.8	265.8	355.3	428.7	508.3	581.0
Equity investments	20.7	26.7	32.7	39.7	46.7	53.7
Total Portfolio	<u>236.5</u>	<u>328.1</u>	<u>431.0</u>	<u>520.1</u>	<u>621.4</u>	<u>713.5</u>
Fixed assets	5.0	4.7	4.4	4.1	3.8	3.5
Total Assets	<u>269.2</u>	<u>354.8</u>	<u>457.4</u>	<u>546.7</u>	<u>648.2</u>	<u>740.0</u>
LIABILITIES						
Tax payable	2.9	5.9	8.9	11.3	13.0	14.9
Accounts payable, other liabilities	26.0	24.0	25.0	25.0	26.0	26.0
Borrowings in						
foreign currency	34.9	35.6	43.0	51.7	66.4	78.8
local currency ^{1/}	<u>140.5</u>	<u>205.5</u>	<u>268.2</u>	<u>323.8</u>	<u>383.6</u>	<u>435.5</u>
Total Borrowings	<u>175.4</u>	<u>241.1</u>	<u>311.2</u>	<u>375.5</u>	<u>450.0</u>	<u>514.3</u>
Share capital	46.4	58.4	75.0	85.0	95.0	105.0
Reserves & retained earnings	18.5	25.4	37.3	49.9	64.2	79.8
Total Equity	<u>64.9</u>	<u>83.8</u>	<u>112.3</u>	<u>134.9</u>	<u>159.2</u>	<u>184.8</u>
Total Liabilities	<u>269.2</u>	<u>354.8</u>	<u>457.4</u>	<u>546.7</u>	<u>648.2</u>	<u>740.0</u>
RATIOS						
Total debt/equity	3.1	3.2	3.0	3.0	3.0	3.0
Equity portfolio as % of total portfolio	8.7	8.1	7.5	7.6	7.5	7.5
Equity portfolio as % of net worth	31.8	31.8	29.1	29.4	29.3	29.0
Reserves & retained earnings as % of total portfolio	7.8	7.7	8.6	9.6	10.3	11.2
Book value as % of par value	139.8	143.4	149.7	158.7	167.5	176.0
^{1/} IBRD in Col\$ million as % of total borrowings	73.1 41.6	123.0 51.0	172.3 55.3	225.2 59.9	277.0 61.5	327.5 63.6

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTE

Projected Profit and Loss Statements
 January-December 1971-1975 compared with 1970 (Actual)
 (in Col\$ million)

	1970 (Actual)	1971	1972	1973	1974	1975
<u>INCOME</u>						
Interests	36.8	44.2	62.7	78.5	93.6	106.9
Commissions and fees	1.2	1.2	1.3	1.4	1.5	1.6
Dividends	1.2	1.4	2.3	3.4	4.6	5.4
Total Income	<u>39.2</u>	<u>46.8</u>	<u>66.3</u>	<u>83.3</u>	<u>99.7</u>	<u>113.9</u>
<u>EXPENSES</u>						
Financial cost	21.2	23.8	34.5	43.7	53.8	61.7
General expenses						
Personnel	3.5	3.9	4.3	4.7	5.2	5.7
Other	2.4	2.8	3.0	3.2	3.5	3.8
Total Expenses	<u>27.1</u>	<u>30.5</u>	<u>41.8</u>	<u>51.6</u>	<u>62.5</u>	<u>71.2</u>
Net income before tax	12.1	16.3	24.5	31.7	37.2	42.7
Provision for tax	(3.9)	(5.9)	(8.9)	(11.3)	(13.0)	(14.9)
NET INCOME	<u>8.2</u>	<u>10.4</u>	<u>15.6</u>	<u>20.4</u>	<u>24.2</u>	<u>27.8</u>
<u>APPROPRIATIONS</u>						
Dividends	5.6	7.0	9.8	11.9	14.2	15.7
Reserves and retained earnings	2.6	3.4	5.8	8.5	10.0	12.1
	<u>8.2</u>	<u>10.4</u>	<u>15.6</u>	<u>20.4</u>	<u>24.2</u>	<u>27.8</u>
<u>RATIOS</u>						
Dividends as % of year-end capital	12.1	12.0	13.1	14.0	14.9	14.9
Dividend as % of net income	68.3	67.3	62.8	58.3	58.7	56.5
Net income as % of average:						
paid-in capital	18.3	19.8	23.4	25.5	26.9	27.3
equity	13.4	14.0	15.9	16.5	16.5	16.2
total assets	3.2	3.3	3.8	4.1	4.0	4.0
Net income as % of total income	20.9	22.2	23.5	24.5	24.3	24.4
General expenses as % of average total assets	2.3	2.1	1.8	1.6	1.4	1.4
Earnings before financial cost as % of average total assets	17.9	17.1	18.1	18.2	18.1	17.8

IBRD/DFC

April 23, 1971

CORPORACION FINANCIERA DEL NORTEProjected Sources and Uses of Funds

January-December 1971-1975, compared with 1970 (Actual)
 (in Col\$ million)

	<u>1970</u> (Actual)	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>SOURCES</u>						
Share capital	3.4	12.0	16.0	10.0	10.0	10.0
Borrowings	74.5	137.7	168.1	184.9	218.8	234.2
Collections	81.3	89.0	123.7	160.6	191.2	226.5
Sales from portfolio at cost	-	-	-	-	-	-
Cash generation	12.4	16.6	24.8	32.0	37.5	43.0
Other	-	0.2	5.9	1.9	6.9	6.4
Total Sources	<u>171.6</u>	<u>255.5</u>	<u>338.5</u>	<u>389.4</u>	<u>464.4</u>	<u>520.1</u>
<u>USES</u>						
Fixed assets	-	-	-	-	-	-
Disbursements	114.7	176.5	222.6	249.0	186.5	312.6
Repayments	31.2	68.1	97.0	124.2	147.2	173.3
Investments in shares	2.8	6.0	6.0	7.0	7.0	7.0
Dividends	3.4	6.7	7.0	9.8	11.9	14.2
Taxes	3.2	3.9	5.9	8.9	11.3	13.0
Other	9.3	(0.3)	-	-	-	-
Cash increase (decrease)	7.0	(5.4)	-	0.5	0.5	-
Total Uses	<u>171.6</u>	<u>255.5</u>	<u>338.5</u>	<u>389.4</u>	<u>464.4</u>	<u>520.1</u>

IBRD/DFC

April 23, 1971

FIVE DEVELOPMENT FINANCE COMPANIES IN COLOMBIA

Geographical Distribution of Loans Approved
and Economic Indicators by Departments
(in percentages)

Provinces	Distribution of Total Population ^{1/}	Total Loan Approvals since Inception up to June 30, 1970 ^{2/}	Employment in Manufacturing 1967 ^{2/}	Total Value added by manufacturing 1967 ^{2/}	Loans and Discounts Outstanding From Banking System to Industry March 31, 1970 ^{4/}
Antioquia	14.6	24.8	25.3	23.3	21.0
Atlantico	4.1	7.8	9.1	8.2	7.6
Bolivar	9.1	4.3	2.0	3.6	1.2
Boyaca	5.8	0.4	1.8	2.5	0.4
Caldas	8.2	10.1	2.0	1.7	0.9
Cauca	3.4	0.2	0.8	0.8	0.2
Cesar	-	0.3	0.1	0.4	0.0
Cordoba	-	0.1	0.2	0.2	0.1
Cundinamarca	17.1	18.6	30.2	27.1	48.6
Choco	1.0	-	0.0	0.0	0.0
Guajira	-	-	0.0	0.0	0.0
Huila	2.3	0.4	0.4	0.4	0.3
Magdalena	4.5	2.3	0.4	0.6	0.2
Meta	-	0.0	0.2	0.4	0.1
Narino	3.8	0.1	1.1	0.6	0.2
Norte de Santander	3.0	1.3	1.0	0.9	0.3
Quindio	-	0.1	0.7	0.8	0.1
Risaralda	-	1.0	2.3	2.0	0.9
Santander	5.6	2.5	4.1	5.4	1.4
Sucre	-	0.6	0.1	0.0	0.0
Tolima	4.4	0.4	1.0	1.1	0.6
Valle	9.9	19.9	17.2	20.0	15.7
Territories	3.2	0.0	-	-	0.2
Departments not specified	-	4.8	-	-	-
	100.0	100.0	100.0	100.0	100.0
Total for Antioquia, Atlantico, Caldas, Cundinamarca, and Valle	53.9	81.2	83.2	80.3	93.8

^{1/} Mid-year 1970 estimates for administrative divisions existing in 1951. Source: Economic Growth of Colombia. Volume II.

^{2/} CF Valle: only since 1966.

^{3/} Source: Statistics Department (DANE), Monthly Statistic Bulletin, March 1970.

^{4/} Source: Revista of Superintendencia Bancaria, June 1970.

IBRD/DFC

April 23, 1971

FIVE DEVELOPMENT FINANCE COMPANIES IN COLOMBIA

Sector Distribution of Loans Disbursed
and Key Industrial Sector Indicators
(in percentages)

	<u>Loans Dis-</u> <u>bursed in</u> <u>1967</u>	<u>Total Loans Disbursed</u> <u>from Jan. 31, 1967</u> <u>to June 30, 1970</u>	<u>Value Added</u> <u>in Manu-</u> <u>facturing 1967</u>	<u>Gross Value of</u> <u>Production in</u> <u>Manufacturing</u> <u>Industries</u>	<u>Employment in</u> <u>Manufacturing</u> <u>1967</u>
<u>Non-durable Consumer Goods</u>					
Food	13.6	13.3	15.9	27.7	15.0
Beverages	2.1	2.6	13.4	8.3	5.2
Tobacco products	1.3	.6	3.9	2.2	1.2
Textiles	5.3	4.4	6.5	5.9	7.9
Clothing and footwear	3.6	4.0	4.2	4.2	9.9
Printing and publishing	5.7	3.6	3.1	2.3	4.0
Pharmaceuticals and related products	1.0	2.9	7.7	6.0	4.7
Sub-Total	32.6	31.4	54.7	56.6	48.0
<u>Durable Consumer Goods</u>					
Furniture & fixtures	1.0	1.1	.6	.5	1.8
Rubber products	1.0	1.7	2.5	2.2	2.3
Ceramic products	-	-	-	.4	-
Non-electrical appliances	-	-	-	.1	-
Electrical appliances	4.7	3.7	1.0	1.1	1.1
Motor vehicles	-	-	1.9	1.7	2.9
Sub-Total	6.7	6.5	6.0	6.0	8.1
<u>Intermediate Goods</u>					
Textiles	13.2	17.4	6.5	5.9	7.9
Wood & products	0.9	.7	1.0	.9	2.2
Paper & products	11.6	6.7	2.6	3.1	2.1
Leather & products	0.6	1.4	1.1	1.2	1.5
Chemicals other than pharmaceuticals	8.7	9.1	5.6	5.3	3.4
Petroleum & coal products	1.1	2.0	3.7	3.9	0.7
Non-metallic mineral products	6.8	6.6	5.5	4.0	8.4
Basic metals	0.4	.4	2.1	3.8	1.6
Metal products	9.1	9.0	4.5	3.8	6.9
Sub-Total	52.4	53.3	32.6	31.9	34.7
<u>Capital Goods</u>					
Mechanical machinery	0.7	1.5	1.2	.9	2.0
Electrical machinery (except appliances)	0.2	.5	2.2	1.9	2.1
Transport equipment (except motor vehicles)	0.7	.6	.6	.6	1.8
Sub-Total	1.6	2.6	4.0	3.4	5.9
<u>Other</u>	<u>6.7</u>	<u>6.2</u>	<u>2.7</u>	<u>2.1</u>	<u>3.3</u>
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

IBRD/DFC

April 23, 1971

FIVE DEVELOPMENT FINANCECOMPANIES IN COLOMBIASchedule of Disbursements

<u>1971</u>	(in US\$ 000)
fourth quarter	400
<u>1972</u>	
first quarter	1,300
second quarter	3,000
third quarter	5,100
fourth quarter	5,800
<u>1973</u>	
first quarter	6,200
second quarter	4,800
third quarter	3,600
fourth quarter	3,000
<u>1974</u>	
first quarter	2,600
second quarter	2,000
third quarter	1,500
fourth quarter	<u>700</u>
	40,000

The Closing Date for the Proposed Loan is assumed to be December 31, 1974; the last date for receiving sub-projects, June 30, 1973.

IBRD/DFC

April 23, 1971