



BVC

Creando oportunidades para todos

COLOMBIA AS INVESTMENT DESTINY AND ITS CAPITAL MARKET INTERNATIONALIZATION

Juan Pablo Córdoba Garcés
President
Bolsa de Valores de Colombia

▪ COLOMBIA: Investment Destiny

- Perspectives
 - Macroeconomics Indicators
 - Free Trade Agreements and Business Environment
 - Investment Grade
 - Opportunities
-
- Colombian Capital Markets Evolution
-
- Latin-American Integrated Market – MILA



Colombia has strong grounds to face the crisis and positives growth perspectives in the next decade



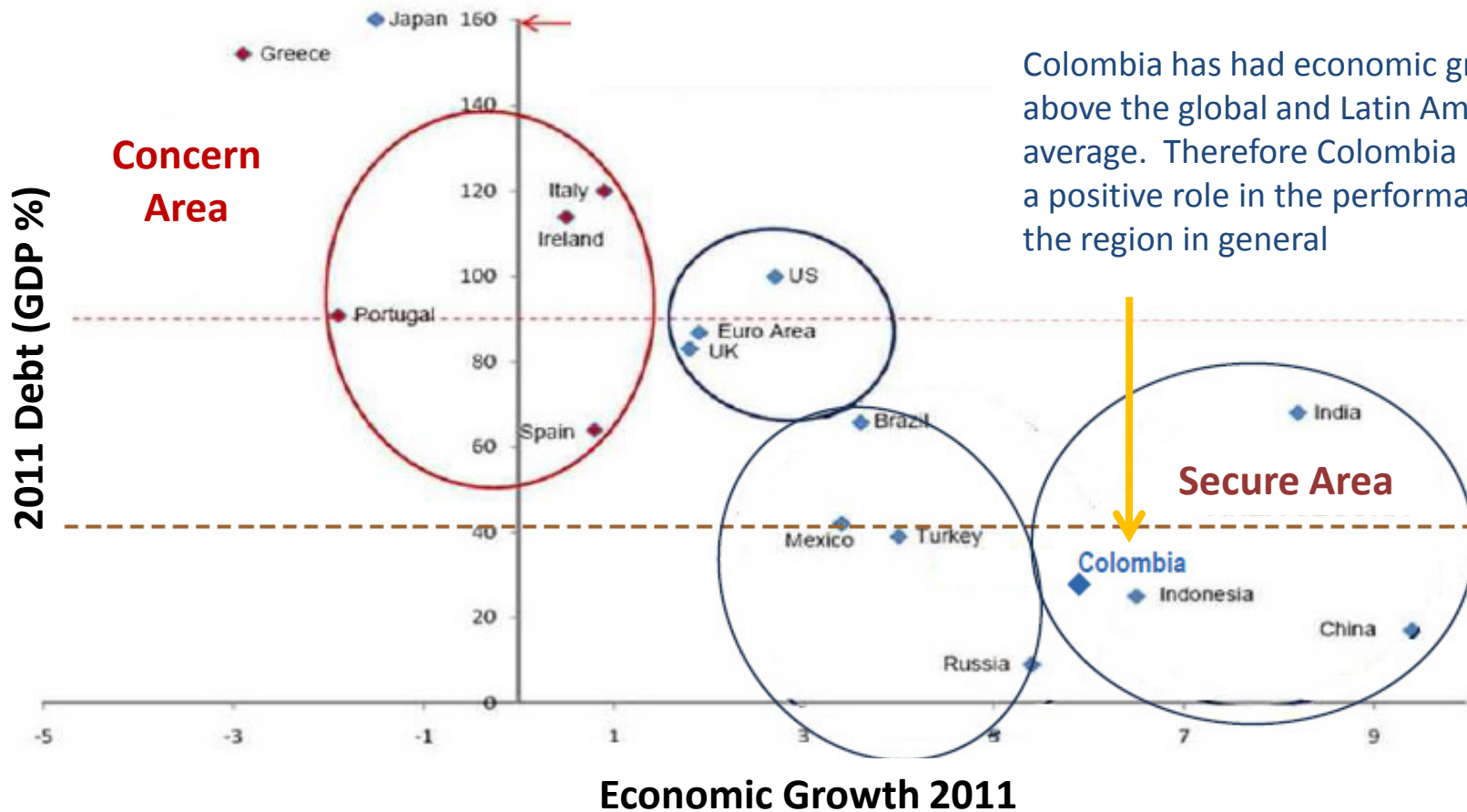
Solid Fundamentals	Growth Strategy
<p>Independent Central Bank, compromised with the economic stability</p>	<p>Young and trained population of 46 million, one of the largest size in the Andean Region</p>
<p>Solid macroeconomic policies</p>	<p>Production increase in oil, mining and agriculture sectors</p>
<p>World class supervision and regulation for the financial system</p>	<p>Favorable environment for the foreign and local investment and commercial integration</p>
<p>Mature Democracy with solid institutional framework</p>	<p>Larger infrastructure and transportation projects under development</p>
<p>Significant improvements in security</p>	<p>Innovation and technology strategy</p>

•Colombia it is the C among the CIVETS (Colombia, Indonesia, Vietnam, Egypt and South Africa), according with HSBC, in 2050, Colombia will be in the 50 largest economies in the world (place 26) over Switzerland and South Africa.



With the great international uncertainty, Colombia is one of the best prepared countries for an economic crisis

Vulnerability World Map Debt and Growth



Colombia has had economic growth above the global and Latin America average. Therefore Colombia has had a positive role in the performance of the region in general

With the larger economies in crisis, emerging countries have become strategic partners of governments and investors



The eyes of the world are over Colombia. That's a reality!

“Countries like Colombia, which have so far managed right the economic policy, that have achieved to accumulate savings to stimulate the economy, in the case of a second recession is going to perform better (than the rest of Latin America and the Caribbean)”

—Rodrigo CháTime, World Bank Director for the poverty reduction and Economic Management in Latin America and the Caribbean

Source: "Colombia, la mejor preparada para crisis económica", Portafolio, 3 de octubre de 2011



“Colombia has become an attractive investment destiny ... The increase of the security in Colombia has reflected in the GDP per capita growth since 2002”



“Colombia is considered the country with the best business environment in Latin America according with the World Bank. It is expected that its economic and demography rates are among the highest in the Region”



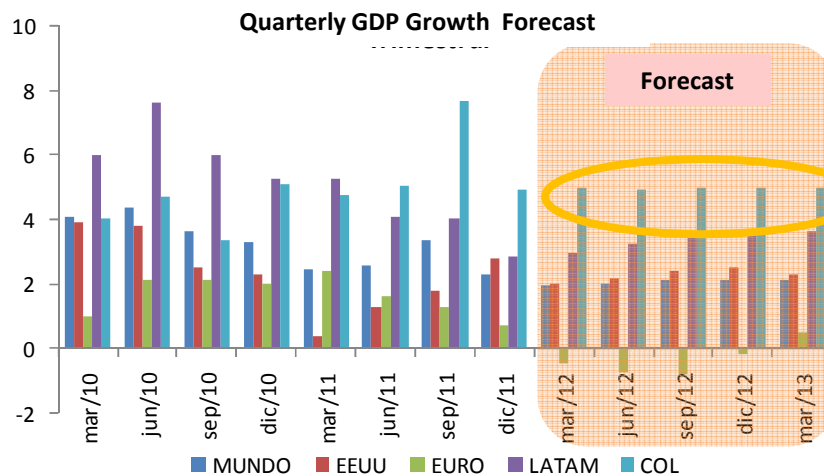
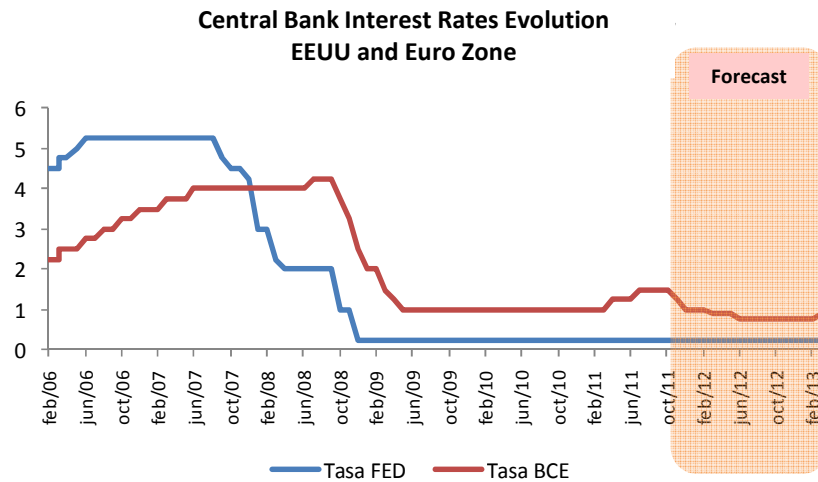
“Colombia is the second most attractive country for investment in Latin America in the next 3 years”

J.P.Morgan



Perspectives:

The international environment of low interest rates and the increased risk perception by the debt crisis, boost the appetite for the investments in emerging markets.



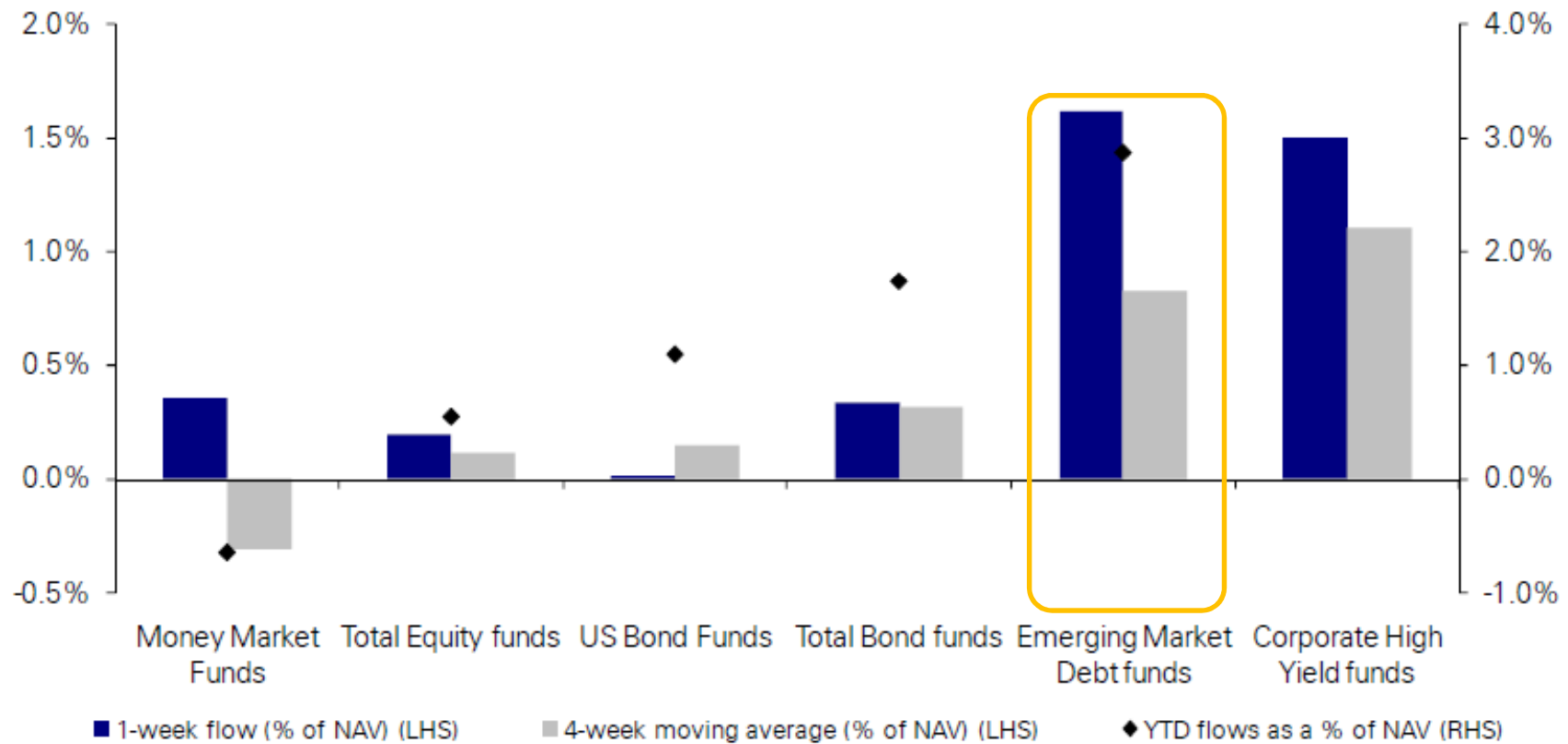
Colombia is above the LATAM average



Perspectives:

Larger Investment Flows in Emerging Markets

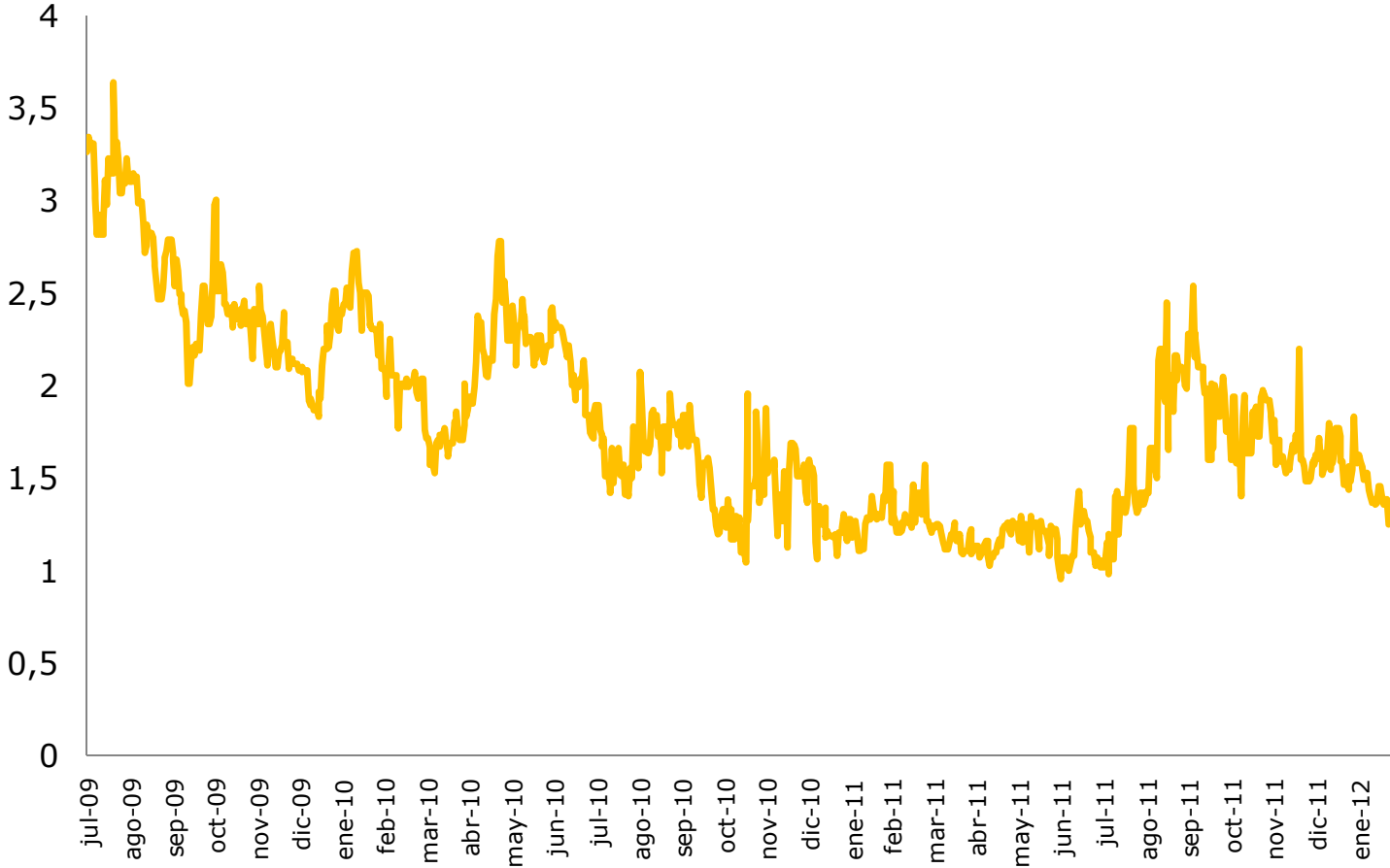
Fund Flows by Asset Type
 Percentage Variation 1 Week, 4 Weeks and YoY
 % of Total Assets (NAV)



Government Debt Spread: EEUU and Colombia

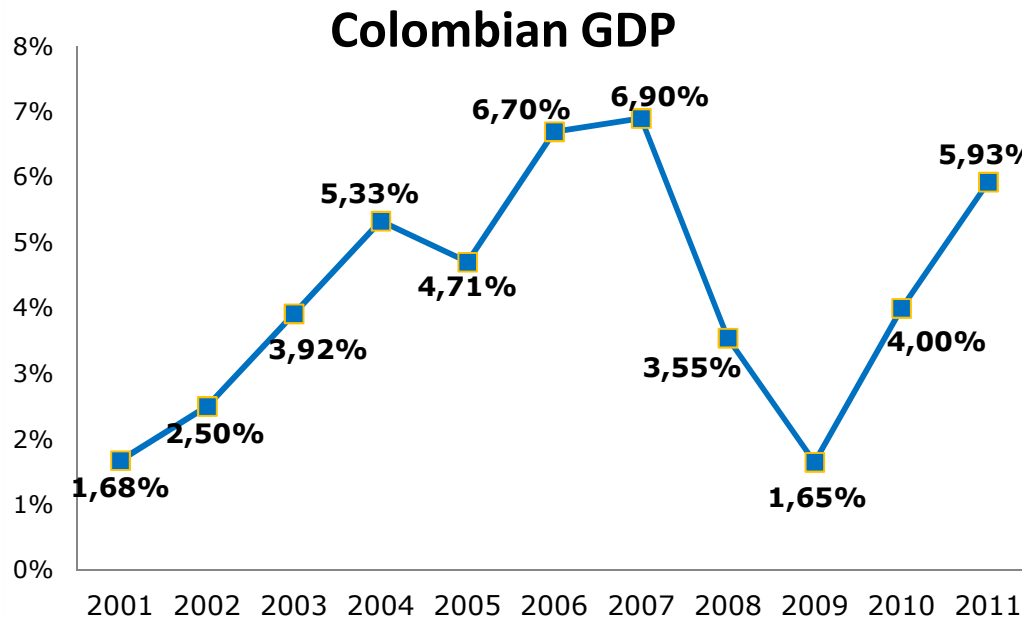
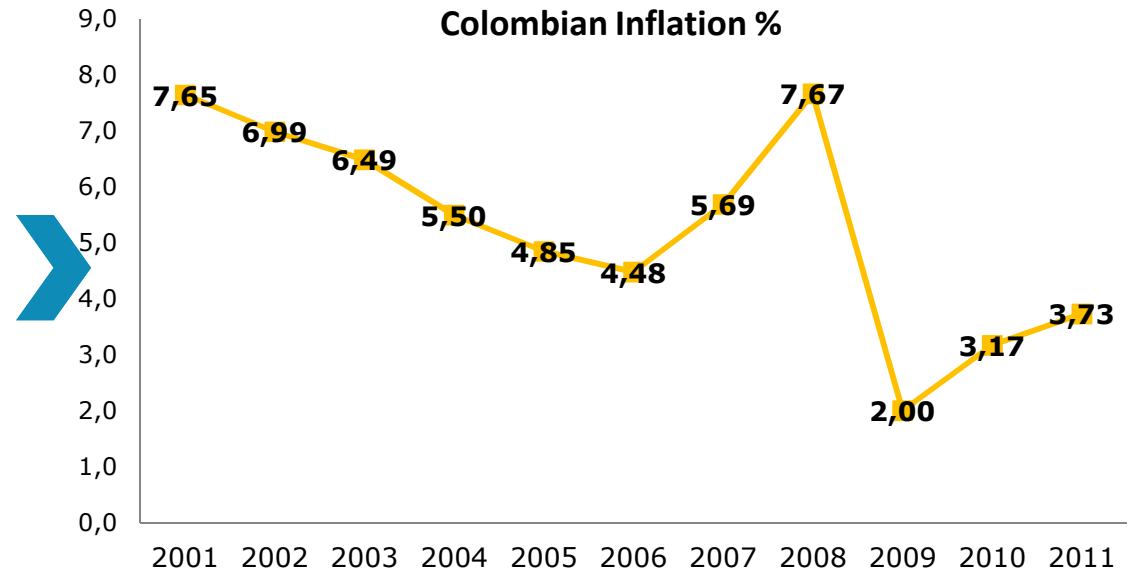
Between July 2009 and January 2012 it has reduced in 62% the distance between the 10 year Yield securities of Colombian and the U.S government debt bonds.

SPREAD 10 YEARS COL - US



Colombian Macroeconomic Indicators

- One digit Inflation since 1999.
- The inflation rate to February 2012 is 3,55%



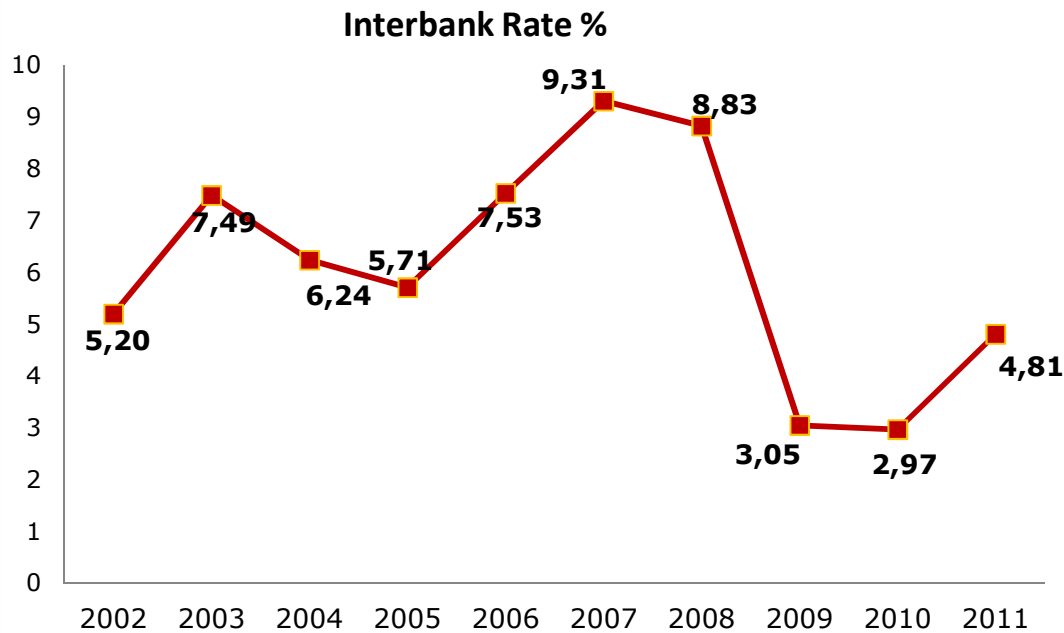
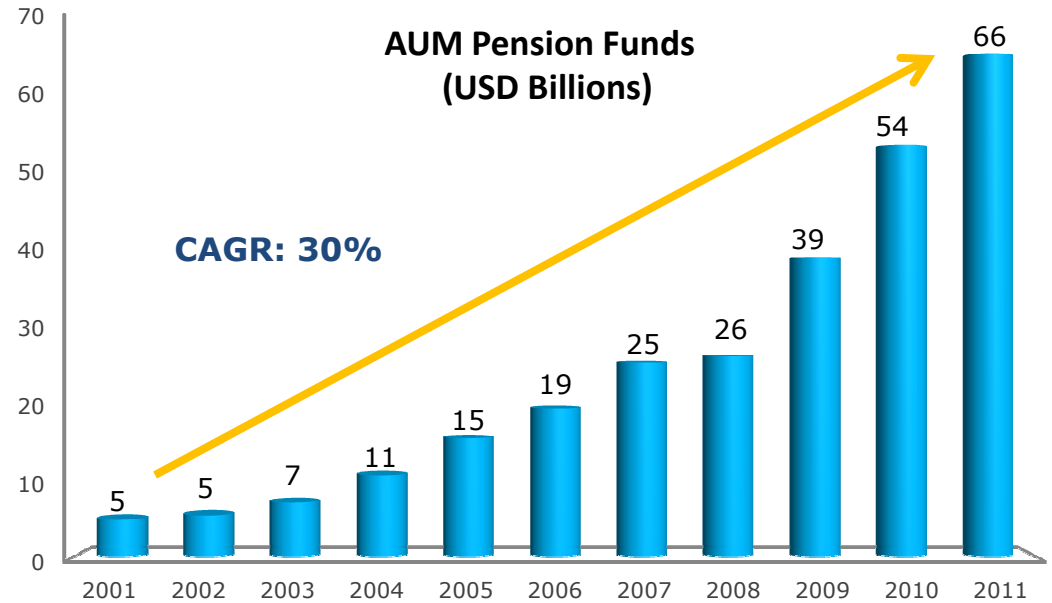
• Colombia has had a constant and stable growth in terms of GDP. Likewise has a population around 47 million people.

• Since now to 2014 it is expected that Colombia keeps growing in a higher rhythm than the global and Latin American average.



Colombian Macroeconomic Indicators

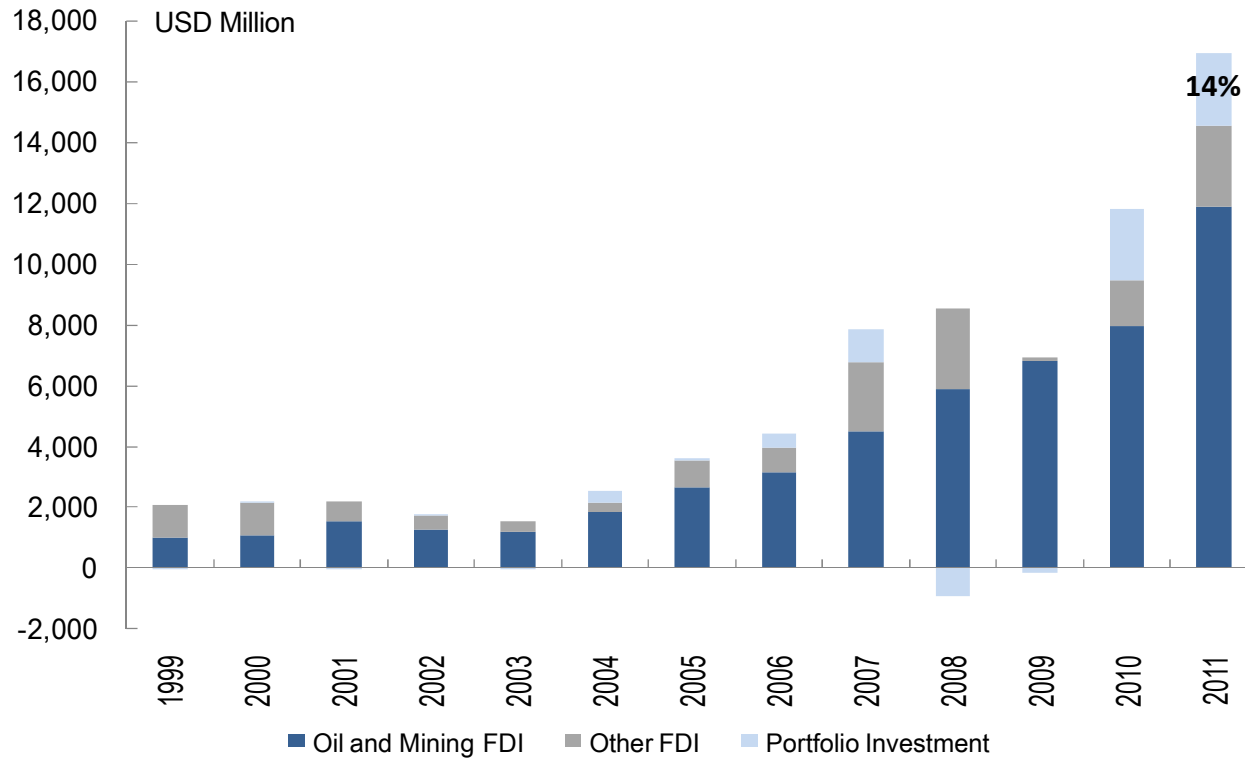
- Sustained growth of the 6 Colombian pension funds.
- Multi-fund Scheme since 2010



- The interbank rate to February 2012 is 5,24%



Foreign Direct Investment Flows and Portfolio Investment



It has highlighted the FDI growth, specially in oil and mining sectors, up to February 2012 the FDI closed in USD\$2.741 million.

However, the efforts should be directed on increasing of portfolio investment.

In the first 2 month of 2012 the portfolio investment closed in USD\$715 million



In 2011, Colombia had the fifth place in the world in the FDI annual growth (113,4%). [UNCTAD]



The FDI closed in USD\$15.000 million. Have grown 53% annually, representing 6.2% of the GDP.



The portfolio investment closed around USD\$2.400 million.

General Foreign Investment Regulation in Colombia:

- Decree 2080 of the year 2000
- Modified by Decree 4080 of 2010

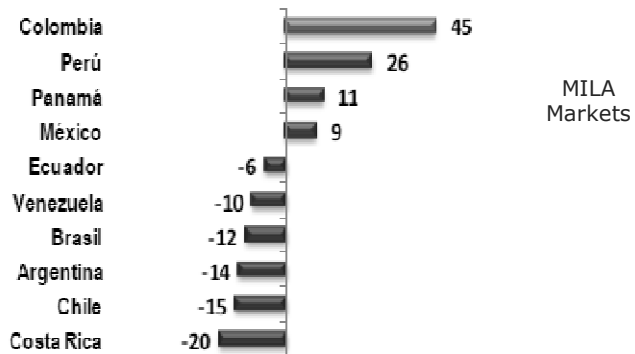




The opportunities and challenges of the free trade agreements in a positive business framework in Colombia



Ranking Changes 2007-2012



General Ranking 2012	
1	Singapore
2	Hong Kong, China
3	New Zeland
4	USA
5 (...)	Denmark
39 (...)	Chile
41	Peru
42	Colombia
43	Puerto Rico
44 (...)	Spain
53 (...)	Mexico

¿Where are the companies more protected?	
1	New Zeland
2	Singapore
3	Hong Kong
4	Malasya
5	Canada
6	Colombia
7	Ireland
8	Israel
9	USA
10	UK

Source: Doing Business - World Bank, Proexport

Current:



Tl C. Colombia - México



Fl Salvador - Guatemala - Honduras



CAN



MERCOSUR



Chile



Canadá

Subscribed:



Estados Unidos



Unión Europea

Ongoing Negotiations:



Corea



Panamá



Turquia

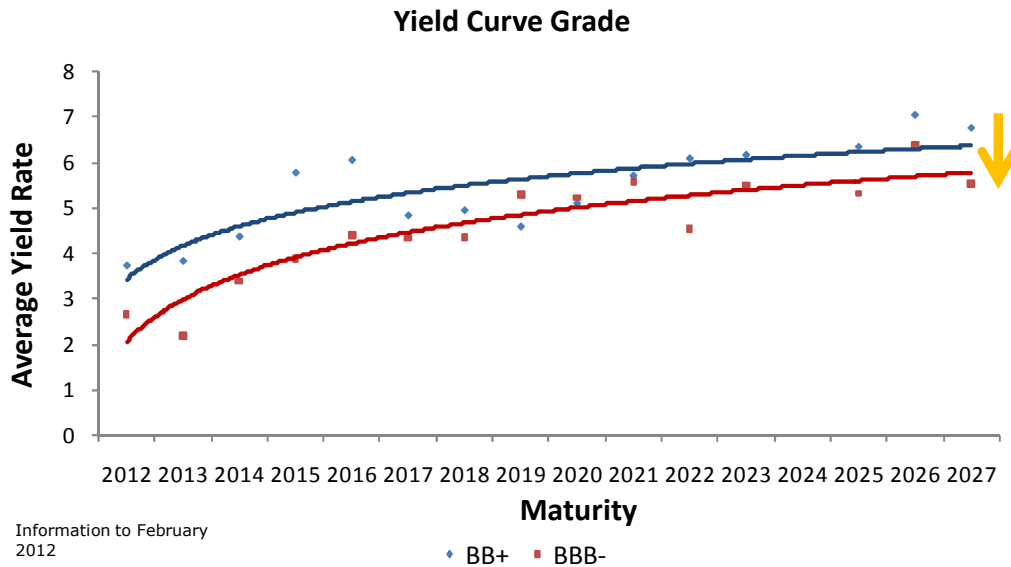


Israel



Opportunities: Lower financing cost due the obtaining of the investment grade

Financing Cost



Investment Grade		
	Since March 2011	BBB-
	Since May 2011	Baa3
	Since June 2011	BBB-

Difference in Financing Costs Investment Grade (BBB-) vs. Speculation Grade (BB+)**

	Short Term up to 2 years	Medium Term form 2 to 10 years	Long Term more than 10 years
BBB-	2,43	4,56	5,69
BB+	3,78	5,27	6,57
Difference bps	-1,35	-0,71	-0,89
Difference %	-35,8%	-13,5%	-13,5%

**Average Yield Rate of the issuers with these grades

Get the investment grade allows companies to achieve a lower financing cost in international markets, making them more competitive ...

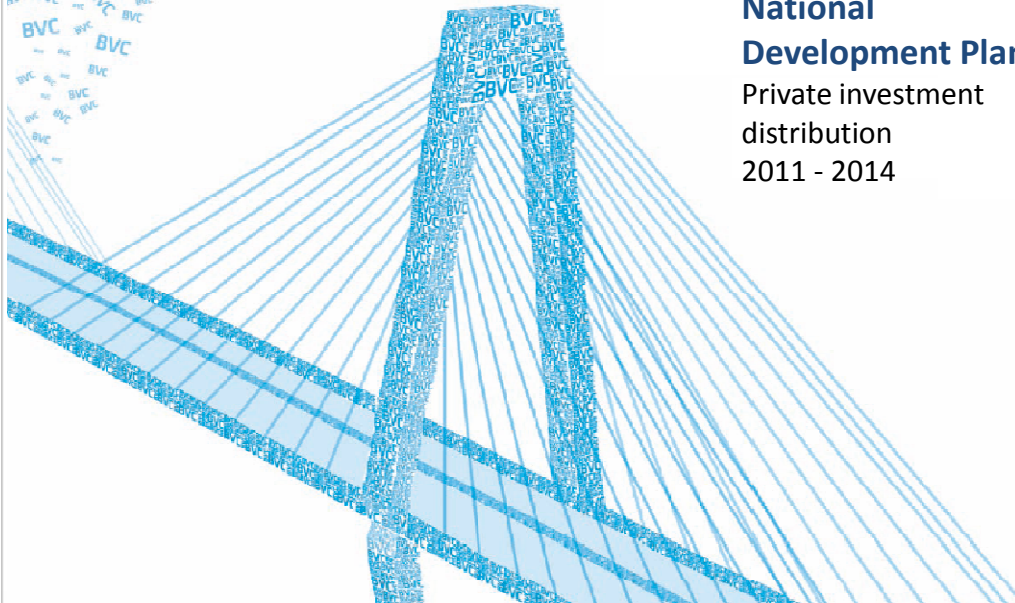
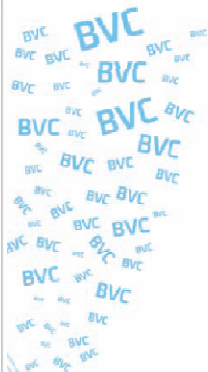


Opportunities – Project Portfolios: Colombia offers a lot of investment alternatives in infrastructure for more than USD\$30.000 million

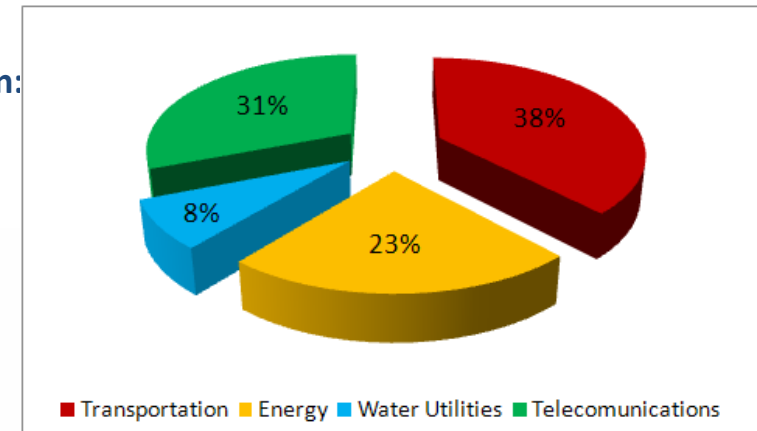
TRANSPORTATION PROJECTS	DESCRIPTION	INVESTMENT (USD millions)
URBAN	Subway	4.600
ROAD	Between cities and port access	16.400
ROAD MANTEINANCE	Current Road Manteinance	500
RAILWAYS	Coal Transportation	3.650
TOTAL		25.150



HYDRONCARBONS INFRASTRUCTURE PROJECTS	DESCRIPTION	INVESTMENT (USD millions)
OIL & GAS	Pipelines	7.000
PORTS	Gas terminal	500
TOTAL		7.500



National Development Plan:
Private investment distribution
2011 - 2014



Source: DNP

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▪ Colombian Capital Markets Evolution

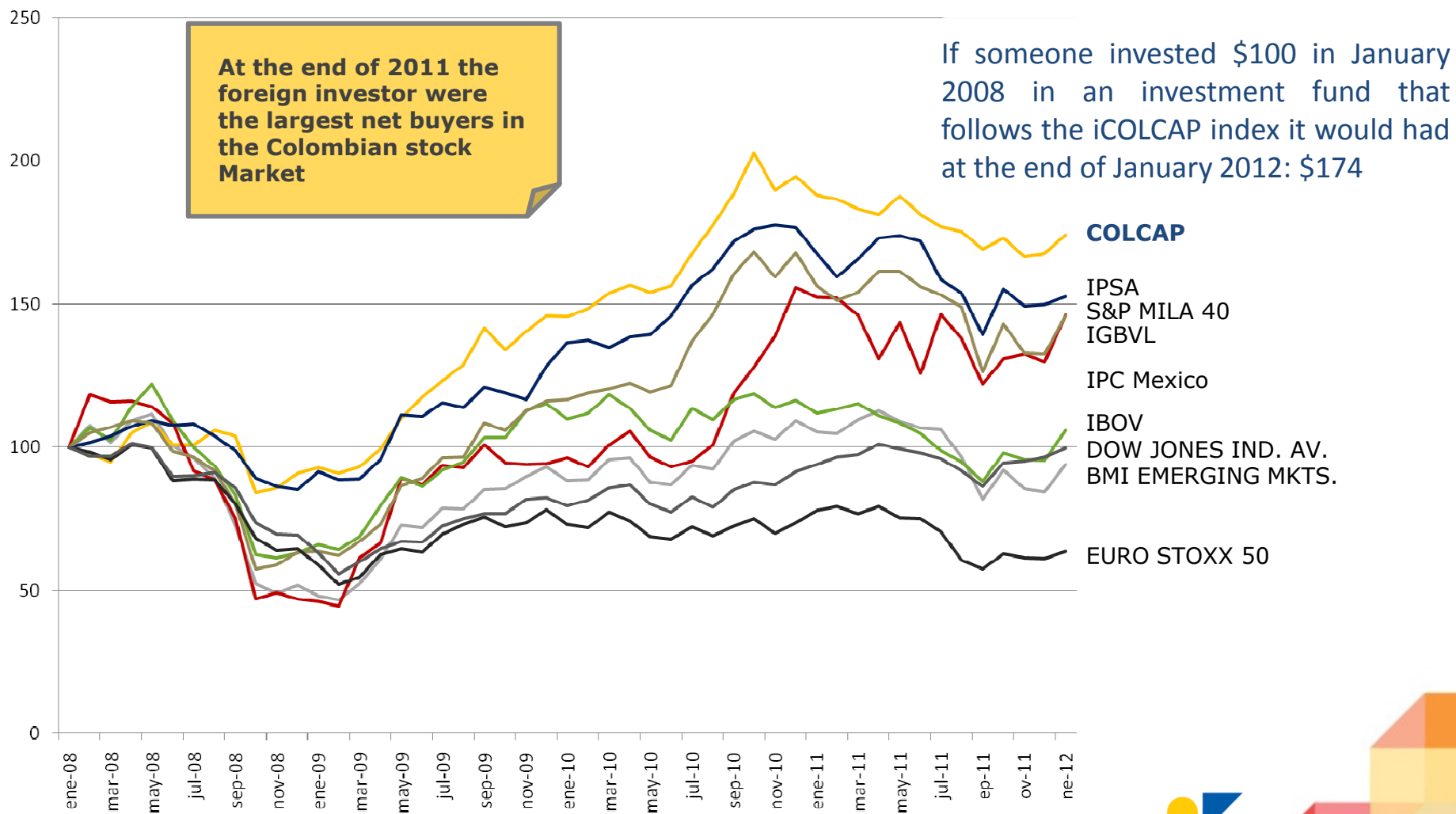
- Latin-American Integrated Market – MILA



Capital Markets Evolution



Despite international volatility, the Colombian stock market has outperformed, according with the following graph that compares some of the most important stock indices:



Source: Bloomberg – Cálculos BVC

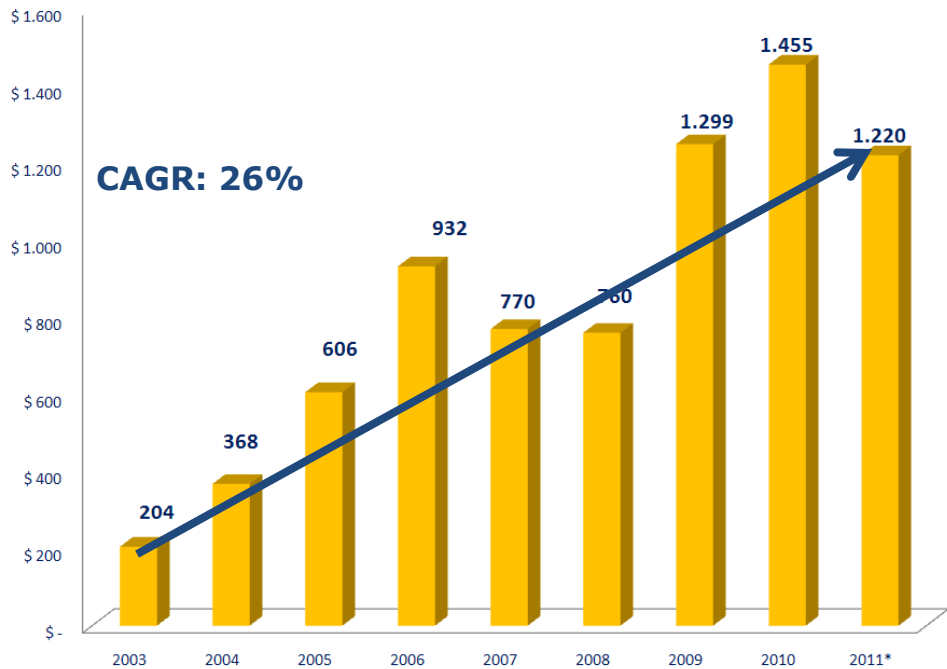


Capital Markets Evolution

(USD billions)

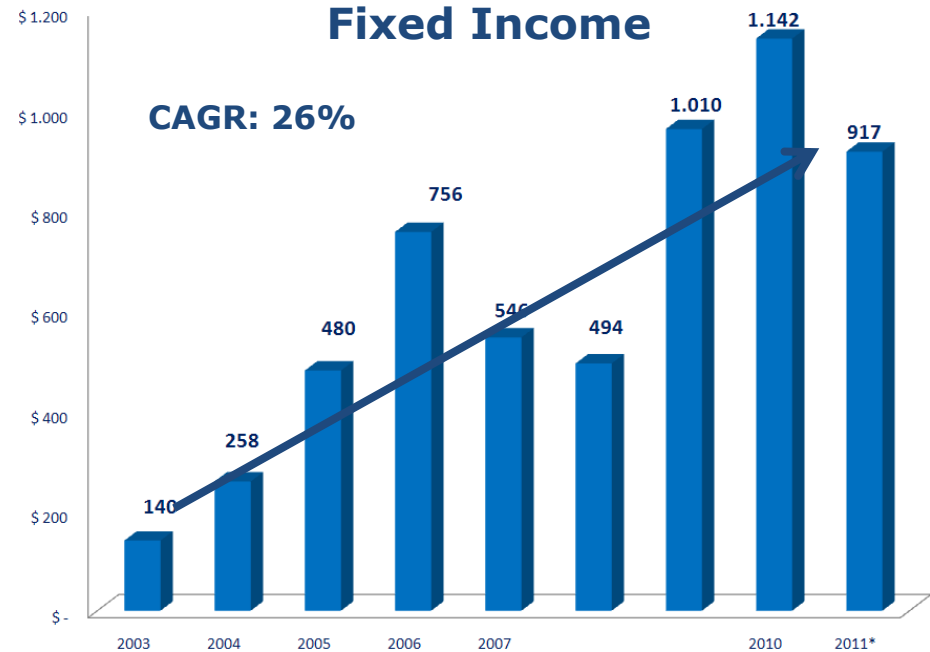


Total Markets



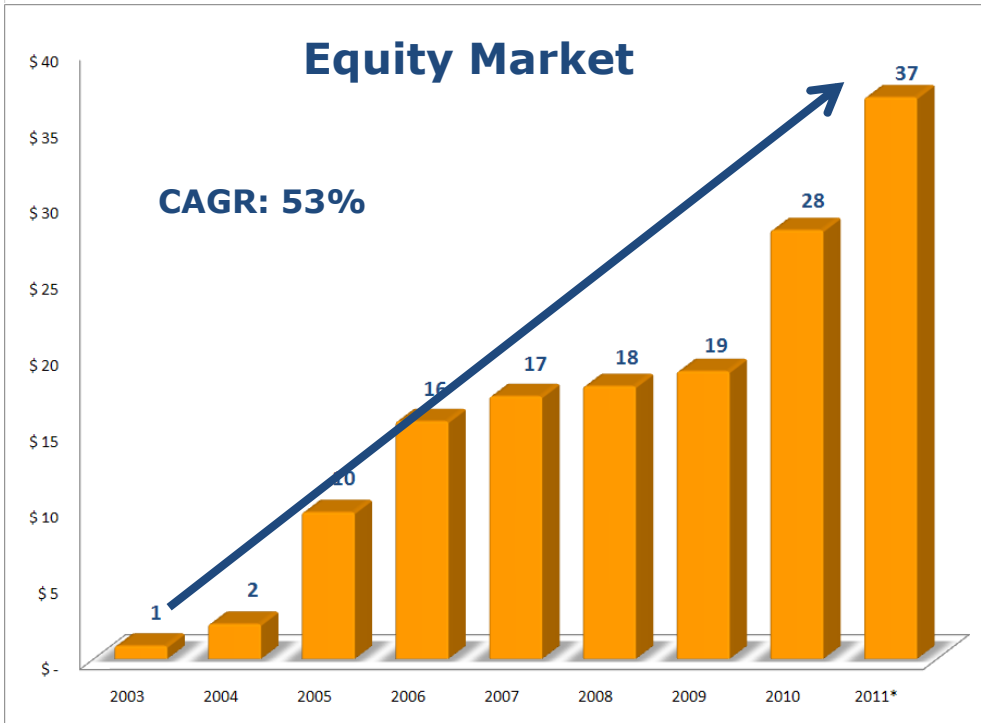
- At the end of 2011 the traded volume at BVC closed in USD\$1.220 billion

Fixed Income



- In Fixed Income the average daily traded volume in 2011 closed in USD\$3.726 million
- 80% of the volume are government bonds and 20% corporate debt

Capital Markets Evolution (USD billions)



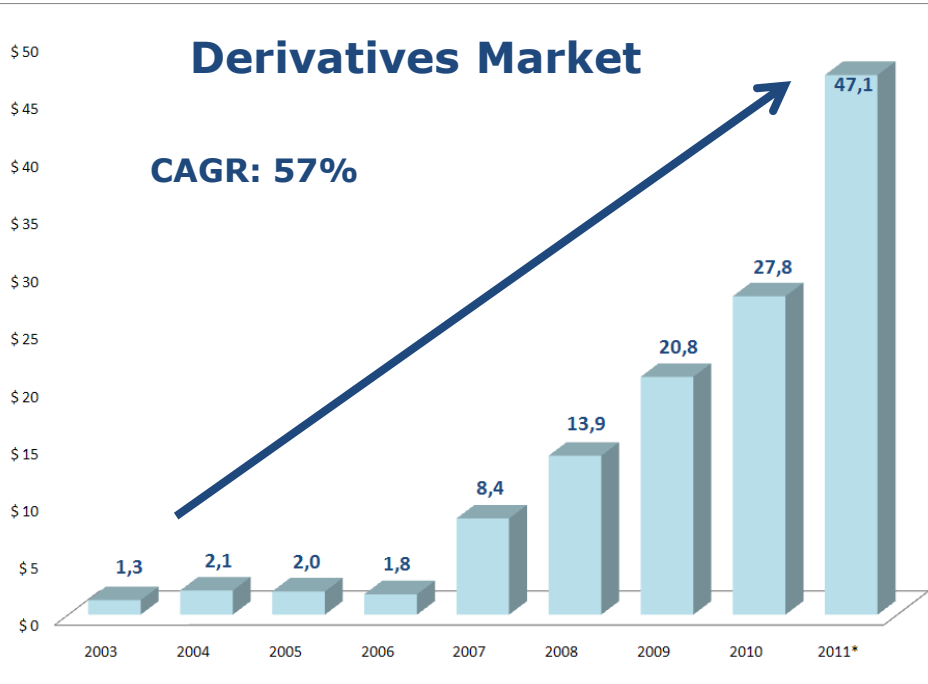
- The average daily traded volume in the equity market in 2011 closed in USD\$150 million
- To February 2012 the foreign investors represents the 10,7% traded volume on equities.

- The foreign investors have USD\$6 billion in the equity market at the end of 2011.



Capital Markets Evolution

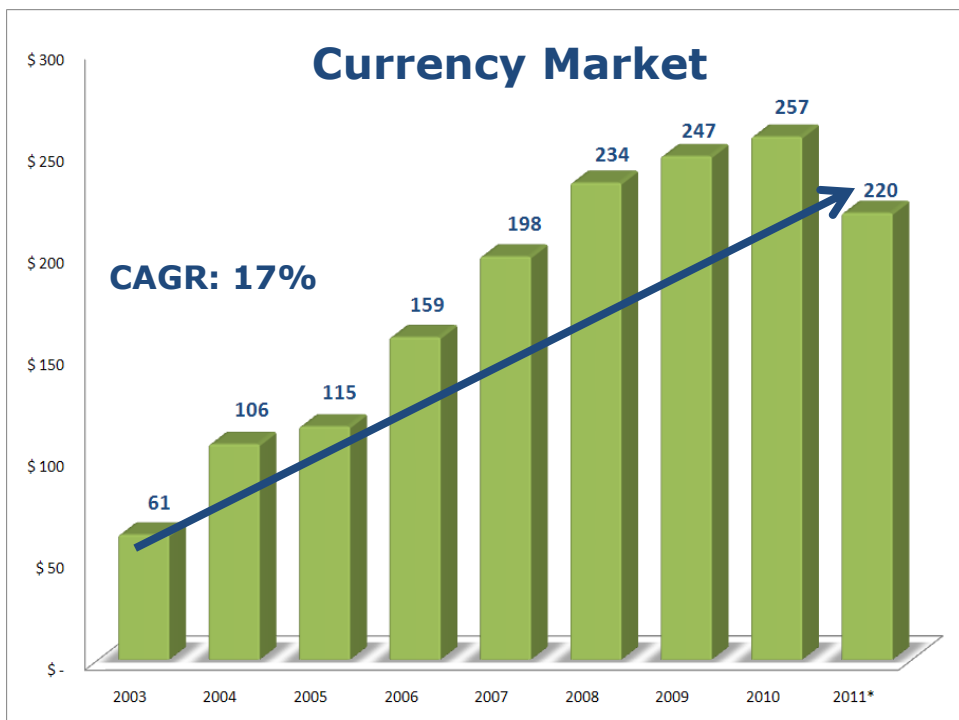
(USD billions)



- The standardized derivatives market in Colombia has futures on government bonds, FX, single stocks and indices.
- The average daily traded volume in the derivatives market at the end of 2011 closed in USD\$191 million

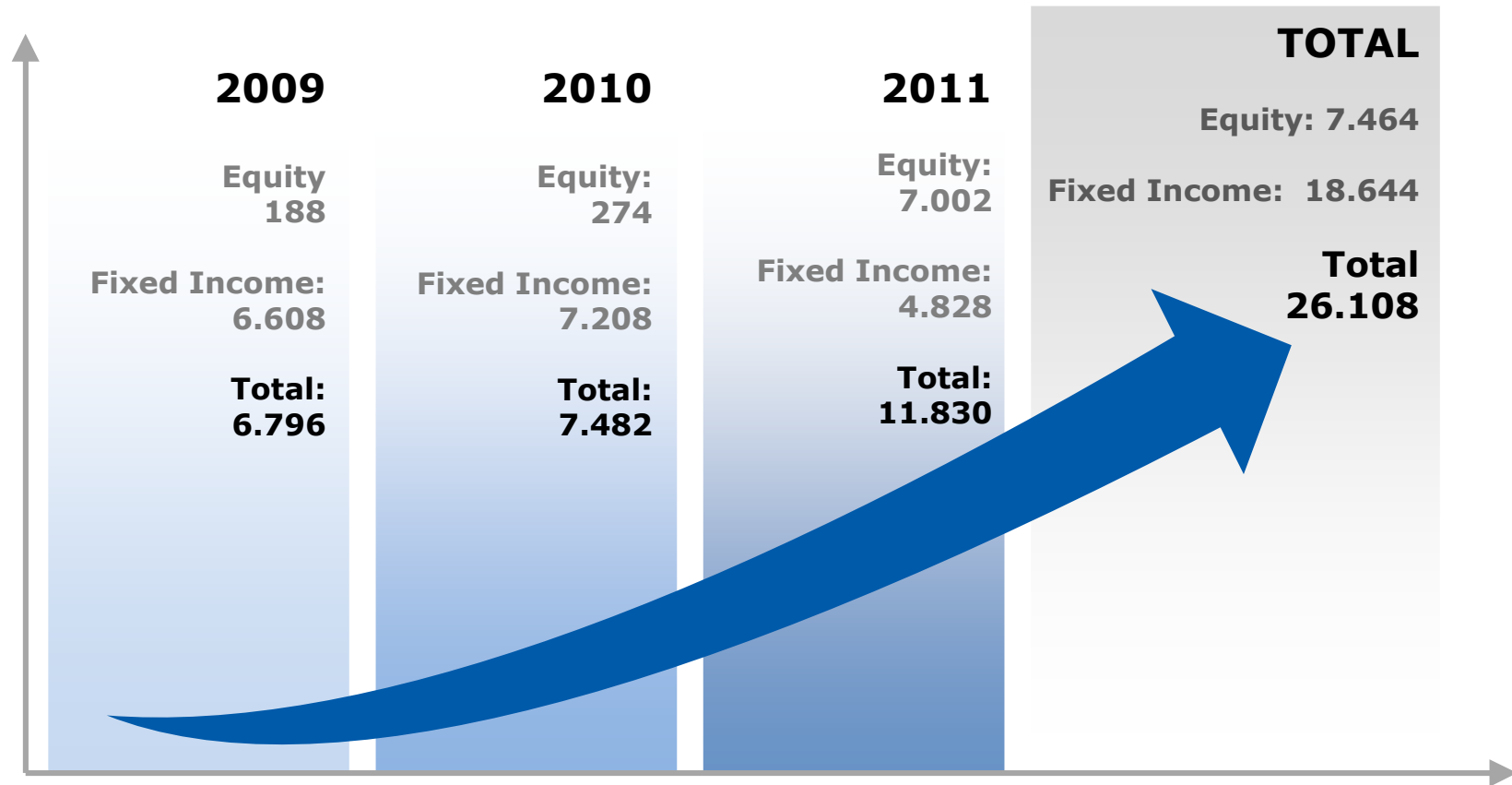


- In the Currency market the average daily traded volume at the end of 2011 closed in USD\$892 million

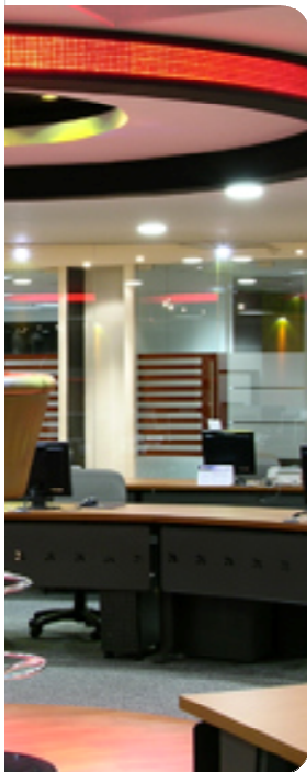


Capital Market Contribution to Country Development Total 2009-2011 (USD\$ millions)

Since 2009 the companies have raised resources through the **BVC** for more than USD\$26.000 million

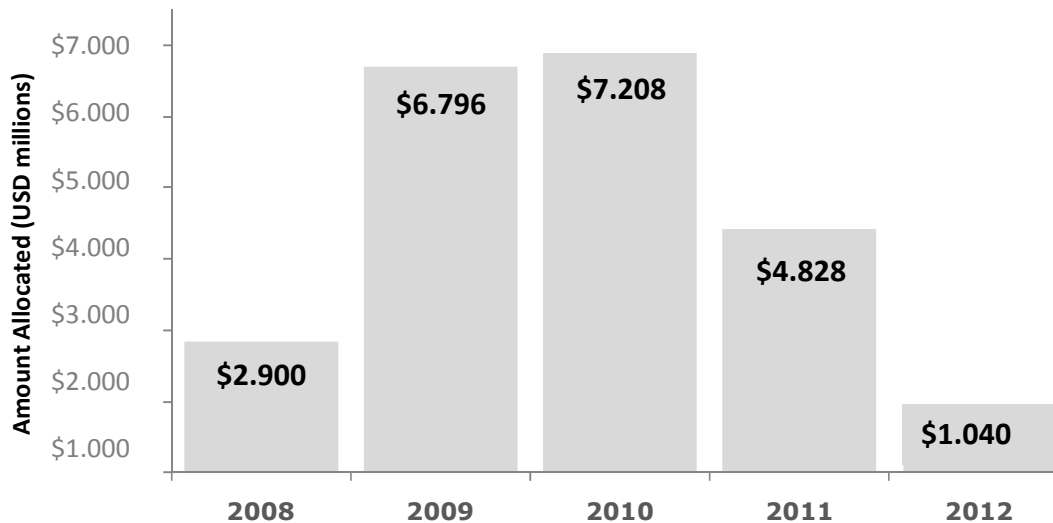


Fixed Income



Bond Issuances thorough BVC (2008 – 2012)

Debt Issuances 2008 – 2012*



	2008	2009	2010	2011	2012
Average Bid (Times)	1,9	2,0	2,1	1,8	2,5
No. of Allocations	33	52	53	30	7












*to February 2012

- In 2009 Grupo Sura issued bonds with maturity of 40 years
- In 2010 Ecopetrol made its first bond issue for USD500 million
- In 2011 ISA made a bond issue with maturity of 30 years

Fixed Income Issuers: ALPINA • ALMACENES EXITO • ALQUERIA • AVIANCA • BANCO COLPATRIA • BANCO DAVIVIENDA • BANCO DE OCCIDENTE • BANCO FALABELLA • BANCO FINANDINA • BANCO GNB SUDAMERIS • BANCO POPULAR • BANCO WWB • BANCOLDEX • BANCOLOMBIA • BAVARIA • BOGOTA D.C. • CARVAJAL • CEMENTOS ARGOS • CODENSA • COLOMBINA • COMCEL • EAAB • ECOPETROL • EMGESA • EPM • EPSA • FINDETER • GRUPO DE INVERSIONES SURAMERICANA • INTERBOLSA • ISA • ISAGEN • LEASING BANCOLOMBIA • LEASING CORFICOLOMBIANA • OLIMPICA • PISA • TELEFONICA MOVILES COLOMBIA • TITULARIZADORA COLOMBIANA • TRANSELCA • UNE EPM TELECOMUNICACIONES



Equity Market (USD\$ millions)

		Public Offerings		2010	2011	2012	
		Total Allocated	Demand			Total Allocated	Demand
		USD\$224	13,2 Times			USD\$1.290	1 Time
		USD\$50	12,7 Times			USD\$418	1,3 Times
		USD\$271	5,9 Times			USD\$388	1 Time
		USD\$1.126	1,5 Times			USD\$1.871	1 Time
		USD\$283	17,2 Times			USD\$634	1 Time
		USD\$1.355	1,7 Times	USD\$7.910			

"While the capital Markets in Brazil clearly exceeds the rest of Latin America, Colombia is the most emotion awakes between the bankers from UBS of Switzerland to Brazilian Itaú"



Equity Market

Foreign Issuers at BVC



Issuer	Ticker	Security	Listing Date
Tuscany International Drilling	TIDC	Common shares	November 2011
Petrominerales	PMGC	Common shares	July 2011
Canacol Energy	CNEC	Common shares	July 2010
Pacific Rubiales Energy	PREC	Common shares	December 2009

Grupo Bancolombia IPO in Colombia and U.S.



Market	Amount Allocated	%
Colombia	USD 634 million	68%
U.S. : ADRs	USD 299 million	32%

Total USD 943 million



Colombian Companies: Regional Expansion Examples

Acquisitions

Issuers with Public Offerings in the last 2 years

Almacenes Éxito	Disco · Devoto · Géant Uruguay
Banco Davivienda	HSBC Costa Rica · El Salvador · Honduras
Constructora Concreto	Intercostal Marine Panamá
EEB	Cálida Perú
Grupo Aval	BAC Credomatic
Grupo Bancolombia	Banco Agrícola El Salvador
Grupo de Inversiones Suramericana	ING Latinoamérica
Cementos Argos	Paquete Activos Lafarge Estados Unidos
ISA	Intervial Chile

The following issuers stand out as Multi - latin or by its growth in foreign operations:

- Ecopetrol
- Carvajal
- Interbolsa
- AviancaTaca
- EPM
- Alpina
- Grupo Nutresa
- Grupo Mundial
- Bavaria
- Sociedades Bolívar

To February 2012 the Colombian companies have invested U.S. \$ 18,350 million, reflecting optimism on the economy of the country.



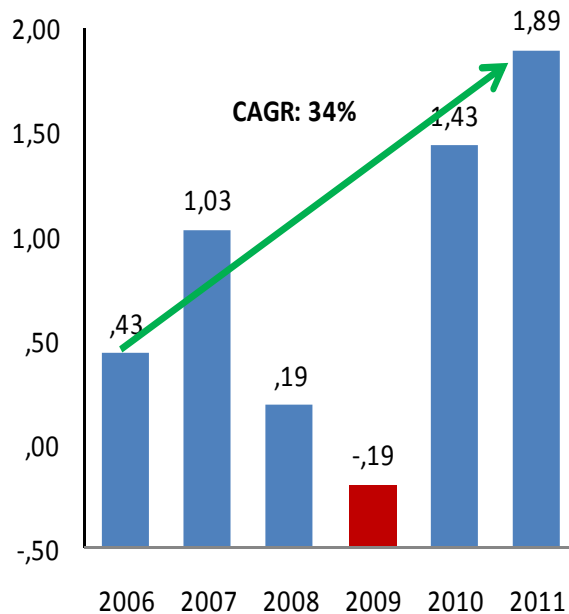
Today the eyes of the world are over Colombia!

New participants
(and other are coming...)

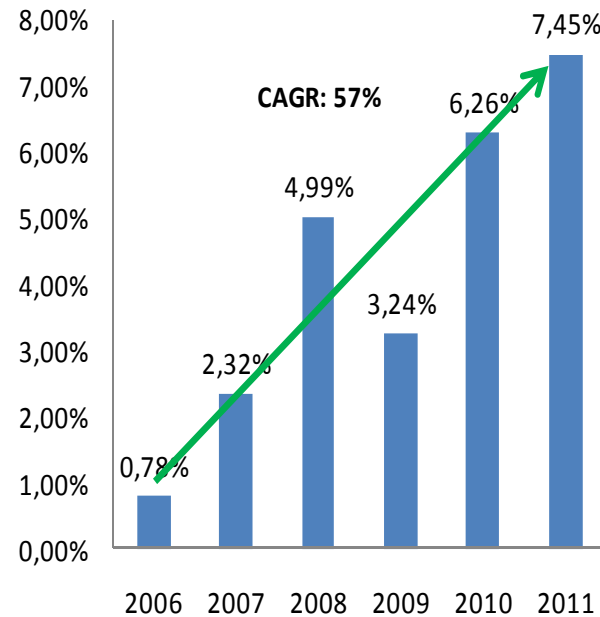


More foreign investment in Colombia

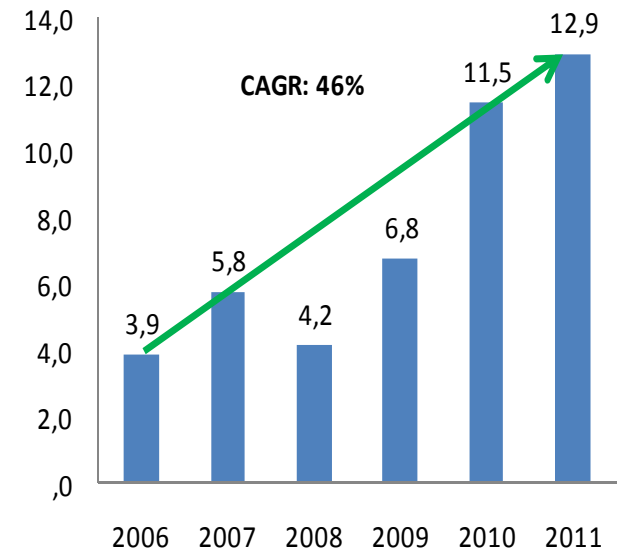
Net Buying COP Billions



Foreign Investment Volume %

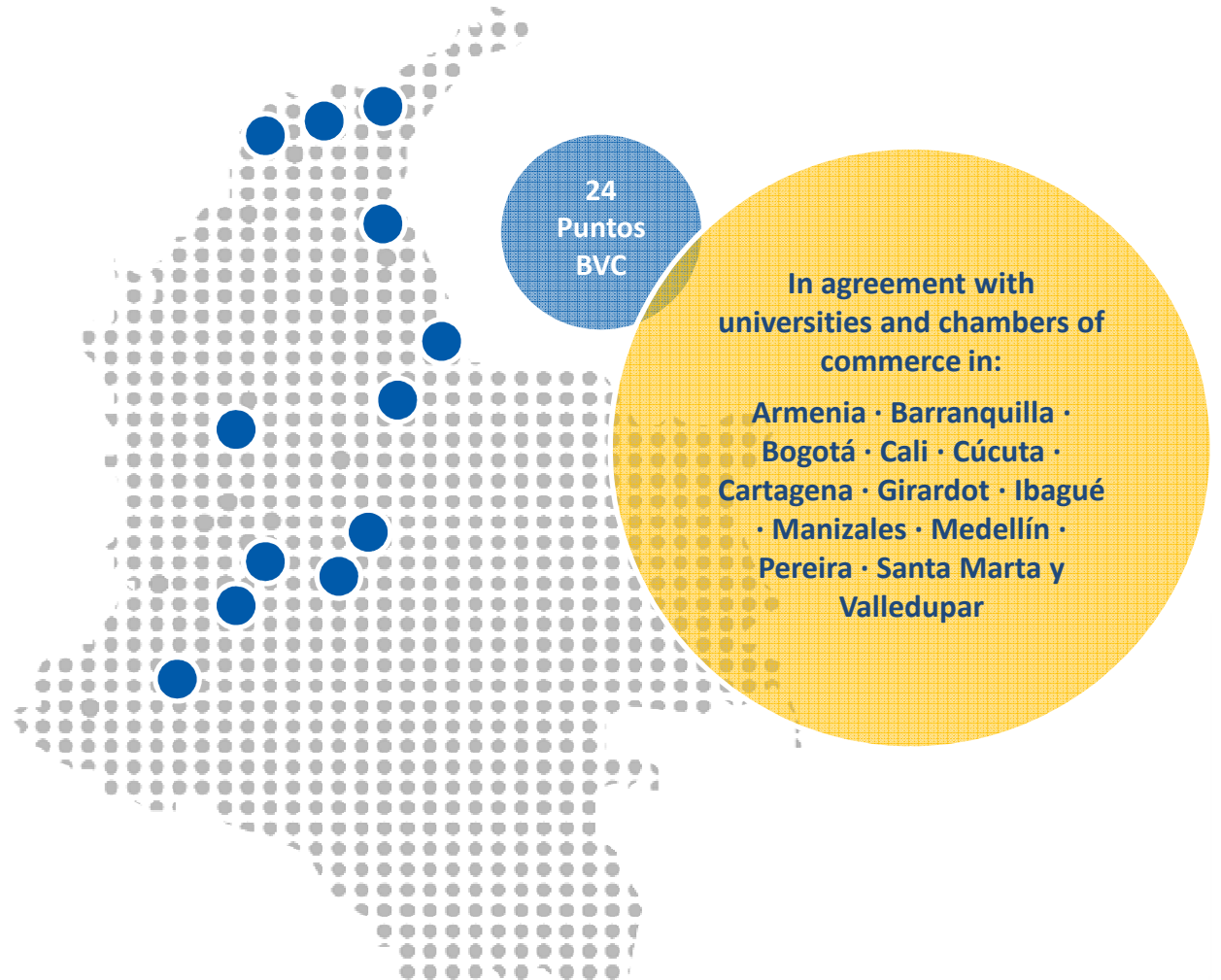


Foreign Investment Portfolio Balance
COP Billions



More than 1.000.000 retail Investors !

- In November 2011 the Colombian capital market raised the historic number of 1'076.720 individuals investing directly in the capital market.
59.657 accounts belongs to minors.
- It is the result of hard effort of six years of continuous and constant work.
- The objective of the BVC's MEGA 2015 strategy it's to achieve the participation of 1,5 million people in the market.



- **COLOMBIA: Investment Destiny**

- Perspectives
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- Opportunities

- **Colombian Capital Markets Evolution**

- **Latin-American Integrated Market – MILA**

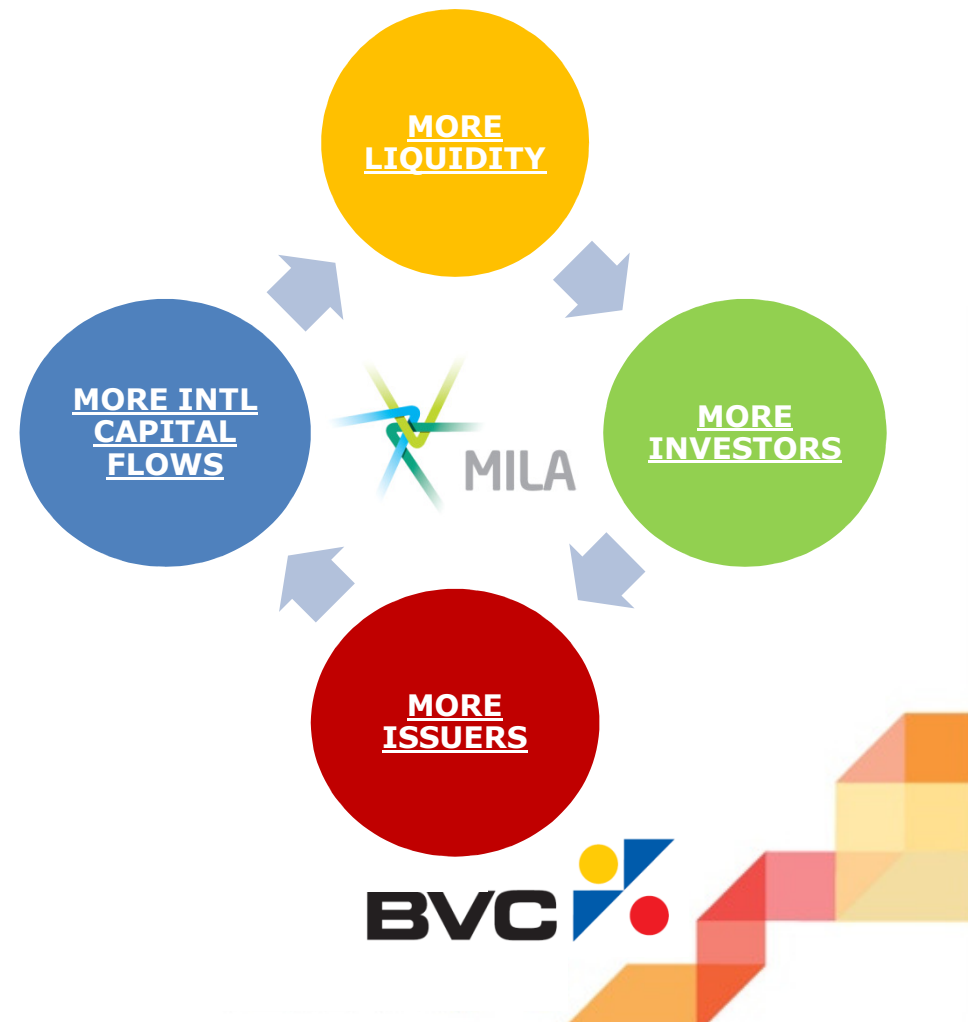


INTEGRATED MARKET OF LATIN AMERICA - MILA:



- Economies of scale.
- Streamlined Access to MILA.
- New Products Developments.
- Regional Trading
- Regulatory Changes (Chile / Peru / Colombia)
- Marketing, positioning and visibility of our Markets
- Innovation
- Thinking outside the box

MILA's VIRTUOS CYCLE:



MILA in Numbers:



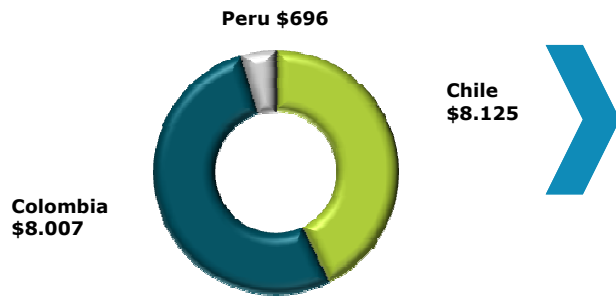
2011	Peru	Colombia	Chile	MILA	Brasil	México
	BVL	BVC	BCS		BOVESPA	BMV
Market Cap (US\$ Billions)	120.6	209	296.2	626.4	1,350.4	418.9
Number of Issuers	265	84	266	615	363	128
Traded Volume on Equities (US\$ Billions)	5	37	47	89	801.4	102.1
Number of Transactions (Thousands)	318	703	1,916	2,937	98,609	7,429
Number of Intermediaries	25	29	32	86	90	34
GDP 2011e (US\$ Billions)	168.5	244	243.0	655.1	2,518	1,185
Market Cap / GDP (%)	71.62%	85.7%	121.89%	95.6%	53.63%	35.36%
Traded Volume / GDP (%)	3.19%	15.2%	19.18%	13.6%	31.83%	8.62%



MILA 2012

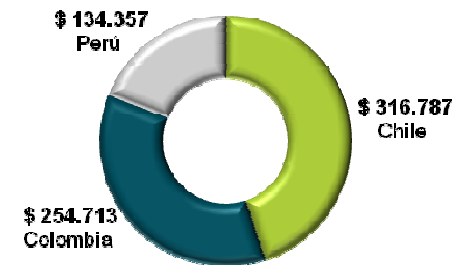
The Market Capitalization in MILA is USD \$705.857 million.

Volumen Total Negociado de los mercados MILA - Febrero
(Millones USD)



The YTD traded Volume until February 2012 closed in USD \$16.828 million.

Capitalización Bursátil de los mercados MILA - Febrero
(Millones USD)



Volumen transado a través de la Infraestructura MILA
Acumulado Mayo 2011 - Febrero 2012



■ Sobre Valores Chilenos ■ Sobre Valores Colombianos ■ Sobre Valores Peruanos

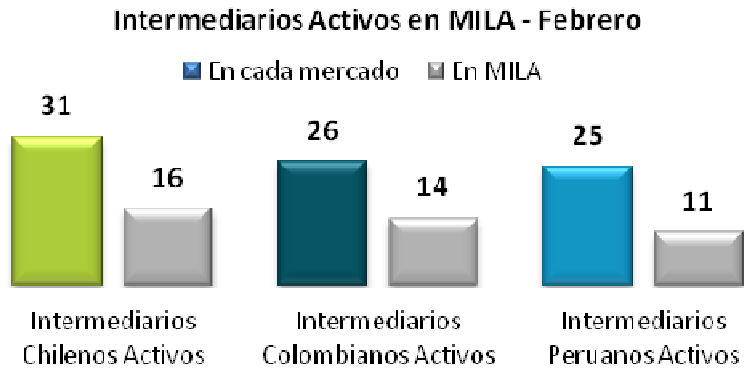
The YTD Transactions through MILA infrastructure raised USD \$20 million.

It has been created 8 investment funds that follows MILA.

Fondos Mutuos Creados para Invertir en MILA		
29 de Febrero		
	Fondo	Monto Captado (USD)
CHILE	BANCHILE - ANDES	\$ 3.343.172
	BBVA - BBVA ANDINO	\$ 901.598
	SURA - ACCIONES ANDINAS	\$ 3.684.328
	CELFIN - CELFÍN INFRAESTRUCTURA	\$ 29.942.268
Total en Chile (USD)		\$ 37.871.366
COLOMBIA	SERFINCO Market GLOBALES	\$ 4.732.412
	ING MILA	\$ 1.553.671
Total en Colombia (USD)		\$ 6.286.083
PERÚ	BBVA FONDO ANDINO	\$ 6.984.303
	ING Markets INTEGRADOS	\$ 6.984.303
Total en Perú (USD)		\$ 13.968.605
Monto Total Captado (USD)		\$ 58.126.055



MILA AGREEMENTS



At the end of February there are 84 intermediaries registered active in the three market places, which 41 have transactions through MILA infrastructure.

MILA AGREEMENTS 2012	
Chile & Colombia	15
Colombia & Peru	15
Peru & Chile	14



There are 44 agreements between the brokerage firms of the three countries.



MILA: Public Offerings

- In 2011, the Colombian market has allocated the 75% of the public offerings in the three MILA markets.



AviancaTaca · Grupo Aval · Grupo Nutresa · Almacenes Éxito · Ecopetrol · Empresa de Energía de Bogotá · Banco Davivienda · Grupo de Inversiones Suramericana

Allocated amount
(USD, aprox)

USD 7.002
million



Australis Seafood · Cruz Blanca

USD 1.665
million



Trevali Mining · Peruana de Inmobiliaria · Sulliden Gold · Susento Cove Mining

USD 616
million



INDEX: S&P MILA 40



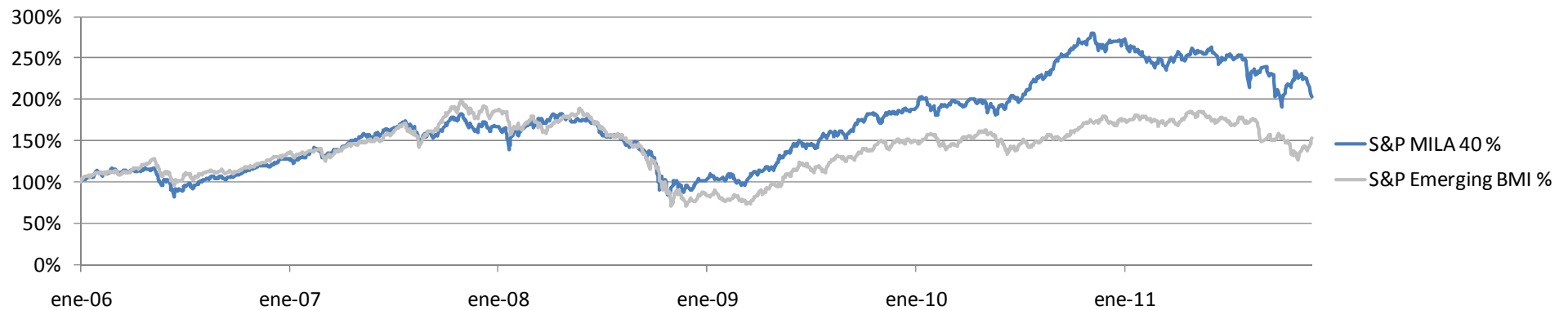
Participation by Country

Participation	Companies	%
Chile	22	50,4%
Colombia	12	32,4%
Peru	6	17,2%

Colombian Stocks in the Index composition:

BOGOTA	GRUPOSURA
CEMARGOS	INVERARGOS
CORFICOLCF	ISA
ECOPETROL	NUTRESA
EXITO	PFBCOLOM
GRUPOAVAL	PREC

Today on the MILA market Colombia stands out in the emerging economies
S&P MILA 40 vs S&P Emerging BMI Evolution



Thank You.

