

FINDEV CANADA TRANSACTION SUMMARY¹

Banco Davivienda S.A. (Davivienda)

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

As the second largest bank in Colombia based on lending portfolio, Davivienda is a key player in supporting market development, the economy and financial inclusion in Colombia. Davivienda also plays an important role in the region, serving more than 16.8 million clients across five countries in Latin America.

Transaction Details

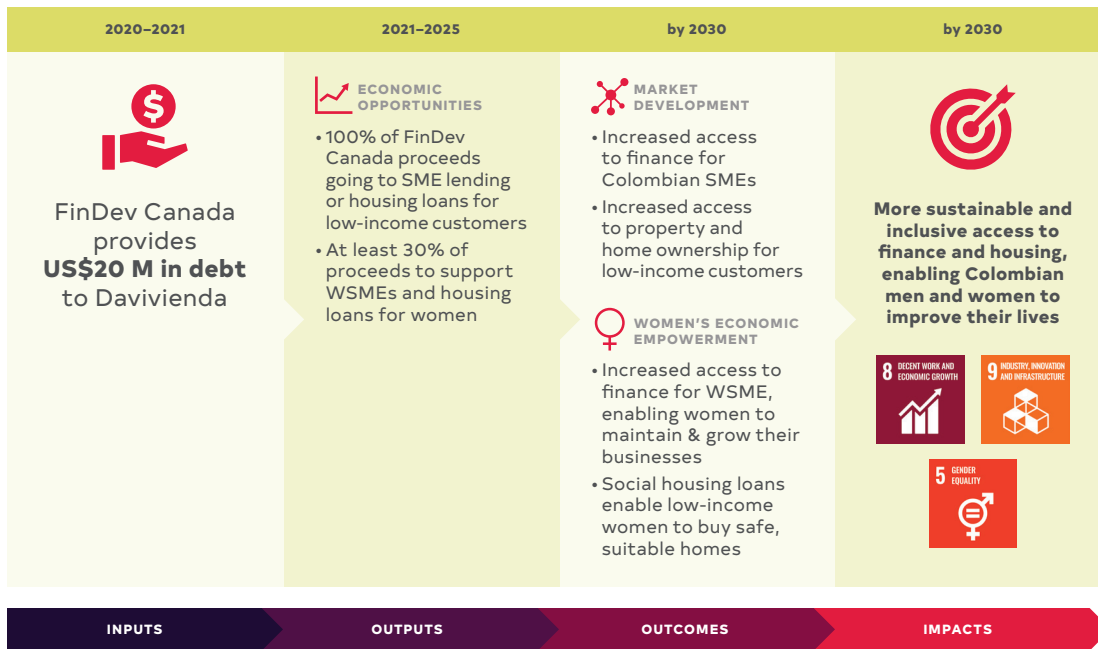
COUNTERPARTY	Davivienda
DOMICILE OF INCORPORATION	Colombia
DOMICILE OF OPERATIONS	Colombia
TERM OF FINANCING	10 years
SECTOR	Financial Services
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-3
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 20 million
DATE OF TRANSACTION DISCLOSURE	26 August 2020
DATE OF TRANSACTION SIGNING	17 December 2020
DATE OF TRANSACTION SUMMARY PUBLICATION	5 March 2021
2X CHALLENGE QUALIFYING	Yes, under Leadership

¹ This document follows key requirements spelt out in the Interim Disclosure Policy, effective on Jan. 22, 2018: https://www.findevcanada.ca/sites/default/files/2018-02/disclosure_interimpolicy_11dec2017_final.pdf

Summary of Anticipated Development Impacts

The development impact value proposition of this transaction, in collaboration with IDB Invest and the U.S. International Development Finance Corporation (DFC), is to increase access to finance to SMEs and low-income homebuyers in Colombia. Particularly, 30% of the funds provided by FinDev Canada will be channeled to women-owned SMEs and low-income women homebuyers, who have been disproportionately affected by the pandemic. Ultimately, increasing access to finance to SMEs and expanding homeownership opportunities to low-income customers will strengthen the resilience of Colombia's communities, as illustrated by the impact theory of change below.

This transaction is part of FinDev Canada's COVID-19 response to support liquidity for financial institutions in FinDev Canada's target markets.



MARKET DEVELOPMENT

- **Providing access to finance to Colombian SMEs:** while Colombia's SMEs comprise 90% of the country's companies (~2.5M), generate 65% of the jobs and contribute to 30% of the country's GDP, gaining access to finance remains a challenge. By channeling funds to SMEs, this investment will contribute to the economic recovery of the country by ensuring the long-term sustainability of the SME ecosystem in Colombia, safeguarding jobs, incomes and communities.
- **Providing home ownership opportunities to low-income customers:** in a country where 37% of the households are homeowners and 40% of the housing market is social housing, there is an unmet demand for these mortgage loans by the private sector. As the largest player in this submarket (25% of the market share), Davivienda is instrumental in enabling low-income individuals become homeowners. Through home ownership, families improve their quality of life as they can live in better and healthier conditions and also have a safety net to better endure and overcome the current economic crisis. In 2019, Davivienda helped nearly 18,000 households participating in social housing programs become homeowners. Our funds will be channeled to continue efforts on this front.



WOMEN'S ECONOMIC EMPOWERMENT

- **Responding to the financial needs of women entrepreneurs and low-income women homebuyers:** considering that 40% of the SMEs in Colombia are women owned, Davivienda will specifically direct 30% of our funds to women-owned SMEs and to low-income women homebuyers. This will support women customers to access financing products that better meet their financial needs.
- **Supporting women's leadership in financial services:** accounting for 33% of senior managers and 62% of the employees, women are well represented at Davivienda. Indeed, this transaction qualifies for the 2X Challenge based on women's high representation at the leadership level.
- **Bringing inclusive access to financial products and services to women customers:** committed to better serving women customers, Davivienda joined the Financial Alliance for Women in June 2020, becoming the first financial institution in Colombia to do so. The bank is also adapting its strategy to be more woman-centered and increase access to finance and empowerment tools for women entrepreneurs.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

Environmental and social (E&S) risks associated with this transaction are considered to be minimal and lie with the individual mortgages and companies that Davivienda will support with FinDev Canada funds.

Davivienda's commercial lending portfolio spans all sectors, with the largest three being in commerce, services and construction. Given that part of the use of proceeds is for SMEs, it is anticipated that much of FinDev Canada's support will be directed towards the lower risk commerce and services sectors (i.e., the trade and sale of goods and services). Davivienda has a Social and Environmental Risk Management System (SARAS) in place, which is aligned with the IFC Performance Standards (IFC PS) and of suitable capacity to mitigate any environmental or social risks that may arise associated with these programs. Furthermore, FinDev Canada support cannot be directed towards any projects, or any activities listed on the IFC Exclusion List, which restricts the Bank from supporting high risk sectors and contexts.

An illustrative list of key documents reviewed is outlined below:

- Due Diligence Presentations for Lenders (July 10, 2020)
- 2019 Annual Report
- Environmental and Social Risk Management System (SARAS) manual
- Environmental and Social Policy
- Human Rights Policy, May 2019
- Code of Ethics

The following International Finance Corporation (IFC) Performance Standards were applied in FinDev Canada assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts
- IFC Performance Standard 2: Labor and Working Conditions