Financiera de Desarrollo Territorial S.A.

Full Rating Report

Ratings

National Level

Long-term	AAA(col)
Short-term	F1+(col)

Outlook

Long-term National Rating Term	Stable

Financial Data

Financiera de Desarrollo Territorial S.A.

(COP billions)	30 Jun 2016	31 Dec 2015
Assets (USD millions)	2,938.0	2,513.73
Assets	8,567.8	7,916.9
Equity	1,010.7	985.5
Operating Result	55.7	40.7
Published Net Income	23.9	27.9
Comprehensive Income	23.9	25.8
Operating ROAA (%)	1.31	0.54
Operating ROAE (%)	11.14	4.20
Internal Capital Generation (%)	4.76	2.83
Regulatory Solvency Ratio (%)	11.65	12.08

Source:
Audited and Unaudited Financial Statements and Financial Superintendence of Colombia.

Related Report

Colombia (August 15, 2016)

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Key Rating Drivers

Government Support: The ratings of Financiera de Desarrollo Territorial S.A. (Findeter) are aligned with those of the Sovereign, reflecting Fitch's assessment of the Colombian government's willingness and capacity to provide timely support to Findeter, if needed. Although the Colombian government does not explicitly guarantee Findeter's liabilities, Fitch views the entity as an integral arm of the State taking into account the government's National Development Plant, given its role in financing infrastructure for regional and urban development and the State's majority ownership.

Asset Quality: Findeter organizes general obligations directed to supervised financial institutions. Its loan portfolio has historically shown a defaulting close to 0%, benefiting from the exposure to the largest commercial banks in the country. Overdue loans by more than 30 days represented 0.2% by June, 2016. Reserves decreased moderately to 0.7% of gross loans to June, 2016. The agency deems this level as adequate only considering the high concentration of debtors. Findeter's top 20 debtors accounted for approximately 98% of its gross loans.

Pressured Capital: Findeter's capital position is adequate but compares unfavorably with other apex banks in the region. According to Fitch, Findeter's core capital ratio has gradually decreased to 12.7% of risk-weighted assets by June, 2016 from 15.4% at the end of 2014. Despite benefiting from the legal restriction on the payment of cash dividends, asset growth has exceeded the pace of internal capital generation.

Performance Reflects Mission: As a development bank, Findeter balances its profitability with its mission of giving a greater number of loans for infrastructure. Its net interest margin increased in the first six months of 2016 and reached 9.2% compared with the 7.5% in 2015. This reflects upward adjustments in the reference interest rate. Non-financial income, composed mainly of fees derived from the administration of government programs, has provided a stable contribution to profitability since 2012 (with an average of 30% of profits).

Funding Profile Improvement: Findeter's less dependence on retail funding and greater access to multilateral loans and longer-term bond issues have improved its funding profile. Deposits decreased as a proportion of the funding from 91.3% in December, 2013 to 62.9% in June, 2016. Notwithstanding the improvement, Findeter's liabilities expiring within 12 months outpaced assets expiring during the same period in COP1.53 trillion (1.5 times (x) equity). This is mitigated by the stability of its funding through deposits and the available lines of credit of the company.

Ratings Sensitivity

Change in the Sovereign Ratings: As a state-owned development bank, Findeter's credit quality and ratings are directly linked to those of the sovereign. Therefore, their ratings should move in line with any change in Colombia's ratings.

Operating Environment

Negative Sovereign Perspective Reflects a high Governmental Debt Burden

Colombia's ratings balance its flexible and credible policy framework, increased international reserves, and a record of macroeconomic and financial stability against a high dependence on commodities, enclosed fiscal flexibility, and structural constraints in terms of low per capita GDP, and weak governance indicators. The Negative Rating Perspective for Colombia's sovereign ratings shows a considerable current account deficit, a growing external indebtedness and a high debt burden in comparison with its rating peers.

Fitch estimates a gross domestic product (GDP) growth of 2.3% during 2016 due to a tighter monetary policy and a lower public spending. Gross loan growth fell to 11.7% as of June 2016 (year on year), reflecting cautious risk appetite for all segments, as well as a weakening demand. The impact of El Niño and delays in infrastructure projects have contributed to economic uncertainty. However, this does not yet implies a significant negative impact on the quality of the assets or the profitability of the banks

Although inflation has shown signs of having reached its maximum level, it is expected that the return to the target range of the central bank will take approximately 18 months. A tighter monetary policy has increased the financing and coverage of banks' costs. The downside risks to the economy persist if the government fails to approve the necessary fiscal reforms to reduce the fiscal deficit and stabilize the debt burden, as this may result in pressures on the sovereign credit quality and the economy. The larger banks are well positioned to face this challenge considering the coverage of solid reserves for loans losses and efficiency, as well as relatively diversified income flows.

Regulatory Framework

Colombia's financial regulator has enacted regulations aimed at moving towards Basel III by introducing stricter capital requirements, demanding better quality capital and proactively monitoring loan growth. The recent publication of the regulations for the use of hybrid capital as secondary capital reflects the government's commitment to update its standards, but the scope of these measures remains uncertain. The regulator defined the framework for the secondary level capital (Tier II), but set a time frame until the end of 2017 to continue issuing the old subordinated bonds that have no equity credit under Basel III and Fitch's methodology. Colombian regulation has gradually improved, but remains lag behind compared with the best practices in the region.

Under Colombian law, the financial system adopted the International Financial Reporting Standards (IFRS, as amended) in January, 2015. Nevertheless, Findeter, as other Colombian state banks, started to report in January, 2016. Because of the differences between the Colombian GAAP and the IFRS, mainly with respect to the valuation of assets and liabilities, the profitability and capitalization indicators are not fully comparable with previous periods. However, this change allows a bigger degree of comparability with its international peers.

Related Methodology

Global Rating Methodology for Banks (October 21, 2016).

Company Profile

FINDETER is a financial entity linked to the Ministry of Finance and Public Credit whose mission is to support the sustainable development of the country. It was established in 1989 as a development bank to promote financing of infrastructure projects (e.g., transportation, energy, telecommunications, education, health and housing) and is subject to the supervision of the Financial Superintendence of Colombia. The Republic of Colombia has a majority capital share in the entity (92.6% of the shares), which by law must reach a minimum of 70%. Its shareholders also include 20 regional governments. The entity represents a strategic economic policy instrument of the government and its strategy is aligned with the Government's long-term National Development Plan. Its market participation in assets reached 1.5% by June, 2016.

Findeter's business model is to provide general term funding to local financial institutions (including commercial banks, finance companies and cooperatives) to facilitate the financing of infrastructure projects, most of which are private sector initiatives. This funding supports key sectors of the economy, such as transportation, energy, education, health, housing and technology. Usually, Findeter requires that the underlying project loans serve as collateral and that Findeter has broad authority as a direct borrower in the event of a bankruptcy of a financial institution. The entity also receives fee revenue from its services as trustee, and from technical assistance and project structuring.

Management

The knowledge and experience of Findeter’s management is adequate for the company profile. The compensation received by the staff is lower than that offered in the private sector. However, managerial change is low, supported by strong corporate culture, social commitment and generous benefits. The bank also has government support through the Ministry of Finance and Public Credit, to align its strategy with the National Development Plan.

Corporate Governance

Findeter's corporate governance is described in its Good Governance Code, updated in 2015. The Code establishes its corporate values, ethics and commitment to its stakeholders, as well as its social mission. Findeter's Board of Directors consists of five directors and five alternate directors, who are appointed by the Annual General Meeting for renewable terms of 2 years. The current composition of the Board reflects the entity’s public character, with considerable representation from the government, which includes three government officials and one current departmental governor. The Board also includes an independent member, currently not affiliated with the government, but who has previously served in a high public office. Despite the risk of political influence, Findeter has shown consistency in his strategic direction across different government administrations.

Strategy aligned with the Government priorities

Findeter's strategy is aligned with the government's economic priorities, in particular with the 4-year National Development Plan (currently 2015-2018). This implies the expansion of electricity and drinking water networks and the update of the country’s transportation infrastructure in “good condition”. Findeter’s current strategic plan 2015-2025 focuses specifically in 37 initiatives to help the bank diversify its income, improve its customer service, optimize its capital structure and improve cost control. However, the entity keeps focusing in its *legacy* sectors and terrains with a bigger emphasis in infrastructure and transportation.

Risk Appetite

Findeter shows a moderate risk appetite, aligned with its mission and business model. Its main product is the financial rediscount for up to the full cost of a given project, with a maximum term of 5 years and a grace period of 3 years. According to its social mission, financing conditions are flexible in terms of currency, interest rate (fixed or floating), term and depreciation. Nonetheless, rediscount financing is available exclusively to financial institutions supervised by the Financial Superintendence of Colombia. Findeter cannot give loans to the public sector intermediaries.

Its Risk Control Framework meets the requirements of the Financial Superintendence and it is defined by the Board of Directors with the support of the Risk Committee and the assets and liabilities management. The Committee meets at least once a month in order to define and check the exposure limits by expiration date, amounts, currencies, and instruments. These policies are also exhaustive as they assign limits by level of authority to Board level. There are warning systems and contingency plans in case Findeter breaches the "normal" levels of liquidity or value at risk.

Irregular Growing

Findeter’s relatively small portfolio, with just over 50 credits, is susceptible to large fluctuations one year to next, affected by new disbursements and prepayments. This is exacerbated by long processes of financial closure of pending projects, large transactions and relatively high levels of liquidity in the banking system. Its credit growth during the first half of 2016 exceeded Colombia's banking system average (Findeter: 9.1%, banking system: 4.3%) and exceeded its own average growth rate of 2011-2015 (5.4%). Findeter's asset growth rate, averaging 7.4% for 2011-2015, has also exceeded the pace of the company's internal capital generation, mainly due to the bank's fund raising and its international issuance, which contributed to a gradual decline in capitalization.

Market Risk

Findeter's main market risk is related to the mismatch between reference rates for assets and liabilities. Its loan portfolio is mainly denominated in the Reference Rate of Fixed Term Deposits (DTF, by its acronym in Spanish) (COP5.2 trillion), reflecting average rates of deposit certificates; while Findeter's DTF funding is relatively small (COP1.0 trillion). Similarly, Findeter has COP2.0 trillion in liabilities in IBR (Local Interbank Rate) in comparison with a small loan portfolio in IBR (COP0.2 trillion). Findeter has made changes in its policies to increase IBR-indexed loans. However, the bank's sensitivity to movements uncorrelated to IBR and FTD is uncovered.

Findeter's open exposure to foreign currency is minimal, as the bank tries to maintain 100% coverage. Its foreign exchange exposure derives mainly from the wholesale funding provided by multilateral, covered by currency derivatives. While currency movements and interest rates have led to unrealized and realized losses on its derivatives portfolio, Findeter does not use these instruments for speculative purposes. The main tool used by Findeter to manage market risk is the Value-at-Risk (VaR) methodology suggested by the Superintendence (confidence interval of 99%, waiting period of 10 days). Total VaRs were relatively stable during 2015 and the first half of 2016, within a range of 1.3% and 1.5% of capital, well below Findeter's internal limit of 8%.

Financial Profile

Asset Quality

Quality Portfolio Indicators

(%)	June 30, 2016 [a]	2015	2014	2013
Growth in Gross Loans	9.11	13.71	(0.92)	7.96
Overdue Loans/Gross Loans	0.16	0.20	0.01	0.01
Loan Loss Reserves/Overdue Loans	483.27	461.31	12,720.00	8,125.00
Overdue Loans Less Reserves/Core Capital according to Fitch	(4.54)	(5.02)	(6,57)	(6.95)
Loan Loss Charges/Average Gross Loans	(0.13)	0.94	(0.01)	0.08

[a] Reporting under IFRS as of January, 2016. Source: Audited and unaudited financial statements.

Due to its wholesale nature and its exposure to large, primarily regulated financial institutions, Findeter has historically sustained low rates of delinquency in its loan portfolio. Loans overdue by more than 30 days represented 0.2% in June of 2016, with 0.0% of delinquency in the category of delinquent loans by more than 90 days. A 99.9% of its portfolio is qualified in the "A" category. Restructured loans also show a low level, representing 0.7% of gross loans. There were no write-offs during 2015 and the first half of 2016.

The debtor concentration remains high, according to the model of wholesale business of Findeter. In June 2016, the largest debtor (Bancolombia) and the 20 largest debtors accounted for 18.2% and 97.7% of gross loans, respectively. Thus, the quality indicators of Findeter loans could be significantly affected by a change in the credit quality of one or more exposures.

Loan losses decreased from more than 1.0% of gross loans to 0.8%, and the reserves cover almost 500% of the overdue loans. Concentration of risk is also mitigated by substantial levels of collateral, which results in a loan-to-value index of 100%. As of June 2016, Findeter's largest exposure by sector was in transportation infrastructure, with 25% of the gross loans, representing a modest low in concentration toward the end of the year.

Earnings and Profitability

Profitability Indicators

(%)	June 30, 2016 [a]	2015	2014	2013
Net Interest Income/Average Productive Assets	2.35	1.66	1.59	2.05
Operating Expenses/Gross Income	26.60	32.11	36.19	22.09
Charges of Uncollectibility of Loans and Values/Pre-impairment Operating Profit	4.78	13.77	1.69	8.54
Operating Profit/Average Total Assets	1.31	0.54	0.80	0.98
Operating Profit/Risk-Weighted	1.40	0.57	0.93	1.03
Net Income/Average Equity	4.78	2.88	3.61	3.51

[a] Reporting under IFRS as of January, 2016. Source: Audited and unaudited financial statements.

Findeter seeks to balance profitability with its social mission of providing a greater amount of lending for infrastructure. In the 2011-2014 period, Findeter's ROAE successfully maintained itself within the level of inflation (with an average of 3.3%) fulfilling its goal of profitability. However, with a rapid depreciation of the local currency and an increase in the inflation rate to 5.0% in 2015, the margins of the bank have shown an improvement, but they are lagging behind compared to its environment, resulting in a 2.9% of ROAE for that year.

Findeter's financial performance indicators for the six months ended in June, 2016, reflect an increase in the net interest margin to 9.2% compared with 7.5% in 2015. This showed increases in the most important rates indexed to the credit portfolio. The non-financial income, mainly derived from fees of government programs management, has made a stable contribution to profits since 2012 (representing on average 30% of the profits); in spite of, the recurrent losses on the portfolio of Findeter's derivatives. The bank also witnessed an increase in non-financial expenses in 2015 and 2016, reaching 1.5% of average assets (compared with 1.3% for 2012-2014), driven by higher staff costs related to technical assistance and sustainability projects.

Capitalization and leverage

Capital Pressured by Unsustainable Asset Growth

Capitalization Indicators

(%)	June 30, 2016 [a]	2015	2014	2013
Core Capital according to Fitch/Risk-Weighted Assets	12.66	13.78	15.35	14.58
Tangible Common Equity/Tangible Assets	11.79	12.45	12.88	13.67
Total Regulatory Capital Ratio	11.65	12.08	14.10	14.66
Internal Capital Generation	4.76	2.83	3.54	3.40

[a] Reporting under IFRS as of January, 2016.
Source: Audited and unaudited financial statements.

Fitch sees Findeter´s capital position as adequate, but being pressured in the long term, especially considering its high concentration of loans. While the Bank is benefiting of legal restrictions on the payment of dividends in cash, its tangible common equity index to tangible assets has shown a downward trend in the past 6 years, reaching 11.8% in June 2016, compared to 16.7% at the end of 2010. This is due to the growth pace in the assets that exceeded the internal generation of capital.

Findeter seeks to improve its regulatory solvency in the short term by a subordinate debt issuance that points to a level of 13.5%, compared with 11.7% indicator in June 2016 (9% is the regulatory minimum). The legal status of the entity (mixed economy entity) allows the diversification of its shareholders base to include private sector, public sector, or multilateral investors. To date, the Bank has no definite plans to raise equity through new or existing shareholders.

It should be noted that Findeter has contingent liabilities related to a portfolio securitization in 2012. Under said agreement, Findeter is obliged to replace the unproductive portfolio (overcollaterized in 8%). In June 2016, the current securitized loan portfolio represented COP 74.7 billion (7.4% of the equity). The associated contingency is not considered in the bank's calculation index of solvency. To replace this portfolio within the balance sheet of the bank would result in a slight decrease of the tangible common equity to tangible assets to June 2016 to approximately 11.7% from 11.8%.

Funding and Liquidity

Historically, Findeter has depended on the Certificates of Deposits (CDT) for its funding. However, the CDT have been reduced as part of the funding to 62.9% by June 2016 from 91.3% at the end of 2013, replaced by bank financing and bond issues. The concentration of deposits, as well as the concentration of loans, remains high. The largest depositor represented 9% of total deposits, while the 20 largest depositors accounted for 51% of deposits. The largest depositors show considerable stability, and include investments in the long term such as public institutions and pension funds.

Findeter's first international issuance in 2014 (COP927.7 billion or 13% of the funding by June, 2016) accounted for an important milestone in the expansion of its funding base and the improving of its asset and liability management. Findeter has also developed the access to multilateral lines denominated in US dollars. As mentioned, Findeter has also used portfolio securitization as a funding source.

Funding and Liquidity Indicators

(%)	June 30, 2016 [a]	2015	2014	2013
Loans/Customer Deposits	163.26	152.57	127.73	117.43
Interbank Assets/Interbank Liabilities	62.92	66.48	74.7	91.33
Customer Deposits/Total Funding (Excluding Derivates)	62.92	66.48	74.7	91.33

[a] Reporting under IFRS as of January, 2016. Source: Audited and unaudited financial statements.

Findeter's funding diversification has helped to reduce the maturity mismatch between assets and liabilities. As of June, 2016, 64% of the loans expired in 3 or more years, while 95% of Findeter's CDT expired in less than 3 years. Findeter's multilateral funding (with terms up to 20 years) and the bond issuance (with expiring dates of more than 5 years) brings a more appropriated funding for the loans book.

Support

IDR Based on Sovereign Support

Findeter's ratings are based on the support offered by the Republic of Colombia (rated "BBB" Stable Outlook by Fitch), if needed. The support is based on the majority ownership that the Ministry of Finance and Public Credit has over Findeter, the service of the senior members of the government serving in the Board of Directors, and the strategic importance of the company for the government's strategy of economic and infrastructure development.

Financiera de Desarrollo Territorial S.A.

Income Statement

(COP billions)	Six Months to June 30, 2016[a.b.] (USD millions)		As % of Productive Assets	2015[a]	As % of Productive Assets	2014[a]	As % of Productive Assets	2013[a]	As % of Productive Assets	2012[a]	As % of Productive Assets
1. Interest Income on Loans	113.4	330.7	8.62	471.7	6.72	417.0	6.48	397.5	6.46	444.7	7.86
2. Other Interest Income	7.2	21.1	0.55	19.6	0.28	22.2	0.34	19.3	0.31	30.5	0.54
3. Dividend Income	0.1	0.4	0.01	0.0	0.00	1.4	0.02	0.0	0.00	0.0	0.00
4. Gross Interest and Dividend Income	120.8	352.2	9.18	491.3	7.00	440.6	6.85	416.8	6.77	475.2	8.40
5. Interest Expense on Customer Deposits	67.0	195.5	5.09	285.0	4.06	299.2	4.65	286.7	4.66	330.3	5.84
6. Other Interest Expense	23.0	67.1	1.75	96.8	1.38	39.5	0.61	8.4	0.14	5.0	0.09
7. Total Interest Expense	90.1	262.6	6.84	381.8	5.44	338.7	5.26	295.1	4.79	335.3	5.92
8. Net Interest Income	30.7	89.6	2.33	109.5	1.56	101.9	1.58	121.7	1.98	139.9	2.47
9. Net Gains (Losses) on Trading and Derivatives	(29.5)	(85,9)	(2,24)	86.6	1.23	(31,6)	(0,49)	13.9	0.23	(17,0)	(0,30)
10. Net Gains (Losses) on Other Securities	0.3	0.8	0.02	0.5	0.01	0.0	0.00	0.1	0.00	0.0	0.00
11. Net Gains (Losses) on Assets at FV through the Income Statement	0.3	1.0	0.02	N/A	—	N/A	—	N/A	—	N/A	—
12. Net Insurance Income	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
13. Net Fees and Commissions	14.9	43.3	1.13	65.2	0.93	53.5	0.83	29.1	0.47	3.5	0.06
14. Other Operating Income	25.1	73.3	1.91	(100,5)	(1,43)	35.9	0.56	(8,6)	(0,14)	19.9	0.35
15. Total non-financial Operating Income	11.1	32.5	0.85	51.8	0.74	57.8	0.90	34.5	0.56	6.4	0.11
16. Personnel Expenses	6.5	18.8	0.49	31.5	0.45	29.6	0.46	28.0	0.45	25.1	0.44
17. Other Operating Expenses	15.3	44.7	1.16	82.6	1.18	71.1	1.10	56.8	0.92	49.6	0.88
18. Total Operating Expenses	21.8	63.5	1.65	114.1	1.62	100.7	1.56	84.8	1.38	74.7	1.32
19. Operating Profit/Loss Taken as Equity	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
20. Pre-impairment Operating Profit	20.1	58.5	1.52	47.2	0.67	59.0	0.92	71.4	1.16	71.6	1.26
21. Loan Impairment Charge	(1.7)	(4,9)	(0,13)	59.8	0.85	(0,6)	(0,01)	4.9	0.08	0.1	0.00
22. Securities and Other Credit Impairment Charges	2.6	7.7	0.20	(53,3)	(0,76)	1.6	0.02	1.2	0.02	7.7	0.14
23. Operating Profit	19.1	55.7	1.45	40.7	0.58	58.0	0.90	65.3	1.06	63.8	1.13
24. Non-Operating Profit/Loss Taken as Equity	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
25. Non-Recurring Income	0.0	0.0	0.00	5.7	0.08	3.2	0.05	7.8	0.13	4.7	0.08
26. Non-Recurring Expenses	0.7	2.0	0.05	6.8	0.10	6.8	0.11	13.5	0.22	5.9	0.10
27. Change in Own Debt's Fair Value	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
28. Other Non-Operating Income and Expenses	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
29. Pre-Tax Profit	18.4	53.7	1.40	39.6	0.56	54.4	0.85	59.6	0.97	62.6	1.11
30. Tax Expenses	10.2	29.8	0.78	11.7	0.17	20.4	0.32	28.2	0.46	31.5	0.56
31. Profit/Loss from Discontinued Operations	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
32. Net Profit	8.2	23.9	0.62	27.9	0.40	34.0	0.53	31.4	0.51	31.1	0.55
33. Change in Value of Investments Available for Sale	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
34. Revaluation of Fixed Assets	0.0	0.0	0.00	N/A	—	0.0	0.00	0.0	0.00	0.0	0.00
35. Differences in Currency Conversion	0.0	0.0	0.00	N/A	—	0.0	0.00	0.0	0.00	0.0	0.00
36. Gain/Loss on OCI	0.0	0.0	0.00	(2,1)	(0,03)	2.7	0.04	16.8	0.27	4.4	0.08
37. Fitch Comprehensive Income	8.2	23.9	0.62	25.8	0.37	36.7	0.57	48.2	0.78	35.5	0.63
38. Memo: Profit Attributable to Minority Interest	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
39. Memo: Net Profit after Allocation to Minority Interest	8.2	23.9	0.62	27.9	0.40	34.0	0.53	31.4	0.51	31.1	0.55
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	N/A	—	N/A	—	0.0	0.00	0.0	0.00
41. Memo: Preferred Dividends Relating to the Period	0.0	0.0	0.00	N/A	—	N/A	—	0.0	0.00	0.0	0.00

[a.b.] Exchange Rate: 2016 — USD1 = COP2916.15000; 2015 — USD1 = COP3149.47000; 2014 — USD1 = COP2392.46000; 2013 — USD1 = COP1922.56000; 2012 — USD1 = COP1771.54000. [a] Reporting under IFRS as of January, 2016. N/A Non Applicant.
Source: Audited and unaudited financial statements.

Financiera de Desarrollo Territorial S.A.

Balance Sheet

(COP billions)	Six Months to June 30, 2016[a.b.] (USD millions)		As % of Assets	2015[a]	As % of Assets	2014[a]	As % of Assets	2013[a]	As % of Assets	2012[a]	As % of Assets
Assets											
A. Loans											
1. Residential Mortgage Loans	3.9	11.2	0.13	10.9	0.14	9.3	0.12	7.4	0.11	5.9	0.09
2. Other Mortgage Loans	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
3. Other Consumer/ Retail Loans	0.2	0.5	0.01	0.5	0.01	0.6	0.01	0.6	0.01	0.5	0.01
4. Corporate and Commercial Loans	2,559.2	7,463.0	87.11	6,835.5	86.34	6,005.4	80.56	6,066.6	89.75	5,625.0	82.35
5. Other Loans	9.5	27.7	0.32	29.1	0.37	31.5	0.42	28.5	0.42	21.7	0.32
6. Less: Reserves for Loans	19.9	57.9	0.68	63.2	0.80	63.6	0.85	65.0	0.96	60.3	0.88
7. Net Loans	2,552.9	7,444.5	86.89	6,812.8	86.05	5,983.2	80.26	6,038.1	89.33	5,592.8	81.88
8. Gross Loans	2,572.7	7,502.4	87.57	6,876.0	86.85	6,046.8	81.11	6,103.1	90.29	5,653.1	82.76
9. Memo: Impaired Loans Included Above	4.1	12.0	0.14	13.7	0.17	0.5	0.01	0.8	0.01	0.4	0.01
10. Memo: Loans at Fair Value Included Above	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
B. Other Productive Assets		0.0									
1. Loans and Interbank Operations	12.7	37.0	0.43	119.8	1.51	173.2	2.32	46.3	0.69	22.9	0.34
2. Repos and Cash Collaterals	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
3. Negotiable Securities and its FV through Income	65.9	192.1	2.24	14.3	0.18	213.1	2.86	6.0	0.09	0.0	0.00
4. Derivatives	0.1	0.2	0.00	4.9	0.06	6.5	0.09	1.1	0.02	0.0	0.00
5. Securities Available for Sale	0.0	0.0	0.00	25.0	0.32	25.0	0.34	25.0	0.37	25.0	0.37
6. Securities Held to Maturity	10.2	29.6	0.35	11.6	0.15	0.0	0.00	0.0	0.00	0.0	0.00
7. Investments in Related Companies	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
8. Other Securities	5.5	16.1	0.19	33.9	0.43	35.7	0.48	38.9	0.58	19.4	0.28
9. Total Securities	81.6	238.0	2.78	89.7	1.13	280.3	3.76	71.0	1.05	44.4	0.65
10. Memo: Government Securities Included Above	0.0	0.0	0.00	9.2	0.12	123.0	1.65	0.0	0.00	0.0	0.00
11. Memo: Total Securities Pledged	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
12. Investments in Properties	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
13. Insurance Assets	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
14. Other Productive Assets	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
15. Total Productive Assets	2,647.2	7,719.5	90.10	7,022.3	88.70	6,436.7	86.34	6,155.4	91.07	5,660.1	82.86
C. Non-Productive Assets		0.0									
1. Cash and Bank Deposits	219.8	641.0	7.48	565.2	7.14	738.8	9.91	357.9	5.30	592.8	8.68
2. Memo: Mandatory Reserve Included Above	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
3. Awarded Goods	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Fixed Assets	10.4	30.3	0.35	41.2	0.52	43.5	0.58	41.1	0.61	24.5	0.36
5. Added Value	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
6. Other Intangible Assets	0.2	0.4	0.01	N/A	—	N/A	—	N/A	—	N/A	—
7. Current Tax Assets	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
8. Deferred Tax Assets	1.9	5.6	0.07	18.2	0.23	22.2	0.30	3.8	0.06	3.3	0.05
9. Discontinued Operations	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
10. Other Assets	58.6	170.9	1.99	270.0	3.41	213.5	2.86	200.9	2.97	550.2	8.05
11. Total Assets	2,938.0	8,567.8	100.00	7,916.9	100.00	7,454.7	100.00	6,759.1	100.00	6,830.9	100.00

[a.b.]Exchange Rate: 2016 — USD1 = COP2916.15000; 2015 — USD1 = COP3149.47000; 2014 — USD1 = COP2392.46000; 2013 — USD1 = COP1922.56000; 2012 — USD1 = COP1771.54000. [a] Reporting under IFRS as of January, 2016. N/A Non Applicant.
Source: Audited and unaudited financial statements.

Financiera de Desarrollo Territorial S.A.

Balance Sheet

(COP billions)	Six Months to June 30, 2016[a.b.] (USD millions)		As % of Assets	2015[a]	As % of Assets	2014[a]	As % of Assets	2013[a]	As % of Assets	2012[a]	As % of Assets
Liabilities and Equity											
D. Interest-Bearing Liabilities											
1. Current Accounts Deposits	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Savings Accounts Deposits	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Term Deposits	1,575.9	4,595.5	53.64	4,506.9	56.93	4,734.0	63.50	5,197.2	76.89	5,021.1	73.51
4. Total Deposits from Customers	1,575.9	4,595.5	53.64	4,506.9	56.93	4,734.0	63.50	5,197.2	76.89	5,021.1	73.51
5. Bank Deposits	610.7	1,781.0	20.79	1,326.1	16.75	657.4	8.82	493.2	7.30	375.4	5.50
6. Repos and Cash Collaterals	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Other Deposits and Short Term Obligations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. Total Deposits, Money Markets, and Short Term Obligations	2,186.6	6,376.5	74.42	5,833.0	73.68	5,391.4	72.32	5,690.4	84.19	5,396.5	79.00
9. Senior Obligations (One Year Term)	318.1	927.7	10.83	946.2	11.95	946.2	12.69	0.0	0.00	0.0	0.00
10. Subordinate Obligations	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
11. Other Obligations	N/A	N/A	—	N/A	—	N/A	—	N/A	—	N/A	—
12. Total Long Term Funding	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
13. Derivatives	318.1	927.7	10.83	946.2	11.95	946.2	12.69	0.0	0.00	0.0	0.00
14. Negotiable Obligations	8.8	25.6	0.30	15.8	0.20	0.5	0.01	0.7	0.01	3.9	0.06
15. Total Funding	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
Liabilities and Equity	2,513.5	7,329.8	85.55	6,795.0	85.83	6,338.1	85.02	5,691.1	84.20	5,400.4	79.06
E. Non-financial Bearing Liabilities											
1. Fair Value Portion of Debt	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
2. Credit Impairment Reserves	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
3. Reserves for Pensions and Others	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
4. Current Tax Liabilities	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
5. Deferred Tax Liabilities	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
6. Other Deferred Liabilities	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
7. Discontinued Operations	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
8. Insurance Liabilities	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
9. Other Liabilities	77.9	227.2	2.65	136.4	1.72	156.8	2.10	143.7	2.13	557.4	8.16
10. Total Liabilities	2,591.4	7,557.1	88.20	6,931.4	87.55	6,494.9	87.12	5,834.8	86.33	5,957.8	87.22
F. Hybrid Capital											
1. Pref. Shares and Hybrid Capital Accounted for as Debt	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
2. Pref. Shares and Hybrid Capital Accounted for as Equity	0.0	0.0	0.00	N/A	—	N/A	—	N/A	—	N/A	—
G. Equity											
1. Common Equity	333.4	972.3	11.35	948.4	11.98	920.6	12.35	886.5	13.12	855.1	12.52
2 Minority Interest	0.0	0.0	0.00	N/A.	—	N/A.	—	N/A.	—	N/A.	—
3. Securities Revaluation Reserves	13.2	38.4	0.45	0.0	0.00	0.0	0.00	1.3	0.02	(1.70)	(0.02)
4. Foreign Exchange Revaluation Reserves	0.0	0.0	0.00	N/A.	—	N/A.	—	N/A.	—	N/A.	—
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	0.00	37.1	0.47	39.2	0.53	36.5	0.54	19.7	0.29
6. Total Equity	346.6	1,010.7	11.80	985.5	12.45	959.8	12.88	924.3	13.67	873.1	12.78
7. Total Liabilities and Equity	2,938.0	8,567.8	100.00	7,916.9	100.00	7,454.7	100.00	6,759.1	100.00	6,830.9	100.00
8. Memo: Fitch Core Capital	346.4	1,010.3	11.79	985.5	12.45	959.8	12.88	924.3	13.67	873.1	12.78

[a.b.] Exchange Rate: 2016 — USD1 = COP2916.15000; 2015 — USD1 = COP3149.47000; 2014 — USD1 = COP2392.46000; 2013 — USD1 = COP1922.56000; 2012 — USD1 = COP1771.54000. [a] Reporting under IFRS as of January 2016. N/A.: not applicable.
Source: Audited and unaudited financial statements.

Financiera de Desarrollo Territorial S.A.

Summary Analytics

(Years Ended Dec. 31)	Six Months Jun 2016[a]	2015	2014	2013	2012
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	8.95	7.39	6.68	6.77	7.79
2. Interest Expense on Customer Deposits/ Average Customer Deposits	8.47	6.46	5.69	5.65	6.76
3. Interest Income/ Average Earning Assets	9.23	7.45	6.89	7.02	8.02
4. Interest Expense/ Average Interest-bearing Liabilities	7.19	6.01	5.47	5.32	6.42
5. Net Interest Income/ Average Earning Assets	2.35	1.66	1.59	2.05	2.36
6. Net Int. Inc less Loan Impairment Charges/ Average Earning Assets	2.47	0.75	1.60	1.97	2.36
7. Net Interest Inc less Preferred Stock Dividend / Average Earning Assets	2.35	1.66	1.59	2.05	2.36
B. Other Operating Profitability Ratios					
1. Non-financial Income/ Gross Revenues	26.60	32.11	36.19	22.09	4.37
2. Operating Expenses/ Gross Revenues	52.04	70.74	63.06	54.29	51.06
3. Operating Expenses/ Average Assets	1.49	1.52	1.38	1.27	1.19
4. Pre-impairment Op. Profit/ Average Equity	11.69	4.86	6.27	7.98	8.36
5. Pre-impairment Op. Profit/ Average Total Assets	1.37	0.63	0.81	1.07	1.14
6. Loans and Securities Impairment Charges/ Pre-impairment Op. Profit	4.78	13.77	1.69	8.54	10.89
7. Operating Profit/ Average Equity	11.14	4.20	6.17	7.30	7.45
8. Operating Profit/ Average Total Assets	1.31	0.54	0.80	0.98	1.01
9. Operating Profit/ Risk Weighted Assets	1.40	0.57	0.93	1.03	1.02
C. Other Profitability Ratios					
1. Net Profit / Average Equity	4.78	2.88	3.61	3.51	3.63
2. Net Profit/ Average Total Assets	0.56	0.37	0.47	0.47	0.49
3. Fitch Comprehensive Income/ Average Equity	4.78	2.66	3.90	5.39	4.15
4. Fitch Comprehensive Income/ Average Total Assets	0.56	0.34	0.50	0.72	0.56
5. Taxes/ Pre-tax Profit	55.45	29.55	37.50	47.32	50.32
6. Net Profit/ Risk Weighted Assets	0.60	0.39	0.54	0.50	0.50
D. Capitalization					
1. Fitch Core Capital/ Risk Weighted Assets	12.66	13.78	15.35	14.58	14.01
3. Tangible Common Equity/ Tangible Assets	11.79	12.45	12.88	13.67	12.78
4. Tier 1 Regulatory Capital Ratio	11.42	12.08	13.16	13.33	12.78
5. Total Regulatory Capital Ratio	11.65	12.08	14.10	14.66	13.06
6. Equity/ Total Assets	N/A.	N/A.	N/A.	N/A.	N/A.
7. Cash Dividends Paid & Declared/ Net Profit	11.80	12.45	12.88	13.67	12.78
8. Net Profit Less Cash Dividends/ Total Equity	N/A.	N/A.	N/A.	0.00	0.00
D. Capitalization	4.76	2.83	3.54	3.40	3.56
E. Asset Quality					
1. Growth of Total Assets	8.22	6.20	10.29	(1.05)	14.27
2. Growth of Gross Loans	9.11	13.71	(0.92)	7.96	0.83
3. Overdue Loans + 30 days / Gross Loans	0.16	0.20	0.01	0.01	0.01
4. Reserves for Loans / Gross Loans	0.77	0.92	1.05	1.07	1.07
5. Reserves for Loans / Overdue Loans + 30 days	483.27	461.31	12,720.00	8,125.00	15,075.00
6. Overdue Loans + 30 days less Reserves for Loans / Equity	(4.54)	(5.02)	(6.57)	(6.95)	(6.86)
7. Overdue Loans + 30 days less Reserves for Loans / Fitch Core Capital	(4.54)	(5.02)	(6.57)	(6.95)	(6.86)
8. Loan Impairment Charges/ Average Gross Loans	(0.13)	0.94	(0.01)	0.08	0.00
9. Net Charge-offs / Average Gross Loans	N/A.	N/A.	N/A.	N/A.	N/A.
10. Loans Overdue + 30 days + Foreclosed Assets / Gross Loans + Foreclosed Assets	0.16	0.20	0.01	0.01	0.01
F. Funding					
1. Loans / Customer Deposits	163.26	152.57	127.73	117.43	112.59
2. Interbank Assets / Interbank Liabilities	2.08	9.03	26.35	9.39	6.10
3. Customer Deposits / Total Funding (excluding derivatives)	62.92	66.48	74.70	91.33	93.04
F. Funding	N/A.	N/A.	N/A.	N/A.	N/A.
1. Loans / Customer Deposits	N/A.	N/A.	N/A.	N/A.	N/A.

[a] Reporting under the IFRS as of January 2016. N/A.: not applicable
Source: Audited and unaudited financial statements.

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