OFFERING MEMORANDUM

COP 946,175,000,000

FINANCIERA DE DESARROLLO TERRITORIAL S.A.

(a national mixed economy company organized and operating under the laws of the Republic of Colombia)

7.875% Notes due 2024

We are offering COP 946,175,000,000 aggregate principal amount of our 7.875% notes due 2024. The notes will mature on August 12, 2024. The notes will accrue interest at a rate of 7.875% per year. We will pay interest on the notes annually in arrears on August 12 of each year, commencing on August 12, 2015. We will pay all amounts in respect of the principal, of and interest, on the notes and any additional amounts in US dollars, as calculated by the Calculation Agent (as defined below) by converting the Colombian pesos amounts due into US Dollars at the Average Representative Market Rate (as defined below) on the applicable Rate Calculation Date (as defined below). Investors will make the payment of the public offering price in US dollars based on an exchange rate for the conversion of Colombian pesos into US Dollars of COP 1,892.35 per US $1.00, which is the representative market rate (*tasa representativa del mercado*) published by the *Superintendencia Financiera de Colombia* (the Colombian Superintendency of Finance, or the "SFC") on August 6, 2014.

The notes will at all times constitute our senior and unsecured obligations and will rank *pari passu*, without any preferences among themselves, with all of our other existing and future senior and unsecured obligations that constitute External Indebtedness (as defined in "Description of the Notes") (other than (i) obligations preferred by statute or by operation of law and (ii) External Indebtedness guaranteed by the Republic of Colombia). For more information on the ranking of the notes under Colombian law, see "Supervision and Regulation—Intervention Powers of the SFC—Bankruptcy Considerations."

We will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% of their principal amount plus accrued interest, if the government of Colombia, our controlling shareholder, ceases to own more than 50% of our voting stock.

Three months prior to the maturity of the notes, we may redeem the notes, in whole or in part, at par at any time or from time to time. See "Description of the Notes—Optional Redemption—Optional Redemption at Par." In addition, we may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest and any additional amounts, in the event of certain changes in the tax laws of Colombia. See "Description of the Notes—Additional Amounts."

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 13 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue price: 98.329% plus accrued interest, if any, from August 12, 2014.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED IN *THE REGISTRO NACIONAL DE VALORES Y EMISORES* (THE COLOMBIAN NATIONAL REGISTRY OF SECURITIES AND ISSUERS) MAINTAINED BY SFC AND MAY NOT BE OFFERED OR SOLD PUBLICLY OR OTHERWISE BE SUBJECT TO BROKERAGE ACTIVITIES IN COLOMBIA, EXCEPT AS PERMITTED BY COLOMBIAN LAW.

We have not registered the notes under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any state securities laws. We are offering the notes solely (1) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act. See "Transfer Restrictions."

This document is being distributed only to and directed only at persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

We expect that delivery of the notes will be made to investors in book-entry form through the facilities of The Depository Trust Company on or about August 12, 2014.

Joint Book-Running Managers

BofA Merrill Lynch **Deutsche Bank Securities**

The date of this offering memorandum is August 6, 2014.

You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

This offering memorandum constitutes a prospectus for the purposes of the Luxembourg Act dated July 10, 2005 on prospectuses for securities.

We have prepared the offering memorandum for use solely in connection with the proposed offering of the notes. This offering memorandum does not constitute an offer to any person other than the offeree to whom it has been delivered, or to the public in general, to subscribe for or otherwise acquire the notes. Disclosure of any of the contents of the offering memorandum without our prior written consent is prohibited. No one is authorized to give information other than that contained in this offering memorandum and in the documents referred to in this offering memorandum and which are made available to the public.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes contained in the indenture being entered into in connection with the issuance of the notes as described herein and other transaction documents described herein. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility for correctly extracting and reproducing such information. Notwithstanding any investigation that the initial purchasers may have conducted with respect to the information contained in this offering memorandum, the initial purchasers accept no liability in relation to the information contained in this offering memorandum or its distribution or with regard to any other information supplied by us or on our behalf.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales, and neither us nor any of the initial purchasers will have any responsibility therefor.

The notes offered through this offering memorandum are subject to restrictions on transferability and resale, and may not be transferred or resold in the United States except as permitted under the Securities Act and applicable U.S. state securities laws pursuant to registration under, or exemption from, such laws. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations, restrictions and agreements as set forth under "Transfer Restrictions."

You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. In making an investment decision, prospective investors must rely on their examination of us and the terms of this offering, including the merits and risks involved. These notes have not been approved or recommended by any United States federal or state securities commission or any other United States, Colombian or other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

The notes will be solely our obligations, and the holders of the notes will have no recourse against our direct or indirect owners, and/or against any of such owners' officers, directors, employees, members or managers with respect to our obligations under the notes and the indenture governing the notes.

Notwithstanding anything in this document to the contrary, except as reasonably necessary to comply with applicable securities laws, prospective investors (and each of their employees, representatives or other agents) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to them relating to such tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal income tax treatment of the offering.

You should not distribute this offering memorandum and the other documents relating to the offering of the notes in Colombia, or the information contained herein and therein, except under circumstances which do not constitute a public offering of securities under the applicable Colombian securities laws or regulations. Neither should you use such documents and information in connection with any public offer of the notes in Colombia. The initial purchasers have agreed not to offer or sell the notes in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations.

Neither we, the initial purchasers nor any of our or their respective affiliates or representatives are making any representation to any offeree or purchaser of the notes offered hereby regarding the legality of any investment by such offeree or purchaser under any applicable law. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the notes.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

For so long as any notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

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FORWARD-LOOKING STATEMENTS

This offering memorandum contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements appear throughout this offering memorandum, principally in "Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Such estimates and forward-looking statements are primarily based on current expectations and projections about future events and financial trends that affect, or may affect, our business, financial condition, results of operations and prospects.

There are many significant risks, uncertainties and assumptions that might cause our business, financial condition, results of operations and prospects to differ materially from those set out in our estimates and forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding our or our officers' intent, belief or current expectations with respect to, among other things, the use of proceeds of the offering, our financing plans, trends affecting our business, the impact of competition and future plans and strategies. These statements reflect our views with respect to such matters and are subject to risks, uncertainties and assumptions, including, among other factors:

These statements reflect our views with respect to such matters and are subject to risks, uncertainties and assumptions, including, among other factors:

- general economic, political and business conditions in Colombia;
- fluctuations in the value of the Colombian peso;
- changes in the applicable laws and governmental regulations, particularly the rules of the Colombian Bank of the Republic (*Banco de la República*, or the "Colombian Central Bank") and the SFC, related to us and our lending and other activities, and tax matters;
- failure of intermediary financial institutions, and stability of the Colombian financial system as a result of the public confidence in Colombian banking and financial institutions;
- increased inflation;
- fluctuations in import tariffs, interest rates in financial markets outside Colombia and in local markets, and exchange rates, among other macroeconomic indicators;
- decline in international commodity prices;
- deterioration in the economic condition of Colombia's neighboring countries;
- availability and cost of funding;
- implementation of our business and our expansion strategies and investment plans;
- credit and other risks of lending, investing and conducting our activities, including increases in defaults by borrowers and other loan delinquencies and increases in the provision for loan losses;
- the recent extreme contraction of liquidity in the international financial markets and equity, debt and foreign exchange market volatility, which could lead to domestic volatility, declines in foreign direct and portfolio investment and potentially lower international reserves;
- increased cost or decreased availability of liquidity from loans provided by multilateral organizations, national and international commercial banks and issuance of securities into the local or international capital markets;
- adequacy of risk management procedures;
- international and/or domestic competition;
- changes in Colombia's credit ratings;
- the market value of Colombian government securities;

- diversion of our resources away from our more profitable areas of our lending and investing business to less profitable areas as a result of changes in the Colombian government's objectives;

- change of economic policy by the government of Colombia;

- inability to retain certain personnel and ability to hire additional key personnel; and

- other risk factors as set forth under "Risk Factors."

The words "believe," "could," "may," "estimate," "continue," "potential," "anticipate," "intend," "expect," "will," "should" and "plan," among others, are intended to identify forward-looking statements. Forward-looking statements speak only as of the date they were made and neither we nor the initial purchasers undertake to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

In light of these risks and uncertainties, the forward-looking information, events and circumstances discussed in this offering memorandum might not occur. Any such forward-looking statements are not guarantees of future performance. As a result, prospective investors should not make an investment decision based on the forward-looking statements contained in this offering memorandum.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a national mixed economy company organized and operating under the laws of Colombia. We do not have any subsidiaries. All of our directors and management personnel are residents of Colombia, and substantially all of our and their assets are located in Colombia. As a result, although we have appointed an agent for service of process in the United States, it may not be possible for you to effect service of process within the United States upon us or these persons or to enforce against us or them judgments in U.S. courts obtained in such courts predicated upon the civil liability provisions of the U.S. federal securities laws. Colombian courts will determine whether to recognize a U.S. judgment predicated on the U.S. securities laws through a proceeding known as *exequatur*. The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of (i) Articles 693 through 695 of the Colombian Civil Procedure Code (*Código de Procedimiento Civil*), and (ii) as of January 1, 2014, and subject to the entry in effect of Law 1564 of 2012 in the terms of article 627, paragraph 6 thereof and as determined by the Council of the Judiciary (*Consejo Superior de la Judicatura*), Articles 605 through 607 of Law 1564 of 2012, which provide that the foreign judgment will be recognized if:

(i) a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments of the same nature between the courts of the relevant jurisdiction and the courts of Colombia;

(ii) the foreign judgment does not relate to "*in rem* rights" vested in assets that were located in Colombia at the time of the commencement of the proceedings;

(iii) the foreign judgment does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

(iv) the foreign judgment is final and not subject to appeal or judicial challenge, in accordance with the laws of the country in which it was obtained;

(v) a duly certified and legalized copy of the judgment (together with an official translation into Spanish if the judgment is issued in a foreign language) has been presented to the Colombian Supreme Court (Article 606 of Law 1564 of 2012 only requires a legalized copy of the foreign judgment);

(vi) the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;

(vii) no proceedings are pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties;

(viii) in the proceeding commenced before the foreign court that issued the judgment, the defendant was served process in accordance with the law of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to defend itself against the action; and

(ix) the *exequatur* requirement has been observed.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court which is the judicial body entitled by law to carry out and decide exequatur proceedings has generally accepted in the past that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court of the same nature of the judgment where enforcement is sought. However, the Colombian legal system is not based on precedents and *exequatur* decisions are made on a case-by-case basis.

Proceedings before Colombian courts are conducted in Spanish. Proceedings for enforcement of a money judgment by attachment or execution against any assets or property located in Colombia is within the exclusive jurisdiction of Colombian courts. All parties affected by the foreign judgment in the *exequatur* proceedings must be summoned in the *exequatur* proceedings in accordance with applicable rules. In the course of such proceedings, both the plaintiff and the defendant are afforded the opportunity to request that evidence be collected in connection with the requirements listed above. In addition, before the judgment is rendered, each party may file final allegations in support of such party's position regarding the above-mentioned requirements. Notwithstanding, the Colombian Code of Civil Procedure and Law 1564 of 2012 do not provide for a re-examination or re-litigating of the merits of the original action during the *exequatur* proceedings.

Assuming that a foreign judgment complies with the standards set forth in the preceding paragraphs, and in the absence of any condition referred to above which would render a foreign judgment not subject to recognition under Colombian law, such foreign judgment would be enforceable in Colombia in an enforcement proceeding under the laws of Colombia, provided that the Colombian Supreme Court has previously granted *exequatur* upon the foreign judgment. Notwithstanding the foregoing, we cannot ensure that Colombian courts would enforce a foreign judgment with respect to the notes based on U.S. securities laws.

We reserve the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against us under United States federal securities laws or any state securities laws. Accordingly, you may not be able to obtain a judgment in a U.S. court against us under such laws unless the U.S. court determines that we are not entitled to sovereign immunity with respect to that action.

In connection with the issuance of the notes, we will designate CT Corporation as our agent upon whom process may be served in connection with any proceeding in the State of New York.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

In this offering memorandum, except as otherwise indicated, currency amounts are expressed in Colombian pesos: "Colombian pesos" and "COP," or in United States dollars: "dollars," "US dollars", and "US$." Also, as used herein, the term "billion" means one thousand million, or 1,000,000,000, and the term "trillion" means one thousand billion, or 1,000,000,000,000.

Presentation of Financial Information

This offering memorandum includes our audited financial statements as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013, together with the notes thereto, and our unaudited interim financial statements as of March 31, 2014 and December 31, 2013 and for the three months ended March 31, 2013 and 2014, together with the notes thereto. The financial statements and other financial data included herein have been prepared in accordance with the regulations of the SFC for financial institutions (Resolution 3600 of 1988 and External Circular 100 of 1995) and, on issues not addressed by these regulations, generally accepted accounting principles in Colombia ("Colombian GAAP," and, together with such regulations, "Colombian Banking GAAP").

Accounting Principles

Colombian Banking GAAP differs in certain respects from accounting principles generally accepted in the United States of America ("U.S. GAAP") and from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Such differences may be material to the financial information contained in this offering memorandum. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of Findeter, the terms of this offering memorandum and the financial information contained herein. Potential investors should consult their own professional advisors for an understanding of the differences between Colombian Banking GAAP with respect to U.S. GAAP and IFRS, and how those differences may affect the financial information contained herein.

On July 13, 2009, the Colombian congress enacted Law 1314 which was signed by the President of Colombia. This law regulates the accounting, reporting and information assurance principles and standards that are generally accepted in Colombia (Colombian GAAP) and requires the gradual convergence of Colombian GAAP to IFRS, as issued by the IASB, for accounting, financial disclosure and internal controls. Law No. 1314 is generally expected to converge current Colombian GAAP with IFRS, as opposed to the direct adoption of IFRS. The Colombian Technical Board of Public Accounting (*Consejo Técnico de la Contaduría Pública*, or "CTCP"), issued guidance on the convergence of Colombian GAAP to IFRS on June 22, 2011, which was amended on December 15, 2011, or the CTCP Guidance Document. The CTCP Guidance Document sets forth, among other matters, the types of Colombian companies required to converge to IFRS and the expected timetable for the convergence of Colombian GAAP to IFRS. In addition, these guidelines provide a description of the procedure by which said principles and standards are to be issued by the oversight authorities. In December 2011, the Ministry of Commerce, Industry and Tourism of Colombia issued Decree No. 4946 of 2011, which included provisions for the voluntary implementation of IFRS. Under this decree, companies that, like us, are not required to converge to IFRS prior to December 31, 2016, are authorized to voluntarily adopt IFRS as from January 1, 2011. We have not yet adopted this reporting regime. According to Law No. 1314, we are required to converge to IFRS as of and for the year ending on December 31, 2016, once Law No. 1314 becomes effective for us in instances where Colombian Banking GAAP is not applicable.

Presentation of Other Information

This offering memorandum contains conversions of certain Colombian peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Colombian peso amounts actually represent such dollar amounts or could, at this, or any, time, be converted into dollars at the rate indicated or at any other rate. The Federal Reserve Bank of New York does not report a rate for Colombian pesos. Unless otherwise indicated, such dollar amounts (i) as of and for the three months period ended March 31, 2014 have been converted from Colombian peso amounts at an exchange rate of COP 1,969.45 per US$1.00, which corresponds to the representative market rate (*tasa representativa del mercado*) at March 31, 2014, as certified by the SFC, and (ii) as of and for the year ended December 31, 2013 have been converted from Colombian peso amounts at an exchange rate of COP 1,926.83 per US$1.00, which corresponds to the representative market rate at December 31, 2013, as certified by the SFC. The conversion of amounts expressed in Colombian pesos as of the specified date at the then-prevailing exchange rate may result in presentation of US dollar amounts that differ from US dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. The representative market rate is computed and certified by the SFC on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions (including us). The SFC also calculates and certifies the average representative market rate for each month for purposes of preparing financial statements, and converting amounts in foreign currency to Colombian pesos. You should not construe these convenience conversions as a representation that the Colombian peso amounts correspond to, or have been or could be converted into, US dollars at the representative market rate or any other rate.

Currently, Colombian Banking GAAP does not require us to adjust our financial statements for inflation, and, therefore, inflation-adjusted financial statements have not been used in this offering memorandum.

Unless otherwise indicated, statistical information relating to our market share, ranking, loan portfolio and other measures, as well as information on Colombian financial institutions and the Colombian financial system general, has been derived from reports and information published by the SFC, the Colombian Central Bank or from other publicly available sources and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, information believed to be reliable has not been independently verified, and we do not make any representation as to the accuracy of such information.

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the numbers that precede them.

Terms Relating to Our Loan Portfolio

As used in this offering memorandum, the following terms relating to our loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

"Performing loans" and "performing loan portfolio" refer to the total principal amount of loans outstanding as of the date presented and does not include accrued interest on such loans.

The term "net performing loans" refers to the performing loan portfolio, net of allowances.

Unless otherwise specified herein, the terms "performing loans" and "performing loan portfolio," as used in this offering memorandum, do not include "non-performing loans," as defined below.

The terms "non-performing loans" ("NPLs") and "non-performing loan portfolio" include past due principal. The term "net non-performing loans" refers to total non-performing loans less allowance for loan losses on these loans.

References in this offering memorandum to "provisions" are to additions to the loan loss allowance or reserves recorded in a particular period and charged to income. References in this offering memorandum to "allowance" are to the aggregate loan loss allowance or reserves shown as of a particular date as a balance sheet item.

The terms "total loans" and "total loan portfolio" include total performing loans plus total non-performing loans, each as defined above. The terms "net total loans" and "net total loan portfolio" refer to net total performing loans plus net non-performing loans, as defined above, less allowances for loan losses.

The loan portfolio information provided in "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio in other Sections of this offering memorandum as described above. See "Selected Statistical Information—Loan Portfolio" and the footnotes to the tables included therein.

Terms Relating to Our Capital Adequacy

In addition, as of the date of this offering memorandum, the following terms relating to our capital adequacy have the meanings set forth below, unless otherwise indicated.

- “Technical Capital” (*patrimonio técnico*) consists of Tier One capital and Tier Two capital, as set forth in the Colombian Capitalization Requirements (as defined below).

- “Tier One Capital” refers to the ordinary basic capital (*patrimonio básico ordinario*) minus deductions and additional basic capital (*patrimonio básico adicional*), as such terms are determined based on the Colombian Capitalization Requirements.

- “Tier Two Capital” refers to the secondary capital (*patrimonio adicional*), as such term is determined based on the Colombian Capitalization Requirements.

- “Solvency Ratio” refers to the ratio of an institution’s Technical Capital to that institution’s total risk-weighted assets, calculated in accordance with the methodology established or adopted from time to time by the SFC pursuant to the Colombian Capitalization Requirements. The following presents the standard formula, as determined by the SFC, for performing the calculation of an institution’s Solvency Ratio:

$$\text{Solvency Ratio} = \frac{(\text{Technical Capital})}{(\text{Risk - weighted assets} + ((100/9) * \text{Value of market risk exposure})}$$

In the foregoing formula, Technical Capital is as described above. Value of market risk exposure is calculated as set forth in Chapter XXI of the SFC’s Basic Accounting Circular 100 of 1995.

- “Colombian Capitalization Requirements” means the capital adequacy requirements for Colombian credit institutions, as set forth in Decree 2555 of 2010, which is based on Basel Committee standards, as such regulations may be amended from time to time or superseded.

On August 23, 2012 the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*, or “MHCP”) issued Decree 1771 of 2012 amending, among others, the capital adequacy requirements set forth in Decree 2555. The new capital adequacy rules became effective with respect to us on January 1, 2014. See “Supervision and Regulation—Capital Adequacy Requirements.”

SUMMARY

This summary highlights information contained elsewhere in this offering memorandum. It does not contain all of the information that an investor should consider before making a decision to invest in the notes. For further information on our business and this offering, this summary must be read together with the detailed information included in the other sections of this offering memorandum, in particular the information included in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" and the financial statements included in this offering memorandum.

Overview

We are a state-owned development bank established in 1989 by the government of Colombia to play a key role in the Colombian government's programs to improve economic and social conditions and develop sustainable public services infrastructure throughout Colombia's municipalities and departments. We aim to maintain our position as the leading development bank for sustainable regional infrastructure development in Colombia while leveraging our financial and technical advisory capabilities to attend to the country's infrastructure deficit. We are organized as a national mixed economy company and our assets and liabilities are separate from the assets and liabilities of our controlling shareholder (the Colombian government), which does not explicitly guarantee our obligations, including the notes.

In recent years, fostering urban and housing development has become one of the fundamental goals of the Colombian government and we play a central role in the country's development strategy as one of its leading development banks. In addition to our cooperation with the government, we work closely with multi-lateral and non-profit organizations, such as the Inter-American Development Bank ("IDB"), who are among our most important funding sources, and who provide us with invaluable resources of know-how and experience as well as opportunities to partner with them on a number of projects across the country.

As a development bank, we provide funding to intermediary financial institutions, which include Colombian commercial banks and micro-financing institutions, who themselves directly provide funding to the final borrowers developing infrastructure projects which we elect to finance. The intermediary financial institutions that receive funding from us approve, place and service the underlying loans, using their own credit criteria and assume 100% of the credit risk. However, in determining whether to extend funding to any intermediary financial institution, we also examine the feasibility of the underlying project to ensure it is consistent with our criteria for social and economic development and the creation of sustainable public services infrastructure throughout the country.

Our lending activities are funded primarily through the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations, and issuances of certificates of deposit and asset-backed securities in the local capital markets. Excluding the reinvestment of our income and subsidies from the government, certificates of deposit represent 94% of our funding sources for the year ended December 31, 2013, with loans from multilateral organizations representing the remaining 6%. In the future, we also expect to access the international capital markets, as we are doing so with the notes offered hereby.

As of March 31, 2014, we were the largest development bank in Colombia, in terms of total loans. As part of our development mandate, we also play an active role in the development of public services infrastructure and sustainability projects by providing non-financial services consisting of technical assistance and project management and execution services with respect to such projects.

For the three months ended March 31, 2014 and 2013 and the year ended December 31, 2013, our net income was COP 8,329 million (US$4.23 million), COP 8,298 million (US$4.53 million) and COP 31,421 million (US$16.31 million), respectively. As of March 31, 2014, our shareholders' equity was COP 933,739 million (US$474.11 million). Additionally, the balance of our loan portfolio totaled COP 6,471,604 billion (US$3,286.00 million) as of March 31, 2014 and COP 6,103,117 billion (US$3,167.44 million) as of December 31, 2013.

Relationship with the Colombian government

We were created by the Colombian government on November 20, 1989 pursuant to Law No. 57 of 1989, as modified in 2011 by Decree No. 4167. We are currently a wholly-owned entity of the Colombian government, with the MHCP holding 92.55% of our common shares and 29 Colombian departments and

INFINORTE (a financial institution for the development of the Colombian department of North Santander) holding the remaining 7.45%. In addition, the MHCP and the Ministry of Housing both have senior officials who sit on our Board of Directors, and the National Planning Department has a senior official that acts as one of our alternate directors. These board appointments are required by law, thereby ensuring the alignment of our strategy with the Colombian government's development objectives, as well as providing valuable support and expertise in all areas related to infrastructure development in Colombia.

We are regulated by the MHCP and the SFC, among others. The MHCP provides general guidance to align our activities with the macroeconomic and development policies of the Colombian government. We are part of Colombia's national financial system, which is composed of a number of private and public sector banks, financial institutions, development organizations and state entities. The Colombian government seeks to align the mission and activities of these institutions to promote economic growth and social development.

The Colombian government has indicated that one of its main objectives is to close the gap in Colombia's infrastructure investment needs, which is estimated to be more than US$53.2 billion through 2021. This includes investments of nearly US$30 billion in roads and more than US$11 billion in railroads, according to the World Economic Forum 2013-2014 Global Competitiveness Report. We are the primary agent through which the Colombian government intends to accomplish this goal on a regional level, not only by channeling government funds to specific infrastructure projects (through intermediary financial institutions) but also through our research and analysis of projects as well as the technical assistance we provide with respect to various ongoing projects throughout Colombia's 32 departments. In the future, we expect to continue to be one of the main vehicles of the Colombian government in infrastructure development.

Primary Lines of Business

We divide our products and services into two primary lines of business: intermediation financing and non-financial services.

Intermediation Financing

As part of our intermediation financing line of business, we place loans through intermediary financial institutions, such as commercial banks and micro-financing institutions operating in Colombia, almost all of which are regulated by the SFC, that in turn originate loans to infrastructure projects in Colombia's 32 departments and the capital district of Bogotá in sectors such as transportation, potable water and sanitation, education, energy, healthcare and the environment. The intermediary financial institutions serve as our agents, enabling us to increase the size of our loan portfolio without the operating costs of administering loan portfolios. In our business and operating model, we have credit limits for each of our intermediary financial institutions.

Each intermediary financial institution approves, places and services the infrastructure loans, using its own credit criteria and seeking financing for these loans through rediscount loans from us at lower interest rates than those being offered on the underlying infrastructure loans. Additionally, our intermediary financial institutions take on 100% of the credit risk associated with the underlying infrastructure loans. Our risk exposure is thereby limited to the risk of default by the intermediary financial institutions on the rediscount loans we provide to them. Only in the case of any such default would, if we so chose, the underlying loans of such defaulting intermediary financial institution become part of our direct loan portfolio, whereby we would commence a formal creditor-borrower relationship with the final borrower and directly seek to collect interest and principal on the underlying loan, while maintaining our recourse against the intermediary financial institutions that originated the underlying loan.

For each of the three months ended March 31, 2014 and 2013, our revenues from intermediation financing totaled COP 100,977 million and COP 105,661 million, respectively, representing 68.24% and 77.42% of our total revenues for those three month periods, respectively. For each of the years ended December 31, 2013 and 2012, our revenues from intermediation financing business totaled COP 398,154 million and COP 445,586 million, respectively, representing 73% and 78% of our total revenues for those years, respectively.

Non-financial Services

As part of our non-financial services, we provide technical assistance and project management and execution services to various entities who are actively developing the country's infrastructure and sustainability projects. These services aim to provide continuing support to public and private sector entities in their development of infrastructure projects from the early project planning stages to financing, commencement and execution. The goals of this line of business are to increase the likelihood of success of the project and to promote a modern and advanced business culture in Colombia.

Some of the projects for which we are providing services as part of this line of business include:

- *100,000 Viviendas Gratis (*100,000 Free Housing Units Program*)*, a government program that aims to combat extreme poverty in Colombia by sponsoring the construction of free housing for certain qualified persons.

- *Agua para la Prosperidad (*Water for Prosperity*)*, a government program aimed at improving potable water services and developing sanitation projects in Colombia.

- *Ciudades Sostenibles y Competitivas (Sustainable and Competitive Cities)*, a program we are developing with the IDB to provide long-term planning services to selected strategic cities in Colombia in order to increase the quality of lives of their inhabitants and competitiveness.

- *Ciudades Emblematicas de Colombia* (Model Cities of Colombia), a program that seeks to combat social inequality in certain selected smaller cities in Colombia by focusing on long-term planning and development.

- *Diamante Caribe y Santanderes (*Caribbean and Santanderes Diamond*)*, a program we are developing with the Microsoft Corporation and the Metropoli Foundation in which we have identified a regional urban "population diamond" in the north of Colombia in order to execute a holistic regional strategy for achieving sustainability and competitiveness by taking advantage of synergies between the various urban systems, medium-sized cities, rural environments, and natural resources.

Our revenues from this line of business derive from fees charged in relation to our technical assistance and project management and execution services. For the three months ended March 31, 2014 and 2013, our revenues from non-financial services totaled COP 8,152 million and COP 4,715 million, respectively, which represented 6% and 3% of our total revenues for those three month periods, respectively. For the year ended December 31, 2013 and 2012, our revenues from non-financial services totaled COP 31,530 million and COP 8,990 million, respectively, representing 5.77% and 1.57% of our total revenues for those years, respectively.

Our Strengths

Strong relationship with Colombian government provides remarkable business support. As Colombia's largest state-owned development bank, in terms of total loans, we are tasked with supporting Colombia's regional infrastructure and development projects and promoting the availability of financing throughout Colombia's municipalities and departments. Our business benefits from our close cooperation with the Colombian government, which derives from our central role in the country's infrastructure development strategy. Our board of directors includes representatives of the MHCP, the Ministry of Housing and the National Planning Department, the latter as an alternate director, in order to ensure the stability of our relationship with the government, that our operations are in line with the country's development agenda and effective corporate governance.

Unique role in the social and infrastructure development of Colombia. We are a key player in Colombia's development agenda, particularly through the promotion and support of sustainable regional development projects. The government believes these projects are especially important to carry out the aim of improving the quality of life and ensuring the well-being of the country and its population in the long-term. We support these projects in various ways, primarily by providing long-term financing and otherwise encouraging the financial industry to support these key development projects. Within the range of development projects, we are particularly focused on those related to improving the country's transportation, potable water and basic sanitation, energy, health, housing and education systems. For example, in connection with one of the central government's leading programs, *100,000 Viviendas Gratis* (100,000 Free Housing Units Program), we are playing a strategic role by offering technical assistance in the construction of over 100,000 new free houses, which are being built over the course of two years. As of March 31, 2014, we supported more than 1,876 projects in Colombia with a total investment of COP 8.88 billion in 29 out of the country's 32 departments.

Excellent asset quality with low counterparty risk. Our customer base is primarily composed of Colombia's leading and highly-rated financial institutions, and as a result we have attractive credit-risk profile and asset quality measures. Our customers' lending activities cover a wide range of economic sectors and regions, diversifying their risks and consequently ours. We believe that this level of lending diversification allows us to enjoy a ratio of non-performing loans of 0.01% as of March 31, 2014 while maintaining a coverage ratio of over 13,806.97% during that period. The structure of our lending also gives us the ability to step into the role of the intermediary financial institution if it is in default with respect to the loans we have provided to it. This allows us to assume collection efforts directly against the final borrowers and their collateral, while maintaining our recourse against the intermediary financial institution that granted the underlying loan. We have these options regardless of any liquidation procedures that may otherwise limit a creditor's ability to collect from the assets of such intermediary financial institution.

Stable and diversified sources of favorable financing and unique support from multilateral organizations. The strategic support we receive from the Colombian government, and our unique position within the country's financial sector, affords us access to diverse sources of funding, primarily the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations, and issuances of certificates of deposit and asset backed securities in the local capital markets. On November 19, 2013, the SFC approved local bond issuances by us in an aggregate amount up to COP 400 million during a one-year period beginning on such date. We have not yet issued any bonds under this authorization as of the date of this offering memorandum. In the future, we also expect to access the international capital markets, as we are doing so with the notes offered hereby. In addition, we are continually strengthening our relationships with other multilateral organizations to further diversify our funding base. In addition to the financial relationships with these organizations, we also benefit from the extensive diligence they conduct on our projects, which supports our audit, as well as the exchange of know-how and other technical assistance to continue improving our operations. We are able to leverage this knowledge to the benefit of our customers by, in turn, providing them advice and other knowledge-based support.

Experienced management and dedicated employees delivering unprecedented growth. The high quality of our professionals and their commitment to our performance are key factors for implementing our strategies as demonstrated by the unprecedented growth we have experienced over the last four years with total assets (consisting mainly of our loan portfolio) growing at least 52.1%, from COP 4.8 billion to COP 7.3 billion from December 2010 to March 31, 2014. Specifically, we seek to retain professionals who are both highly experienced and qualified and who are committed to our goals and values, and offer continuous training opportunities focused on professional development. Our key executive officers, who are elected by our board of directors, have significant public and private sector experience, providing us with a long-term vision and strategy, without being subject to changes in the Colombian government.

Our Strategies

Continue diversifying our revenue base and complementing our product offerings. In our intermediation financing line of business, our on-lending through intermediary financial institutions has proved successful at creating diversification in our loan portfolio, both in terms of lending to a diversified mix of economic sectors as well as geographic diversification. See "Business—Intermediation Financing." In addition, we have slowly increased our interaction with various Colombian private entities involved in infrastructure development. Currently, we are working in collaboration with the Ministries of Transportation, Housing, Education and Telecommunication, in addition to our continuous work and collaboration with the MHCP. We will continue to seek this level of diversification in the future.

In addition, we have increasingly been generating revenues through our non-financial line of business where we provide technical support and project management and execution services to various infrastructure projects in Colombia. In the three months ended March 31, 2014, 6% of our revenues were derived from fees and commissions relating to this line of business. We believe that our experience and relationship with multilateral organizations offers us a competitive advantage in infrastructure project structuring. We plan to capitalize on this competitive advantage in order to grow our secondary line of business in the near future.

Take advantage of the strong project pipeline to attend to Colombia's infrastructure deficit and national development plan. The Colombian government has indicated that one of its main objectives is to close the gap in Colombia's infrastructure investment needs, which is estimated to be more than US$53.2 billion through 2021. This includes investments of nearly US$30 billion in roads and more than US$11 billion in railroads, according to the World Economic Forum 2013-2014 Global Competitiveness Report. In light of this deficit and the goals of the national development plan, we will continue to seek to promote and develop financing arrangements that facilitate investment primarily in regional infrastructure projects across Colombia. In particular, we believe our longer-term funding from multilateral organizations and the international capital markets will continue to provide us with a competitive advantage as it allows us to provide long-term financing to intermediary financial institutions to finance long-term projects, which inherently carries a greater risk profile and which the private financial sector is often reluctant to provide without our support. We believe that, in being able to provide longer term funding to the market, we will continue to play a critical part in supporting investment in infrastructure development.

In line with these objectives, we intend to continue working to help the Colombian government and private sector provide the needed resources required to support investments in regional infrastructure projects. We also intend to continue to develop new financial products and services to channel more resources through Colombia's leading financial institutions.

Strengthen our ability to generate our own project pipeline by identifying high impact projects. We are in the process of developing an in-house department to identify high impact projects while they are still in their early stages. Given our industry-leading position, lending capacities and the structuring expertise we can offer our customers, we believe we will increasingly be able to generate our own project pipeline by identifying and sponsoring the country's important infrastructure and sustainability projects from the earliest stage. The goal of this effort is to continually supplement our existing pipeline of projects with new, important, and well-structured infrastructure projects, which, we believe will enable us to access a more steady supply of funding opportunities that meet our lending criteria.

Recent Developments

On May 26, 2014, we made a rights offering with respect to the subscription of 306,981 new common shares to our existing shareholders which was fully subscribed and increased our common shares outstanding to 8,222,854. The following table sets out the principal shareholders of our common shares as of March 31, 2014 and after giving effect to this rights offering:

	Ownership of Common Shares			
	As of March 31, 2014		**After rights offering**	
	Shares	**%**	**Shares**	**%**
MHCP [(1)]	7,325,966	92.55%	7,610,057	92.55%
Departments [(2)]	589,907	7.45%	612,797	7.45%
Total	**7,915,873**	**100.0%**	**8,222,854**	**100.0%**

(1) Ministerio de Hacienda y Crédito Público, or MHCP, refers to the Colombian Ministry of Finance.
(2) Currently composed of 29 Colombian departments and INFINORTE (a financial institution for the development of the Colombian department of North Santander). Departments refer to the individual states located in Colombia.

Our solvency ratio following this rights offering rose from 12.87% as of March 31, 2014 to 13.99%.

Our Information

Our principal executive offices are located at Calle 103 No. 19-20, Bogotá, Colombia. Our telephone number is +57 1 623 0311. Our website is www.findeter.gov.co. The information included on our website or which may be accessed through our website is not part of this offering memorandum and is not included herein by reference or otherwise.

THE OFFERING

This summary of certain terms and conditions of the notes is subject to, and qualified in its entirety by, reference to the "Description of the Notes" section of this Offering Memorandum. Terms not otherwise defined herein are used herein as defined in the "Description of the Notes."

Issuer	Financiera del Desarrollo Territorial S.A.
Notes Offered	COP 946,175 million aggregate principal amount of 7.875% notes due 2024 (the "notes")
Issue Date	August 12, 2014
Issue Price	98.329% plus accrued and unpaid interest, if any, from the Issue Date. Investors will make the payment of the public offering price in US dollars based on an exchange rate for the conversion of Colombian pesos into US Dollars of COP 1,892.35 per U.S. $1.00, which is the representative market rate (*tasa representativa del mercado*) published by the SFC on August 6, 2014.
Maturity Date	August 12, 2024
Interest Rate	7.875% per annum
Interest Payments	Interest on the notes is payable annually in arrears on August 12 of each year, commencing on August 12, 2015. Interest on the notes will accrue from the Issue Date.
Conversion of Payment Amounts	We will pay all amounts in respect of the principal of and interest on the notes and any additional amounts in US dollars, as calculated by the Calculation Agent by converting the Colombian pesos amounts due into US Dollars at the Average Representative Market Rate on the applicable Rate Calculation Date. See "Description of the Notes—General."
Form, Denomination and Title	The notes will be issued in book-entry form, in denominations of COP 5,000,000 and integral multiples of COP 1,000,000 in excess thereof. Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more Global Notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more Global Notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such notes will therefore settle in immediately available funds. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the Global Notes. See "Form of the Notes—Global Notes." Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Ranking of the Notes........................ The notes will at all times constitute our senior and unsecured obligations and will rank pari passu, without any preferences among themselves, with all of our other present and future senior and unsecured obligations constituting External Indebtedness (other than (i) obligations preferred by statute or by operation of law and (ii) External Indebtedness guaranteed by the Republic of Colombia).

Optional Redemption....................... *Par Redemption.* At any time or from time to time on or after May 12, 2024 (three months prior to the maturity date of the notes), the notes will be redeemable at our option in whole or in part, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the notes plus accrued and unpaid interest to, but excluding, the redemption date.

Tax Redemption. The notes may be redeemed at our election, in whole but not in part on any date, at a price equal to 100% of the outstanding principal amount thereof, together with any additional amounts and accrued and unpaid interest to the redemption date, as a result of: (a) any change in, or amendment to, laws or treaties (or any regulation or rulings promulgated thereunder) of Colombia or any political subdivision or taxing authority thereof or therein; or (b) any change in the official application, administration or interpretation of such laws, treaties, regulations or rulings in such jurisdictions, we are or will become obligated to pay any Additional Amounts on the notes, if such change or amendment is announced and becomes effective on or after the issuance of the notes and we determine in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to us. See "Description of the Notes—Optional Redemption—Tax redemption."

Change of Control Repurchase Event.. Within 30 days of the occurrence of certain events constituting a change of control repurchase event, we must offer to repurchase all of the outstanding notes at a purchase price of 101% of the principal amount of such notes, plus accrued and unpaid interest and additional amounts, if any, to (but excluding) the date of purchase.

Additional Amounts......................... All payments in respect of the notes will be made without any withholding or deduction for any taxes of Colombia or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, we will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts."

Certain Covenants............................ The indenture will contain covenants that, among other things:

- require us to furnish certain periodic financial information; and
- limit our ability to consolidate or merge with, or convey, transfer or lease all or substantially all of our assets, to another person, unless we comply with certain requirements;

however, such covenants are subject to a number of important exceptions. See "Description of the Notes—Covenants."

Transfer Restrictions	The notes have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction, may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and are subject to certain restrictions on transfer and resale. We have not agreed to, or otherwise undertaken to, register the notes (including by way of an exchange offer). See "Transfer Restrictions."
Use of Proceeds	We intend to use the net proceeds from this offering for general corporate purposes.
Further Issues	We may, from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first payment date) as, and forming a single series with, the notes initially issued in this offering; provided that, if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have separate CUSIP and ISIN numbers.
Listing	Application will be made for the notes to be listed on Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market. There can be no assurance that any such application will be successful or that any such listing will be granted or maintained.
ISIN and CUSIP	ISIN: Regulation S: USP40420AA25 Rule 144A: US31772MAA09 CUSIP: Regulation S: P40420 AA2 Rule 144A: 31772M AA0
Governing Law of the Notes and the Indenture	The State of New York, except that the laws of Colombia will govern all matters relating to authorization by us of both the notes and the indenture.
Trustee, Registrar, Transfer Agent, Calculation Agent and Paying Agent	The Bank of New York Mellon
Luxembourg Transfer Agent, Paying Agent and Listing Agent	The Bank of New York Mellon (Luxembourg) S.A.
Risk Factors	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" in this offering memorandum for a description of the principal risks involved in making an investment in the notes.

SUMMARY FINANCIAL INFORMATION

The following tables set forth certain of our financial information, and should be read in conjunction with our financial statements, including the notes thereto, prepared in accordance with Colombian Banking GAAP, which are included in this offering memorandum, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The statements of income and statements of cash flows for the years ended December 31, 2013, 2012, and 2011 and the balance sheet data as of December 31, 2013 and 2012 are derived from our audited financial statements and related notes, which are included in this offering memorandum.

The statements of income and statements of cash flows for the three months ended March 31, 2014 and 2013 and the balance sheet data as of March 31, 2014 are derived from our unaudited interim financial statements and related notes included in this offering memorandum. Our unaudited interim financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
STATEMENTS OF INCOME	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)		(US$ in millions)[2]	(COP in millions, except for percentages and ratios)		
Interest income							
Interest on loan accounts receivable	51.27	100,977	105,661	206.64	398,154	445,586	336,278
Interest on debt securities	0.13	262	-	1.13	2,179	1,037	4,202
Interest on inter-bank loans, bank accounts and other instruments	2.89	5,695	7,780	9.71	18,719	29,541	14,544
Total interest income	**54.30**	**106,934**	**113,441**	**217.48**	**419,052**	**476,164**	**355,024**
Interest and similar expenses							
Certificates of deposit	(36.71)	(72,294)	(78,276)	(142.82)	(286,744)	(330,349)	(229,421)
Financial liabilities with banks and financial entities	(1.11)	(2,193)	(2,036)	4.37	(8,411)	(4,998)	(5,665)
Total interest and similar expenses	**(37.82)**	**(74,487)**	**(80,312)**	**(153.18)**	**(295,155)**	**(335,347)**	**(235,086)**
Net interest income	**16.48**	**32,447**	**33,129**	**64.30**	**123,897**	**140,817**	**119,938**
Provisions							
Provisions for loans and accounts receivable	(1.93)	(3,792)	(3,076)	(2.73)	(5,257)	(3,627)	(13,212)
Other provisions	(0.36)	(715)	(455)	(1.36	(2,627)	(8,483)	(1,050)
Total provision	**(2.29)**	**(4,507)**	**(3,531)**	**(4.09)**	**(7,884)**	**(12,110)**	**(14,262)**
Interest income net of provisions	**14.19**	**27,940**	**29,598**	**60.21**	**116,013**	**128,707**	**105,676**
Income from commissions and fees	4.14	8,152	4,715	16.36	31,530	8,990	5,837
Expenses from commissions and fees	(0.54)	(1,055)	(1,096)	(5.60)	(10,786)	(9,329)	(5,420)
Net income from commissions and fees	**3.60**	**7,097**	**3,619**	**10.77**	**20,744**	**(339)**	**417**
Other income (loss)							
Net income (loss) on equity securities investments	1.00	1,963	(126)	6.02	11,600	1,306	2,407
Net income (loss) on derivatives valuation	0.46	901	(624)	0.86	1,655	(19,353)	(3,314)
Net income (loss) on exchange difference	(0.75)	(1,481)	(3,751)	4.42	(8,519)	20,095	(1,515)
Other	(0.43)	(838)	442	0.73	1,402	3,608	1,342
Total other income (loss)	**0.28**	**545**	**(4,059)**	**3.19**	**6,138**	**5,656**	**(1,080)**
Other expenditures							
Personnel expenses	(4.06)	(8,004)	(6,709)	(14.53)	(28,003)	(25,071)	(19,227)
Overhead expenses	(7.46)	(14,689)	(11,328)	(26.42)	(50,914)	(45,781)	(36,168)
Other, net	0.38	755	1,550	(2.26)	(4,358)	(493)	4,732

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)		(US$ in millions)[2]	(COP in millions, except for percentages and ratios)		
Total other expenditures	**(11.14)**	**(21,938)**	**(16,487)**	**(43.22)**	**(83,275)**	**(71,345)**	**(50,663)**
Income before income tax provision	**6.93**	**13,644**	**12,671**	**30.94**	**59,620**	**62,679**	**54,350**
Income tax expense	(2.70)	(5,315)	(4,373)	(14.63)	(28,199)	(31,540)	(26,162)
Net income	**4.23**	**8,329**	**8,298**	**16.31**	**31,421**	**31,138**	**28,188**

	As of March 31, (unaudited)		As of December 31,		
	2014	2014	2013	2013	2012
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)	(US$ in millions)[2]	(COP in millions, except for percentages and ratios)	
BALANCE SHEET DATA					
Assets					
Cash and deposits due from banks	225.50	444,110	185.75	357,900	592,766
Inter-bank borrowing	67.40	132,750	24.03	46,300	22,900
Investments					
Debt securities					
Negotiable	11.78	23,194	3.12	6,012	-
Equity securities					
Negotiable	22.69	44,685	20.17	38,871	19,377
Available for sale	12.69	25,000	12.97	25,000	25,000
Total equity securities	35.38	69,685	33.15	63,871	44,377
Total investments	47.16	92,879	36.27	69,883	44,377
Loan accounts receivable					
Commercial	3,265.95	6,432,120	3,148.48	6,066,593	5,624,998
Consumer	1.57	3,084	1.68	3,233	2,868
Mortgage	18.48	36,400	17.28	33,291	25,211
Total loan accounts receivable	3,286.00	6,471,604	3,167.44	6,103,117	5,653,077
Provisions for loan accounts receivable	(34.96)	(68,855)	(33.38)	(65,279)	(60,512)
Total net loan accounts receivable	3,251.03	6,402,749	3,133.56	6,037,838	5,592,565
Accounts receivable, net	33.23	65,441	25.96	50,016	39,062
Derivative instruments	0.55	1,088	0.59	1,134	-
Goods received as payments	0.04	77	0.02	46	-
Property, plant and equipment, net	2.21	4,359	2.39	4,599	4,808
Property given in trust	62.79	123,652	63.52	122,394	117,104
Assets reappraisal	18.89	37,207	18.96	36,528	19,690
Other assets	15.90	31,316	16.88	32,517	15,380
Total assets	**3,724.71**	**7,335,628**	**3,507.91**	**6,759,155**	**6,448,652**
Memorandum accounts					
Debit	6,938.31	13,664,657	7,087.26	13,655,937	11,150,182
Trust	7.28	14,341	3.43	6,617	4,223
Credit offsetting accounts	8,069.88	15,893,219	7,905.11	15,231,808	14,239,329
Total memorandum accounts	**15,015.47**	**29,572,217**	**14,995.80**	**28,894,362**	**25,393,734**
Liabilities and Shareholders' Equity					
Liabilities					
Deposits					
Certificates of deposit	2,913.84	5,738,654	2,697.28	5,197,192	5,021,051
Derivative instruments	0.67	1,313	0.34	659	3,924
Long-term financial liabilities					
Due to banks and other financial entities	266.50	524,849	255.98	493,226	375,363
Outstanding investment securities	0.01	12	0.01	22	20
Accounts payable	21.17	41,695	19.61	37,793	47,873
Estimated liabilities and provisions	17.03	33,533	19.18	36,955	46,582
Other liabilities	31.40	61,833	35.77	68,921	80,744
Total liabilities	**3,250.60**	**6,401,889**	**3,028.17**	**5,834,768**	**5,575,557**
Shareholders' Equity					
Subscribed and paid-in capital	401.93	791,587	410.82	791,587	762,333
Surplus from donations	-	-	-	-	641

	As of March 31, (unaudited)		As of December 31,		
	2014	2014	2013	2013	2012
	(US$ in millions)[(1)]	(COP in millions, except for percentages and ratios)	(US$ in millions)[(2)]	(COP in millions, except for percentages and ratios)	
Appropriated retained earnings	32.26	63,541	32.98	63,541	61,016
Unrealized gain (loss) from transactions with hedge derivatives	0.84	1,655	0.68	1,311	(1,723)
Income for the year	4.23	8,329	16.31	31,420	31,138
Income for the past year	15.95	31,420	-	-	-
Surplus from reappraisal	18.89	37,207	18.96	36,528	19,690
Total Shareholders' Equity	**474.11**	**933,739**	**479.74**	**924,387**	**873,095**
Total Liabilities and Shareholders' Equity	**3,724.71**	**7,335,628**	**3,507.91**	**6,759,155**	**6,448,652**
Memorandum Accounts					
Credit	8,069.88	15,893,219	7,905.11	15,231,808	14,239,329
Trust	7.28	14,341	3.43	6,617	4,223
Debit offsetting accounts	6,938.31	13,664,657	7,087.26	13,655,937	11,150,182
Total memorandum accounts	**15,015.47**	**29,572,217**	**14,995.80**	**28,894,362**	**25,393,734**

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US$ in millions)[(1)]	(COP in millions, except for percentages and ratios)		(US$ in millions)[(2)]	(COP in millions, except for percentages and ratios)		
SELECTED RATIOS[(3)]							
Capitalization ratios:							
Tier One Capital to risk weighted assets including regulatory value at risk	-	11.92%	13.70%	-	13.33%	13.06%	13.69%
Tier Two Capital to risk weighted assets including regulatory value at risk	-	0.95%	1.21%	-	1.33%	1.11%	1.22%
Solvency ratio	-	12.87%	14.91%	-	14.66%	14.17%	14.91%
Profitability ratios:							
Net interest margin[(4)]	-	0.45	0.46	-	1.76	2.00	2.22
Return on average total assets[(5)]	-	0.12	0.13	-	0.48	0.50	0.53
Return on average shareholders' equity[(6)]	-	0.92	0.96	-	3.52	3.64	3.44
Efficiency ratio:							
Operating expenses as a percentage of interest, fees, services and other operating income	-	66.64	59.32	-	59.27	57.92	42.60
Credit quality data:							
Non-performing loans as a percentage of total loans	-	0.01	0.01	-	0.02	0.01	0.01
"C," "D" and "E" loans as a percentage of total loans [(7)]	-	0.07	0.07	-	0.07	0.07	0.07
Allowance for loan and accrued interest losses as a percentage of non-performing loans	-	11,439.19	5,316.23	-	6,657.64	10,060.00	19,599.13
Allowance for loan and accrued interest losses as a percentage of "C," "D" and "E" loans	-	1,582.89	1,519.54	-	1,519.81	1.492.37	1,446.26
Allowance for loan and accrued interest losses as a percentage of total loans	-	1.06	1.07	-	1.07	1.07	1.08
OPERATING DATA							
Number of employees	N/A	220	214	N/A	214	208	184

(1) Amounts stated in US dollars as of and for the three months ended March 31, 2014 have been translated from Colombian pesos at the exchange rate of COP 1,969.45=US$1.00. See "Presentation of Financial Information—Exchange Rate Information."

(2) Amounts stated in US dollars as of and for the year ended December 31, 2013 have been translated from Colombian pesos at the exchange rate of COP 1,926.83=US$1.00. See “Presentation of Financial Information—Exchange Rate Information.”
(3) Ratios were calculated on a monthly average basis.
(4) Net interest divided by average interest-earning assets.
(5) Net income divided by average total assets.
(6) Net income divided by average shareholders’ equity.
(7) “C” loans are loans classified as “deficient”; “D” loans are loans classified as “doubtful recovery”; “E” loans are loans classified as “unrecoverable” as reported to the SFC.

RISK FACTORS

Investing in the notes involves a high degree of risk. Before making any decision to invest, you should carefully evaluate the risks described below, together with all of the other information included in this offering memorandum. If any of the following risks should occur, our business, financial condition and results of operations could be adversely affected. As a result, the trading price of the notes could fall and investors could lose all or part of their investment in the notes. Other risks that we are currently unaware of or that we currently consider immaterial could possibly have a negative effect on us and the trading price of the notes.

Risk Factors Relating to Colombia

Changes in economic and political conditions and governmental policies in Colombia may adversely affect our financial condition and results of operations.

All of our operations, assets and customers are located in Colombia and we are the Colombian government's agent for regional infrastructure development in Colombia. As a result, our financial condition, results of operations and asset quality are dependent on the macroeconomic, social and political conditions prevailing in Colombia, including devaluation of the local currency, currency exchange controls, inflation, economic downturns, political instability, social unrest and terrorism. Decreases in the GDP growth rate, periods of negative GDP growth, increases in inflation, changes in policy, or future judicial interpretations of policies involving exchange controls and other matters such as (but not limited to) currency depreciation, inflation, interest rates, taxation, banking laws and regulations and other political or economic developments in or affecting Colombia may affect the overall business environment and impact our financial condition and results of operations. Colombia's fiscal deficit and growing public debt could adversely affect the Colombian economy. The Colombian fiscal deficit was 2.0% of GDP in 2011; a surplus of 0.3% of GDP in 2012 and a deficit of 0.9% of GDP in 2013. Despite the growth of Colombia's economy over the past several years, we cannot assure you as to whether current growth and relative stability will be sustained. If the condition of the Colombian economy were to deteriorate, our financial condition and results of operations would likely be adversely affected.

In addition, given our role as the Colombian government's agent for regional infrastructure development in Colombia, governmental policy has a direct impact on our business. For example, the Colombian Central Bank could sharply raise or lower interest rates, which could negatively affect our net interest income and asset quality and also restrict our growth. Furthermore, the president of Colombia and governmental actors such as the MHCP and the Ministry of Housing, both of whom have senior officials who sit on our board of directors (our "Board of Directors"), and the National Planning Department, which has a senior official that acts as one of our alternate directors, have considerable power in determining governmental policies and actions relating to the economy and infrastructure development. Our business and results of operations or financial condition may be adversely affected by changes in any such governmental policies or infrastructure development plans. We cannot predict what policies will be adopted by the Colombian government and whether those policies would have a negative impact on the Colombian economy or our financial condition and results of operations.

The stability of the Colombian financial system depends on public confidence in Colombian banking and credit institutions.

Credit institutions, such as us, depend on public confidence in the Colombian financial system. The occurrence of events affecting Colombia's economic, political or social conditions or in case a credit institution faces, or are perceived to face, liquidity problems, customers may withdraw deposits and savings from the troubled bank or from banks generally, thereby precipitating a liquidity crisis, as occurred in Colombia in 1998.

If depositors withdraw significant holdings from banks generally, including from our customers, there will be a substantial adverse impact on the manner in which credit institutions conduct their business, on their ability to operate and on their financial condition, which would adversely affect their ability to pay our financing to them through rediscounting credit operations. Moreover, if the number of intermediary financial institutions were to begin defaulting on our rediscount credit loans, our on-rediscounting programs would be adversely affected, and we would not be able to achieve our regional infrastructure development financing programs, which are at the core of our business. In addition, we may be forced to assume substantial loan portfolios with distressed assets, thereby adversely affecting our results of operations.

Exchange rate volatility may adversely affect the Colombian economy and our ability to make interest and principal payments on the notes.

Pursuant to Colombian law, the Colombian Central Bank maintains the power to intervene in the exchange market in order to consolidate or dispose of international reserves, as well as to control any volatility in the exchange rate, acting through a variety of mechanisms, including discretionary ones. During recent years, the Colombian Central Bank has employed a floating exchange rate system with periodic interventions. From time to time, there have been significant fluctuations in the exchange rate between the Colombian peso and the US dollar. For example, the Colombian peso depreciated 1.48% against the US dollar in 2011, appreciated 9.87% against the US dollar in 2012, depreciated 8.23% against the US dollar in 2013, and depreciated 1.96% against the US dollar in the three months ended March 31, 2014. Unforeseen events in international markets, fluctuations in interest rates, changes in capital flows, political developments or inflation rates may cause exchange rate instability that could, in turn, depress the value of the Colombian peso against the US dollar, which could adversely affect our ability to make principal or interest payments on the notes, as these obligations are denominated in US dollars, while our operations are primarily conducted in Colombian pesos. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the US dollar, sharp movements in exchange rates may negatively impact our results. We cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our financial condition and results of operations.

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on financial transactions and taxes to fund Colombia's war against terrorism. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation, associated costs and penalties.

In addition, we are subject to an equity tax enacted in December of 2009 by Law 1370. This tax is imposed on the taxable net worth of the taxpayer (determined on January 1 of 2011), being net worth determined by subtracting from the gross assets possessed by the taxpayer on the last day of the year or tax period, the amount of debts in charge thereof, in force on that date.

Given that our taxable net worth exceeded COP 5,000 million, the rate applicable to us was 4.8% of our taxable net worth. The accrued tax is to be paid in eight equal semiannual installments during years 2011 through 2014, to this date there is one installment left to be paid on September of 2014.

Additionally, the Colombian government created, through Decree 4825 of 2010, a surcharge to the equity tax equal to 25% of the applicable equity tax rate, meaning that the effective equity tax rate applicable to us is 6%. Changes in this equity tax could have a material adverse effect on our financial condition and results of operations.

The Colombian economy remains vulnerable to external shocks.

The Colombian economy is vulnerable to external shocks, including prices for exports, trade with foreign nations and broader worldwide economic trends. Exports in the Colombian economy have recently become more dependent upon raw materials, particularly oil and coal, which has exposed the local economy to fluctuations in the prices for these commodities. Despite official projections of Colombia's ability to increase oil production over the next few years, which may provide a buffer against otherwise difficult economic conditions, we cannot assure you that oil output will increase or that global demand for Colombian raw material exports will not fall.

In addition, a "contagion" effect, under which an entire region or class of investments becomes less attractive to, or subject to outflows of funds by international investors, could negatively affect Colombia. Lower economic growth may result in asset quality deterioration and a decrease in market prices and liquidity for the notes.

We cannot assure you that the growth achieved over the past decade by the Colombian economy will continue in future periods. A slower growth rate could reduce the availability of funding to us and affect our liquidity. The effect on consumer confidence of any actual or perceived deterioration in the Colombian economy may have a material adverse effect on our financial condition and results of operations through decreased spending on infrastructure projects, which could lead to a decrease in our overall loan portfolio.

Colombia has experienced and continues to experience internal security issues that have had or could have a negative effect on the Colombian economy.

Colombia has experienced, and continues to experience, internal security issues, primarily due to the activities of guerrilla groups such as the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, or "FARC,") paramilitary groups and drug cartels. In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers. Even though the Colombian government's "democratic security" program has reduced guerilla and criminal activity, particularly in the form of terrorism attacks, homicides, kidnappings and extortion, such activity persists in Colombia, and possible escalation of such activity and the effects associated with them have had, and may have in the future, a negative effect on the Colombian economy and on us, our customers, employees, financial condition and results of operations and our ability to repay the notes.

The Colombian government commenced negotiations and peace talks with a view to end the armed conflict with the FARC, the largest guerrilla group in Colombia, in September 2012, which are still ongoing. Despite these efforts, drug-related crime, and guerrilla and paramilitary activities continue and they may have a negative impact on the Colombian economy in the future. Our business or financial condition could be adversely affected by rapidly changing economic or social conditions, including the Colombian government's response to current peace negotiations which may result in legislation that increases our tax burden, or that of other Colombian companies. Also, if the negotiations fail, the intensity of the internal armed conflict could increase, resulting in a deterioration of Colombia's national security and, consequently, negatively affecting our financial condition and results of operations.

Tensions with countries in the region may affect the Colombian economy and, consequently, our financial condition and results of operation.

Diplomatic relations with Venezuela and Ecuador, two of Colombia's main trading partners, have from time to time been tense and affected by events surrounding the Colombian armed forces' combat of the FARC throughout Colombia, particularly on Colombia's borders with Venezuela and Ecuador. During the last several years, protectionist practices in Venezuela have resulted in a dramatic decrease in exports from Colombia to Venezuela.

Any further future deterioration in relations with Venezuela, Ecuador and other countries in the region may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our financial condition and results of operations.

Natural disasters in Colombia could disrupt our businesses and impact our financial condition and results of operations.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. In particular, Colombia is exposed to recurring flooding and mudslides as a result of heavy rains attributable to the La Niña and El Niño weather patterns. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse impact on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year. Furthermore, natural disasters and severe weather patterns may negatively impact the final beneficiaries of our loans and intermediary financial institutions, including impairing or eliminating their ability to repay their loans from such institutions' loans. Such events may also result in an impairment of the value of property or other collateral used to guarantee the loans that we extend. Any of the foregoing factors may have a material adverse effect on our results.

After the El Niño weather pattern in 2010, we restructured 5% of our portfolio related to infrastructure activities. Similarly, other natural disasters, such as the Armenia earthquake in 1999, which struck the Quindío department and had a significant adverse impact on the region, have proven to significantly affect our clients' business activities, regardless of whether those clients are covered by insurance policies.

Companies in Colombia, including credit institutions like us, are subject to the prevailing economic conditions and the investment climate in Colombia, which may be less stable than the prevailing economic conditions and investment climate in developed countries.

Market prices of securities issued by Colombian entities, including us, are subject to the prevailing economic conditions in Colombia. All of our assets and operations are located in Colombia and therefore, our financial condition and results of operations depend to a significant extent on macroeconomic and political conditions prevailing from time to time in Colombia.

In the past, economic growth in Colombia has been negatively affected by lower foreign direct investment, high inflation rates and the perception of political instability.

The investment and security climate in Colombia continues to be tied to the results and performance of President Juan Manuel Santos's economic, security and social policies and the perception of such policies by foreign investors. Since his election in 2011, President Juan Manuel Santos (re-elected in May 2014) has continued policies to increase foreign investment in Colombia as well as to improve relations with neighboring countries, which have resulted in economic stability for Colombia. According to DANE, in 2013, Colombia's annual GDP increased by 4.7% and it is expected to reach 6.4% in 2014. In 2013, Colombia's annual GDP increased by 4.7%, including as a result of an increase of 4.6% in financial services.

If the perception of improved overall security in Colombia deteriorates, including a decline in foreign direct investment, the Colombian economy may face a downturn, which could negatively affect our financial condition and results of operations.

We may claim immunity under the Foreign Sovereign Immunities Act of 1976 with respect to actions brought against us under the US securities laws and your ability to sue or recover may be limited.

We reserve the right to plead sovereign immunity under the United States Foreign Sovereign Immunities Act of 1976 with respect to actions brought against us under United States federal securities laws or any state securities laws. Accordingly, you may not be able to obtain a judgment in a U.S. court against us unless the U.S. court determines that we are not entitled to sovereign immunity with respect to that action. Moreover, you may not be able to enforce a judgment against us in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act of 1976.

There is also substantial doubt that the courts of Colombia would enter judgment in original actions brought in those courts predicated on U.S. federal or state securities laws. We have been advised by our Colombian counsel that there is no legal basis for a Colombian court to exert jurisdiction over original actions to be brought against us or our directors and executive officers predicated solely upon the provisions of the U.S. securities laws. In addition, certain remedies available under provisions of the U.S. securities laws may not be admitted or enforced by Colombian courts.

Guidelines for loan classification and allowances in Colombia are different and may not be comparable to those in other countries.

Colombian banking regulations require us to classify each loan or type of loan according to a risk assessment that is based on specified criteria, to establish corresponding reserves and, in the case of some non-performing assets, to write-off certain loans. The criteria to establish reserves include both qualitative and quantitative factors. Colombian regulations relating to loan classification and determination of loan loss reserves are generally different than those applicable to banks in other countries, including the United States. If we were required to use the rules applicable in the United States, the level of our loan loss reserves may be different than our current reserve levels. New regulations relating to loan loss reserves requiring greater reserves for loan losses, took effect in January 2012. We may also deem it necessary to increase our loan loss reserves in the future, or future regulations may require such additional reserves. Increasing loan loss reserves could materially and adversely affect our financial condition and results of operations, and our ability to re-pay the notes.

Banking regulations, accounting standards and corporate disclosure applicable to us differ from those in the United States and other countries.

While many of the policies underlying Colombian banking regulations are similar to those underlying regulations applicable to banks in other countries, Colombian banking regulations may differ in material respects from regulations applicable to banks in other countries, including those in the United States. For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those of other countries.

We are required to prepare our financial statements in accordance with Colombian Banking GAAP, which differ in significant respects from U.S. GAAP and IFRS. As a result, our financial statements may differ from those of banks in other countries. Some of the main differences affecting earnings and shareholders' equity include, but are not limited to, the accounting treatment for restructuring, loan provisions, loan origination fees and costs, asset and investment valuation, deferred income taxes and business combinations. Moreover, under Colombian Banking GAAP, allowances and provisions for non-performing loans are computed by establishing the inherent risk in each non-performing loan, using criteria established by the SFC that differ from criteria used, for example, under U.S. GAAP. We have made no attempt to quantify the impact of those differences by a reconciliation of our financial statements or other financial information in this offering memorandum to U.S. GAAP. We cannot be certain that a reconciliation would not identify material quantitative or qualitative differences between our financial statements or other financial information as prepared on the basis of Colombian Banking GAAP if such information were to be prepared on the basis of U.S. GAAP.

Although the Colombian government has undertaken a review of Colombian GAAP and the Colombian Congress enacted Law 1314 on July 13, 2009, purporting to provide for convergence with IFRS, current regulations continue to differ in certain respects from those in other countries. According to current regulation, we are required to adopt IFRS in 2016, at which point in time we would apply Colombian GAAP as modified by the new regulations in instances where Colombian Banking GAAP is inapplicable. See Presentation of Financial and Certain Other Information—Accounting Principles." Also, the SFC may modify the Colombian Banking GAAP to converge towards IFRS accounting standards. The adoption of IFRS may have an adverse effect on our results of operations and it may also result in the imposition of more onerous capital adequacy calculations.

There may be less publicly available information about us than is regularly published by or about issuers in the United States or issuers in other countries. Corporate governance and shareholder accountability protections applicable to Colombian companies may be less stringent than those applicable to public companies in the United States. We do not intend to register the notes under the U.S. securities laws or list the notes on any United States or Colombian exchange or other market, other than the Official List of the Luxembourg Stock Exchange. Accordingly, we will not be subject to the corporate disclosure, governance and accounting standards applicable to companies whose securities are registered under United States securities laws or listed on United States exchanges.

Risk Factors Relating to Our Business and the Banking Industry

Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our financial condition and results of operations.

Our financial condition and results of operation may be adversely affected by changes in Colombian governmental policies and actions, and judicial decisions, involving a broad range of matters, including interest rates, exchange rates, exchange controls, inflation rates, taxation, banking and pension fund regulations, infrastructure development and other political or economic developments affecting Colombia. In particular, given that we are the Colombian government's agent for regional infrastructure development in Colombia, its policies have a direct impact on our business. The president of Colombia and governmental actors such as the MHCP and the Ministry of Housing, both of whom have senior officials who sit on our Board of Directors, and the National Planning Department, which has a senior official that acts as one of our alternate directors, have considerable power to determine governmental policies and actions relating to the economy and infrastructure development, and may adopt policies that negatively affect our business, financial condition and results of operations and our ability to re-pay the notes.

We are an instrumentality of Colombian government development objectives and any change in governmental policy could adversely affect our financial condition and results of operations.

As one of the primary players for the execution of the Colombian government's policies to expand investment in infrastructure, our business and strategic objectives are largely driven by governmental policies and decisions made in respect of infrastructure development. While we generally believe that these governmental policies and objectives will be beneficial to our business over the long term, we cannot offer any assurance that any future changes in governmental policies would not adversely affect our financial condition and results of operations.

Our loan portfolio with intermediary financial institutions poses unique risks not generally associated with other forms of lending.

We provide loans to intermediary financial institutions who in turn lend to public and private sector entities for purposes of infrastructure projects. As of March 31, 2014, loans to intermediary financial institutions totaled COP 6,093,779 million, or 95% of our total loan portfolio of COP 6,471,604 million. As a result, we have significant credit exposure to certain intermediary financial institutions.

Decree 663 of 1993 of Colombia (*Estatuto Orgánico del Sistema Financiero*), as may be amended from time to time or superseded ("Colombian Banking Law"), provides that upon the occurrence of an insolvency proceeding, whether administrative, take-over or intervention to liquidate an intermediary financial institution, of an intermediary financial institution that places our loan, we will have a direct interest in the loan or other assets, including the collateral created as a result of the on-lending of our funds by the intermediary financial institution to a final borrower. In those circumstances, we will have direct access to the assets pledged to the intermediary financial institution as a result of placing our loans. However, the value of the assets pledged may significantly fluctuate or decline due to factors beyond our control, including, for example, prevailing economic and political conditions in the relevant jurisdiction. Additionally, Colombian insolvency laws may limit our ability to collect on monetary obligations and enforce rights against collateral and litigation costs and delays.

Although our credit risk is limited to those circumstances where there is a default by the intermediary financial institution, any significant rise in the level of overdue loans by the final borrowers on loans due to intermediary financial institutions may, in turn, adversely affect the ability of intermediary financial institutions to repay such loans to us. Furthermore, we are not required to appropriate loan loss allowances on overdue loans by the final borrowers prior to a default by one of our intermediary financial institutions. Therefore, our existing loan loss allowances may not be adequate to cover increases in non-performing loans or deterioration in the credit quality of loan portfolios should one of our intermediary financial institutions default and we gain a direct interest in the underlying loans of the final borrowers. As a result, we may be suddenly required to significantly increase our loan loss provisions, which may adversely affect our financial condition and results of operations and our ability to re-pay the notes.

We cannot assure you that we will not be required to assume other loan portfolios from financially distressed intermediary financial institutions that place our loans, resulting in levels of past due loans and subsequent write-offs that in the future may be materially higher than our historical past due balances and level of write-offs.

Our ability to grow our loan portfolio may be limited by our sources of funding.

We are a development credit institution which does not take deposits directly from the public, except in the form of term deposits (i.e. certificates of deposit). As a result, we are only able to expand our business by incurring additional indebtedness, obtaining government grants, seeking the strategic investment of an up to 30% minority shareholder and receiving additional capital contributions by the government of Colombia. See "Principal Shareholders." If one of our sources of funding is unable to provide us with funding on favorable terms and for the type of lending we undertake, our core business could be adversely affected.

In addition, while we are currently restricted by law from distributing dividends and are instead required to reinvest our net income in our business on a yearly basis, the government of Colombia in the future could require us to make dividend payments to it without restrictions, which would reduce the funds available for us to pay interest on and principal of the notes.

Furthermore, pursuant to applicable regulations, the Colombian Central Bank and the MHCP must authorize our issuance of notes in the international markets as well as indebtedness guaranteed by the Colombian government (as opposed to any other type of indebtedness (i.e., issuance of local notes, unsecured loans, etc.) which do not require prior approval from the MHCP). Consequently, our ability to obtain financing through such operations is subject to Colombian governmental policies and the Colombian government's ability to timely approve any such operation. We cannot assure you that such authorizations would be granted in a timely fashion or at all, and any failure to obtain government authorization to obtain financing through these operations may materially adversely affect our business, financial condition and results of operations.

Our strategic focus on financing infrastructure projects may not continue to be successful.

As a main supplier of infrastructure financing in Colombia, through intermediary financial institutions, we historically had few direct competitors. However, we may face international and/or domestic competition in the future. In particular, private sector banks are now competing directly in this market without seeking rediscount credits from institutions such as us and have expanded their product offering as liquidity in the local market has increased their funding. As a result, our ability to continue acting as key participant in the underserved markets may be eroded in the future by the private sector, which would in turn affect our market share, operating margins and opportunities to provide funding.

Rapid loan growth and adverse economic conditions could have a material adverse impact on us by increasing our loan default rate.

A rise in a financial institution's level of non-performing loans may lag behind the rate of loan growth, because loans typically do not become past due within a short period of time after their origination. Rapid loan growth may also reduce the ratio of loans to total loans until growth slows or the portfolio becomes more seasoned. Our loan portfolio has grown substantially since 2007, despite the global market crisis beginning in 2010. Because many of our loans have long term maturities, further increases in past due loans may develop as the loan portfolio becomes seasoned. This may result in increases in provisions for loan losses, write-offs and the ratio of non-performing loans to total loans. Although we believe our provisions for loan losses is adequate as of the date hereof for all known losses in our loan portfolio, as the quality of our loan portfolio is largely dependent on domestic and international economic conditions, adverse economic conditions could have a material adverse impact on us by increasing our loan default rate. A higher default rate could require us to make larger provisions for loan losses and to negotiate or refinance certain existing loans to distressed intermediary financial institutions or of the ability of the institutions to refinance loans to the final borrowers.

Our banking business is subject to market risk.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Default by one or more of our largest borrowers could adversely affect our results of operations and financial condition.

The aggregate outstanding loans to our five most significant intermediary financial institution borrowers represented 70% of our aggregate loan portfolio at March 31, 2014. Default on loans by one or more of these borrowers may adversely affect our results of operations and financial condition.

Failure to comply with Colombian usury laws could subject us to civil and criminal penalties, and compliance with such usury laws may limit the range of services and products we are able to offer.

Loans made by us are subject to Colombian usury laws. These laws impose ceilings on interest charges and possible penalties for violation of those ceilings, including restitution of excess interest, forfeiture of any interest accrued and criminal charges. The maximum rate of interest that we may charge on commercial loans under Colombian law is limited to 1.5 times the *Interés Bancario Corriente* ("IBC"), which is certified by the SFC and calculated as the average of the interest ordinarily charged by banks within a set period of time. The IBC is calculated and certified separately for consumer loans, commercial loans and microcredit (as defined under Colombian law), using data received from regulated banking institutions in Colombia, who must report on a weekly basis all loans disbursed and their respective prices for each of these two categories of credit. We do not intend to make loans at or in excess of the maximum rates determined by the SFC. However, uncertainties in determining the legality of interest rates under Colombian usury laws could result in inadvertent violations, in which case we could incur the penalties mentioned above.

In addition, legislative or regulatory changes in existing usury laws or the methodology for calculating the IBC may lead to a lowering of the maximum rates of interest we may charge or the imposition of other lending restrictions, which could negatively affect our results of operation and financial condition. In addition, our ability to offer an expanded range of products or services may be limited by our need to comply with Colombian usury laws, as we may not be able to offer such services profitably and in compliance with such laws.

We are subject to liquidity risk, which may result in increases to funding costs.

A sudden or unexpected shortage of funds experienced by the Colombian government, or in the Colombian banking system, local capital markets and money markets may prevent us from meeting our obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values in our business, which could materially and adversely affect our results of operations, financial condition and ability to repay the notes.

Our success depends on our ability to hire and retain additional key personnel.

We depend on the services of our directors, executive officers and key employees. In particular, the loss of any of our directors, executive officers or key employees could negatively affect our ability to execute our business strategy. In line with our planned expansion, our future success also depends on our continuing ability to identify, hire, train and retain additional qualified sales, marketing and managerial personnel. We have historically experienced relatively high employee turnover rates, including the loss of employees to the private sector and to higher remunerated positions. Competition for qualified personnel is strong and we may be unable to attract, integrate or retain qualified personnel at levels of experience or compensation that are necessary to maintain our quality and reputation or to sustain or expand our operations. Our business could be materially and adversely affected if we cannot attract and retain necessary personnel.

We may be subject to disruptions in some of our information technology operations and other activities provided by third party service providers, which may adversely affect us.

Our information technology systems are essential for us to interact with our clients and conduct our internal operations. We also have a wide network of third party service providers for supplementary services, such as information technology services, data processing and electronic record keeping. Any disruptions in our information technology systems or platforms or in these outsourced services may have an adverse effect on us by hindering our interaction with our clients and our normal internal operations. Such disruptions could be expensive to remedy and damage our reputation.

Any failure of risk management processes could materially and adversely affect our financial condition and results of operations.

Our policies and procedures, which are designed to identify, monitor and manage risk, may prove to be insufficient. Furthermore, we may not be able to upgrade risk management systems on a timely basis. Our personnel may fail to detect risks before they occur, or may not effectively implement our risk management systems.

As a result, any failure to effectively implement or consistently follow or refine risk management systems may result in higher risk exposures for us, which could materially and adversely affect our financial condition and results of operations and our ability to repay the notes.

We are subject to operational risks.

Our business depends on our ability to process a substantial number of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee error, failure to properly document transactions, to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems, among others. Our currently adopted procedures may not be effective in controlling each of the operational risks faced by us.

Downgrades in our credit ratings would increase the cost of, or impair access to, funding.

Our credit rating is an important component of our ability to obtain funding. A downgrade in our credit ratings or in the credit rating of Colombia, which would in turn have a direct impact in our own ratings, may adversely affect perception of our financial stability. In addition, lenders and counterparties in derivative transactions are sensitive to the risk of a rating downgrade. Any downgrade or the prospect of a downgrade in our credit ratings could materially and adversely affect our financial condition and results of operations and our ability to repay the notes.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolios are subject to prepayment risk, which results from the ability of our intermediary financial institutions to pay their loans prior to maturity as well as the requirement we place on our intermediary financial institutions to prepay our loans prior to initiating enforcement procedures on a final borrower in the case of overdue loans. Additionally, generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest-earning assets, which could adversely affect our financial condition and results of operations and our ability to repay the notes.

Changes in banking laws and regulations in Colombia could adversely affect our consolidated results.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends and, more recently, the global economic and financial crisis. In the wake of this crisis, governments have been actively considering new banking laws and regulations, and reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards. In addition, various international developments, such as the adoption of risk-based capital, leverage and liquidity standards by the Basel Committee on Banking Supervision in December 2010, known as Basel III, will continue to impact us in the coming years. To prepare for the implementation of the Basel III accords in Colombia, the MHCP, in consultation with the SFC, affected an internal review of regulations applicable to financial institutions. Decree 1771 of 2012 was issued as a result of this review, amending certain capital adequacy requirements for Colombian credit institutions set forth in Decree 2555 of 2010, or Decree 2555.

Although Decree 1771 maintained the requirement for a credit institution's technical capital to be at least 9.0% of that institution's total risk-weighted assets, it also introduced a new measure of core solvency for common equity Tier 1, which requires higher quality capital and is set at a minimum of 4.5% of risk weighted assets. The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations may have an adverse effect on our financial condition and results of operations, and our ability to repay the notes.

Regulatory actions may result in fines, penalties, and restrictions that could materially and adversely affect our financial condition and results of operations.

We are subject to regulation and supervision by Colombian financial authorities. These financial authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our organization and operations, including, for example, the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by Colombian credit institutions. We are also subject to the fiscal and disciplinary control from the *Contraloría General* (General Comptroller) and the *Procuraduría General* (General Ombudsman), respectively, as a result of our administration of governmental spending. Failure to comply with applicable regulations could result in fines or sanctions or even revocation of our licenses or permits to operate as a credit institution.

In the event that we encounter significant financial problems, are in danger of insolvency or become insolvent, or are otherwise not deemed to be viable, the financial authorities would have broad powers to intervene in our management and operations, including by suspending or removing management and, in extreme circumstances, putting us into conservatorship or receivership or taking control of our operations.

Failure to protect personal information could adversely affect us.

We manage and hold confidential personal information of our intermediary financial institutions as well as the final borrowers in the conduct of our banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures could subject us to legal actions and administrative sanctions as well as damages.

Our business may be subject to claims and investigations relating to management of government funds in connection with the rendering of technical assistance and other services to governmental entities, which could materially and adversely affect our business, financial condition, and our reputation.

In our non-financial services lines of business we offer technical assistance and project management and execution services to various infrastructure projects in Colombia. These services include conducting bidding processes, managing government funds and certifying compliance of infrastructure with technical standards. We may be subject to investigations and claims relating to alleged mismanagement of government funds and government contractual liability including disciplinary, criminal, or civil actions. Although we are currently not party to any such proceedings, it is possible that future investigations or claims may be carried out or brought to the courts, which may adversely affect our business, financial condition, and our reputation.

Risks Relating to the Notes

If the Colombian peso depreciates against the US dollar, the effective yield on the notes in US dollars will decrease and the principal amount of the notes in US dollars may be less than your initial investment, resulting in a loss to you.

Payments of interest on and principal of the notes will be calculated in Colombian pesos and converted by the Calculation Agent into US dollars at the Average Representative Market Rate. See "Description of the Notes." You are assuming the foreign exchange risk in connection with payments on the notes. Rates of exchange between the US dollar and the Colombian peso have varied significantly over time. Historical trends do not necessarily indicate future fluctuations in exchange rates, and should not be relied upon as indicative of future trends. Currency exchange rates can be volatile and unpredictable. If the Colombian peso depreciates against the US dollar subsequent to the date you invested in the notes, the interest payable on the notes in US dollar terms will decrease and the amount of principal payable in US dollars may be less than your investment, resulting in a loss to you. Depreciation of the Colombian peso against the US dollar may also adversely affect the market value of the notes. For a history of the exchange rate between the Colombian peso and the US dollar, see "Exchange Rate Information"

Exchange controls could adversely affect the Colombian peso/US dollar exchange rate, the amount payable on the notes and our ability to make payments under the notes.

Although the Colombian government has not imposed restrictions on the trading of foreign currency in Colombia since 1990, Colombia's foreign currency markets have historically been heavily regulated. Colombian law permits the Colombian Central Bank to impose foreign exchange controls on foreign investment and the proceeds thereof if the foreign currency reserves of the Colombian Central Bank fall below a level equal to the value of three months of imports of goods and services into Colombia. In such circumstances, the Colombian Central Bank may intervene by, among other things, either (a) imposing direct exchange controls that may limit our ability to possess, utilize or expatriate foreign currency such as the US dollar or (b) utilizing international reserves or borrowing from international institutions or other nations to obtain the currency required for exchange rate management. In addition, the imposition of exchange control regulations could cause the value of the Colombian peso to depreciate against the US dollar, resulting in a reduced yield to you, a possible loss on the notes and a possible adverse impact on the market value of the notes.

If the Colombian Central Bank or another governmental entity were to reduce or eliminate our ability to remit US dollars outside Colombia, we may be limited in our ability, or unable, to meet our payment obligations under the notes. In addition, the imposition of exchange controls could cause the Colombian peso to depreciate which, in turn, could adversely affect our financial condition and results of operations and ability to make payments under the notes.

The notes constitute a new issue of securities for which there is no existing market, and an active market for the notes may not develop.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop, which may limit the ability of holders of notes to sell their notes or reduce the price for which such holders may be able to sell their notes. Although application has been made for the notes to be listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained.

If such market were to develop, the notes could trade at prices that may be lower than the face value of the notes, depending on many factors including some beyond our control. Furthermore, the liquidity of, and trading market, if any, for the notes may be adversely affected by changes in interest rates and by volatility in the market for similar securities as well as by any changes in our business, financial condition or results of operations.

In addition, trading or resale of the notes may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities generally. As a result, we cannot assure you as to the liquidity of any trading market for the notes and as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

If any of the notes are traded after they are initially issued, they may trade at a discount. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- our financial condition and results of operations;
- general economic conditions;
- prevailing interest rates;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

The notes will be subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. These exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of restrictions on resale and transfer of the notes, see "Transfer Restrictions."

Our obligations under the notes will be subordinated to statutory preferences and possibly all of our future borrowings.

The notes will be our senior and unsecured obligations and will rank *pari passu*, without preferences, among themselves, with all of our other existing and future senior and unsecured obligations that constitute External Indebtedness (as defined in "Description of the Notes") (other than (i) obligations preferred by statute or by operation of law and (ii) External Indebtedness guaranteed by the Republic of Colombia). Under Colombian law, our obligations under the notes and the indenture are subordinated to specified statutory preferences, including claims for salaries, wages, social security, taxes and court fees, expenses, secured debt to the extent of the assets securing such secured debt, and possibly all of our future borrowings. In the event of our liquidation, these statutory preferences will have preference over any other claims, including claims by any holder in respect of any notes, and as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

It may be difficult to enforce your rights if the SFC intervenes or if we enter into an insolvency, liquidation or similar proceeding in Colombia.

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy laws. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings set forth in Decree 663 of 1993 and Decree 2555 of 2010, each as amended from time to time, which proceedings establish the events under which the SFC may initiate a "taking of possession" (*toma de posesión*) proceeding either to administer Findeter or to liquidate it.

The SFC can take control of financial institutions under certain circumstances. The following grounds for takeover are considered to be "automatic" in the sense that, if the SFC discovers their existence the SFC is obligated to intervene and take over the administration of the financial institution if: (i) the financial institution's technical capital (*patrimonio adecuado*) falls below 40% of the legal minimum; or (ii) the term of any recovery plan expires or the goals set forth in such plans are not fulfilled. Additionally, the SFC periodically visits financial institutions and, as a consequence of such visits, the SFC can impose additional capital or solvency obligations without taking control of the financial institution.

The SFC may, at its discretion, intervene and take over the administration of a financial institution subject to its supervision, with the previous authorization of its advisory council, in the following circumstances: (i) suspension of payments; (ii) refusal to submit files, accounts and supporting documentation to the SFC for inspection; (iii) refusal to be questioned under oath, in relation to their business; (iv) repeated failure to comply with the SFC's orders and instructions; (v) repeated violations of applicable laws and regulations or of the financial institution's by-laws; (vi) unauthorized or fraudulent management of the bank's business; (vii) reduction of the financial institution's technical capital below 50% of its subscribed capital; (viii) failure to comply with the minimum capital requirements set forth in Decree 663 of 1993; (ix) failure to comply with the recovery plans that were adopted by the financial institution; (x) failure to comply with the order of exclusion of certain assets and liabilities as instructed by the SFC to another institution designated by the SFC; (xi) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank applicable to financial institutions; and (xii) when there are serious inconsistencies in the information provided to the SFC that does not allow it to adequately assess the actual situation of the entity.

A takeover by the SFC may have one of two different purposes: (i) to reorganize the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the SFC or (ii) to liquidate the financial institution. The SFC must decide if it will either reorganize or liquidate the financial institution within two months following a takeover. In view of the broad discretionary powers of the SFC, it is impossible to predict how long payments under the notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

Holders of the notes are not able to effect service of process on us, our directors or executive officers within the United States, which may limit your recovery in any foreign judgment you obtain against us.

All of our directors and executive officers reside outside the United States. All of our assets and the assets of these persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or these persons or to enforce against us or them in U.S. courts judgments obtained in such courts predicated upon the civil liability provisions of the U.S. federal securities laws. Colombian courts determine whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known as exequatur. For a description of these limitations, see "Enforcement of Civil Liabilities."

Developments in other emerging markets may adversely affect the market value of the notes.

Emerging markets, such as those in Colombia and Central America, are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Colombia and adversely affect the price of the notes. Moreover, financial turmoil in any emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Colombia and adversely affect the Colombian economy in general, and the interest of investors in the notes in particular. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength, parental support and Colombian sovereign and bank systemic risk.

One or more independent credit rating agencies, including Fitch Inc. and Standard & Poor's, may assign credit ratings to the notes. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. Ratings are an assessment of our ability to meet our obligations, including the notes, but are not a recommendation to buy, sell or hold the notes. Ratings are limited in scope, and do not address all material risks relating to an investment in notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. The ratings of the notes are subject to change and may be lowered or withdrawn. We cannot assure you that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in the judgment of rating agencies, circumstances, including our financial strength, governmental support and Colombian sovereign and bank systemic risk so warrant. Ratings issued with respect to the notes, and any actual or anticipated changes in our ratings or in the methodology underlying the ratings, may affect the market value of the notes. A downgrade in or withdrawal of the ratings of the notes will not be an event of default under the indenture governing the notes. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes.

USE OF PROCEEDS

The net proceeds from the sale of the notes are estimated to be approximately COP 928,184,543,125 after deduction of certain expenses (but before deduction of fees and commissions payable to the initial purchasers). We intend to use the net proceeds from this offering for general corporate purposes.

EXCHANGE RATE INFORMATION

Since September 1999, the Colombian Central Bank has allowed the Colombian peso to float freely, intervening only when there are steep variations in the Colombian peso's value relative to the US dollar. This intervention mechanism is only used to control the international reserves of Colombia or in case the average of a specified rate (referred to as the "representative market rate") for the preceding twenty days exceeds 5% of that day's representative market rate. Upon the occurrence of such an event, the Colombian Central Bank sells call options, whereby the purchaser is entitled to buy from the Colombian Central Bank, on a future date, a specified amount of US dollars at a pre-established exchange rate, thus reducing the volatility of the exchange rate. As of October 28, 2009, the call option mechanism can only be used to control the international reserves of Colombia.

During 2011, the Colombian peso depreciated against the US dollar by 1.48%, appreciated by 9.87% in 2012 and depreciated by 8.23% in 2013. Although the Colombian peso is allowed to float freely, there are no guarantees that the Colombian Central Bank or the Colombian government will not intervene in the exchange market in the future. The SFC calculates the representative market rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions for the purchase and sale of foreign currency.

There are some obligations established by law and by the board of directors of the Colombian Central Bank, in order to transfer currency into or out of Colombia.

The following table sets forth the average Colombian peso/US dollar representative market rate for the periods indicated, calculated by using the average of the exchange rates on the last day of each month during the period as calculated by the SFC. The Federal Reserve Bank of New York does not report a noon buying rate for Colombian pesos.

	Daily observed exchange rate COP per $US			
	High	**Low**	**Average(1)**	**Period end**
Year ended December 31,				
2009	2,596.37	1,825.68	2,152.75	2,044.23
2010	2,044.23	1,786.20	1,898.33	1,913.98
2011	1,972.76	1,748.41	1,847.05	1,942.70
2012	1,942.70	1,754.89	1,797.31	1,768.23
2013	1,952.11	1,758.45	1,869.53	1,926.83
Month end				
January 31, 2014	2,021.10	1,924.79	1,960.33	2,021.10
February 28, 2014	2,054.90	2,021.10	2,039.41	2,046.75
March 31, 2014	2,052.51	1,965.32	2,017.22	1,969.45
April 30, 2014	1,966.40	1,920.93	1,937.16	1,933.46
May 31, 2014	1,933.46	1,900.64	1,914.30	1,900.64
June 30, 2014	1,900.64	1,877.18	1,886.39	1,881.19
July 31, 2014	1,878.75	1,846.12	1,857.57	1,872.43
August, 2014 (through August 5, 2014)	1,878.68	1,873.65	1,875.68	1,878.68

Source: SFC.

(1) Calculated as the average of the month-end exchange rates during the relevant period.

On August 6, 2014, the representative market rate was COP 1,892.35 per US$1.00.

CAPITALIZATION

The following table sets forth our total capitalization as of March 31, 2014 on an actual basis and on an as adjusted basis to give effect to this offering and the use of proceeds therefrom.

This table should be read in conjunction with "Selected Financial Information," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included in this offering memorandum.

	As of March 31, 2014			
	Actual	**As Adjusted**	**Actual**	**As Adjusted**
	(COP in millions)		**(US$ in millions)(1)**	
Cash and cash equivalents	444,110	1,369,929	225.5	695.6
Indebtedness:				
Current portion:				
Multilateral organizations	-	-	-	-
Certificates of deposit	-	-	-	-
Total current portion	-	-	-	-
Non-current portion:				
Financial obligations with guarantee				
Multilateral organizations	426,376	426,376	216.5	216.5
Financial obligations without guarantee				
Multilateral organizations	98,472	98,472	50.0	50.0
Certificates of deposit	5,738,654	5,738,654	2,913.8	2,913.8
Notes offered hereby	-	946,175	-	480.4
Total non-current portion	6,263,502	7,209,677	3180.3	3,660.7
Total indebtedness	6,263,502	**7,209,677**	3180.3	**3,660.7**
Capital				
Equity	933,739	933,739	474.1	474.1
Total capitalization	7,197,241	**8,143,416**	3654.4	**4,134.8**

(1) Amounts stated in US dollars have been translated from Colombian pesos at the exchange rate of COP 1,969.45 per US$1.00 as of March 31, 2014. See "Exchange Rate Information" for additional information on the exchange rate.

There has been no material change in our capitalization since March 31, 2014 other than the notes offered hereby and the rights offering of 306,981 common shares we made to our existing shareholders on May 26, 2014. See "Principal Shareholders."

SELECTED FINANCIAL INFORMATION

The following tables set forth certain of our financial information, and should be read in conjunction with our financial statements, including the notes thereto, prepared in accordance with Colombian Banking GAAP, which are included in the offering memorandum, as well as the information included in "Presentation of Financial and Certain Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results included below and elsewhere in this offering memorandum are not necessarily indicative of future performance.

The statements of income and statements of cash flows for the years ended December 31, 2013, 2012 and 2011 and the balance sheet data as of December 31, 2013 and 2012 are derived from our audited financial statements and related notes, which are included in this offering memorandum.

The statements of income and statements of cash flows for the three months ended March 31, 2014 and 2013 and the balance sheet data as of March 31, 2014 are derived from our unaudited interim financial statements and related notes included in this offering memorandum. Our balance sheet data as of March 31, 2013 is derived from our unaudited interim financial statements as of March 31, 2013, which have not been included in this offering memorandum. Our unaudited interim financial statements have been prepared on the same basis as our audited financial statements and, in the opinion of our management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the information set forth therein. Interim financial results are not necessarily indicative of results that may be expected for the full fiscal year or any future reporting period.

	For the three months ended March 31, (unaudited)			**For the years ended December 31,**			
	2014	**2014**	**2013**	**2013**	**2013**	**2012**	**2011**
STATEMENTS OF INCOME	**(US$ in millions)[(1)]**	**(COP in millions, except for percentages and ratios)**		**(US$ in millions)[(2)]**	**(COP in millions, except for percentages and ratios)**		
Interest income							
Interest on loan accounts receivable	51.27	100,977	105,661	206.64	398,154	445,586	336,278
Interest on debt securities	0.13	262	-	1.13	2,179	1,037	4,202
Interest on inter-bank loans, bank accounts and other instruments	2.89	5,695	7,780	9.71	18,719	29,541	14,544
Total interest income	**54.30**	**106,934**	**113,441**	**217.48**	**419,052**	**476,164**	**355,024**
Interest and similar expenses							
Certificates of deposit	(36.71)	(72,294)	(78,276)	(142.82)	(286,744)	(330,349)	(229,421)
Financial liabilities with banks and financial entities	(1.11)	(2,193)	(2,036)	4.37	(8,411)	(4,998)	(5,665)
Total interest and similar expenses	**(37.82)**	**(74,487)**	**(80,312)**	**(153.18)**	**(295,155)**	**(335,347)**	**(235,086)**
Net interest income	**16.48**	**32,447**	**33,129**	**64.30**	**123,897**	**140,817**	**119,938**
Provisions							
Provisions for loans and accounts receivable	(1.93)	(3,792)	(3,076)	(2.73)	(5,257)	(3,627)	(13,212)
Other provisions	(0.36)	(715)	(455)	(1.36	(2,627)	(8,483)	(1,050)
Total provision	**(2.29)**	**(4,507)**	**(3,531)**	**(4.09)**	**(7,884)**	**(12,110)**	**(14,262)**
Interest income net of provisions	**14.19**	**27,940**	**29,598**	**60.21**	**116,013**	**128,707**	**105,676**
Income from commissions and fees	4.14	8,152	4,715	16.36	31,530	8,990	5,837
Expenses from commissions and fees	(0.54)	(1,055)	(1,096)	(5.60)	(10,786)	(9,329)	(5,420)
Net income from commissions and fees	**3.60**	**7,097**	**3,619**	**10.77**	**20,744**	**(339)**	**417**
Other income (loss)							
Net income (loss) on equity securities investments	1.00	1,963	(126)	6.02	11,600	1,306	2,407
Net income (loss) on derivatives valuation	0.46	901	(624)	0.86	1,655	(19,353)	(3,314)
Net income (loss) on exchange difference	(0.75)	(1,481)	(3,751)	4.42	(8,519)	20,095	(1,515)
Other	(0.43)	(838)	442	0.73	1,402	3,608	1,342

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)		(US$ in millions)[2]	(COP in millions, except for percentages and ratios)		
Total other income (loss)	**0.28**	**545**	**(4,059)**	**3.19**	**6,138**	**5,656**	**(1,080)**
Other expenditures							
Personnel expenses	(4.06)	(8,004)	(6,709)	(14.53)	(28,003)	(25,071)	(19,227)
Overhead expenses	(7.46)	(14,689)	(11,328)	(26.42)	(50,914)	(45,781)	(36,168)
Other, net	0.38	755	1,550	(2.26)	(4,358)	(493)	4,732
Total other expenditures	**(11.14)**	**(21,938)**	**(16,487)**	**(43.22)**	**(83,275)**	**(71,345)**	**(50,663)**
Income before income tax provision......................................	**6.93**	**13,644**	**12,671**	**30.94**	**59,620**	**62,679**	**54,350**
Income tax expense	(2.70)	(5,315)	(4,373)	(14.63)	(28,199)	(31,540)	(26,162)
Net income..	**4.23**	**8,329**	**8,298**	**16.31**	**31,421**	**31,138**	**28,188**

	As of March 31, (unaudited)		As of December 31,		
	2014	2014	2013	2013	2012
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)	(US$ in millions)[2]	(COP in millions, except for percentages and ratios)	
BALANCE SHEET DATA					
Assets					
Cash and deposits due from banks...	225.50	444,110	185.75	357,900	592,766
Inter-bank borrowing	67.40	132,750	24.03	46,300	22,900
Investments					
Debt securities					
Negotiable	11.78	23,194	3.12	6,012	-
Equity securities					
Negotiable	22.69	44,685	20.17	38,871	19,377
Available for sale	12.69	25,000	12.97	25,000	25,000
Total equity securities...........	35.38	69,685	33.15	63,871	44,377
Total investments.................	47.16	92,879	36.27	69,883	44,377
Loan accounts receivable					
Commercial	3,265.95	6,432,120	3,148.48	6,066,593	5,624,998
Consumer	1.57	3,084	1.68	3,233	2,868
Mortgage	18.48	36,400	17.28	33,291	25,211
Total loan accounts receivable	3,286.00	6,471,604	3,167.44	6,103,117	5,653,077
Provisions for loan accounts receivable.............................	(34.96)	(68,855)	(33.38)	(65,279)	(60,512)
Total net loan accounts receivable	3,251.03	6,402,749	3,133.56	6,037,838	5,592,565
Accounts receivable, net...............	33.23	65,441	25.96	50,016	39,062
Derivative instruments..................	0.55	1,088	0.59	1,134	-
Goods received as payments	0.04	77	0.02	46	-
Property, plant and equipment, net	2.21	4,359	2.39	4,599	4,808
Property given in trust	62.79	123,652	63.52	122,394	117,104
Assets reappraisal	18.89	37,207	18.96	36,528	19,690
Other assets...................................	15.90	31,316	16.88	32,517	15,380
Total assets	**3,724.71**	**7,335,628**	**3,507.91**	**6,759,155**	**6,448,652**
Memorandum accounts					
Debit..	6,938.31	13,664,657	7,087.26	13,655,937	11,150,182
Trust..	7.28	14,341	3.43	6,617	4,223
Credit offsetting accounts.............	8,069.88	15,893,219	7,905.11	15,231,808	14,239,329
Total memorandum accounts	**15,015.47**	**29,572,217**	**14,995.80**	**28,894,362**	**25,393,734**
Liabilities and Shareholders' Equity					
Liabilities					
Deposits					
Certificates of deposit	2,913.84	5,738,654	2,697.28	5,197,192	5,021,051
Derivative instruments..................	0.67	1,313	0.34	659	3,924

	As of March 31, (unaudited)		As of December 31,		
	2014	2014	2013	2013	2012
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)	(US$ in millions)[2]	(COP in millions, except for percentages and ratios)	
Long-term financial liabilities					
Due to banks and other financial entities	266.50	524,849	255.98	493,226	375,363
Outstanding investment securities	0.01	12	0.01	22	20
Accounts payable	21.17	41,695	19.61	37,793	47,873
Estimated liabilities and provisions	17.03	33,533	19.18	36,955	46,582
Other liabilities	31.40	61,833	35.77	68,921	80,744
Total liabilities	**3,250.60**	**6,401,889**	**3,028.17**	**5,834,768**	**5,575,557**
Shareholders' Equity					
Subscribed and paid-in capital	401.93	791,587	410.82	791,587	762,333
Surplus from donations	-	-	-	-	641
Appropriated retained earnings	32.26	63,541	32.98	63,541	61,016
Unrealized gain (loss) from transactions with hedge derivatives	0.84	1,655	0.68	1,311	(1,723)
Income for the year	4.23	8,329	16.31	31,420	31,138
Income for the past year	15.95	31,420	-	-	-
Surplus from reappraisal	18.89	37,207	18.96	36,528	19,690
Total Shareholders' Equity	**474.11**	**933,739**	**479.74**	**924,387**	**873,095**
Total Liabilities and Shareholders' Equity	**3,724.71**	**7,335,628**	**3,507.91**	**6,759,155**	**6,448,652**
Memorandum Accounts					
Credit	8,069.88	15,893,219	7,905.11	15,231,808	14,239,329
Trust	7.28	14,341	3.43	6,617	4,223
Debit offsetting accounts	6,938.31	13,664,657	7,087.26	13,655,937	11,150,182
Total memorandum accounts	**15,015.47**	**29,572,217**	**14,995.80**	**28,894,362**	**25,393,734**

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)		(US$ in millions)[2]	(COP in millions, except for percentages and ratios)		
SELECTED RATIOS[3]							
Capitalization ratios:							
Tier One Capital to risk weighted assets including regulatory value at risk	-	11.92%	13.70%	-	13.33%	13.06%	13.69%
Tier Two Capital to risk weighted assets including regulatory value at risk	-	0.95%	1.21%	-	1.33%	1.11%	1.22%
Solvency ratio	-	12.87%	14.91%	-	14.66%	14.17%	14.91%
Profitability ratios:							
Net interest margin[4]	-	0.45	0.46	-	1.76	2.00	2.22
Return on average total assets[5]	-	0.12	0.13	-	0.48	0.50	0.53
Return on average shareholders' equity[6]	-	0.92	0.96	-	3.52	3.64	3.44
Efficiency ratio:							
Operating expenses as a percentage of interest, fees, services and other operating income	-	66.64	59.32	-	59.27	57.92	42.60
Credit quality data:							
Non-performing loans as a percentage of total loans	-	0.01	0.01	-	0.02	0.01	0.01

	For the three months ended March 31, (unaudited)			For the years ended December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US$ in millions)[1]	(COP in millions, except for percentages and ratios)		(US$ in millions)[2]	(COP in millions, except for percentages and ratios)		
"C," "D" and "E" loans as a percentage of total loans [7]	-	0.07	0.07	-	0.07	0.07	0.07
Allowance for loan and accrued interest losses as a percentage of non-performing loans	-	11,439.19	5,316.23	-	6,657.64	10,060.00	19,599.13
Allowance for loan and accrued interest losses as a percentage of "C," "D" and "E" loans	-	1,582.89	1,519.54	-	1,519.81	1.492.37	1,446.26
Allowance for loan and accrued interest losses as a percentage of total loans	-	1.06	1.07	-	1.07	1.07	1.08
OPERATING DATA							
Number of employees	N/A	220	214	N/A	214	208	184

(1) Amounts stated in US dollars as of and for the three months ended March 31, 2014 have been translated from Colombian pesos at the exchange rate of COP 1,969.45=US$1.00. See "Presentation of Financial Information—Exchange Rate Information."
(2) Amounts stated in US dollars as of and for the year ended December 31, 2013 have been translated from Colombian pesos at the exchange rate of COP 1,926.83=US$1.00. See "Presentation of Financial Information—Exchange Rate Information."
(3) Ratios were calculated on a monthly average basis.
(4) Net interest divided by average interest-earning assets.
(5) Net income divided by average total assets.
(6) Net income divided by average shareholders' equity.
(7) "C" loans are loans classified as "deficient"; "D" loans are loans classified as "doubtful recovery"; "E" loans are loans classified as "unrecoverable" as reported to the SFC.

STATISTICAL INFORMATION

The following information relating to us is included for analytical purposes and should be read in conjunction with our financial statements appearing elsewhere in this offering memorandum as well as with the Sections "Presentation of Financial Information and Certain Other Information," "Selected Financial Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Interest-earning Assets and Interest-bearing Liabilities

The table below sets forth, by currency of denomination, our average balances and, where applicable, interest earned on interest-earning assets and interest paid on interest-bearing liabilities for the years ended December 31, 2013, 2012 and 2011. Except as otherwise indicated, average balances, when used, have been classified by currency (Colombian pesos or foreign currency (primarily US dollars)), regardless of the domestic or international origin of the relevant balances. The average balance information for each period is based upon the monthly ending balances for such period. Nominal average interest rates have been calculated by dividing interest earned on assets or paid on liabilities by the corresponding average balances on such assets or liabilities. In addition, loan amounts are presented before deduction for loan losses. The total loan portfolio excludes contingent loans.

	For the year ended December 31,								
	2013			2012			2011		
	(COP in millions, except for percentages)			(COP in millions, except for percentages)			(COP in millions, except for percentages)		
	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate	Average Balance	Interest Earned/ Paid	Nominal Average Rate
Interest-earning assets									
Funds sold and securities purchased under agreements to resell									
Domestic activities	512,728	7,409	1.4%	411,213	11,890	2.9%	228,470	11,286	4.9%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	512,728	7,409	1.4%	411,213	11,890	2.9%	228,470	11,286	4.9%
Investment securities									
Domestic activities	5,100	2,179	42.7%	16,678	1,037	6.2%	104,009	4,202	4.0%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	5,100	2,179	42.7%	16,678	1,037	6.2%	104,009	4,202	4.0%
Loans and Financial Leases									
Domestic activities	5,882,311	398,154	6.8%	5,736,444	445,585	7.8%	4,931,719	336,278	6.8%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	5,882,311	398,154	6.8%	5,736,444	445,585	7.8%	4,931,719	336,278	6.8%
Total interest-earning assets									
Domestic activities	6,400,104	407,743	6.4%	6,164,336	458,512	7.4%	5,264,198	351,766	6.7%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	6,400,104	407,743	6.4%	6,164,336	458,512	7.4%	5,264,198	351,766	6.7%
Interest-bearing liabilities									
Checking deposits									
Domestic activities	-	-	-	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Savings deposits									
Domestic activities	-	-	-	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Time deposits									
Domestic activities	5,092,700	286,744	5.6%	4,967,419	330,349	6.7%	4,070,293	229,421	5.6%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	5,092,700	286,744	5.6%	4,967,419	330,349	6.7%	4,070,293	229,421	5.6%
Funds purchased and securities sold under agreements to repurchase									
Domestic activities	-	-	-	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Borrowings from development and other domestic banks									
Domestic activities	22	3	14.0%	251	2	0.6%	22	8	35.4%
Foreign activities	-	-	-	-	-	-	-	-	-
Total	22	3	14.0%	251	2	0.6%	22	8	35.4%
Interbank borrowings									
Domestic activities	-	-	-	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-
Long-term debt									
Domestic activities	-	-	-	-	-	-	-	-	-
Foreign activities	476,536	8,408	1.8%	328,805	4,996	1.5%	341,516	5,657	1.7%
Total	476,536	8,408	1.8%	328,805	4,996	1.5%	341,516	5,657	1.7%
Total interest-bearing liabilities									
Domestic activities	5,092,722	286,747	5.6%	4,967,670	330,350	6.6%	4,070,315	229,428	5.6%
Foreign activities	476,536	8,408	1.8%	328,805	4,996	1.5%	341,516	5,657	1.7%
Total	5,569,258	295,155	5.3%	5,296,475	335,346	6.3%	4,411,831	235,085	5.3%

Non-Interest-Earning Assets and Non-Interest-Bearing Liabilities

The following table sets forth, by currency of denomination, average balances for our non-interest-earning assets and non-interest-bearing liabilities and shareholders' equity for the years ended December 31, 2013, 2012 and 2011.

	For the year ended December 31,		
	2013	2012	2011
	Average Balance	Average Balance	Average Balance
		(COP in millions)	
Non-interest-earning assets			
Cash due from banks and the Colombian Central Bank			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-
Allowance for loan losses			
Domestic activities	(62,945)	(61,632)	(56,335)
Foreign activities	-	-	-
Total	(62,945)	(61,632)	(56,335)
Nonperforming loans			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-
Customers' acceptances			
Domestic activities	1,817	1,997	6,534
Foreign activities	-	-	-
Total	1,817	1,997	6,534
Accounts receivable, net			
Domestic activities	49,549	41,052	29,906
Foreign activities	-	-	-
Total	49,549	41,052	29,906
Foreclosed assets, net			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-
Premises and equipment, net			
Domestic activities	4,518	5,174	5,970
Foreign activities	-	-	-
Total	4,518	5,174	5,970
Other assets			
Domestic activities	215,982	133,265	96,189
Foreign activities	-	-	-
Total	215,982	133,265	96,189
Total non-interest earning assets			
Domestic activities	208,921	119,856	82,263
Foreign activities	-	-	-
Total	208,921	119,856	82,263
Non-interest-bearing liabilities			
Checking accounts			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-
Other deposits			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-

	For the year ended December 31,		
	2013	2012	2011
	Average Balance	Average Balance	Average Balance
		(COP in millions)	
Bank acceptances outstanding			
Domestic activities	-	-	-
Foreign activities	-	-	-
Total	-	-	-
Other liabilities			
Domestic activities	147,679	132,150	114,473
Foreign activities	-	-	-
Total	**147,679**	**132,150**	**114,473**
Shareholders' equity			
Domestic activities	892,123	855,566	820,157
Foreign activities	-	-	-
Total	**892,123**	**855,566**	**820,157**
Total non-interest-bearing liabilities and shareholders' equity			
Domestic activities	1,039,802	987,716	934,630
Foreign activities	-	-	-
Total	**1,039,802**	**987,716**	**934,630**

Changes in Interest-Earning Assets and Interest-Bearing Liabilities

The following table sets forth, by currency of denomination, changes in our interest revenue and expenses between changes in the average volume of interest-earning assets and interest-bearing liabilities and changes in their respective nominal interest rates from December 31, 2012 to 2013 and December 31, 2011 to 2012. Volume and rate variances have been calculated based on movements in average monthly balances and changes in nominal interest rates, average interest-earning assets and average interest-bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	December 31, 2013/2012 (COP in millions) Increase (Decrease) Due to Changes in:			December 31, 2012/2011 (COP in millions) Increase (Decrease) Due to Changes in:		
	Rate (%)	Volume	Net Change	Rate (%)	Volume	Net Change
<u>**Interest-earning assets**</u>						
Funds sold and securities purchases under agreements to resell						
Domestic activities	(5,948)	1,467	(4,481)	(4,680)	5,284	604
Foreign activities	-	-	-	-	-	-
Total	(5,948)	1,467	(4,481)	(4,680)	5,284	604
Investment securities						
Domestic activities	6,089	(4,947)	1,142	2,267	(5,431)	(3,165)
Foreign activities	-	-	-	-	-	-
Total	6,089	(4,947)	1,142	2,267	(5,431)	(3,165)
Loans and Financial Leases						
Domestic activities	(57,304)	9,873	(47,431)	46,799	62,508	109,307
Foreign activities	-	-	-	-	-	-
Total	(57,304)	9,873	(47,431)	46,799	62,508	109,307
Total interest-earning assets						
Domestic activities	(57,163)	6,393	(50,770)	44,386	62,361	106,746
Foreign activities	-	-	-	-	-	-
Total	(57,163)	6,393	(50,770)	44,386	62,361	103,746
<u>**Interest-bearing liabilities**</u>						
Checking deposits						
Domestic activities	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Savings deposits						
Domestic activities	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Time deposits						
Domestic activities	(50,658)	7,054	(43,605)	41,266	59,662	100,928
Foreign activities	-	-	-	-	-	-
Total	(50,658)	7,054	(43,605)	41,266	59,662	100,928
Funds purchased and securities sold under agreements to repurchase						
Domestic activities	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Borrowings from development and other domestic banks						
Domestic activities	34	(32)	1	(7)	1	(6)
Foreign activities	-	-	-	-	-	-
Total	34	(32)	1	(7)	1	(6)
Interbank borrowings						
Domestic activities	-	-	-	-	-	-
Foreign activities	-	-	-	-	-	-
Total	-	-	-	-	-	-
Long-term debt						
Domestic activities	-	-	-	-	-	-
Foreign activities	805	2,607	3,412	(468)	(193)	(661)
Total	805	2,607	3,412	(468)	(193)	(661)
Total interest-bearing liabilities						
Domestic activities	(50,625)	7,022	(43,603)	41,259	59,663	100,922
Foreign activities	805	2,607	3,412	(468)	(193)	(661)
Total	(49,820)	9,628	(40,192)	40,791	59,470	100,621

Interest-Earning Assets: Net Interest Margin and Interest Spread

The following table sets forth for each of the periods indicated, by currency of denomination, our levels of total average interest-earning assets, net interest income, average yield on interest-earning assets, net interest margin and interest spread, all on a nominal basis.

	For the year ended December 31,		
	2013	**2012**	**2011**
	(**COP in millions, except percentages**)		
Total average interest-earning assets			
Domestic activities	5,264,198	6,164,336	6,400,140
Foreign activities	-	-	-
Total	5,264,198	6,164,336	6,400,140
Net interest income (1)			
Domestic activities	116,680	123,166	112,588
Foreign activities	-	-	-
Total	116,680	123,166	112,588
Average yield on interest-earning assets (2)			
Domestic activities	6.7%	7.4%	6.4%
Foreign activities	-	-	-
Total	6.7%	7.4%	6.4%
Net interest margin (3)			
Domestic activities	2.2%	2.0%	1.8%
Foreign activities	-	-	-
Total	2.2%	2.0%	1.8%
Interest spread (4)			
Domestic activities	1.0%	0.8%	0.7%
Foreign activities	(1.7)%	(1.5)%	(1.8)%
Total	1.4%	1.1%	1.1%

(1) Net interest income is defined as interest revenue earned less interest expense incurred.

(2) Average yield on interest-earning assets is defined as interest income divided by average interest-earning assets.

(3) Net interest margin is defined as net interest income divided by average interest-earning assets, determined based on monthly ending balances during the applicable period.

(4) Interest spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

Investments Portfolio

The following table sets forth our investment portfolio by type of security as of the dates indicated. For more information on our investment portfolio, see note 5 to our audited financial statements in this offering memorandum.

Investments Portfolio [(1)]	As of December 31,		
	2013	2012	2011
	(COP in millions)		
Negotiable debt securities			
Foreign currency-denominated			
Securities issued or secured by Colombian government	-	-	-
Securities issued or secured by government entities	-	-	-
Securities issued or secured by other financial entities	-	-	-
Securities issued or secured by foreign governments	-	-	-
Others	-	-	-
Total foreign currency-denominated negotiable debt securities	-	-	-
Colombian peso-denominated			
Securities issued or secured by Colombian government	-	-	-
Securities issued or secured by the Colombian Central Bank	-	-	-
Securities issued or secured by government entities	-	-	-
Securities issued or secured by financial entities	6,012	-	10,532
Others	-	-	-
Total Colombian peso-denominated negotiable debt securities	**6,012**	**-**	**10,532**
Total negotiable debt securities	**6,012**	**-**	**10,532**
Equity securities			
Negotiable equity securities	38,871	19,377	9,343
Available for sale equity securities	25,000	25,000	25,000
Total equity securities	**63,872**	**44,377**	**34,343**
Allowance for Investments	-	-	-
Total Investments	**69,883**	**44,377**	**44,875**

(1) Our investment portfolio is classified into either debt securities or equity securities as well as whether such securities are negotiable (i.e., held for trading and acquired for the purpose of generating profit from their price fluctuation in the short-term) or available for sale (i.e., acquired for investment purposes for at least six months). Our negotiable securities are marked to market. We do not have any investments held to maturity.

Investments Portfolio by Maturity

The following table sets forth the maturities of our investments by type as of December 31, 2013.

	As of December 31, 2013 (COP in millions, except yields)									
	Less than 1 year		1 – 5 years		5 – 10 years		More than 10 years		Total	
	Balance	Yield%	Balance	Yield %	Balance	Yield %	Balance	Yield %	Balance	Yield %
Negotiable debt securities										
Foreign currency-denominated										
Securities issued or secured by Colombian government	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by Colombian Central Bank	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by government entities	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by financial entities	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total foreign currency-denominated debt securities	-	-	-	-	-	-	-	-	-	-
Colombian peso-denominated										
Securities issued or secured by Colombian government	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by Colombian Central Bank	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by government entities	-	-	-	-	-	-	-	-	-	-
Securities issued or secured by financial entities	6,012	5.50%	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
Total Colombian-peso denominated debt securities	**6,012**	5.50%	-	-	-	-	-	-	-	-
Total negotiable debt securities	**6,012**	**5.50%**	-	-	-	-	-	-	-	-
Equity securities										
Negotiable equity securities	38,871	34.91%	-	-	-	-	-	-	-	-
Available for sale equity securities	25,000	-	-	-	-	-	-	-	-	-
Total equity securities	**63,872**	**21.25%**	-	-	-	-	-	-	-	-
Allowance for Investments	-	-	-	-	-	-	-	-	-	-
Total Investments	**69,883**	**19.89%**	-	-	-	-	-	-	-	-

Loan Portfolio

The following table sets forth our loans by type of loan based on classifications provided by the SFC at the dates indicated.

	As of December 31,					
	2013		2012		2011	
	(COP in millions)	%	(COP in millionS)	%	(COP in millionS)	%
Domestic						
Commercial, financial and agricultural[1]	6,066,593	99.4%	5,624,998	99.5%	5,583,086	99.58%
Real estate – construction	-	-	-	-	-	-
Real estate – mortgage[2]	33,291	0.1%	25,210	0.1%	21,277	0.04%
Installment loans to individuals[3]	3,233	0.5%	2,869	0.4%	2,411	0.38%
Lease financing	-	-	-	-	-	-
Total loans	6,103,117	100%	5,653,077	100%	5,606,774	100%
Allowance for loan losses	65,279	1%	60,512	1%	60,451	1%
Total loans domestic, net	**6,037,838**	**99%**	**5,592,565**	**99%**	**5,546,323**	**99%**
Foreign						
Governments and official institutions	-	-	-	-	-	-
Banks and other financial institutions	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Total loans	-	-	-	-	-	-
Allowance for loan losses	-	-	-	-	-	-
Total loans foreign, net	-	-	-	-	-	-
Total loans domestic and foreign, net	**6,037,838**	**100%**	**5,592,565**	**100%**	**5,546,323**	**100%**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Mortgage loans are loans provided by us for housing purposes to our employees.
(3) Installment loans to individuals are loans provided by us to our employees.

Loan Portfolio by Economic Activity [(1)]

The following table sets forth the composition of our loan portfolio at the dates indicated, net of deferred interest and interest collected in advance, based primarily on the use of funds by the relevant intermediary financial institutions to on-lend to specific infrastructure projects or sectors.

	As of December 31,					
	2013		2012		2011	
	COP (in millions)	**%**	**COP (in millions)**	**%**	**COP (in millions)**	**%**
Transportation	2,045,699	33.5%	1,872,528	33.1%	1,777,686	31.7%
Urban Development, Construction and Housing	1,201,382	19.7%	743,487	13.2%	799,241	14.3%
Energy	681,790	11.2%	913,814	16.2%	886,033	15.8%
Healthcare	604,683	9.9%	544,076	9.6%	643,561	11.5%
Potable Water and Basic Sanitation	589,659	9.7%	546,462	9.7%	615,558	11.0%
Education	412,893	6.8%	398,450	7.0%	362,376	6.5%
Tourism	221,277	3.6%	202,645	3.6%	147,230	2.6%
Fiscal Governance	110,412	1.8%	103,544	1.8%	110,748	2.0%
Environment	86,978	1.4%	159,565	2.8%	122,078	2.2%
Telecommunication	79,002	1.3%	106,982	1.9%	103,623	1.8%
Sports, recreation and culture	32,818	0.5%	33,444	0.6%	19,740	0.4%
Other [(2)]	36,524	0.6%	28,080	0.5%	18,901	0.3%
Total	**6,103,117**	**100.0%**	**5,653,077**	**100.0%**	**5,606,775**	**100.0%**

(1) All above listed loans are domestic loans. There are no foreign loans by economic activity.
(2) The "other" category consists solely of consumer and mortgage loans to our employees.

Loan Portfolio by SFC Classification

The following table sets forth the type of the loans in our loan portfolio, as classified by the SFC, at the dates indicated.

	As of December 31,					
	2013		2012		2011	
	(COP in millions)	**%**	**(COP in millions)**	**%**	**(COP in millions)**	**%**
Commercial loans [(1)]	6,066,593	99.4%	5,624,998	99.5%	5,583,086	99.58%
Consumer loans [(2)]	3,233	0.1%	2,868	0.1%	2,411	0.04%
Mortgage[(3)]	33,291	0.4%	25,211	0.4%	21,277	0.38%
Total Loans and Financial Leases	**6,103,117**	**100%**	**5,653,077**	**100%**	**5,606,774**	**100%**
Allowance for Loans and Financial Lease Losses[(4)]	65,279	1%	60,512	1%	60,451	1%
Total Loans and Financial Leases, Net	**6,037,838**	**99%**	**5,592,565**	**99%**	**5,546,323**	**99%**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Consumer loans are loans provided by us to our employees.
(3) Mortgage loans are loans provided by us for housing purposes to our employees.
(4) Pursuant to the rules and regulations of the SFC, the general allowance consists of a provision of 1% of the value of our commercial loan portfolio.

Loan Portfolio by Secured and Unsecured Loans

The following table sets forth the type of the loans in our loan portfolio, by secured and unsecured loans, at the dates indicated.

	As of December 31,					
	2013		2012		2011	
	(COP in millionS)	%	(COP in millionS)	%	(COP in millionS)	%
Secured						
Current	6,103,117	99.975%	5,653,077	99.9841%	5,606,774	99.9939%
Past due commercial loans[1]	-	-	-	-	-	-
Past due consumer loans[2]	201	0.003%	223	0.0040%	62	0.0011%
Past due small business loans	-	-	-	-	-	-
Past due mortgage loans[3]	1,328	0.022%	675	0.0119%	279	0.0050%
Past due financial leases	-	-	-	-	-	-
Total secured loans	**6,104,646**	**100.0%**	**5,653,975**	**100.0%**	**5,607,115**	**100.0%**
Unsecured [4]						
Current	-	-	-	-	-	-
Past due commercial loans	-	-	-	-	-	-
Past due consumer loans	-	-	-	-	-	-
Past due small business loans	-	-	-	-	-	-
Past due mortgage loans	-	-	-	-	-	-
Past due financial leases	-	-	-	-	-	-
Total unsecured loans	-	-	-	-	-	-

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Consumer loans are loans provided by us to our employees.
(3) Mortgage loans are loans provided by us for housing purposes to our employees.
(4) Includes loans with personal guarantees.

Loans by Maturity

The following table sets forth our loans by maturity as of December 31, 2013.

	As of December 31			
	2013			
	One year or less	1 – 5 years	After 5 years	Total
Domestic loans and financial leases:				
Commercial, financial and agricultural[1]	71,756	1,948,355	4,046,482	6,066,593
Real estate – construction	-	-	-	-
Real estate – mortgage[2]	78	106	33,107	33,291
Installment loans to individuals[3]	146	1,844	1,245	3,233
Total domestic loans and financial leases	**71,980**	**1,950,304**	**4,080,834**	**6,103,117**
Foreign loans and financial leases:				
Governments and official institutions	-	-	-	-
Banks and other financial institutions	-	-	-	-
Commercial and industrial	-	-	-	-
Other loans	-	-	-	-
Total foreign loans and financial leases	-	-	-	-
Total loans	**71,980**	**1,950,304**	**4,080,834**	**6,103,117**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Mortgage loans are loans provided by us for housing purposes to our employees.
(3) Installment loans to individuals are loans provided by us to our employees.

Loans by Type of Interest Rate

The following table sets forth the loans in our loan portfolio by type of interest rate at the dates indicated.

	As of December 31,		
	2013	2012	2011
		(COP in millions)	
Loans with terms of one year or more:			
COP fixed interest rate	230,474	114,423	85,443
COP variable rate	5,800,690	5,452,609	5,396,910
Loans with terms less than one year:			
COP fixed interest rate	71,953	4,589	64
COP variable rate	-	81,456	124,357
Total	**6,103,117**	**5,653,077**	**5,606,774**

Provisions for Loan Losses

Our provisions for loan losses are recorded in accordance with SFC regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Loans and Accounts Receivable—Assessment, rating and provisions on credit risk" for a description of the guidelines and procedures used in the review of our loan portfolio and the calculation of our provisions for loan losses. The following table presents our provisions for loan losses.

	As of December 31,		Change 2013/2012		As of December 31,		Change 2012/2011	
	2013	2012	(COP in millions)	%	2012	2011	(COP in millions)	%
	(COP in millions)				(COP in millions)			
Balance at the beginning of period	60,512	60,452	60	0.10%	60,452	51,006	9,946	19%
Domestic	60,512	60,452	60	0.10%	60,452	51,006	9,946	19%
Foreign	-	-	-	-	-	-	-	-
Provisions for loan losses, net	5,325	3,480	1,845	53.02%	3,480	13,854	(10,374)	(75)%
Domestic	5,325	3,480	1,845	53.02%	3,480	13,854	(10,374)	(75)%
Foreign	-	-	-	-	-	-	-	-
Charge-offs	(558)	(3,420)	(2,862)	(83.6)%	(3,420)	(4,408)	988	22%
Domestic	(558)	(3,420)	(2,862)	(83.6)%	(3,420)	(4,408)	988	22%
Foreign	-	-	-	-	-	-	-	-
Effect of different in exchange rate	-	-	-	-	-	-	-	-
Foreign	-	-	-	-	-	-	-	-
Balance at the end of the year	65,279	60,512	4,767	7.88%	60,512	60,452	60	0.10%

Determination of Provisions for Loan Losses (as classified by the SFC)

The following table sets forth our allocation of our allowance for loan and financial lease losses using the classifications of the SFC at the dates indicated.

	As of December 31,		
	2013	2012	2011
		(COP in millions)	
Commercial loans[1]	3,223	3,623	4,184
Consumer loans[2]	195	121	86
Small business loans	-	-	-
Financial leases	-	-	-
Mortgage[3]	1,116	454	351
General allowance	60,746	56,314	55,831
Total allowance for loan losses	**65,279**	**60,512**	**60,451**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Consumer loans are loans provided by us to our employees.
(3) Mortgage loans are loans provided by us for housing purposes to our employees.

Determination of Provisions for Loan Losses by Type of Loan

The following table sets forth our allocation of our allowance for loan and financial lease losses at the dates indicated.

	As of December 31,		
	2013	2012	2011
		(COP in millions)	
Domestic			
Commercial, financial and agricultural[1]	63,889	59,873	60,015
Real estate – construction	-	-	-
Real estate – mortgage[2]	1,190	513	351
Installment loans to individuals[3]	200	126	86
Lease financing	-	-	-
Total domestic allowance for loan losses	**65,279**	**60,512**	**60,451**
Foreign			
Governments and official institutions	-	-	-
Banks and other financial institutions	-	-	-
Commercial and industrial	-	-	-
Other loans	-	-	-
Total foreign allowance for loan losses	**-**	**-**	**-**
Total domestic and foreign allowance for loan losses	**65,279**	**60,512**	**60,451**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Mortgage loans are loans provided by us for housing purposes to our employees.
(3) Installment loans to individuals are loans provided by us to our employees.

Classification by Borrowers' Performance

The following table sets forth the classification of our loan portfolio by the borrower's performance at the dates indicated. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Provisions for loan losses" and "Supervision and Regulation—Capital Adequacy Requirements" for a description of our loan classification and risk management policies.

	As of December 31,					
	2013		2012		2011	
	(COP in millions)	%	(COP in millions)	%	(COP in millions)	%
A: Normal	6,098,177	99.9%	5,648,722	99.9%	5,602,259	99.9%
B: Subnormal	645	-	300	-	-	-
C: Deficient	350	-	271	-	170	-
D: Doubtful recovery	-	-	16	-	71	-
E: Unrecoverable	3,945	0.1%	3,767	0.1%	4274	0.1%
Total	**6,103,117**	**100.0%**	**5,653,077**	**100.0%**	**5,606,774**	**100.0%**
Loans classified as "C," "D" and "E" as a percentage of total loans	-	0.1%	-	0.1%	-	0.1%

Classification of Past-Due Loans by Type of Loan

The following table sets forth the classification of past due loans in our loan portfolio by type of loan at the dates indicated.

	As of December 31,					
	2013		2012		2011	
	(COP in millions)	%	(COP in millions)	%	(COP in millions)	%
Domestic						
Commercial, financial and agricultural[1]	-	-	-	-	-	-
Real estate – construction	-	-	-	-	-	-
Real estate – mortgage[2]	1,328	86.85%	675	75.13%	279	81.83%
Installment loans to individuals[3]	201	13.15%	223	24.87%	62	18.17%
Lease financing	-	-	-	-	-	-
Total past due loans, domestic	**1,529**	**100%**	**898**	**100%**	**341**	**100%**
Foreign						
Governments and official institutions	-	-	-	-	-	-
Banks and other financial institutions	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-
Other loans	-	-	-	-	-	-
Total past due loans, foreign	-	-	-	-	-	-
Total Foreign and Domestic Past Due Loans	**1,529**	**100%**	**898**	**100%**	**341**	**100%**

(1) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions.
(2) Mortgage loans are loans provided by us for housing purposes to our employees.
(3) Installment loans to individuals are loans provided by us to our employees.

Performing and Non-Performing Past Due Loans by Type of Loan (as classified by the SFC)

The following table sets forth the non-performing loans of our loan portfolio by type of the loans, as classified by the SFC, at the dates indicated.

	As of December 31,					
	2013		2012		2011	
	(COP in millions)	%	(COP in millions)	%	(COP in millions)	%
Performing past due loans [(1)]						
Consumer loans [(2)]	1	0.1%	126	42.6%	-	-
Commercial loans [(3)]	-	-	-	-	-	-
Mortgage loans [(4)]	548	99.9%	171	57.4%	33	100.0%
Financial leases [(5)]	-	-	-	-	-	-
Total performing past due loans and financial leases	**548**	**100.0%**	**297**	**100.0%**	**33**	**100.0%**
Non-performing past due loans [(6)]						
Consumer loans [(7)]	201	20.5%	97	16.1%	62	20.1%
Commercial loans [(8)]	-	-	-	-	-	-
Mortgage loans [(9)]	780	79.5%	505	83.9%	246	79.9%
Financial leases [(10)]	-	-	-	-	-	-
Total non-performing past due loans and financial leases	**981**	**100.0%**	**602**	**100.0%**	**308**	**100.0%**
Total past due loans and financial leases	**1,529**	**-**	**898**	**-**	**341**	**-**
Total non-performing past due loans and financial leases	**981**	**100.0%**	**602**	**100.0%**	**308**	**100.0%**
Foreclosed assets	-	-	-	-	-	-
Other accounts receivable more than 180 days past due	-	-	-	-	-	-
Total non-performing assets	**981**	**100.0%**	**602**	**100.0%**	**308**	**100.0%**
Allowance for loans and financial lease losses	64,994	-	60,295	-	60,015	-
Allowance for estimated losses on foreclosed assets	-	-	-	-	-	-
Allowance for accounts receivable and accrued interest losses	235	-	238	-	233	-
Loans at least one day past due as a percentage of total loans	-	0.025%	-	0.015%	-	0.006%
Allowance for loan losses as a percentage of loans at least one day past due	-	4251.23%	-	6710.62%	-	17597.50%
Allowance for loan losses as a percentage of loans classified as "C," "D" and "E"	-	1513%	-	1487%	-	1436%
Percentage of performing loans to total loans	-	99.984%	-	99.989%	-	99.994%

(1) Performing past due loans are loans upon which we continue to recognize income although interest has not been received for the periods indicated.
(2) Consumer loans are loans provided by us to our employees; past due from 31 to 60 days.
(3) Commercial loans are loans provided by us in the eleven economic sectors through intermediary financial institutions; past due from 31 to 90 days.
(4) Mortgage loans are loans provided by us for housing purposes to our employees; past due from 31 to 60 days.
(5) The consumer financial leases are due from 31 to 60 days and the commercial financial leases are due from 31 to 90 days.
(6) Non-performing past due loans are loans past due more than 60 days.
(7) Past due more than 60 days.
(8) Past due more than 90 days.
(9) Past due more than 60 days.
(10) The consumer financial leases are more than 60 days and the commercial financial leases are more than 90 days.

Non-Performing Past Due Loans by Type of Loan (as classified by the SFC)

The following table sets forth the non-performing past-due loans by type of loan in accordance with the criteria of the SFC for domestic and foreign loans at the dates indicated:

	For the year ended December 31,		
	2013	2012	2011
		(COP in millions)	
Non-performing past due loans			
Consumer loans[1]			
Domestic	201	97	62
Foreign	-	-	-
Total consumer loans	**201**	**97**	**62**
Small loans [2]			
Domestic	-	-	-
Foreign	-	-	-
Total small loans	**-**	**-**	**-**
Commercial loans [3]			
Domestic	-	-	-
Foreign	-	-	-
Total commercial loans	**-**	**-**	**-**
Mortgage loans [4]			
Domestic	780	505	246
Foreign	-	-	-
Total mortgage loans	**780**	**505**	**246**
Financial leases [5]			
Domestic	-	-	-
Foreign	-	-	-
Total financial leases	**-**	**-**	**-**
Total non-performing past due domestic loans and financial leases	**981**	**602**	**308**
Total non-performing past due foreign loans and financial leases	**-**	**-**	**-**
Total non-performing past due loans and financial leases	**981**	**602**	**308**

(1) Past due more than 60 days.
(2) Past due more than 30 days.
(3) Past due more than 90 days.
(4) Past due more than 60 days.
(5) Past due financial leases includes our consumer financial leases that are more than 60 days past due and our commercial financial leases that are more than 90 days past due.

Total Deposits

The following table sets forth our deposits at the dates indicated.

	As of December 31,		
	2013	**2012**	**2011**
		(COP in millions)	
Non-interest bearing deposits			
Checking accounts	-	-	-
Other deposits	-	-	-
Total non-interest-bearing deposits	-	-	-
Interest-bearing deposits			
Checking accounts	-	-	-
Time deposits	5,197,192	5,021,051	4,659,037
Savings deposits	-	-	-
Total interest-bearing deposits	5,197,192	5,021,051	4,659,037
Total	**5,197,192**	**5,021,051**	**4,659,037**

Time Deposits by Amount and Maturity

The following table sets forth our time deposits by amount and maturity at the dates indicated.

	As of December 31,		
	Peso-denominated	Foreign Exchange-denominated	Total
	2013		
	(COP in millions)		
Time deposits higher than US$100,000			
Up to three months	754,703	-	754,703
3 – 6 months	408,336	-	408,336
6 – 12 months	1,069,841	-	1,069,841
More than 12 months	2,925,810	-	2,925,810
Time deposits less than US$100,000	38,502	-	38,502
Total	**5,197,192**	**-**	**5,197,192**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains an analysis of our financial condition and results of operations for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011. The following discussion should be read in conjunction with our audited financial statements and unaudited interim financial statements, together with the notes thereto, included in this offering memorandum. Our financial statements have been prepared in accordance with Colombian Banking GAAP.

Overview

We are a state-owned development bank established in 1989 by the government of Colombia to play a key role in the Colombian government's programs to improve economic and social conditions and develop sustainable public services infrastructure throughout Colombia's municipalities and departments. We aim to maintain our position as the leading development bank for sustainable regional infrastructure development in Colombia while leveraging our financial and technical advisory capabilities to attend to the country's infrastructure deficit. We are organized as a national mixed economy company and our assets and liabilities are separate from the assets and liabilities of our controlling shareholder (the Colombian government), which does not explicitly guarantee our obligations, including the notes.

In recent years, fostering urban and housing development has become one of the fundamental goals of the Colombian government and we play a central role in the country's development strategy as one of its leading development banks. In addition to our cooperation with the government, we work closely with multi-lateral and non-profit organizations, such as the IDB, who are among our most important funding sources, and who provide us with invaluable resources of know-how and experience as well as opportunities to partner with them on a number of projects across the country.

As a development bank, we provide funding to intermediary financial institutions, which include Colombian commercial banks and micro-financing institutions, who themselves directly provide funding to the final borrowers developing infrastructure projects which we elect to finance. The intermediary financial institutions that receive funding from us approve, place and service the underlying loans, using their own credit criteria and assume 100% of the credit risk. However, in determining whether to extend funding to any intermediary financial institution, we also examine the feasibility of the underlying project to ensure it is consistent with our criteria for social and economic development and the creation of sustainable public services infrastructure throughout the country.

Our lending activities are funded primarily through the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations, and issuances of certificates of deposit and asset-backed securities in the local capital markets. Excluding the reinvestment of our income and subsidies from the government, certificates of deposit represent 94% of our funding sources for the year ended December 31, 2013, with loans from multilateral organizations representing the remaining 6%. In the future, we also expect to access the international capital markets, as we are doing so with the notes offered hereby.

As of March 31, 2014, we were the largest development bank in Colombia, in terms of total loans. As part of our development mandate, we also play an active role in the development of public services infrastructure and sustainability projects by providing non-financial services consisting of technical assistance and project management and execution services with respect to such projects.

For the three months ended March 31, 2014 and 2013 and the year ended December 31, 2013, our net income was COP 8,329 million (US$4.23 million), COP 8,298 million (US$4.53 million) and COP 31,421 million (US$16.31 million), respectively. As of March 31, 2014, our shareholders' equity was COP 933,739 million (US$474.11 million). Additionally, the balance of our loan portfolio totaled COP 6,471,604 billion (US$3,286.00 million) as of March 31, 2014 and COP 6,103,117 billion (US$3,167.44 million) as of December 31, 2013.

Principal Trends Affecting Our Business

Our operations are affected by external factors such as: economic activity, interest rates, inflation and exchange rates. The following discussion summarizes trends in these various factors.

General Colombian Economic Conditions

Our results of operations are directly related to trends in the Colombian economy. The following table shows the historical and projected evolution of Colombia's principal macroeconomic indicators:

	2009	2010	2011	2012	2013	2014
GDP growth	1.7%	4.0%	6.6%	4.0%	4.7%	6.4%
Inflation(1)	2.0%	3.2%	3.7%	2.44%	1.94%	1.52%
Average unemployment rate	12.0%	11.8%	10.8%	11.0%	10.5%	9.73%

Sources: Historical data for 2009 through 2013 provided by the *Departamento Administrativo Nacional de Estadística* ("DANE"); forecasts for 2014 provided by the International Monetary Fund ("IMF").

(1) Based upon the Colombian Consumer Price Index ("IPC"), as calculated by DANE.

Colombian GDP Growth

As the revenues generated by Colombian banks are largely correlated with GDP growth, the Colombian financial sector has grown, and is expected to continue to grow, in line with Colombian GDP growth. Despite uneven growth in both developing and developed economies, the Colombian economy has remained stable in recent years. In 2011, Colombian GDP grew by 6.6%; while such growth decreased somewhat in 2012 with GDP growth reaching only 4.0%, it reverted to an upward trend in 2013 growing by 4.7%. The principal causes of this growth were: (i) improvements in domestic security and public safety, which encouraged higher levels of foreign investment; (ii) capable management of fiscal and monetary policies; (iii) growth in exports; and (iv) a new institutional framework aimed at promoting investments in oil exploration and extraction. During 2013, Colombia was rated as investment grade by three internationally-recognized credit rating agencies.

According to public sources, the economic sectors that showed the highest real growth in the Colombian economy during 2013 were:

- construction, 9.8%;
- mining, 4.9%;
- financial institutions, insurance, housing and business activities, 4.6%;
- retail, restaurants and hotels, 4.3%; and
- transportation, storage and communications, 3.1%.

Other indicators of economic strength in Colombia include overall demand, average household consumption and gross capital formation, which in 2013 grew by 4.3%, 4.5% and 4.9%, respectively. In terms of the trade balance during 2013 there was a 2.1% growth in imports and 5.3% growth in exports.

The Colombian economy continued to expand during the first quarter of 2014, as real GDP grew at an annualized rate of 6.4% during this period, the highest real GDP growth in Latin America during the same period. Some of the economic sectors that showed the greatest growth during this period were construction, which had a real growth rate of 17.2%, mining, which grew by 5.6%, and financial institutions, insurance, housing and business activities, which grew by 6.0%.

On October 12, 2011, the United States Senate approved the Free-Trade Agreement between the United States and Colombia, which entered into force on May 15, 2012. This agreement has allowed preferential access of Colombian products, such as flowers, sugar, bananas, oil and meat into the United States and has boosted investment from foreign companies who want access to the U.S. market through Colombia. This agreement has had a positive impact on the Colombian economy by expanding the market for Colombian exports and lowering the cost of imports.

Intervention Interest Rate

The intervention interest rate is the benchmark interest rate set by the Colombian Central Bank to lend to financial institutions. Intervention interest rates have a direct impact on our lending rates. An increase in the intervention interest rate generally has the effect of increasing the rates paid by intermediary financial institutions on our loans, thereby increasing our revenues. This increase in revenues is offset by an increase in costs resulting from higher interest payments on our certificates of deposit. For example, an increase or decrease in the intervention interest rate has a corresponding effect on interest rates that are indexed to market rates, such as the DTF (the average national rate paid on Colombian 90-day certificates of deposit) applicable to certain of our loans to intermediary financial institutions and our certificates of deposit, which, in turn, has the effect of generally maintaining the spread between indexed deposit and loan rates.

In response to the international financial crisis that began in the latter half of 2008, the Colombian Central Bank gradually reduced the intervention interest rate from 10.00% in December 2008 to 3.00% in June 2010. However, due to robust domestic economic growth and the high expansion rate for domestic credit, the Colombian Central Bank steadily increased the intervention interest rate by 25 basis points every month during the first half of 2011, from 3.00% in February 2011 to 4.50% in August 2011. In August 2011, the Colombian Central Bank decided to hold the intervention interest rate at 4.50%, despite concerns that a failure to increase domestic interest rates would lead to increased inflation. The intervention interest rate was subsequently gradually increased by the Colombian Central Bank to 5.25% as of February 2012, and then gradually reduced back to 4.50% as of November 2012. In 2013, the Colombian Central Bank decided to reduce the interest rate to 3.25% in order to fight the global economic slowdown. However, in 2014, as a result of the economic growth seen at the end of 2013 and into 2014, as well as inflationary pressure, the Colombian Central Bank has gradually been increasing the intervention interest rate. As of the date of this offering memorandum, such rate stands at 4.0%.

Inflation

In terms of inflation, the primary effect of inflation on the Colombian financial sector is that it increases borrowing costs by increasing interest rates. This has a positive effect on the interest we earn on our loan portfolio, which is offset by an increase in the interest we pay on our certificates of deposit. Inflation decreased in both 2013 and 2012 as compared to the prior years, respectively. The deceleration of inflation is primarily the result of a decrease in food prices in Colombia given the overproduction observed throughout the year. Unlike 2011 and 2012, the inflation rate for 2013 was not within the 2-4% range set by the Colombian Central Bank. While inflation rates have been uneven in Colombia during the last five years, the IMF projects that inflation will be kept at or under 4.0% during 2014.

Exchange Rates

We receive most of our income in Colombian pesos. Some of our debt obligations are denominated in currencies other than the Colombian peso, principally US dollars. We enter into hedging arrangements to protect against this foreign currency exposure. Nevertheless, a devaluation of the Colombian peso with respect to the dollar could negatively affect our financial condition. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments.”

The Colombian peso has experienced currency fluctuations over the last two years. In line with the behavior of other Latin American currencies, the Colombian peso depreciated against the US dollar in 2013, rising from a buying rate of COP 1,768.23 per US$1.00 at the beginning of 2013 to a buying rate of COP 1,926.83 on December 31, 2013. The Colombian peso has further weakened to COP 1,969.45 per US$1.00 as of March 31, 2014.

Key Trends Affecting our Future Results of Operations

We expect the need to finance infrastructure projects throughout the country during the following years to positively affect growth of our intermediation financing loan portfolio. We anticipate that part of this growth will be as a result of the already announced government spending initiatives aimed at housing and infrastructure development and in increased lending to companies involved in these sectors.

Our ratio of non-performing loans has historically been extremely low given that we are initially only exposed to the credit risk of our intermediary financial institutions, almost all of which are believed to be financially sound SFC-regulated entities. We believe that despite an anticipated increase in our loan portfolio over the next few quarters, the ratio of our non-performing loans will remain at such low levels.

The Colombian Central Bank intervenes from time to time to manage interest rates. The Colombian Central Bank's policies vary over time as well. Variations in interest rates have a significant impact on our margins and on financial profitability. Increases in rates allow for higher rates on the loans we extend, offset by an increase in the interest rate that we pay on our certificates of deposit. We cannot predict the Colombian Central Bank's policy in this respect in the future.

Description of Our Principal Income Statement Accounts

The following is a summary of the principal line items included in our income statement:

Interest Income. Our interest income principally reflects interest earned on our intermediary financial institution loan portfolio.

Interest and Similar Expenses. Our interest and similar expenses principally reflect interest paid by us on our certificates of deposit and other liabilities.

Provisions. Our provisions principally reflect provisioning expenses incurred in respect of our intermediary financial institution loan portfolio.

Income from commissions and fees. Our income from commissions and fees principally reflects the fees we charge in our non-financial services segment where we provide technical assistance and project management and execution services.

Expenses from commissions and fees. Our expenses from commissions and fees principally reflect the fees we pay to third-party consultants to assist in the execution of our non-financial services business line.

Other income (loss). Our other income (loss) principally reflects the realized gains or losses on our investments held for sale, the mark-to-market valuations of our derivatives as well as foreign currency exchange movements.

Other expenditures. Our other expenditures principally reflect personnel expenses. It also reflects depreciation and amortization, tax-related expenses, leases, advertising and other day-to-day expenses.

Results of Operations

Three Months ended March 31, 2014 Compared to Three Months ended March 31, 2013

The table below provides a summary of our results of operations for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,		Change	
	2014	2013		
	(COP in millions)		(COP in millions)	%
Interest income				
Interest on loan accounts receivable	100,977	105,661	(4,684)	(4.4)%
Interest on debt securities investments	262	-	262	-
Interest on inter-bank loans, bank accounts and other instruments	5,695	7,780	(2,085)	(26.8)%
Total interest income	**106,934**	**113,441**	**(6,507)**	**(5.7)%**
Interest and similar expenses				
Certificates of deposit	(72,294)	(78,276)	5,982	(7.6)%
Financial liabilities with banks and financial entities	(2,193)	(2,036)	(157)	7.7%

	Three months ended March 31, 2014	2013	Change (COP in millions)	%
	(COP in millions)			
Total interest and similar expenses	**(74,487)**	**(80,312)**	**5,825**	**(7.3)%**
Net interest income	**27,934**	**26,118**	**1,816**	**7.0%**
Provisions				
Provisions for loans and accounts receivable	(3,792)	(3,076)	(716)	(23.3)%
Other provisions	(715)	(455)	(260)	(57.1)%
Total provision	**(4,507)**	**(3,531)**	**(976)**	**27.6%**
Interest income net of provisions	**27,940**	**29,598**	**(1,658)**	**(5.6)%**
Income from commissions and fees	8,152	4,715	3,437	72.9%
Expenses from commissions and fees	(1,055)	(1,096)	41	(3.7)%
Net income from commissions and fees	**7,097**	**3,619**	**3,478**	**96.1%**
Other income (loss)				
Net income (loss) on equity securities investments	1,963	(126)	2,089	N.M.(1)
Net income (loss) on derivatives valuation	901	(624)	1,525	N.M.
Net (loss) income on exchange difference	(1,481)	(3,751)	2,270	(60.5)%
Other	(838)	442	(1,280)	N.M.
Total other income (loss)	**545**	**(4,059)**	**4,604**	**113.4%**
Other expenditures				
Personnel expenses	(8,004)	(6,709)	(1,295)	19.3%
Overhead expenses	(14,689)	(11,328)	(3,361)	29.7%
Other, net	755	1,550	(795)	(51.3)%
Total other expenditures	**(21,938)**	**(16,487)**	**(5,451)**	**33.1%**
Income before income tax provision	**13,644**	**12,671**	**973**	**7.7%**
Income tax expense	(5,315)	(4,373)	(942)	21.5%
Net Income	**8,329**	**8,298**	**31**	**0.4%**

(1) N.M. = Not meaningful.

Interest Income

The following table sets forth the principal components for our interest income for the three months ended March 31, 2014 and 2013.

	Three months ended March 31, 2014	2013	Change (COP in millions)	%
	(COP in millions)			
Interest income				
Interest on loan accounts receivable	100,977	105,661	(4,684)	(4.4)%
Interest on debt securities investments	262	-	262	-
Interest on inter-bank loans, bank accounts and other instruments	5,695	7,780	(2,085)	(26.8)%
Total interest income	**106,934**	**113,441**	**(6,507)**	**(5.7)%**

The 5.7% decrease in our total interest income in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a 4.4% decrease in our interest on loan accounts receivable and a 26.8% decrease in our interest on inter-bank loans, bank accounts and other instruments.

The 4.4% decrease in our interest on loan accounts receivable is primarily the result of a decrease in average interest rates in Colombia in the first quarter of 2014 as compared to the first quarter of 2013, particularly the average DTF rate which decreased from an average of 4.93% in the first quarter of 2013 to an average of 3.98% in the first quarter of 2014. The decrease in the average DTF rate negatively affected the interest we earned on our loan portfolio as approximately 75% of our outstanding loans in the first quarter of 2014 were indexed to the DTF Rate, compared to only 63% of our loans in the first quarter of 2013 being indexed to the DTF Rate. This decrease was partially offset by the 8.27% increase in the average balance of our loan portfolio in the first quarter of 2014.

The 26.8% decrease in our interest on inter-bank loans, bank accounts and other instruments is primarily the result of a decrease in the intervention rate set by the Colombian Central Bank on interbank loans. In the first quarter of 2014, the rate was 3.25% whereas in the first quarter of 2013, it ranged from 4.25% and 3.25%.

Interest and Similar Expenses

The following table sets forth the principal components for our interest and similar expenses for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,		Change	
	2014	2013		
	(COP in millions)		(COP in millions)	%
Interest and similar expenses				
Certificates of deposit	(72,294)	(78,276)	5,982	(7.6)%
Financial liabilities with banks and financial entities	(2,193)	(2,036)	(157)	7.7%
Total interest and similar expenses	**(74,487)**	**(80,312)**	**5,825**	**(7.3)%**

The 7.3% decrease in our total interest and similar expenses in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a 7.6% decrease on our interest paid on our certificates of deposits. Such decrease, in turn, is primarily the result of a decrease in average interest rates in Colombia in the first quarter of 2014 as compared to the first quarter of 2013, particularly the average DTF rate which decreased from an average of 4.93% in the first quarter of 2013 to an average of 3.98% in the first quarter of 2014. This decrease in the average DTF rate resulted in a decrease in our interest expense on our certificates of deposit. This decrease was partially offset by an increase in our certificates of deposit issuances as we issued COP 1,309 million in the first quarter of 2014 compared to issuances totaling COP 610 million in the first quarter of 2013.

Provisions

The 27.6% increase in our provisions in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a 23.3% increase in our provision for loans and accounts receivable. Such decrease, in turn, is primarily the result of an 8.27% increase in the average balance of our loan portfolio in the first quarter of 2014 as compared to the first quarter of 2013.

Income from Commissions and Fees

The 72.9% increase in our income from commissions and fees in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects an increase in the number of projects for which we provide technical assistance and project management and execution services, particularly in relation to the *100,000 Viviendas Gratis* (100,000 Free Housing Units) and *Aqua para la Prosperidad* (Water for Prosperity) programs.

Expenses from Commissions and Fees

The 3.7% decrease in our expenses from commissions and fees in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a small decrease in the fees charged to us by outsourced third parties in connection with the programs in which we are providing technical assistance, as we have recently been increasing our personnel levels so that we can provide more of these services internally and consequently outsourcing less work.

Other Income (Loss)

The following table sets forth the principal components for our other income for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,		Change	
	2014	2013		
	(COP in millions)		(COP in millions)	%
Other income (loss)				
Net income (loss) on equity securities investments	1,963	(126)	2,089	N.M.[(1)]
Net income (loss) on derivatives valuation	901	(624)	1,525	N.M.
Net (loss) on exchange difference	(1,481)	(3,751)	2,270	(60.5)%
Other	(838)	442	(1,280)	N.M.
Total other income (loss)	**545**	**(4,059)**	**4,604**	**113.4%**

(1) N.M. = Not meaningful.

The 113.4% increase in our total other income in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects positive results in our earnings on equity securities investments and derivatives valuation where we were able to reverse our results from losses to gains and a 60.5% decrease in our net loss on exchange difference. These increases were partially offset by a reversal in our other income (loss) from a gain to a loss.

The reversal in our equity securities investment results from a loss to a gain is primarily the result of the gains received from our investment in the ASHMORE Private Equity Fund, which experienced an 83.3% increase in its rate of return.

The reversal in our derivatives valuation results is primarily the result of the positive results we obtained on our currency swaps in the first quarter of 2014 which led to a net gain of US$313.6 thousand. While the aggregate principal amount of our currency swaps decreased, we held a greater proportional asset position in these swaps in the first quarter of 2014 as compared to the first quarter of 2013.

The 60.5% decrease in our net loss on exchange difference is primarily the result of a decrease in our net liability position in US dollars, which fell from US$56.9 million in the first quarter of 2013 to US$33.7 million in the first quarter of 2014 because we had more US dollar-denominated loans in our loan portfolio in the first quarter of 2014 as compared to the first quarter of 2013, thereby serving as a more natural hedge to our US dollar-denominated liabilities. In addition, the US dollar appreciated less against the Colombian peso in the first quarter of 2014 as compared to the first quarter of 2013.

The reversal in our other income results from a gain to a loss is primarily the result of a 101% increase in miscellaneous fees paid by us, which, in turn, resulted primarily from fees paid to rating agencies in relations to our corporate rating process and increased external auditing fees.

Other Expenditures

The following table sets forth the principal components of our other expenditures for the three months ended March 31, 2014 and 2013.

	Three months ended March 31,		Change	
	2014	2013		
	(COP in millions)		(COP in millions)	%
Other expenditures				
Personnel expenses	(8,004)	(6,709)	(1,295)	19.3%
Overhead expenses	(14,689)	(11,328)	(3,361)	29.7%
Other, net	755	1,550	(795)	(51.3)%
Total other expenditures	**(21,938)**	**(16,487)**	**(5,451)**	**33.1%**

The 33.1% increase in our other expenditures in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a 19.3% increase in personnel expenses and a 29.7% increase in overhead expenses.

The 19.3% increase in our personnel expenses is primarily the result of an increase in wages at the beginning of 2014 as well as the commencement of our incentive payment program in 2014 whereby certain of employees are entitled to bonuses if they reach certain performance goals.

The 29.7% increase in our overhead expenses is primarily the result of a 356.92% increase in temporary services expenses due to an increase in the number of temporary employees hired to support the increased activities of our non-financial services business, a 322.24% increase in our amortizations due to the remodeling of some of our offices and a 34.84% increase in our leasing expenses due to the leasing of an additional floor in our headquarters building in Bogotá.

Income Tax Expense

The 21.5% increase in our income tax expense in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 principally reflects a 7.7% increase in our income before income tax.

Net Income

The 0.4% increase in our net income in the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 was the result of the factors discussed above.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012

The table below provides a summary of our results of operations for the years ended December 31, 2013 and 2012.

	Years ended December 31,		Change	
	2013	**2012**		
	(COP in millions)		**(COP in millions)**	**%**
Interest income				
Interest on loan accounts receivable	398,154	445,586	(47,432)	(10.6)%
Interest on debt securities	2,179	1,037	1,142	110.1%
Interest on inter-bank loans, bank accounts and other instruments	18,719	29,541	(10,822)	(36.6)%
Total interest income	**419,052**	**476,164**	**(57,112)**	**(12.0)%**
Interest and similar expenses				
Certificates of deposit	(286,744)	(330,349)	43,605	(13.2)%
Financial liabilities with banks and financial entities	(8,411)	(4,998)	(3,413)	68.3%
Total interest and similar expenses	**(295,155)**	**(335,347)**	**40,192**	**(12.0)%**
Net interest income	**123,897**	**140,817**	**(16,920)**	**(12.0)%**
Provisions				
Provisions for loans and accounts receivable	(5,257)	(3,627)	(1,630)	44.9%
Other provisions	(2,627)	(8,483)	3,413	(69.0)%
Total provision	**(7,884)**	**(12,110)**	**4,226**	**(34.9)%**
Interest income net of provisions	**116,013**	**128,707**	**(12,695)**	**(9.9)%**
Income from commissions and fees	31,530	8,990	22,540	250.7%
Expenses from commissions and fees	(10,786)	(9,329)	(1,457)	15.6%
Net income from commissions and fees	**20,744**	**(339)**	**21,083**	**6,219.2%**
Other income				
Net income on equity securities investments	11,600	1,306	10,294	788.2%
Net income (loss) on derivatives valuation	1,655	(19,353)	21,008	108.6%
Net (loss) income on exchange difference	(8,519)	20,095	(28,614)	(142.4)%
Other	1,402	3,608	(2,206)	(61.1)%
Total other income	**6,138**	**5,656**	**482**	**8.5%**
Other expenditures				
Personnel expenses	(28,003)	(25,071)	(2,932)	11.7%
Overhead expenses	(50,914)	(45,781)	(5,133)	11.2%
Other, net	(4,358)	(493)	(3,865)	784.0%
Total other expenditures	**(83,275)**	**(71,345)**	**(11,930)**	**16.7%**
Income before income tax provision	**59,620**	**62,679**	**(3,059)**	**(4.9)%**
Income tax expense	(28,199)	(31,540)	3,341	(10.6)%
Net Income	**31,421**	**31,138**	**283**	**0.9%**

Interest Income

The following table sets forth the principal components for our interest income for the years ended December 31, 2013 and 2012.

	Years ended December 31,		Change	
	2013	**2012**		
	(COP in millions)		**(COP in millions)**	**%**
Interest income				
Interest on loan accounts receivable	398,154	445,586	(47,432)	(10.6)%
Interest on debt securities	2,179	1,037	1,142	110.1%
Interest on inter-bank loans, bank accounts and other instruments	18,719	29,541	(10,822)	(36.6)%
Total interest income	**419,052**	**476,164**	**(57,112)**	**(12.0)%**

The 12.0% decrease in our total interest income in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects a 10.6% decrease in our interest on loan accounts receivable and

a 36.6% increase in our interest on inter-bank loans, bank accounts and other instruments. Such decreases, in turn, reflect a decrease in average interest rates in Colombia in 2013, particularly the average DTF rate which decreased from an average rate of 5.33% in 2012 to an average rate of 4.28% in 2013. The decrease in the average DTF rate negatively affected the interest we earned on our loan portfolio as approximately 35% of our loans in 2013 were indexed to the DTF rate. The nominal average rate we charged on our loan portfolio decreased from 7.8% in 2012 to 6.8% in 2013, leading to a decrease of COP 57,304 million in interest earned, which more than offset the COP 9,873 million increase in interest earned resulting from the 2.5% increase in the average balance of our loan portfolio.

Interest and Similar Expenses

The following table sets forth the principal components for our interest and similar expenses for the years ended December 31, 2013 and 2012.

	Years ended December 31,		Change	
	2013	2012		
	(COP in millions)		(COP in millions)	%
Interest and similar expenses				
Certificates of deposit	(286,744)	(330,349)	43,605	(13.2)%
Financial liabilities with banks and financial entities	(8,411)	(4,998)	(3,413)	68.3%
Total interest and similar expenses	**(295,155)**	**(335,347)**	**40,192**	**(12.0)%**

The 12.0% decrease in our interest and similar expenses in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects a 13.2% decrease on interest expense on our certificates of deposit partially offset by a 68.3% increase in financial liabilities with banks and financial institutions.

The 13.2% decrease on interest expense on our certificates of deposit is primarily the result of a decrease in average interest rates in Colombia in 2013, particularly the average DTF rate, which decreased from an average rate of 5.33% in 2012 to an average rate of 4.28% in 2013, and the average IPC rate, which decreased from an average rate of 2.44% in 2012 to an average rate of 2.02% in 2013. This decrease in the average DTF and IPC rates positively affected our interest we paid on our certificates of deposit. The nominal average rate we paid on our certificates of deposit decreased from 6.7% to 5.6%, leading to a decrease of COP 50,658 million in interest expense, which more than offset the COP 7,054 million increase in interest paid resulting from the 2.5% increase in the average balance of our certificates of deposit in 2013. In addition, we were able to negotiate better terms for our certificates of deposit in 2013 as compared to 2012.

The 68.3% increase in financial liabilities with banks and financial institutions is primarily the result of an increase in average borrowings from multilateral organizations, such as the US$190 million revolving credit facility we entered into with the French Development Agency in 2013, under which we have requested one disbursement of US$50.0 million.

Provisions

The 34.9% decrease in our provisions in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects a 69.0% decrease in other provisions partially offset by a 44.9% increase in our provision for loans and accounts receivable.

The 69.0% decrease in other provisions is primarily the result of a non-recurring provision we decided to take in 2012 at the request of our risk management division to cover potentially significant variation in the interest rates applicable to our assets and liabilities. We took no such provision in 2013 due to a more stable interest rate climate.

The 44.9% increase in provisions for loans and accounts receivable is primarily the result of the 2.5% increase in our average balance loan portfolio, which grew from COP 5.74 billion in 2012 to COP 5.88 billion in 2013.

Income from Commissions and Fees

The 250.7% increase in our income from commissions and fees in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects the growth of our non-financial services business line as there was an increase in the number of projects in which we provided technical assistance and project management and execution services.

Expenses from Commissions and Fees

The 15.6% increase in our expenses from commissions and fees in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects an increase in outsourced consulting services, primarily in relation to the *100,000 Viviendas Gratis* (100,000 Free Housing Units) Program and the *Agua para la Prosperidad* (Water for Prosperity) Program.

Other Income

The following table sets forth the principal components for our other income for the years ended December 31, 2013 and 2012.

	Years ended December 31,		**Change**	
	2013	**2012**		
	(COP in millions)		**(COP in millions)**	**%**
Other income				
Net income on equity securities investments	11,600	1,306	10,294	N.M.[1]
Net income (loss) on derivatives valuation	1,655	(19,353)	21,008	108.6%
Net (loss) income on exchange difference	(8,519)	20,095	(28,614)	(142.4)%
Other	1,402	3,608	(2,206)	(61.1)%
Total other income	**6,138**	**5,656**	**482**	**8.5%**

(1) N.M. = not meaningful.

The 8.5% increase in our total other income in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects an increase in our earnings on equity securities investments and a 108.6% increase in our net position on derivatives valuation from a net loss to income. This increase was partially offset by a 142.4% decrease in our exchange difference results from a net income to a loss and a 61.1% decrease in our other income.

The increase in our net income on our investments in equity securities is primarily the result of the positive gains received from our investment in the ASHMORE Private Equity Fund, which experienced a 34.91% increase in its rate of return in 2013 as compared to 2012.

The 108.6% increase in our net income on derivatives valuation is primarily the result of an increase in our derivative instruments entered into to hedge our increased exposure to the US dollar as we entered into a US$190 million revolving credit facility with the French Development Agency in 2013, under which we have requested one disbursement of US$50.0 million. We saw a positive increase in the fair value of these derivatives which we recorded as other income for the year.

The 142.4% decrease in our net income on exchange difference is primarily the result of the depreciation of the Colombian peso against the US dollar which negatively affected our results given that we have a net liability position in US dollars.

The 61.1% decrease in our other income is primarily the result of a decrease in the value of our portfolio of negotiable debt securities and a decrease in recoveries of our general allowance provision.

Other Expenditures

The following table sets forth the principal components for our other expenditures for the years ended December 31, 2013 and 2012.

	Years ended December 31,		Change	
	2013	2012		
	(COP in millions)		(COP in millions)	%
Other expenditures				
Personnel expenses	(28,003)	(25,071)	(2,932)	11.7%
Overhead expenses	(50,914)	(45,781)	(5,133)	11.2%
Other, net	(4,358)	(493)	(3,865)	784.0%
Total other expenditures	**(83,275)**	**(71,345)**	**(11,930)**	**16.7%**

The 16.7% increase in our total other expenditures in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects an 11.7% increase in personnel expenses, an 11.2% increase in overhead expenses and a 784.0% increase in other expenses.

The 11.7% increase in our personnel expenses is primarily the result of an increase in our headcount, primarily to support our non-financial services business line, as well as an increase in wages.

The 11.2% increase in our overhead expenses is primarily the result of the opening of seven additional satellite offices throughout the country, as well as the leasing of new offices in the cities of Cali, Medellin and Pereira, among others.

The 784.0% increase in our other expenses is primarily the result of a non-recurring one-time payment of an additional tax to the General Controller's Office in the amount of COP 5,255 million. This additional tax applied generally to all corporations in Colombia in 2012, but was not applied by the General Controller's Office again in 2013.

Income Tax Expense

The 10.6% decrease in our income tax expense in the year ended December 31, 2013 as compared to the year ended December 31, 2012 principally reflects a 4.9% decrease in our income before income tax. Our tax rate at December 31, 2013 was 34%.

Net Income

The 0.9% increase in our net income in the year ended December 31, 2013 as compared to the year ended December 31, 2012 was the result of the factors discussed above.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

The table below provides a summary of our results of operations for the years ended December 31, 2012 and 2011.

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Interest income				
Interest on loan accounts receivable	445,586	336,278	109.308	32.5%
Interest on debt securities	1,037	4,202	(3,165)	(75.3)%
Interest on inter-bank loans, bank accounts and other instruments	29,541	14,544	14,997	103.1%
Total interest income	**476,164**	**355,024**	**121,140**	**34.1%**
Interest and similar expenses				
Certificates of deposit	(330,349)	(229,421)	(100,928)	44.0%
Financial liabilities with banks and financial entities	(4,998)	(5,665)	667	(11.8)%
Total interest and similar expenses	**(335,347)**	**(235,086)**	**(100,261)**	**42.6%**
Net interest income	**140,817**	**119,938**	**20,879**	**17.4%**
Provisions				

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Provisions for loans and accounts receivable	(3,627)	(13,212)	9,585	(72.5)%
Other provisions	(8,483)	(1,050)	(7,433)	707.9%
Total provision	**(12,110)**	**(14,262)**	**2,152**	**(15.1)%**
Interest income net of provisions	**128,707**	**105,676**	**23,031**	**21.8%**
Income from commissions and fees	8,990	5,837	3,153	54.0%
Expenses from commissions and fees	(9,329)	(5,420)	(3,909)	72.1%
Net income (loss) from commissions and fees	**(339)**	**417**	**(756)**	**(181.3)%**
Other income (loss)				
Net income on equity securities investments	1,306	2,407	(1,101)	(45.7)%
Net loss on derivatives valuation	(19,353)	(3,314)	(16,039)	484.0%
Net income (loss) on exchange difference	20,095	(1,515)	21,610	1,426.4%
Other	3,608	1,342	2,266	168.9%
Total other income (loss)	**5,656**	**(1,080)**	**6,736**	**623.7%**
Other expenditures				
Personnel expenses	(25,071)	(19,227)	(5,844)	30.4%
Overhead expenses	(45,781)	(36,168)	(9,613)	26.6%
Other, net	(493)	4,732	(5,225)	(110.4)%
Total other expenditures	**(71,345)**	**(50,663)**	**(20,682)**	**40.8%**
Income before income tax provision	**62,679**	**54,350**	**8,329**	**15.3%**
Income tax expense	(31,540)	(26,162)	(5,378)	20.6%
Net Income	**31,138**	**28,188**	**2,950**	**10.5%**

Interest Income

The following table sets forth the principal components for our interest income for the years ended December 31, 2012 and 2011.

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Interest income				
Interest on loan accounts receivable	445,586	336,278	109,308	32.5%
Interest on debt securities	1,037	4,202	(3,165)	(75.3)%
Interest on inter-bank loans, bank accounts and other instruments	29,541	14,544	14,997	103.1%
Total interest income	**476,164**	**355,024**	**121,140**	**34.1%**

The 34.1% increase in our total interest income in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects a 32.5% increase in our interest on loan accounts receivable and a 103.1% increase in our interest on inter-bank loans, bank accounts and other instruments. Such increases in turn reflect an increase in average interest rates in Colombia in 2012, particularly the average DTF rate which increased from an average rate of 4.15% in 2011 to an average rate of 5.33% in 2012. The increase in the average DTF rate positively affected the interest we earned on our loan portfolio as approximately 69.58% of our loans in 2012 were indexed to the DTF rate. The nominal average interest rate we charged on our loan portfolio increased from 6.8% in 2011 to 7.8% in 2012, leading to an increase of COP 46,799 million in interest earned. The additional COP 62,508 million increase in interest on loan accounts receivable can be attributed to the 16.32% increase in the average balance of our loan portfolio, which, in turn, reflects a higher level of lending activity during the year.

Interest and Similar Expenses

The following table sets forth the principal components for our interest and similar expenses for the years ended December 31, 2012 and 2011.

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Interest and similar expenses				
Certificates of deposit	(330,349)	(229,421)	(100,928)	44.0%
Financial liabilities with banks and financial entities	(4,998)	(5,665)	667	(11.8)%

	Years ended December 31, 2012	2011	Change (COP in millions)	%
	(COP in millions)			
Total interest and similar expenses	**(335,347)**	**(235,086)**	**(100,261)**	**42.6%**

The 42.6% increase in our total interest and similar expenses in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects a 44.0% increase in interest paid on our certificates of deposit. Such increase in turn reflects an increase in average interest rates in Colombia in 2012, particularly the average DTF rate which increased from an average rate of 4.15% in 2011 to an average rate of 5.33% in 2012. The increase in the average DTF rate negatively affected the interest we paid on our certificates of deposit. The nominal average interest rate we paid on our certificates of deposit increased from 5.6% in 2011 to 6.7% in 2012, leading to an increase of COP 41,266 million in interest paid. The additional COP 59,662 million increase in interest paid on certificates of deposit is attributable to the 22.1% increase in the average balance of our certificates of deposit in 2012.

Provisions

The 15.1% decrease in our provisions in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects a 72.5% decrease in our provisions for loans and accounts receivable partially offset by a 707.9% increase in our other provisions.

The 72.5% decrease in provisions for loans and accounts receivable is primarily the result of the issuance of our first series of asset-backed securities in the local market in 2012 in the total aggregate amount of COP 289,650 million, backed by a percentage of our loan portfolio.

The 707.9% increase in other provisions is primarily the result of the provision we recorded in 2012 in the amount of COP 5,500 million to account for interest rate risk as required by applicable Colombian regulations which we decided to take in 2012 at the request of our risk management division in order to cover potentially significant variation in the interest rates applicable to our assets and liabilities.

Income from Commissions and Fees

The 54.0% increase in our income from commissions and fees in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects the growth of our non-financial services business line as there was an increase in the number of projects in which we provided technical assistance and project management and execution services, particularly the commencement of the *100,000 Viviendas Gratis* (100,000 Free Housing Units) and the *Agua para la Prosperidad* (Water for Prosperity) Programs.

Expenses from Commissions and Fees

The 72.1% increase in our expenses from commissions and fees in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects an increase in outsourced consulting services, primarily in relation to the commencement of the *100,000 Viviendas Gratis* (100,000 Free Housing Units) and the *Agua para la Prosperidad* (Water for Prosperity) Programs. In addition, we paid underwriting commissions in connection with our issuance of asset-backed securities in the local market.

Other Income

The following table sets forth the principal components for our other income for the years ended December 31, 2012 and 2011.

	Years ended December 31, 2012	2011	Change (COP in millions)	%
	(COP in millions)			
Other income (loss)				
Net income on equity securities investments	1,306	2,407	(1,101)	(45.7)%
Net loss on derivatives valuation	(19,353)	(3,314)	(16,039)	484.0%
Net income (loss) on exchange difference	20,095	(1,515)	21,610	1,426.4%
Other	3,608	1,342	2,266	168.9%

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Total other income (loss)	**5,656**	**(1,080)**	**6,736**	**623.7%**

The 623.7% increase in our total other income in the year ended December 31, 2012 as compared to the year ended December 31, 2011 from a loss to income principally reflects an increase in our exchange difference results from a loss to income and a 168.9% increase in our other income. This increase was partially offset by a 45.7% decrease in our net earnings on equity securities investments and a 484.0% increase in our net loss on derivatives valuation.

The increase in our net exchange difference results from a loss to income is primarily the result of the appreciation of the Colombian peso against the US dollar in 2012 given that we have a net liability position in US dollars. This decrease in the value of our US dollar-denominated liabilities more than offset the negative effect we experienced on the asset side given that in 2011 we disbursed some of our intermediary financing loan products in US dollars and these assets consequently decreased in value due to the appreciation of the Colombian peso.

The 168.9% increase in our other income is primarily the result of an increase in the recovery of individual and general allowances for loan accounts receivable in the year ended 2012, as a result of the cancellation of loans in this period.

The 45.7% decrease in our net income on our investments in equity securities is primarily the result of the decrease in the rate of return earned on our investment in the ASHMORE Private Equity Fund from a 55.06% rate of return in 2011 to an 18.53% rate of return in 2012.

The 484.0% increase in our net loss on derivatives valuation is primarily the result of a COP 15,583 million decrease in the fair value of our derivative instruments given the depreciation of the US dollar against the Colombian peso during the year.

Other Expenditures

The following table sets forth the principal components for our other expenditures for the years ended December 31, 2012 and 2011.

	Years ended December 31,		Change	
	2012	2011		
	(COP in millions)		(COP in millions)	%
Other expenditures				
Personnel expenses	(25,071)	(19,227)	(5,844)	30.4%
Overhead expenses	(45,781)	(36,168)	(9,613)	26.6%
Other, net	(493)	4,732	(5,225)	(110.4)%
Total other expenditures	**(71,345)**	**(50,663)**	**(20,682)**	**40.8%**

The 40.8% increase in our total other expenditures in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects a 30.4% increase in personnel expenses and a 26.6% increase in overhead expenses, partially offset by a 110.4% decrease in other expenses.

The 30.4% increase in our personnel expenses is primarily the result of an increase in our headcount primarily to support our non-financial services business line, particularly to oversee our involvement in the *Ciudades Sostenibles y Competitivas* (Sustainable and Competitive Cities) and the *Ciudades Emblematicas de Colombia* (Model Cities of Colombia) Programs.

The 26.6% increase in our overhead expenses is primarily the result of an increase in our temporary services expenses, which, in turn, results from an increase in the number of temporary employees hired in order to support the increased activities of our non-financial services business.

The 110.4% decrease in our total other expenses is primarily the result of a decrease in litigation-related expenses.

Income Tax Expense

The 20.6% increase in our interest expense in the year ended December 31, 2012 as compared to the year ended December 31, 2011 principally reflects a 15.3% increase in our income before income tax. Our tax rate at December 31, 2012 and 2011 was 33%.

Net Income

The 10.5% increase in our net income in the year ended December 31, 2012 as compared to the year ended December 31, 2011 was the result of the factors discussed above.

Liquidity and Capital Resources

Overview

We maintain capital levels which we believe are within acceptable levels of our market risk and liquidity. We monitor market and liquidity risks based on the volatility of interest rates, currencies and securities indices, as well as the prices of our loan and investment portfolios.

We believe that we benefit from the Colombian government's ownership of us. As of March 31, 2014, 7.0% of our total debt was guaranteed by the Colombian government (including 81.2% of the loans we receive from multilateral organizations or government agencies). In addition, we benefit from favorable borrowing rates with multilateral and other international financial institutions that are financing the development programs in which we participate. Finally, this type of borrowing is often of much longer tenors than financing available in the local market or from the international private market, allowing us to fund development projects with longer maturities.

Sources of funds

As a state-owned bank with a mandate to promote infrastructure development in Colombia, we have access to loans from multilateral organizations and international development banks, some of which are guaranteed by the Colombian government, allowing us to perform our development banking activities.

The following tables provide a breakdown of our primary sources of funding, in addition to subsidies from the Colombian government, as of the dates indicated.

	As of March 31,		As of December 31,					
	2014		2013		2012		2011	
	(COP in millions)	%	(COP in millions)	%	(COP in millions)	%	(COP in millions)	%
Multilateral organizations (including governmental agencies)	168,243	11%	162,591	6%	102,245	3%	66,424	2%
Certificates of deposit	1,319,215	89%	2,568,699	94%	2,717,882	87%	2,879,795	98%
Asset-backed securities	-	-	-	-	289,625	10%	-	-
Total	**1,487,458**	**100%**	**2,731,290**	**100%**	**3,109,752**	**100%**	**2,946,219**	**100%**

Indebtedness

Loan Obligations

The chart below illustrates our outstanding loan obligations as of March 31, 2014.

	Interest Rate	As of March 31, 2014 Outstanding Amount	Maturity
Loan and Creditor	**%**	**(COP in millions)**	
US$30 million CAF - Development Bank of Latin America Loan 001-2007	1.63%	5,908	2014
US$20 million CAF - Development Bank of Latin America Loan 002-2007	1.58%	7,878	2014
US$75 million World Bank Loan 4345	0.57%	12,009	2015

Loan and Creditor	Interest Rate %	As of March 31, 2014 Outstanding Amount (COP in millions)	Maturity
US$40 million Inter-American Bank of Development Loan 977	5.44%	6,366	2017
US$60 million Inter-American Bank of Development Loan 1066	5.44%	16,738	2018
US$50 million Inter-American Bank of Development Loan 1967	1.16%	82,060	2023
US$75 million Inter-American Bank of Development Loan 2314	1.16%	147,709	2030
US$75 million Inter-American Bank of Development Loan 2768	1.16%	147,709	2037
US$190 million French Development Agency Loan 101801K	2.75%	98,472	2027
Total	-	**524,849**	-

As noted above, 81.2% of the loans we receive from multilateral organizations or government agencies are guaranteed by the Colombian government. As with all debt guaranteed by the Colombian government, these are counter-guaranteed, i.e., to the extent the Colombian government guarantee is enforced, the Colombian government has the ability to collect any amounts paid to the lenders under the guarantee against, among others, our loan portfolio through various collection mechanisms.

As of March 31, 2014, we were in compliance with all financial ratios and other covenants contained in the aforementioned loans.

Certificates of Deposit

We issue certificates of deposit on a regular basis in Colombia and this currently forms our most significant funding source. These certificates of deposit have terms ranging from 180 days to 10 years and have either a fixed rate or a floating rate tied to the DTF, IPC or IBR interest rates with an average interest rate of 5.36%. As of March 31, 2014, we had COP 5,738,654 million in outstanding certificates of deposit.

Asset-Backed Securities

In November 2012, we issued our first series of asset-backed securities in Colombia through a Trust Fund, backed by a certain percentage of our loan portfolio which was transferred to the Trust Fund for debt service. The total aggregate amount issued was COP 289,650 million with floating interest rates tied to the DTF rate and ranging from 1.27% to 1.71% and maturities of either two, four or six years. As of March 31, 2014, a total aggregate amount of COP 179,691 million remained outstanding. Given that both the liabilities and assets were transferred to the Trust Fund, these securities are not recorded on our balance sheet.

Colombian Capital Markets Issuances

In 2013, our Board of Directors approved a local bond issuance in an aggregate principal amount of up to COP 400 million. This local bond issuance was subsequently approved by the SFC pursuant to SFC Oficio No. 2013078719-008-000 issued on November 19, 2013. Any local bonds to be issued under this authorization are intended to be offered only in the Colombian market through one or a series of public and/or private offerings. We are permitted to offer corporate bonds under this authorization during a one-year period as from the date of registration. As of the date of this offering memorandum, we had not issued any bonds thereunder.

Dividend policy

The distribution of our dividends is regulated by Law 57 of 1989, Colombian Banking Law, Law No. 1328 of 2009 and the Colombian Code of Commerce. Pursuant to the Colombian Code of Commerce, 10% of our income must be placed in the legal reserve fund until such fund is equivalent to 50% of our paid-in capital. Any excess amounts of our income can be placed in occasional and special reserve funds approved at the general shareholders' meeting as proposed by our Board of Directors. Under Law No. 57 of 1989 and the Colombian Banking Law, we are restricted from distributing any outstanding net income in cash to our shareholders and thus, such outstanding net income is capitalized. As of December 31, 2013, our general shareholders' meeting approved a legal reserve for COP 39,920 million and an occasional reserve for COP 23,619 million.

Capital Adequacy (Regulatory Capital)

Pursuant to the Colombian capital adequacy requirements, we are required to maintain a specified level of Technical Capital (*patrimonio técnico)* as a percentage of total risk-weighted assets, including market risk. Decree 2555 of 2010 sets forth the methodology to determine the Technical Capital required relative to market risk and risk-weighted assets. Those regulations establish four categories of assets, which are assigned different risk weights and require that a credit institution's Technical Capital be at least 9% of that institution's total risk-weighted assets. See "Supervision and Regulation—Capital Adequacy Requirements."

The tables below present our risk-weighted assets and Technical Capital ratios as of December 31, 2011, 2012 and 2013 and as of March 31, 2014:

	As of March 31,	As of December 31,		
	2014	2013	2012	2011
	(in millions of COP, except percentages)			
Capital:				
Tier One Capital[1]	806,669	845,252	813,473	785,285
Tier Two Capital[2]	64,415	84,603	69,374	69,900
Deductions	-	-	-	-
Total Technical Capital[3]	871,084	929,855	882,847	855,185
Risk-Weighted Assets:				
Regulatory value at risk	137,837	-	-	-
Total risk-weighted assets	6,491,152	6,341,598	6,230,105	5,734,574
Risk-weighted assets including regulatory value at risk	6,628,989	6,341,598	6,230,105	5,734,574
Technical Capital Ratios:				
Tier One capital to risk-weighted assets[4]	11.92%	13.33%	13.06%	13.69%
Tier Two capital to risk-weighted assets [5]	0.95%	1.33%	1.11%	1.22%
Total Technical Capital to risk-weighted assets	12.87%	14.66%	14.17%	14.91%

(1) For a definition of Tier One under Colombian regulations see "Supervision and Regulations—Capital Adequacy Requirements."

(2) For a definition of Tier Two under Colombian regulations see "Supervision and Regulations—Capital Adequacy Requirements."

(3) Total Technical Capital / (Risk weighted assets + (market risk * (100 / 9))). For definition of Total Technical Capital see, "Supervision and Regulation—Capital Adequacy Requirements."

(4) Tier One Capital to risk weighted assets = Tier One Capital / (Risk Weighted Assets + (market risk * (100/9)))

(5) Tier Two Capital to risk weighted assets = Tier Two Capital / (Risk Weighted Assets + (market risk * (100/9)))

Our total loan portfolio is dependent in part on our capital. We expect a continued asset expansion as well as a trend toward higher capital requirements in the future.

Lending

Lending policies

We have established policies and regulations to manage our credit risk. These policies help with the proper identification, evaluation, monitoring, mitigation and reporting of all credit risks. In addition, there is a framework to analyze, compare, approve, control and recover credit lines. These policies function independently of the type of product or instrument. The general principals of these internal policies include the following:

- We assign risk categories to evaluate the level of risk of each transaction and to ensure the proper return based on the correct premium pricing to be paid based on the assumed risk(s).

- We select a lending officer who becomes the only representative to the intermediary financial institution. This official is responsible for the proper management of the loan or credit.

- We seek a balance between profitability and risk in all the loans allocated or marketed by the intermediary financial institution.

- We actively look for tenor, counterparty and instrument diversification in order to avoid any concentration of market risk.

- We differentiate credits based on the types, the sources for repayment and funding requirements.

- We focus on infrastructure projects for long-term financings, including investments in the productive and modernization assets of the energy infrastructure.

- We use guarantees as a mechanism to prevent adverse selection or moral hazard risk regarding cases with imperfect information.

In principle, the entire credit awarding process (including credit extensions, renewals or refinancing) requires a complete understanding and evaluation of the counterparty. This process also helps inform the purpose, structure and type of credit, as well as the repayment sources and/or associated collateral support.

In general, the internal policies with regard to the origination and extension of credit involves consideration of the importance of maintaining and fostering competitiveness in the market, for both the borrowers and the intermediary. In our evaluation process, we prefer those economic sectors that generate greater economic and social development in Colombia.

Any process relating to the monitoring, recovery, liquidation or penalties for past due loans, of any type, needs to be executed in an aggregate, consistent and standardized manner.

Lending limits

Our lending limits policy is determined by the credit risk of each loan and the related intermediary financial institution. Regarding the credit risk of the loan, there are five categories (A to E), with "E" being the category with the highest level of risk. Once the loan's risk profile is determined, the loan is classified in one of three groups based on the intermediary financial institution's level of equity in relation to our total equity.

For example, if a loan has a credit risk from A through C, and the related intermediary financial institution's equity as percentage of our equity is greater than 5%, the loan belongs to the first group. If the loan has a credit risk of B, C or D, and the related intermediary financial institution's equity as a percentage of our equity is less than 5%, the loan belongs to the second group. Additionally, any loan that has a credit risk of E, and the related intermediary financial institution's equity as a percentage of our equity is greater than 5%, the loan belongs to the second group. Finally, any loan that has a credit risk of E, and the related intermediary financial institutions equity as percentage of our equity is less than 5% belongs to the third group.

Once the groups are determined, there are different approval limits depending on the loan risk and the amount of the loan for the intermediary financial institutions in each group.

All of our loans are approved by our Board of Directors based on the recommendations of our risk management division. In addition, we initially only approve loans with intermediary financial entities that are rated A by the SFC, the category carrying the lowest level of risk.

Provisioning for non-performing loans within the total portfolio is based on the criteria and percentages established by the SFC. In general, we maintain a general provision equal to 1% of the value of our entire loan portfolio. However, we also maintain individual provisioning levels depending on the credit risk of the respective intermediary financial institutions as follows: credit risk A: no individual provision taken; credit risk B: individual provision of 1%; credit risk C: individual provision of 20%; credit risk D: individual provision of 50%; and credit risk E: individual provision of 100%.

Structural and interest rate risk

Structural balance sheet risk represents the potential losses resulting from movement in interest rates, exchange rates or the liquidity gap on the structural position of all assets and liabilities both on and off the balance sheet, excluding the trading portfolio. Interest rate risk originates from the possibility that changes in interest rates have an impact on future cash flows or in financial instrument values. The interest rate risk of cash flows refers to the risk that future cash flows of a financial instrument may fluctuate due to changes in market interest rates. Interest margins may increase as a result of such changes, but they may also decrease when unexpected movement occurs.

We have approved the following principal policies to control structural risks: (i) asset/liability management; (ii) diversification and risk concentration; (iii) liquidity; (iv) investment and debt; (v) exchange rate; and (vi) structural interest rate policies. We have in place policies for interest rate risk management establishing that in all cases a required ratio between asset and liability rates should be maintained as a way to seek to maximize our financial margins.

Interest rate risk arises from the possibility that changes in interest rates may have an impact on future cash flows or in financial instrument values. The interest rate risk of cash flows refers to the risk that future cash flows of a financial instrument fluctuate due to changes in market interest rates. Interest margins may increase as a result of such changes, but also they may decrease when unexpected downward fluctuations occur.

With respect to potential loss due to interest rate risk, we examine the impact on net financial margin (profit at risk within one-year) and on the discounted value of assets and liabilities (equity at risk). Such potential loss can be generated not only from parallel movements in interest rate curves, but also from changes in slopes by variations in time spread, risk spread or liquidity spread.

	Remaining Maturity as of March 31, 2014				
	1 Month	**1-3 Months**	**3 Months-1 Year**	**Over 1 Year**	**Total**
			(COP in millions)		
Interest-earning assets					
Cash and deposits due from banks	576,860	-	-	-	576,860
Loan portfolio	2,283	1,120	70,695	6,397,507	6,471,605
Negotiable debt securities investments	-	23,194	-	-	23,194
Negotiable equity securities investments	44,685	-	-	-	44,685
Available-for-sale equity securities investments	-	-	25,000	-	25,000
Total interest-earning assets	**623,828**	**24,314**	**95,695**	**6,397,507**	**7,141,344**
% of total	**8.74%**	**0.34%**	**1.34%**	**89.58%**	**100.00%**
Interest-bearing liabilities					
Certificates of deposit	80,630	345,788	1,581,084	3,731,152	5,738,654
Due to banks and other financial entities	-	-	-	524,849	524,849
Total interest-bearing liabilities	**80,630**	**345,788**	**1,581,084**	**4,256,001**	**6,263,503**
% of total	**1.29%**	**5.52%**	**25.24%**	**67.95%**	**100.00%**

Liquidity risk

Management of liquidity risk implies maintaining or developing a structure in the assets and liabilities portfolios to diversify our sources of financing and staggered maturity dates between assets and liabilities. We manage liquidity risk by considering some scenarios in the event of a possible liquidity loss, such as the use of cash on hand, the use of the investment portfolio with definite sales, credit lines with foreign banks and other credit lines. These scenarios are prepared in accordance with our and the SFC's requirements.

In the case of liquidity risk, we evaluate the probability that we will be unable to meet our commitments and unable to trade them at market prices or from stable funds. When it becomes impossible for us to renew our contract liabilities under normal conditions, we anticipate that we will make advanced asset sales at unusual discounts.

As of March 31, 2014 and December 31, 2013 and 2012, our assets and liabilities, from the balance sheet date to a foreseeable contract maturity date, present the following changes over time.

	As of March 31, 2014						
	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)
Assets							
Cash and deposits due from banks	444,110	-	-	-	-	-	444,110
Inter-bank borrowing	132,750	-	-	-	-	-	132,750
Loan portfolio	2,283	137	983	10,181	60,514	6,397,506	6,471,604
Negotiable debt securities investments	-	-	23,194	-	-	-	23,194
Negotiable equity securities investments	44,685	-	-	-	-	-	44,685
Available-for-sale equity securities investments	-	-	-	25,000	-	-	25,000
Other assets	1,088	-	65,441	-	-	196,611	263,140
Total assets[(1)]	**624,916**	**137**	**89,618**	**35,181**	**60,514**	**6,594,117**	**7,404,483**
Liabilities							
Certificates of deposit	80,630	202,321	143,467	532,359	1,048,725	3,731,152	5,738,654
Due to banks and other financial entities	-	-	-	-	-	524,849	524,849
Other liabilities	138,386	-	-	-	-	-	138,386
Total liabilities	**219,016**	**202,321**	**143,467**	**532,359**	**1,048,725**	**4,256,001**	**6,401,889**
Gap (asset - liability)	**405,900**	**(202,184)**	**(53,849)**	**(497,178)**	**(988,211)**	**2,338,116**	**1,002,594**
Cumulative gap	**405,900**	**203,716**	**149,867**	**(347,311)**	**(1,335,522)**	**1,002,594**	**2,005,188**

(1) The total assets line item above does not include provisions for loan accounts receivable.

	As of December 31, 2013						
	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)
Assets							
Cash and deposits due from banks	357,900	-	-	-	-	-	357,900
Inter-bank borrowing	46,300	-	-	-	-	-	46,300
Loan portfolio	934	2,267	4,599	11,402	52,742	6,031,173	6,103,117
Negotiable debt securities investments	-	-	6,012	-	-	-	6,012
Negotiable equity securities investments	38,871	-	-	-	-	-	38,871
Available-for-sale equity securities investments	-	-	-	25,000	-	-	25,000
Other assets	1,134	50,016	-	-	-	196,084	247,234
Total assets	**445,139**	**52,283**	**10,611**	**36,402**	**52,742**	**6,227,257**	**6,824,434**
Liabilities							
Certificates of deposit	258,581	255,075	254,007	409,097	1,080,653	2,939,779	5,197,192
Due to banks and other financial entities	-	-	-	-	-	493,226	493,226
Other liabilities	144,350	-	-	-	-	-	144,350
Total liabilities	**402,931**	**255,075**	**254,007**	**409,097**	**1,080,653**	**3,433,005**	**5,834,768**
Gap (asset - liability)	**42,208**	**(202,792)**	**(243,396)**	**(372,695)**	**(1,027,911)**	**2,794,252**	**989,666**
Cumulative gap	**42,208**	**(160,584)**	**(403,980)**	**(776,675)**	**(1,804,586)**	**989,666**	**1,979,332**

(1) The total assets line item above does not include provisions for loan accounts receivable.

	As of December 31, 2012						
	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 to 12 Months	More than 12 months	Total
	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)	(COP in millions)
Assets							
Cash and deposits due from banks	592,766	-	-	-	-	-	592,766
Inter-bank borrowing	22,900	-	-	-	-	-	22,900
Loan portfolio	4,402	472	1,066	10,731	69,373	5,567,033	5,653,077
Negotiable debt securities investments	-	-	-	-	-	-	-
Negotiable equity securities investments	19,377	-	-	-	-	-	19,377
Available-for-sale equity securities investments	-	-	-	25,000	-	-	25,000
Other assets	-	-	-	39,062	-	156,982	196,044
Total assets	**639,445**	**472**	**1,066**	**74,793**	**69,373**	**5,724,015**	**6,509,164**
Liabilities							
Certificates of deposit	69,500	211,887	246,940	443,255	1,036,573	3,012,896	5,021,051
Due to banks and other financial entities	-	-	-	-	-	375,363	375,363
Other liabilities	3,944	-	-	-	-	175,199	179,143
Total liabilities	**73,444**	**211,887**	**246,940**	**443,255**	**1,036,573**	**3,563,458**	**5,575,557**
Gap (asset - liability)	**566,001**	**(211,415)**	**(245,874)**	**(368,462)**	**(967,200)**	**2,160,557**	**933,607**
Cumulative gap	**566,001**	**354,586**	**108,712**	**(259,750)**	**(1,226,950)**	**933,607**	**1,867,214**

(1) The total assets line item above does not include provisions for loan accounts receivable.

Exchange rate risk

With respect to foreign exchange rate risk, we are exposed to risk from our portfolio's structural dollarization due to local borrowers, issuers and intermediaries facing credit risk derived from exchange rate risk.

We also have implemented methodologies and procedures that enable estimates of structural exposure to interest and exchange rate risks, as well as exposure to credit risks derived from exchange rate risks for each group of counterparts.

Management manages this risk based on an ongoing monitoring and previous experience by detecting situations that may have negative financial effects for us. We have entered into swap hedging arrangements as a way to mitigate the risk of appreciation of such currency against the US dollar.

The table below illustrates our foreign exchange exposure as of March 31, 2014 and 2013.

	As of March 31,	
	2014	2013
	US$ in millions	US$ in millions
Assets:		
Cash and deposits due from banks	65	88
Negotiable debt securities investments	-	-
Negotiable equity securities investments	-	-
Available-for-sale equity securities investments	-	-
Loan portfolio	168	114
Other assets	-	-
Total assets	**233**	**202**
Liabilities:		
Certificates of deposit	-	-
Due to banks and other financial entities	(268)	(259)
Other liabilities	-	-
Total liabilities	**(268)**	**(259)**
"Swap" and "Forward" transactions, net	**34**	**57**
Net liability position	**(1)**	**0**

The table below illustrates our foreign exchange exposure as of December 31, 2013 and 2012.

	As of December 31,	
	2013	2012
	US$ in millions	US$ in millions
Assets:		
Cash and deposits due from banks	56	49
Negotiable debt securities investments	-	-
Negotiable equity securities investments	-	-
Available-for-sale equity securities investments	-	-
Loan portfolio	163	103
Other assets	-	-
Total assets	**219**	**152**
Liabilities:		
Certificates of deposit	-	-
Due to banks and other financial entities	(257)	(213)
Other liabilities	-	-
Total liabilities	**(257)**	**(213)**
"Swap" and "Forward" transactions, net	**39**	**61**
Net liability position	**1**	**0**

Capital Expenditures

Since our information technology systems are essential for us to interact with our clients and conduct our internal operations, we created a capital expenditure program in the amount of approximately COP 5,207 million for 2012 and 2013, which includes:

- SAP servers upgrade (COP 2,170 million) to improve data processing time and obtain better financial reports; and
- license renewals and purchases, as well as acquisitions of materials (COP 3,033 million), so we continue to use the latest software and equipment needed for our day-to-day operations.

Risk Management

We have specific risk management policies and procedures designed to identify and manage the market, operational and credit risks. Market risk is the risk of loss due to variations in interest rates and prices in the financial markets, including foreign exchange volatility or a change in the prices of investments. Market risk also includes liquidity risk which is caused by mismatches between assets and liabilities. Operational risk is the risk of loss resulting from inadequate or erroneous internal processes, personnel mistakes and system errors, or unexpected external events. Credit risk is the risk of loss due to a customer's failure to repay debt after it becomes due and payable.

We manage credit, market and operational risks. We conduct stress tests on our loan portfolio in order to determine the level of provisions for loan losses for the period, including the minimum required and any additional provisions for loan losses in accordance with SFC regulations.

We also operate a risk management system in order to react to changing economic and financial conditions in Colombia. This system is consistent with applicable Colombian legal and regulatory requirements although it has segregation levels that are even more stringent than those required by the applicable regulations. The main features of our risk management system include:

- maximum value at risk (VaR) for interest rates;
- maximum exposure limits for foreign currency (5% of regulatory capital);
- minimum limits for maturing obligations; and

- control of transaction limits for each of our products and services.

In order to implement and evaluate our various risk categories and define our strategies, we have a risk management manager responsible for the supervision and implementation of risk, internal controls and corporate security policies, which are subject to prior approval by the Board of Directors and our risk committee, which is comprised of senior management of our different areas that deal with risk.

Market risk

Market risk is the risk of loss due to variations in interest rates and prices in the financial markets, including foreign exchange volatility or a change in the prices of investments.

The main positions we hold in our trading portfolio relate to sovereign bonds held in Colombian pesos and currency positions in US dollars (including spot and future exchange rate positions). In both cases, the value at risk is the basic determinant for developing internal models. We calculate the risk by taking the variations in risk factors over 252 trading days per year as estimated by one or more independent market makers. We use a 10 day investment horizon and a confidence level of 99%.

Given our strategy to create a market for various financial instruments and our exposure to such risks, we have set alerts and limits that consider such factors as the volatility of the sovereign bonds, exchange rate volatility and the relative value at risk position, among others.

We have approved the following control tools: (i) market risk policies; (ii) exchange rate risk policies for trading positions; and (iii) interest rate risk policies for trading positions. Such policies incorporate standardized methodologies of risk value and clearly defined product procedures, as well as stress testing.

Operational risk

In general terms, operational risk is represented by the potential loss resulting from human error, deficiencies in information systems or internal control systems, including processing and payment errors as well as those caused by external factors. Operational risk also encompasses legal risk, which is defined as the potential loss resulting from non-compliance with legal, administrative or contractual obligations.

We have adopted several measures to manage and control operational risk, and we continue to improve our performance in this area. The principal internal control activities include: (i) allocating functions across different business, credit and back office areas; (ii) allocating specific responsibilities to each area; (iii) organizing procedures aimed at ensuring all approved operations or transactions are processed; (iv) internal reconciliation of positions, bank accounts, and securities in custody; (v) daily calculation of results in order to detect unfavorable trends in operations; and (vi) compliance with strict security procedures when administering systems, so that an independent area provides controlled access through inputting of passwords and user profiles. We manage operational risk loss through quantitative and qualitative measures.

In addition, we also employ a practice that requires legal and tax advisors to perform regular operation checks in order to ensure accurate compliance with appropriate regulations. For example, prior to commencing a new transaction, the officer in charge must confirm that the operation and necessary legal documentation comply with our internal policies and manuals on the prevention of money laundering and financing terrorism.

Credit risk

Credit risk represents the potential loss incurred by non-payment of a borrower, issuer or counterparty in operations carried out with us as a result of their inability or unwillingness to pay back the credit extended. In order to manage the risk of such potential loss, we have put in place credit procedures and policies to ensure credit risk is appropriately managed.

We enforce a strict credit risk management process that includes: (i) client selection based on pre-determined parameters; (ii) preparation and evaluation of qualitative and quantitative analysis; (iii) approval of credit proposals in accordance with approved procedures and autonomy levels; (iv) monitoring adherence to limits and policies; and (v) drafting of the corresponding credit risk report.

In the case of issued securities (investments) and loans, we measure credit risk against 100% of the original value of the transaction. However, in the case of money market transactions, counterparty settlement risk is estimated as the difference between the price agreed and the market price of the instrument involved, representing the loss in the event of default.

In the case of derivatives, we calculate risk as a fraction of the total operation equivalent to the cost of closing a position that may be open at the time of default, taking into account the legal time period required for closing the position, the time required to recuperate the collateral, as well as any price volatility.

Credit risk policies for intermediaries and borrowers as well as policies governing counterparty and issuer risks contain the main approval tools for controlling risk. These tools outline the rules for credit approval, oversight, collection and recovery, as well as the management of guarantees. For intermediaries, there exist specific methodologies that enable internal evaluation and ratings to be carried out, which we subsequently use to establish applicable interest rates based on market prices. In addition, an early warning system exists and functions independently from periodic checks.

Off-Balance Sheet Arrangements

As of March 31, 2014, we did not have any off-balance sheet arrangements.

Derivative Financial Instruments

Financial swap transactions consist of contracts entered into between us and a counterparty whereby we agree to pay the counterparty an amount linked to one particular interest rate, inflation index rate or currency exchange rate (as applied to a notional principal amount) and, in return, receive from the counterparty an amount linked to a different interest rate, inflation index rate or currency exchange rate (as applied to such notional principal amount). Our contingent liability in respect of such a transaction is not the notional amount of the transaction, but rather the resulting difference in value between the interest rate, inflation index rate or currency exchange rate that we agree to pay and the interest rate, inflation index rate or currency exchange rate that the counterparty agrees to pay.

The following table shows the position of asset, liability and net position of our derivative financial instruments as of March 31, 2014 and 2013. All our derivative operations are classified as hedging (recognizing changes in fair value in our equity until realized).

	As of March 31, 2014				As of March 31, 2013		
Derivative financial instruments	**Position**				**Position**		
	Asset	**Liability**	**Net**		**Asset**	**Liability**	**Net**
	(COP in millions)	**(COP in millions)**	**(COP in millions)**		**(COP in millions)**	**(COP in millions)**	**(COP in millions)**
Currency swap				**Currency swap**			
Hedging:				Hedging:			
Currency swap US$/ COP..................	13,889	12,873	1,015	Currency swap US$/ COP..............	31,643	31,629	14
Total currency swap........	13,889	12,873	1,015	**Total currency swap....**	31,643	31,629	14

We had two cross-currency swap operations with various foreign entities as of March 31, 2014 and 2013. To obtain funding in local currency at competitive fixed rates, currency swaps were carried out for US$/COP with balances of COP 13,889 million and COP 31,643 million as of March 31, 2014 and 2013, respectively.

As of March 31, 2014 and 2013, the effect of unrealized losses related to hedging derivatives amounted to COP 1,018 million and COP 1,655 million, respectively.

Critical Accounting Policies

A summary of our significant accounting policies is included in note 2 to our audited financial statements included elsewhere in this offering memorandum. We believe that the consistent application of these policies enables us to provide readers of our financial statements with more useful and reliable information about our operating results and financial condition.

The following policies are the accounting policies that we believe are the most important to the portrayal of our financial condition and results of operations and require management's most difficult, subjective or complex judgments.

Inter-bank funds

This includes loans made by us to other financial entities with maturity dates from one to thirty days. Interest income is recorded using the accrual method in the income statement.

Investments

Investment classification

Investments in Colombia are classified into negotiable investments to be held to maturity and investments available for sale. We have no held to maturity investments.

Negotiable investments include the classification of fixed income and variable income securities that have been acquired by us with the purpose of generating profit from their price fluctuation in the short-term.

Investments available for sale include the classification of all securities acquired not classified as negotiable investments or as investments to be held to maturity, our sole purpose and legal, contractual, financial and operating ability with respect to which is to keep them for at least six months from the first day they were initially classified as such, or from when they were reclassified as investments available for sale from December 2013 (at least one year for investments acquired prior to such date).

Valuation

The main purpose of the investments valuation is the calculation and revaluation of the fair exchange value for which an investment may be negotiated on a determined date, in accordance with the following criteria:

- Negotiable investments in debt securities are valued using the daily prices published by a price provider authorized by the SFC to perform such function.

- Negotiable investments in equity securities in private capital funds are valued by the unit value provided by the fund's manager, who in turn values its assets according to market prices.

- Investments in equity securities available for sale which are not listed in a stock market are registered at cost, and they are simultaneously valued based on our proportional interest in the equity increases of the company invested in as of their acquisition date. Such interest is calculated based on the entity's financial statements prepared up to six months prior to the acquisition of the securities.

Accounting

The difference that may arise between the current market value of the negotiable investments and the immediately preceding market value is recorded as a higher or lower amount, and affects the results for the period as an income or expense, respectively. The interest from the investment is accounted for as the investment's lower amount. In the case of the investments in equity securities, dividends are recorded as revenues in the income statement when the right to receive such dividends is accrued.

Investments available for sale on equity securities listed in a stock market, are initially recorded at cost, and subsequently adjusted for variations in fair value, as the case may be, to the equity account for unrealized earnings.

Investments available for sale on equity securities not listed in a stock market are recorded at cost and their appraisal is recorded as follows:

- If the investment value, updated for the interest corresponding to the investor, is higher than the recorded investment amount, it is taken to assets in a separate account called appraisals charged to the equity account named surplus from reappraisals.

- If the investment value, updated for the interest corresponding to the investor, is lower than the recorded investment amount, the amounts included in the appraisals and surplus account from reappraisals are decreased until extinguished, and the excess is recorded as depreciation in a separate account in assets against a deficit equity account for investments depreciation.

Provisions or loss due to credit risk scoring

Debt securities, both negotiable and available for sale, that do not have quoted prices, as well as the instruments classified as held to maturity and the amounts or equity securities with low or minimal liquidity or not listed, are adjusted on their price at each appraisal date, based on a credit risk rating, as indicated below.

Internal or external public debt securities issued or endorsed by the State are not subject to this adjustment, as well as those issued by the Colombian Central Bank and those issued or guaranteed by FOGAFIN.

Securities issued or issuers that have external credit risk ratings

Securities with credit risk ratings assigned by external rating agencies recognized by the SFC, or debt securities issued by entities evaluated by such rating agencies, may not be valued in books if they exceed the following percentages of their nominal value, net of the amortizations applied as of the appraisal date:

Long-term Rating	Maximum amount %
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-term Rating	Maximum amount %
3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

In the case of investments classified as held to maturity, and on which a quoted price is available, the provision corresponds to the difference between the cost amortized in the books and such quoted price.

Securities or issuers without external rating for credit or values risk or equity securities

Securities or issuers without external rating for credit or values risk or equity securities are assessed or rated in accordance with the methodology determined by us. The maximum amount established by the SFC by which each investment is recorded, according to its rating, is as follows:

	Category	Maximum amount recorded %[1]	Investments characteristics
B	Acceptable risk, higher than normal	Eighty (80)	They bear uncertainty factors that may affect their ability to continue in adequate compliance with the debt service and weaknesses that may affect its financial situation.
C	Substantial Risk	Sixty (60)	They have a high or medium level incompliance probability on the timely payment of capital and interests, and deficiencies in their financial position that risk the investment's recovery.

D	Significant Risk	Forty (40)	They do not comply with the terms agreed on the security and have deep deficiencies in their financial position; hence, the probability of recovery of the investment is highly questionable.
E	Uncollectable	Zero (0)	It is estimated to be uncollectable.

(1) For debt securities, on the net par value of the amortizations applied up to the appraisal date, or for equity securities, on the acquisition cost less the provision.

Loans and accounts receivable

Classification

According to the regulations of the SFC, in Colombia the loan accounts receivable are classified based on the loan destination as commercial, consumer, mortgage and micro-loans. In performing our corporate purpose, we grant commercial credits only, as these are loans to financial entities or established companies. Consumer and mortgage credits correspond to employee loans.

The credits are recorded at the nominal value net of the repayments received from the clients; accumulated interest is recorded against accounts receivable taken to income.

Assessment, rating and provisions on credit risk

Twice a year, in May and November, we assess our entire commercial accounts receivable based on credit risk, considering each borrower's risk factors, primarily related to their payment ability, the compliance with the terms agreed and the generation of cash flow to service the debt. Consumer and mortgage loans correspond primarily to the classification by risk levels, essentially by the aging of the default.

Once the accounts receivable are assessed, the loans granted are classified per risk levels and individual provisions are created for the portions not covered by actual guarantees, as follows:

For commercial and consumer accounts receivable:

Category	**Minimum percentage of net guarantee provision**
A - Normal	0.00%
B - Acceptable	1.00%
C - Substantial	20.00%
D - Significant	50.00%
E - Uncollectable	100.00%

For mortgage loans accounts receivable:

Category	**Provision percentage on the portion not guaranteed**
A - Normal	1%
B - Acceptable	100%
C - Substantial	100%
D - Significant	100%
E - Uncollectable	100%

In addition to the above, a general provision is set up corresponding to 1% of the total gross accounts receivable, and additional general provisions may also be created with the approval of our general shareholders' meeting, with a deciding majority higher than 85%, which shall be technically founded.

Accounts receivable write-offs

Accounts receivable write-offs, if any, are approved by our Board of Directors, based on adequately documented information on uncollectible loans, and they are recorded against the provision for loans and accounts receivable.

Restructuring of credits with problems

Considering most credit operations made by us are with reputable financial entities, and, to a lesser extent, with other types of companies, restructuring operations on loans with collection problems are rare. No debt restructuring due to collection problems have taken place during the years ended December 31, 2013, 2012 and 2011.

Suspension of interest accrual

The accrual of loan interest recorded as income is suspended when the accounts receivable is more than three months overdue.

Securitizations

As described in "Liquidity and Capital Resources" above, we issued asset-backed securities through a Trust Fund in 2012 in compliance with the guidelines provided for such purpose by the applicable legal regulations and by the SFC. Write-offs of the accounts receivable subject to such securitization, and other underlying assets, are made for the net carrying amount at the date of negotiation. In case the transaction presents a difference between the carrying amount of the assets transferred and the cash amount received, a profit or loss for the period is recorded, as it may correspond, if the guidelines set by the SFC are met; otherwise, the securitized account receivable is recorded in our assets, and the cash received is recorded as a liability.

BUSINESS

Overview

We are a state-owned development bank established in 1989 by the government of Colombia to play a key role in the Colombian government's programs to improve economic and social conditions and develop sustainable public services infrastructure throughout Colombia's municipalities and departments. We aim to maintain our position as the leading development bank for sustainable regional infrastructure development in Colombia while leveraging our financial and technical advisory capabilities to attend to the country's infrastructure deficit. We are organized as a national mixed economy company and our assets and liabilities are separate from the assets and liabilities of our controlling shareholder (the Colombian government), which does not explicitly guarantee our obligations, including the notes.

In recent years, fostering urban and housing development has become one of the fundamental goals of the Colombian government and we play a central role in the country's development strategy as one of its leading development banks. In addition to our cooperation with the government, we work closely with multi-lateral and non-profit organizations, such as the IDB, who are among our most important funding sources, and who provide us with invaluable resources of know-how and experience as well as opportunities to partner with them on a number of projects across the country.

As a development bank, we provide funding to intermediary financial institutions, which include Colombian commercial banks and micro-financing institutions, who themselves directly provide funding to the final borrowers developing infrastructure projects which we elect to finance. The intermediary financial institutions that receive funding from us approve, place and service the underlying loans, using their own credit criteria and assume 100% of the credit risk. However, in determining whether to extend funding to any intermediary financial institution, we also examine the feasibility of the underlying project to ensure it is consistent with our criteria for social and economic development and the creation of sustainable public services infrastructure throughout the country.

Our lending activities are funded primarily through the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations, and issuances of certificates of deposit and asset-backed securities in the local capital markets. Excluding the reinvestment of our income and subsidies from the government, certificates of deposit represent 94% of our funding sources for the year ended December 31, 2013, with loans from multilateral organizations representing the remaining 6%. In the future, we also expect to access the international capital markets, as we are doing so with the notes offered hereby.

As of March 31, 2014, we were the largest development bank in Colombia, in terms of total loans. As part of our development mandate, we also play an active role in the development of public services infrastructure and sustainability projects by providing non-financial services consisting of technical assistance and project management and execution services with respect to such projects.

For the three months ended March 31, 2014 and 2013 and the year ended December 31, 2013, our net income was COP 8,329 million (US$4.23 million), COP 8,298 million (US$4.53 million) and COP 31,421 million (US$16.31 million), respectively. As of March 31, 2014, our shareholders' equity was COP 933,739 million (US$474.11 million). Additionally, the balance of our loan portfolio totaled COP 6,471,604 billion (US$3,286.00 million) as of March 31, 2014 and COP 6,103,117 billion (US$3,167.44 million) as of December 31, 2013.

Relationship with the Colombian Government

We were created by the Colombian government on November 20, 1989 pursuant to Law No. 57 of 1989, as modified in 2011 by Decree No. 4167. We are currently a wholly-owned entity of the Colombian government, with the MHCP holding 92.55% of our common shares and 29 Colombian departments and INFINORTE (a financial institution for the development of the Colombian department of North Santander) holding the remaining 7.45%. In addition, the MHCP and the Ministry of Housing both have senior officials who sit on our Board of Directors, and the National Planning Department has a senior official that acts as one of our alternate directors. These board appointments are required by law, thereby ensuring the alignment of our strategy with the Colombian government's development objectives, as well as providing valuable support and expertise in all areas related to infrastructure development in Colombia.

We are regulated by the MHCP and the SFC, among others. The MHCP provides general guidance to align our activities with the macroeconomic and development policies of the Colombian government. We are part of Colombia's national financial system, which is composed of a number of private and public sector banks, financial institutions, development organizations and state entities. The Colombian government seeks to align the mission and activities of these institutions to promote economic growth and social development.

The Colombian government has indicated that one of its main objectives is to close the gap in Colombia's infrastructure investment needs, which is estimated to be more than US$53.2 billion through 2021. This includes investments of nearly US$30 billion in roads and more than US$11 billion in railroads, according to the World Economic Forum 2013-2014 Global Competitiveness Report. We are the primary agent through which the Colombian government intends to accomplish this goal on a regional level, not only by channeling government funds to specific infrastructure projects (through intermediary financial institutions) but also through our research and analysis of projects as well as the technical assistance we provide with respect to various ongoing projects throughout Colombia's 32 departments. In the future, we expect to continue to be one of the main vehicles of the Colombian government in infrastructure development.

Relationship with Multilateral Organizations

Throughout our history we have maintained excellent working relationships with various multilateral organizations, such as the IDB and the World Bank. These entities are not only amongst our most important funding sources but also an invaluable resource of know-how and experience upon which we can rely. Currently, we act as partners on a number of projects, including the *Ciudades Sostenibles y Competitivas* (Sustainable and Competitive Cities) program which we are developing with the IDB to improve the competitiveness of selected cities in Colombia.

Our Strengths

Strong relationship with Colombian government provides remarkable business support. As Colombia's largest state-owned development bank, in terms of total loans, we are tasked with supporting Colombia's regional infrastructure and development projects and promoting the availability of financing throughout Colombia's municipalities and departments. Our business benefits from our close cooperation with the Colombian government, which derives from our central role in the country's infrastructure development strategy. Our board of directors includes representatives of the MHCP, the Ministry of Housing and the National Planning Department, the latter as an alternate director, in order to ensure the stability of our relationship with the government, that our operations are in line with the country's development agenda and effective corporate governance.

Unique role in the social and infrastructure development of Colombia. We are a key player in Colombia's development agenda, particularly through the promotion and support of sustainable regional development projects. The government believes these projects are especially important to carry out the aim of improving the quality of life and ensuring the well-being of the country and its population in the long-term. We support these projects in various ways, primarily by providing long-term financing and otherwise encouraging the financial industry to support these key development projects. Within the range of development projects, we are particularly focused on those related to improving the country's transportation, potable water and basic sanitation, energy, health, housing and education systems. For example, in connection with one of the central government's leading programs, *100,000 Viviendas Gratis* (100,000 Free Housing Units Program), we are playing a strategic role by offering technical assistance in the construction of over 100,000 new free houses, which are being built over the course of two years. As of March 31, 2014, we supported more than 1,876 projects in Colombia with a total investment of COP 8.88 billion in 29 out of the country's 32 departments.

Excellent asset quality with low counterparty risk. Our customer base is primarily composed of Colombia's leading and highly-rated financial institutions, and as a result we have attractive credit-risk profile and asset quality measures. Our customers' lending activities cover a wide range of economic sectors and regions, diversifying their risks and consequently ours. We believe that this level of lending diversification allows us to enjoy a ratio of non-performing loans of 0.01% as of March 31, 2014 while maintaining a coverage ratio of over

13,806.97% during that period. The structure of our lending also gives us the ability to step into the role of the intermediary financial institution if it is in default with respect to the loans we have provided to it. This allows us to assume collection efforts directly against the final borrowers and their collateral, while maintaining our recourse against the intermediary financial institution that granted the underlying loan. We have these options regardless of any liquidation procedures that may otherwise limit a creditor's ability to collect from the assets of such intermediary financial institution.

Stable and diversified sources of favorable financing and unique support from multilateral organizations. The strategic support we receive from the Colombian government, and our unique position within the country's financial sector, affords us access to diverse sources of funding, primarily the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations, and issuances of certificates of deposit and asset backed securities in the local capital markets. On November 19, 2013, the SFC approved local bond issuances by us in an aggregate amount up to COP 400 million during a one-year period beginning on such date. We have not yet issued any bonds under this authorization as of the date of this offering memorandum. In the future, we also expect to access the international capital markets, as we are doing so with the notes offered hereby. In addition, we are continually strengthening our relationships with other multilateral organizations to further diversify our funding base. In addition to the financial relationships with these organizations, we also benefit from the extensive diligence they conduct on our projects, which supports our audit, as well as the exchange of know-how and other technical assistance to continue improving our operations. We are able to leverage this knowledge to the benefit of our customers by, in turn, providing them advice and other knowledge-based support.

Experienced management and dedicated employees delivering unprecedented growth. The high quality of our professionals and their commitment to our performance are key factors for implementing our strategies as demonstrated by the unprecedented growth we have experienced over the last four years with total assets (consisting mainly of our loan portfolio) growing at least 52.1%, from COP 4.8 billion to COP 7.3 billion from December 2010 to March 31, 2014. Specifically, we seek to retain professionals who are both highly experienced and qualified and who are committed to our goals and values, and offer continuous training opportunities focused on professional development. Our key executive officers, who are elected by our board of directors, have significant public and private sector experience, providing us with a long-term vision and strategy, without being subject to changes in the Colombian government.

Our Strategies

Continue diversifying our revenue base and complementing our product offerings. In our intermediation financing line of business, our on-lending through intermediary financial institutions has proved successful at creating diversification in our loan portfolio, both in terms of lending to a diversified mix of economic sectors as well as geographic diversification. See "Business—Intermediation Financing." In addition, we have slowly increased our interaction with various Colombian private entities involved in infrastructure development. Currently, we are working in collaboration with the Ministries of Transportation, Housing, Education and Telecommunication, in addition to our continuous work and collaboration with the MHCP. We will continue to seek this level of diversification in the future.

In addition, we have increasingly been generating revenues through our non-financial line of business where we provide technical support and project management and execution services to various infrastructure projects in Colombia. In the three months ended March 31, 2014, 6% of our revenues were derived from fees and commissions relating to this line of business. We believe that our experience and relationship with multilateral organizations offers us a competitive advantage in infrastructure project structuring. We plan to capitalize on this competitive advantage in order to grow our secondary line of business in the near future.

Take advantage of the strong project pipeline to attend to Colombia's infrastructure deficit and national development plan. The Colombian government has indicated that one of its main objectives is to close the gap in Colombia's infrastructure investment needs, which is estimated to be more than US$53.2 billion through 2021. This includes investments of nearly US$30 billion in roads and more than US$11 billion in railroads, according to the World Economic Forum 2013-2014 Global Competitiveness Report. In light of this deficit and the goals of the national development plan, we will continue to seek to promote and develop financing arrangements that facilitate investment primarily in regional infrastructure projects across Colombia. In particular, we believe our longer-term funding from multilateral organizations and the international capital markets will continue to provide us with a competitive advantage as it allows us to provide long-term financing to intermediary financial institutions to finance long-term projects, which inherently carries a greater risk profile and which the private financial sector is often reluctant to provide without our support. We believe that, in being able to provide longer term funding to the market, we will continue to play a critical part in supporting investment in infrastructure development.

In line with these objectives, we intend to continue working to help the Colombian government and private sector provide the needed resources required to support investments in regional infrastructure projects. We also intend to continue to develop new financial products and services to channel more resources through Colombia's leading financial institutions.

Strengthen our ability to generate our own project pipeline by identifying high impact projects. We are in the process of developing an in-house department to identify high impact projects while they are still in their early stages. Given our industry-leading position, lending capacities and the structuring expertise we can offer our customers, we believe we will increasingly be able to generate our own project pipeline by identifying and sponsoring the country's important infrastructure and sustainability projects from the earliest stage. The goal of this effort is to continually supplement our existing pipeline of projects with new, important, and well-structured infrastructure projects, which, we believe will enable us to access a more steady supply of funding opportunities that meet our lending criteria**.**

Primary Lines of Business

We divide our products and services into two primary lines of business: intermediation financing and non-financial services. Our main products and services are described below.

Intermediation financing

General

As part of our intermediation financing line of business, we place loans through intermediary financial institutions, such as commercial banks and micro-financing institutions operating in Colombia, almost all of which are regulated by the SFC, that in turn originate loans to infrastructure projects in Colombia's 32 departments and the capital district of Bogotá in sectors such as transportation, potable water and sanitation, education, energy, healthcare and the environment. The intermediary financial institutions serve as our agents, enabling us to increase the size of our loan portfolio without the operating costs of administering loan portfolios. In our business and operating model, we have credit limits for each of our intermediary financial institutions.

Each intermediary financial institution approves places and services the infrastructure loans, using its own credit criteria and seeking financing for these loans through rediscount loans from us at lower interest rates than those being offered on the underlying infrastructure loans. Additionally, our intermediary financial institutions take on 100% of the credit risk associated with the underlying infrastructure loans. Our risk exposure is thereby limited to the risk of default by the intermediary financial institutions on the rediscount loans we provide to them. Only in the case of any such default would, if we so choose, the underlying loans of such defaulting intermediary financial institution become part of our direct loan portfolio, whereby we would commence a formal creditor-borrower relationship with the final borrower and directly seek to collect interest and principal on the underlying loan, while maintaining our recourse against the intermediary financial institutions that originated the underlying loan.

For each of the three months ended March 31, 2014 and 2013, our revenues from intermediation financing totaled COP 100,977 million and COP 105,661 million, respectively, representing 68.24% and 77.42% of our total revenues for those three month periods, respectively. For each of the years ended December 31, 2013 and 2012, our revenues from intermediation financing business totaled COP 398,154 million and COP 445,586 million, respectively, representing 73% and 78% of our total revenues for those years, respectively.

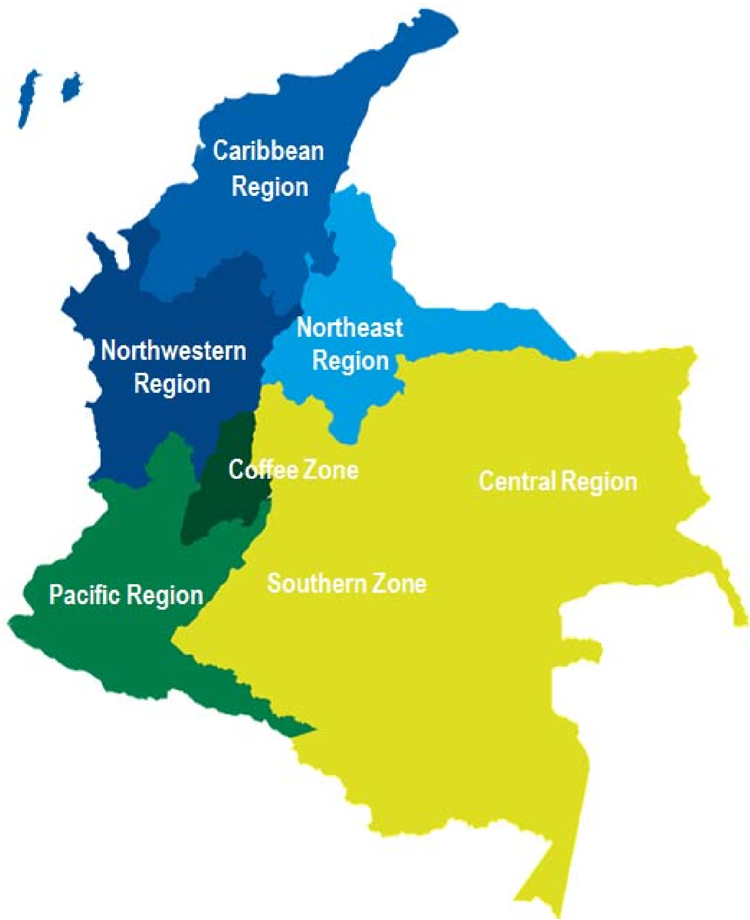
Infrastructure Project Origination

Traditionally, the intermediary financial institutions we work with were the primary entities by which infrastructure projects in Colombia came to our attention through their application for rediscount financings. We would then proceed to analyse the feasibility of the project and its social and economic impact in Colombia before approving the rediscount credit loans. However, as our role as an agent in the Colombian government's social and economic policies has evolved, we have become more actively involved in developing projects throughout the Colombian departments and municipalities. We now actively seek and develop projects that may qualify for our intermediation financing and pass these potential projects to our intermediary financial institution clients, who are ultimately responsible for approving the infrastructure loans.

Infrastructure Project Description

We seek to develop infrastructure throughout Colombia's 32 departments by providing intermediation financings across five zones and two regions as well as across various economic sectors.

The following chart divides up Colombia into the five zones and regions in which we operate:



The following tables sets forth a breakdown of our loan portfolio across the regions/zones and economic sectors in which we operate as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014		As of December 31, 2013	
Region/Zone	**Loan Portfolio (COP in millions)**	**Total %**	**Loan Portfolio (COP in millions)**	**Total %**
Central Region	1,828,333	28%	2,334,577	38%
Caribbean Region	1,268,615	20%	1,195,630	20%
Pacific Region	862,831	13%	810,570	13%
Northwestern Region	776,648	12%	708,674	12%
Northeastern Region	642,583	10%	620,886	10%
Coffee Zone	229,754	4%	248,992	4%
Southern Zone	145,304	2%	147,262	2%
Others[1]	717,536	11%	36,526	1%
TOTAL	**6,471,604**	**100%**	**6,103,117**	**100%**

(1) As of March 31, 2014, the others category above consists of loans made to intermediary financial institutions who have sought financing after already disbursing funds to the final borrower. These loans are classified in the others category only during the course of the year and at the end of year are distributed to their corresponding region or zone. In addition, as of March 31, 2014 and December 31, 2013, the others category above also includes our portfolio of consumer and mortgage loans to our employees.

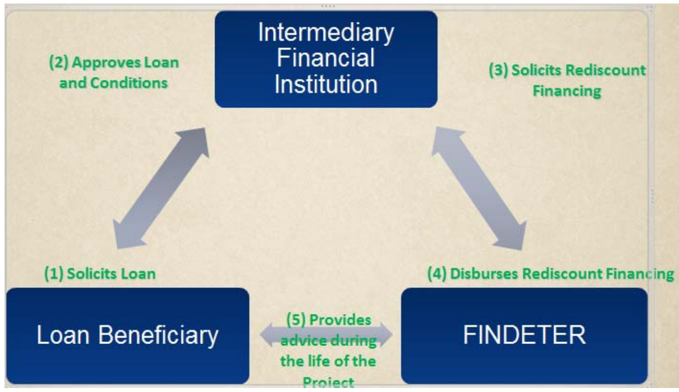
	As of March 31,		As of December 31,					
	2014		2013		2012		2011	
	COP (in millions)	**%**	**COP (in millions)**	**%**	**COP (in millions)**	**%**	**COP (in millions)**	**%**
Transportation[1]	2,152,293	33.3%	2,045,699	33.5%	1,872,528	33.1%	1,777,686	31.7%
Urban Development, Construction and Housing[2]	1,213,681	18.8%	1,201,382	19.7%	743,487	13.2%	799,241	14.3%
Energy[3]	896,253	13.8%	681,790	11.2%	913,814	16.2%	886,033	15.8%
Healthcare	582,461	9.0%	604,683	9.9%	544,076	9.6%	643,561	11.5%
Potable Water and Basic Sanitation[5]	596,267	9.2%	589,659	9.7%	546,462	9.7%	615,558	11.0%
Education[6]	475,508	7.3%	412,893	6.8%	398,450	7.0%	362,376	6.5%
Tourism[7]	218,800	3.4%	221,277	3.6%	202,645	3.6%	147,230	2.6%
Fiscal Governance[8]	109,058	1.7%	110,412	1.8%	103,544	1.8%	110,748	2.0%
Environment[9]	78,512	1.2%	86,978	1.4%	159,565	2.8%	122,078	2.2%
Telecommunication[10]	78,206	1.2%	79,002	1.3%	106,982	1.9%	103,623	1.8%
Sports, recreation and culture[11]	31,081	0.5%	32,818	0.5%	33,444	0.6%	19,740	0.4%
Other [12]	39,484.00	0.6%	36,524	0.6%	28,080	0.5%	18,901	0.3%
Total	**6,471,604**	**100.0%**	**6,103,117**	**100.0%**	**5,653,077**	**100.0%**	**5,606,775**	**100.0%**

(1) Transportation infrastructure relates to projects concerning road and highway networks and structures, mass transit systems, airports and bicycle paths and pedestrian walkways.
(2) Urban Development, Construction and Housing infrastructure relates to projects concerning land development in urban areas and construction, the latter including housing projects.
(3) Energy infrastructure relates to projects concerning electrical power networks, natural gas pipelines and petroleum pipelines, among others.
(4) Healthcare infrastructure relates to projects concerning the building of hospitals and other healthcare related facilities, the financing of health care, the systems for regulation of medicines and practitioners and systems for public health monitoring.
(5) Potable Water and Basic Sanitation infrastructure relates to projects concerning drinking water supply, sewage collection, and drainage and irrigation systems.
(6) Education infrastructure relates to projects concerning the building of schools, research facilities and other learning institutions, as well as the systems for financing and accrediting educational institutions.
(7) Tourism infrastructure relates to projects concerning man-made and natural attractions, convention centers, hotels and restaurants, as well as the systems for informing and attracting tourists.
(8) Fiscal Governance infrastructure relates to projects providing the various Colombian municipalities with additional financial support to increase the efficiency and effectiveness of their fiscal departments in order to improve the economic conditions of these municipalities.
(9) Environment infrastructure related to projects concerning the preservation of the natural environment.
(10) Telecommunication infrastructure relates to projects concerning telephone and mobile phone networks, communications satellites, television and radio transmission stations as well as cable television physical networks, the internet and the postal service.
(11) Sports, Recreation and Culture infrastructure relates to projects concerning parks, sports facilities, the system of sports leagues and associations, concert halls, museums, libraries and theatres.
(12) The “other” category above consists solely of consumer and mortgage loans to our employees.

We expect that the composition of our loan portfolio across regions/zones and economic sectors at the end of 2014 will follow a similar trend as the tables above.

Operational Scheme

The following diagram sets forth a description of our loan origination and intermediation financing operational scheme:



<u>Operational Steps</u>

(1) Final borrower solicits loan to finance an infrastructure project from an intermediary financial institution. The final borrower can be either a private or public sector entity. As of March 31, 2014, 73% of the final borrowers were private-sector entities (including utility companies) and 27% were public-sector entities. Despite this divide, the vast majority of the underlying loans were to benefit public infrastructure projects.

(2) Intermediary financial institution analyzes and approves the loan application, setting forth the relevant terms of the loan such as interest rate, amortization schedule and maturity date.

(3) Intermediary financial institution seeks rediscount financing from us.

(4) We analyze both the underlying project to which the intermediary financial institution intends to on-lend funds and the intermediary financial institution's rediscount credit application, approve the financing and disburse the funds to the intermediary financial institution.

(5) We follow and provide advice to the final borrower throughout the life of the project.

Types of Rediscount Credits

We offer the following four types of rediscount credit programs:

- *Ordinary Resources Rediscount Credit* is a credit where we use our own resources to finance programs or projects in the pre-investment, investment or operational stage in the eleven sectors described above at standard terms and conditions.

- *Special Line Rediscount Credit* is a credit where we use our own resources to finance programs or projects in the pre-investment, investment or operational stage in the eleven sectors described above at particularly favorable terms and conditions. Our Board of Directors determines on a yearly basis what types of projects are able to qualify for this program.

- *Compensated Line Rediscount Credit* is a credit where we use our own resources as well as additional resources provided by the Colombian government (most often through the Colombian departments and the MHCP) to finance programs or projects in the pre-investment, investment or operational stage in the eleven sectors described above at standard terms and conditions. While the additional funds come from the applicable Colombian governmental entity to us, we provide the entire financing directly to the intermediary financial institutions.

- *Dollar Financing Line Credit* is a credit where we use our own resources to finance programs or projects in the pre-investment, investment or operational stage in the eleven sectors described above at standard terms and conditions but in US dollars.

The following table sets forth a breakdown of our loan disbursements among our four rediscount credit programs for the three months ended March 31, 2014 and the year ended December 31, 2013:

Rediscount Credit Program	**For the three months ended March 31, 2014 (COP in millions)**	**Total %**	**For the year ended December 31, 2013 (COP in millions)**	**Total %**
Ordinary resources rediscount credit..	COP 148,886	21.1%	COP 1,607,437	62.8%
Special line rediscount credit	COP 253,983	36.0%	COP 353,812	13.8%
Compensated line rediscount credit..	COP 290,041	41.1%	COP 367,895	14.4%
Dollar financing line rediscount credit..	COP 12,273	1.8%	COP 231,017	9.0%
TOTAL	COP 705,183	100.0%	COP 2,560,161	100.0%

The following sets forth a brief description of our most significant rediscount loan products.

Sustainable Infrastructure Compensated Rate Financing Line

- **Created**: December 30, 2010 by Decree No. 2762
- **Aggregate Available Amount**: COP 1 billion
- **Rediscount Interest Rate to Intermediary Financial Institution**: DTF – 3% or IPC – 1%
- **Final Interest Rate to Loan Beneficiary**: DTF + 1% or IPC + 3%
- **Term**: Up to 12 years with up to a 2-year grace period
- **Sectors**: Transportation, Potable Water and Basic Sanitation, Energy, Healthcare, Education, Urban Development, Construction and Housing.
- **Number of Disbursements as of March 31, 2014**: 127
- **Amount of Disbursements as of March 31, 2014**: COP 795,182 million.

Healthcare Compensated Rate Financing Line

- **Created**: December 10, 2012 by Decree No. 2551
- **Aggregate Amount Available**: COP 200,000 million
- **Rediscount Interest Rate to Intermediary Financial Institution**: DTF – 2% up to DTF + 2%
- **Final Interest Rate to Loan Beneficiary**: DTF + 2%
- **Term**: Up to 12 years with up to a 2-year grace period
- **Sectors**: Healthcare
- **Number of Disbursements as of March 31, 2014**: 1
- **Amount of Disbursements as of March 31, 2014**: COP 5,600 million

Special Education Financing Line No. 1

- **Created**: October 11, 2013
- **Aggregate Available Amount**: COP 200,000 million

- **Rediscount Interest Rate to Intermediary Financial Institution**: Variable (depending on whether public or private final beneficiary)
- **Final Interest Rate to Loan Beneficiary**: Variable (depending on whether public or private final beneficiary)
- **Term**: Up to 8 years with up to a 2-year grace period
- **Sectors**: Education
- **Number of Disbursements as of March 31, 2014**: 49
- **Amount of Disbursements as of March 31, 2014**: 105,058 million

Special Education Financing Line No. 2

- **Created**: May 26, 2014
- **Aggregate Available Amount**: COP 100,000 million
- **Rediscount Interest Rate to Intermediary Financial Institution**: Variable (depending on whether public or private final beneficiary)
- **Final Interest Rate to Loan Beneficiary**: Variable (depending on whether public or private final beneficiary)
- **Term**: Up to 8 years with up to a 2-year grace period
- **Sectors**: Education (primarily preschool and vocational institutions)
- **Number of Disbursements as of March 31, 2014**: 1
- **Amount of Disbursements as of March 31, 2014**: 9,700 million

Special Renewable Energy Financing Line

- **Created**: December 12, 2010 (modified on September 9, 2012)
- **Aggregate Available Amount**: COP 150,000 million
- **Rediscount Interest Rate to Intermediary Financial Institution**: DTF + 1.90 % or IPC + 4.0 %
- **Final Interest Rate to Loan Beneficiary**: Variable (depending on whether public or private final beneficiary)
- **Term**: Up to 8 years with up to a 2-year grace period
- **Sectors**: Energy
- **Number of Disbursements as of March 31, 2014**: 116
- **Amount of Disbursements as of March 31, 2014**: 128,866 million

We are also in the process of developing other financing lines for urban development, environmental remediation, information technology, and potable water and sanitation projects.

Funding

In the past, we have obtained financing and resources for our intermediation financing line of business from the reinvestment of our net income as required by Colombian regulations, subsidies from the Colombian government, loans from multilateral organizations and issuances of certificates of deposit and asset-backed securities in the local capital markets. A significant proportion of our funding is obtained at lower interest rates and on more favorable terms than ordinary financing terms obtained in the global financial markets. While we expect to maintain these sources of funding in the future, we are also actively looking to diversify our funding strategy. For example, we expect to access the international capital markets, as we are doing so with the notes offered hereby.

The following table sets forth a breakdown of our funding sources, in addition to subsidies from the Colombian government, for the three months ended March 31, 2014 and for the years ended December 31, 2013, 2012 and 2011:

	For the three months ended March 31,	For the years ended December 31,		
	2014	2013	2012	2011
Funding Source	**Amount Funded (COP in millions)**	**Amount Funded (COP in millions)**	**Amount Funded (COP in millions)**	**Amount Funded (COP in millions)**
Multilateral Organizations	COP 168,243	COP 162,591	COP 102,245	COP 66,424
Certificates of Deposit	COP 1,319,125	COP 2,568,699	COP 2,717,882	COP 2,879,795
Asset-Backed Securities	-	-	COP 289,625	-

Intermediary Financial Institutions Profile

As of March 31, 2014 and December 31, 2013, we channelled funds through 95 and 94 intermediary financial institutions, respectively. The tables below provide a breakdown of our intermediary financial institution loan portfolio, both in number and aggregate amount, by type of intermediary financial institution as of March 31, 2014 and December 31, 2013:

	As of March 31, 2014		As of December 31, 2013	
Type of Intermediary Financial Institution	**Intermediary Financial Institution Loan Portfolio (COP in millions)**	**Total %**	**Intermediary Financial Institution Loan Portfolio (COP in millions)**	**Total %**
Entities regulated by the SFC	COP 6,116,596	95%	COP 5,685,696	94%
Others[(1)]	COP 315,524	5%	COP 380,896	6%
Total	**COP 6,432,120**	**100%**	**COP 6,066,592**	**100%**

[(1)] Includes micro-financing entities, credit unions, cooperatives and savings and loan associations, among others.

	As of March 31, 2014		As of December 31, 2013	
Type of Intermediary Financial Institution	**Number of Loans**	**Total %**	**Number of Loans**	**Total %**
Entities regulated by the SFC	2828	49.70%	2729	49%
Others[(1)]	2860	50.30%	2838	51%
Total	**5688**	**100%**	**5567**	**100%**

[(1)] Includes micro-financing entities, credit unions, cooperatives and savings and loan associations, among others.

The chart below sets forth our most significant intermediary financial institutions and the amount of loans disbursed to each of them as of March 31, 2014:

Intermediary Financial Institution	Amount Disbursed (COP in millions)	Total Participation %
Banco Davivienda S.A.	COP 1,608,392	25%
Leasing Bancolombia S.A.	COP 1,052,986	16%
Bancolombia S.A.	COP 686,889	11%
GNB Sudameris S.A.	COP 598,940	9%
Banco Colpatria Multibanca Colpatria S.A.	COP 573,021	9%
Banco de Bogota S.A.	COP 465,692	7%
Banco de Occidente S.A.	COP 413,264	6%
Others(1)	COP 1,072,420	17%
Total	**COP 6,471,604**	**100%**

(1) The others category above also includes our portfolio of consumer and mortgage loans to our employees.

Lending Procedures

The credit allocation process requires an understanding and evaluation of the loan counterparty (i.e. the intermediary financial institution). This process includes an analysis of the purpose, structure and type of credit, as well as the repayment sources and/or associated collateral support.

Our lending process is comprised of three phases, consisting of standard procedures followed to approve all of our loan products, as described below:

(1) Credit analysis and approval of intermediary loans (loans through intermediary financial institutions):

- Receipt of an intermediary financial institution's credit application; and
- Evaluation of the application of a credit risk classification by our risk management division to evaluate the level of risk of the transaction and to ensure the proper return based on the correct premium on the assumed risk(s).

(2) Disbursement of the approved intermediary loan.

(3) Monitoring and supervision of the disbursed intermediary loan:

- Follow-up and supervision of the disbursed loan or credit line; and
- Follow-up and supervision of the disbursed loan – for each individual transaction; and

We seek to execute every process relating to monitoring, recovery, liquidation and penalties for past due loans of every type, in a comprehensive, consistent and standardized manner. All of our loans are approved by our Board of Directors based on the recommendations of our risk management division. In addition, we initially only approve loans with intermediary financial entities that are rated A by the SFC, the category carrying the lowest level of risk.

Additionally, we have internal controls for intermediary financial institution credit risk. These controls monitor the intermediaries' risk management, hedging, reserves, and loan approval processes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management."

Non-financial services

General

In our non-financial services lines of business, we offer technical assistance and project management and execution services to various infrastructure projects in Colombia for which we charge a fee.

Our revenues from this line of business derive from fees charged in relation to our technical assistance and project management and execution services. For the three months ended March 31, 2014 and 2013, our revenues from non-financial services totaled COP 8,152 million and COP 4,715 million, respectively, which represented 6% and 3% of our total revenues for those three month periods, respectively. For the year ended December 31, 2013 and 2012, our revenues from non-financial services totaled COP 31,530 million and COP 8,990 million, respectively, representing 5.77% and 1.57% of our total revenues for those years, respectively.

Technical Assistance

Our technical assistance services aim to help public and private sector entities by providing a formalized project plan, taking into account a project strategy and feasibility study. Below is a description of some of the projects for which we are currently offering technical assistance:

- *100,000 Viviendas Gratis (100,000 Free Housing Units Program)* is a government program that aims to combat extreme poverty in Colombia by sponsoring the construction of free housing for certain qualified persons. We have been selected by the Colombian government to evaluate all proposals received and approve qualifying plans. As of March 31, 2014, we had evaluated 274 proposals and approved 157 projects which are expected to lead to the construction of 73,716 free housing units throughout the country.

- *Agua para la Prosperidad (Water for Prosperity)* is a government program aimed to advance potable water services and developing sanitation projects in Colombia. We have been selected by the Colombian government to evaluate proposals received and approve qualifying plans. As of March 31, 2014, we had evaluated 997 proposals and approved 102 projects for a total amount of COP 796,373 million.

Project Management and Analysis

Our project management and analysis services aim to provide ongoing support to public and private sector entities at all stages, including project planning, commencement and execution. Below is a description of some of the projects for which we are currently offering project management and analysis services:

- *Ciudades Sostenibles y Competitivas (Sustainable and Competitive Cities)* is a program we are developing with the IDB to provide long-term planning services to selected cities in Colombia in order to increase the quality of lives of their inhabitants and competitiveness.

- *Ciudades Emblematicas de Colombia* (Model Cities of Colombia) is a program that seeks to combat social inequality in certain selected cities in Colombia by focusing on long-term planning and development.

- *Diamante Caribe y Santanderes (Caribbean and Santanderes Diamond)* is a program we are developing with the Microsoft Corporation and the Metropoli Foundation in which we have identified a regional urban "population diamond" in the north of Colombia in order to execute a holistic regional strategy for achieving sustainability and competitiveness by taking advantage of synergies between the various urban systems, medium-sized cities, rural environments, and natural resources.

Information Technology

Our IT infrastructure is supported by a data center hosted and managed by Level 3 in a facility designed to withstand earthquakes. We have, in addition, a backup data center also hosted and managed by Level 3, 8 kilometers from our main data center. We have an open technology platform supported by the Oracle 1g database and Microsoft IIS as a webserver.

Our information technology department is headed by an information technology committee that is responsible for ensuring that our technological functions are running correctly in order to minimize any disruption of our ordinary business operations.

We are in the process of updating our information technology platform to deploy modern technology to support critical and non-critical processes. We expect to spend COP 8,288 million in 2014, most of which is destined to updating certain software and computer equipment.

Facilities

As of March 31, 2014, we maintained one principal office in each of our five regions and two zones (in addition to our headquarters, located at Calle 103, No. 19-20, Bogotá, Colombia) as well as eleven satellite offices throughout other cities in Colombia. Of these offices, five were owned and three were rented, with our eleven satellite offices being occupied under concession free of charge. Our lease contracts have standard commercial terms and contain renewal options pursuant to which we can extend the term of the lease. We do not anticipate any difficulty in renewing our leases that are set to expire in the near future.

We have not acquired, and do not currently expect to acquire, any other properties that would be material to our business and financial condition.

Employees

As of March 31, 2014, we had 379 employees, of which 15% were members of a union.

The union that represents our employees is the Sindicato de Trabajadores de la Financiera de Desarrollo Territorial S.A. (“SINTRAFINDETER”). We have a good working relationship with this union. The collective bargaining agreement into which we have entered with this union is renegotiated every three years, and the renegotiation processes has historically been smooth. The most recent renegotiation of our collective bargaining agreement was signed on January 31, 2014 and certified by the Ministry of Labor on February 5, 2014. Additionally, we do not have a history of strikes by our employees.

Competition

As a supplier of long-term debt financing for infrastructure projects located in Colombia, we provide intermediate funding mainly to Colombian banking institutions relating to long-term infrastructure projects. Local banks’ ability to access the international capital markets, as well as the recent development of the Colombian capital markets have provided alternative funding opportunities to our competitors. As a result, we may face more intense competition from international and domestic banks.

The last several years have been characterized by increased competition and consolidation in the financial services industry in Colombia. As of March 31, 2014, there were numerous multi-service banks, commercial banks, and savings and loan, brokerage, leasing and other financial institutions in Colombia.

Additionally, we are one of four development banks in Colombia. The other three development banks are:

- *Fondo para el Financiamiento del Sector Agropecuario (FINAGRO)*, which is dedicated to the development of projects in the agriculture and fishing sector.

- *Banco de Comercio Exterior de Colombia (BANCOLDEX)*, which is dedicated to providing financing to small and medium companies exporting Colombian goods worldwide.

- *Financiera del Desarrollo Nacional (FDN)*, which is dedicated to providing financing to ultra-large national infrastructure projects, particularly the 4^{th} Generation (4G) of road concessions in Colombia.

We generally do not consider these other development banks as our competitors as we have all been given very specific areas of focus by the Colombian government.

Legal Proceedings

We are involved in various claims and legal actions arising in the ordinary course of business. We do not believe that these proceedings will have a material adverse effect on our results of operations or financial condition. See note 16 to our audited financial statements included in this offering memorandum for a description of our legal proceedings.

SUPERVISION AND REGULATION

Colombian Banking Regulators

Pursuant to Colombia's Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the government and other authorities may regulate the financial system. The Colombian Constitution also permits the Colombian Congress to authorize government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the board of directors of the Colombian Central Bank, the MHCP, and the SFC. Other authorities such as the Superintendency of Industry and Commerce ("SIC") have some powers regarding antitrust matters over financial institutions and the power to approve mergers and acquisitions or integrations in some cases, such as joint ventures, and there are other institutions which have regulating authority over the securities market, such as the Self-Regulatory Organization (*Autoregulador del Mercado de Valores*) (the "SRO").

Colombian Central Bank

The Colombian Central Bank (*Banco de la República*) exercises the customary functions of a central bank, including monetary policy, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and management of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction of the Colombian Central Bank's duties. The Colombian Central Bank also acts as lender of last resort to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the government in the formulation of monetary policy, currency exchange and credit policies, and for administrative matters. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its board of directors in respect of monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the Colombian Congress. Its board of directors is comprised of seven members, one of whom is the Minister of Finance and Public Credit, who acts as the president of the board. One member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees, are appointed by the President of Colombia for four-year terms, although they can be ratified for equivalent terms.

Ministry of Finance and Public Credit

The MHCP designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The MHCP regulates all aspects of finance, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution and by statute.

As part of its duties, the MHCP issues decrees and regulations relating to financial, taxation, customs, public credit and budgetary matters that may affect banking activities. In particular, the MHCP is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

According to Decree 4172 of 2011, the "*Unidad Administrativa Especial, Unidad de Proyección Normativa y Estudios de Regulación Financiera*," an independent unit of the MHCP is responsible for preparing and drafting any new financial regulation to be issued by the MHCP.

Superintendency of Finance

The SFC, was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities in 2005. All of the powers and responsibilities of the former Superintendency of Banking and Superintendency of Securities were assigned to the newly created SFC.

The SFC is a technical entity affiliated with the MHCP that acts as the inspection, supervision and control authority of all entities involved in financial, insurance and securities exchange activities, as well as any other operations related to the management, use or investment of funds collected from the public.

The SFC is the authority responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting users of financial and insurance services as well as investors in general. In the performance of its duties, the SFC supervises and controls financial institutions, including credit institutions, such as Findeter, financial corporations, finance companies, financial services companies and insurance companies, among others.

Financial institutions must obtain the authorization of the SFC before commencing operations. In addition, all public offerings of securities require the prior approval of the SFC.

The SFC has broad discretionary powers to supervise financial institutions, including the authority to impose fines or penalties on financial institutions and their directors and officers for violations of applicable financial regulations. Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The SFC may also inspect Colombian financial institutions on a discretionary basis and has the authority to impose sanctions including warnings, fines, removals, or administrative takeovers on such institutions and their directors and officers for violations of Colombian laws or regulations, or because of any breach of such financial institutions' by-laws.

The SFC is also responsible for monitoring the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds, pension and mutual fund administrators and issuers.

According to Colombian law (Decree 2555 of 2010 and Basic Accounting Circular), and in order to facilitate the SFC's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated Solvency Ratios and capital adequacy requirements of the group.

The SFC may also conduct onsite inspections of Colombian financial institutions and, subject to the applicable laws of the subsidiary's country of incorporation, their subsidiaries located abroad.

As a credit institution and issuer of securities registered in the National Registry for Securities and Issuers (*Registro Nacional de Valores y Emisores – RNVE*) and traded on the Colombian Stock Exchange, we are subject to the supervision, inspection and surveillance of the SFC.

Other Colombian regulators

Superintendency of Industry and Commerce

According to Law 1340 of 2009, the SIC is the competent national authority for all antitrust matters in every sector of the economy, including the financial sector.

As such, the SIC is responsible for undertaking administrative investigations of antitrust violations, and has the power to impose corresponding sanctions.

The SIC is responsible for approving economic mergers, acquisitions, spin-offs and integrations between and among enterprises, except for mergers, acquisitions, spin-offs or integrations between financial entities, in which case the SFC has the authority to approve. However, for such approvals, the SFC must obtain a non-binding prior written opinion by the SIC.

Securities Market Self-Regulatory Organization

Self-regulation in the capital markets was formally introduced in Colombia by Law 964 of 2005, and the SRO was created in June 2006 as a private non-profit organization.

The SRO has the power to supervise, sanction and regulate the entities subject to self-regulation (i.e., including securities intermediaries and any entity that voluntarily submits itself to self-regulation such as us). The SRO may issue mandatory instructions to its members.

The securities market SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various purposes, including conflicts of interest and improving the integrity and quality of the capital markets.

To better achieve their objectives and avoid duplicative efforts, the SRO and the SFC have executed a memorandum of understanding. The purpose of the memorandum is to define the principles and criteria that should be considered by the two entities in coordinating their activities and in performing their regulatory, disciplinary and supervisory powers.

Regulatory Framework for Colombian Banking Institutions

The basic regulatory framework of the Colombian financial sector is set forth in Law 35 of 1993, the Colombian Banking Law, as amended by, among others, Law 510 of 1999, Law 546 of 1999, Law 795 of 2003, Law 964 of 2005 and Law 1328 of 2009, as well as Decree 2555 of 2010, which compiled regulations that were dispersed in separate decrees, including regulations regarding capital adequacy and lending activities. The financial sector is also regulated by External Resolution 8 of 2000 (exchange control regulation statute) and Resolution 4 of 2001 issued by the board of directors of the Colombian Central Bank.

The Colombian Banking Law defines the structure of the Colombian financial system and defines the different types of business entities that are considered to be part of it, including: (i) credit institutions (*establecimientos de crédito*), which are further categorized into commercial banks (*establecimientos bancarios*), finance corporations (*corporaciones financieras*), financing companies (*compañias de financiamiento*) and finance cooperatives (*cooperativas financieras*); (ii) financial services entities (*sociedades de servicios financieros*); (iii) capitalization companies (*sociedades de capitalización*); (iv) insurance companies (*entidades aseguradoras*); and (v) insurance intermediaries (*intermediarios de seguros*). We are categorized as a credit institution.

The Colombian Banking Law provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the SFC. Subject to prior approval of the SFC, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law 1328 of 2009, foreign banks are permitted to operate through their "branches" and are not under the obligation of incorporating a Colombian subsidiary. Operations through these branches are subject to prior approval from the SFC.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operations; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations.

Each credit institution must be separately authorized before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to their corporate purpose and business scope, to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the principal restrictions on financial activities is that banks may not acquire or hold products, merchandise, shares of corporations, income bonds, or other similar securities, except (i) when the bank has received those goods or securities as collateral for loans it has made or (ii) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Regulatory Framework Relevant to Findeter

Colombian Banking Laws also provide general regulations on our corporate purpose and corporate governance.

Under such laws we are authorized to promote regional and urban development in Colombia by providing intermediation financing and technical assistance. For this purpose, we may, among others, offer financing and time deposits, obtain external indebtedness, act as trustee and grant guarantees on behalf of third-party financial institutions.

Our Board of Directors must include senior officials from the MHCP and the Ministry of Housing, as well as the director of the National Planning Department as an alternate director. The other members are independent, nominated by our Board of Directors and appointed by our general shareholders' assembly. In addition to the rules provided in our by-laws, Colombian Banking Laws set forth that our board is in charge of determining general internal policies, approving our annual budget, determining the rules, regulations and guidelines for granting our financing, and authorizing certain specific financing transactions.

Modifications to Basel Framework

Laws 510 of 1999, 795 of 2003 and 1328 of 2009 substantially modified the control, regulation and surveillance powers of the SFC. In addition, Law 510 of 1999 and Law 1328 of 2009 streamlined the procedures and powers for Fogafin.

The main purpose of Law 510 of 1999 was to increase the solvency and stability of Colombia's financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans.

Law 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee. Law 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution and authorized the SFC to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary Preventive Measure or Intervention Measure by the SFC, troubled financial institutions must submit a restructuring program to the SFC.

Law 1328 of 2009 provides a new set of rights and responsibilities for customers and users of the financial system and a set of obligations for financial institutions in order to minimize disputes. Law 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers could acquire control of other companies.

Pursuant to articles 62 and 63 of Law 1430 of 2010, the SFC must observe how financial institutions behave with regard to the pricing of their services, and must report its findings to the Colombian government. Based on such report the Colombian government may assess if there is "insufficient competition in the relevant market of financial services" and reach a decision regarding whether to use the following special remedial powers granted by Law 1430 of 2010: (i) fixing prices of financial services; (ii) determining minimum and maximum price caps for financial services; or (iii) establishing an obligation for the financial institution to inform the SFC or the SIC, as the case may be, of the methodologies used by such institution to determine tariffs or prices.

In order to implement and enforce the provisions related to Colombia's financial system, the SFC has issued periodic circulars and resolutions. The External Circular 007 of 1996, as amended, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money laundering prevention activities of financial institutions. The External Circular 100 of 1995 ("Basic Accounting Circular"), as amended, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting Circular regulates the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws 510 of 1999, 795 of 2003 or 1328 of 2009, as well as of specific provisions of the Colombian Banking Law and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

Key Interest Rates

Colombian commercial banks, finance corporations and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in Colombian pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the *Depósitos a Término Fijo* ("DTF") rate, which is published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by commercial banks, finance corporations and financing companies for certificates of deposit with maturities of 90 days. For the week ending on March 31, 2014 the DTF was 3.88% as reported by the SFC.

The Colombian Central Bank also calculates the interbank rate (Interés Bancario de Referencia, or "IBR"), which acts as a reference of overnight one-month and three-month interbank loans, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank. Using a weighted average of the quotations submitted, the Colombian Central Bank calculates the overnight, one-month and three-month IBR each business day.

Article 884 of the Colombian Code of Commerce provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the "current" banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The "current" banking interest rate is certified by the SFC. The "current" banking interest rate for ordinary and consumption lending applicable to the period ending on March 31, 2014 was 19.65%, and the limit 29.48%.

Capital Adequacy Requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended) are based on the Basel Committee standards. The regulations establish four categories of assets, which are assigned different risk weights, and require that a credit institution's total solvency ratio be at least 9% of that institution's total risk-weighted assets.

2014 Capital Adequacy Requirements

On August 23, 2012, the MHCP issued Decree 1771, amending the capital adequacy requirements set forth in Decree 2555. Decree 1771 was further amended by Decree 904 of 2013. The new capital adequacy rules set forth in Decree 1771 became effective as of January 1, 2014 for credit institutions, such as us. Prior to such date, credit institutions, such as us, were subject to the capital adequacy requirements in place pursuant to Decree 2555. However, pursuant to Decree 1771, we were required to submit to the SFC an action plan before June 30, 2013 indicating the actions that we would implement in order to comply with the new standards. The principal changes contained in Decree 1771 are:

Technical Capital is the sum of Tier One Capital and Tier Two Capital. Tier One Capital consists of the sum of Ordinary Basic Capital (*patrimonio básico ordinario*), or Common Equity Tier One, and a new category of Additional Basic Capital (*patrimonio básico adicional*), or Additional Tier One.

The creation of new criteria for debt and equity instruments to be considered Ordinary Primary Capital, Additional Primary Capital and Secondary Capital. Additionally, the SFC will review whether a given instrument adequately complies with these criteria in order for an instrument to be considered Tier One, Additional Tier One or Tier Two Capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as Ordinary Primary Capital or Secondary Capital will not be considered Tier One, Additional Tier One or Tier Two Capital for purposes of the capital adequacy requirements.

The minimum total solvency ratio remains at 9% of the financial institution's technical capital divided by total risk-weighted assets. However, each entity must also comply with a minimum basic solvency ratio of 4.5%, which is defined as the Ordinary Primary Capital after deductions divided by the financial institution's total risk-weighted assets. In addition, pursuant to Decree 1771, solvency ratios must be met individually by each credit institution, and must be met and monitored on a consolidated basis.

Components of Technical Capital prior to January 1, 2014

Prior to January 1, 2014, Tier One Capital consisted mainly of:

- Outstanding and paid-in share capital;
- Legal and other reserves;
- Profits retained from prior fiscal years;
- The balance of the patrimonial account of adjustments of changes (*ajuste de cambios*);
- The total value of the revaluation of the equity account (*revalorización del patrimonio*) (if positive) and of the foreign currency translation adjustment account (*ajuste por conversión de estados financieros*);
- Current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses;
- Any shares held as security by Fogafin when the entity is in compliance with a recovery program aimed at bringing the institution back into compliance with capital adequacy requirements (if the SFC establishes that such recovery program has failed, these shares shall not be taken into account when determining Tier One);
- Subordinated bonds issued by financial institutions and held by Fogafin when they comply with the requirements stated in the regulations;
- The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation;
- The value of dividends declared to be paid in shares; and
- The value of the liabilities owned by non-controlling interests.

Prior to January 1, 2014, items deducted from Tier One Capital were:

- Any prior or current period losses;
- The total value of the capital revaluation account (*cuenta de revalorizción del patrimonio*), if negative;
- Accumulated inflation adjustments on non-monetary assets, provided that the respective assets had not been transferred;
- Subordinated debt instruments issued directly or indirectly by entities (excluding subsidiaries) that are subject to the supervision of the SFC, but excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of the Colombian Banking Law; and
- Investments in shares, mandatorily convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20.0% of the capital of said institution (excluding subsidiaries), including foreign currency translation and excluding appraisals.

As of the date of this offering memorandum, Tier Two Capital consists of other reserves and retained earnings, which are added to the Tier One Capital to calculate Technical Capital.

Prior to January 1, 2014, Tier Two Capital included:

- 50% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);
- 50% of asset reappraisal excluding: (i) revaluations of foreclosed assets or assets received as payment of credits; (ii) the reappraisal of direct or indirect capital investments and investments in subordinated debt in entities subject to the supervision of the SFC, excluding subsidiaries, in compliance with the requirements set forth in the applicable regulation; and (iii) the reappraisal of direct or indirect capital investments and investments in subordinated debt in foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital;
- Mandatorily convertible bonds effectively issued and paid, with maturities of up to five years (provided that the terms and conditions of their issuance were approved by the SFC and subject to the conditions set forth by SFC);
- Subordinated monetary obligations not in excess of 50% of Tier One Capital and in compliance with additional requirements stated in the regulations;
- The part of the surplus capital account from donations in compliance with the requirements set forth in the applicable regulations; and
- General allowances made in accordance with the instructions issued by the SFC.

In computing Technical Capital prior to January 1, 2014, Tier Two Capital could not exceed the total amount of Tier One Capital.

Components of Technical Capital as of January 1, 2014

The new capital adequacy rules set forth in Decree 1771 became effective as of January 1, 2014 for credit institutions, including us. Common Equity Tier One Capital consists mainly of:

- Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the SFC subject to the conditions set forth in the regulation;
- Legal reserves;
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements;
- Non-controlling interests, subject to the conditions set forth in the regulations;
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the SFC;
- Capital surplus;
- Irrevocable donations;
- The total value of the cumulative translation adjustment account;
- Capital stock paid in prior to its issuance by the entity, provided, however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as comprising the technical capital;

- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations; and

- Any other financial instrument issued by the entity and held by FOGAFIN, when the subscription is intended to strengthen the financial condition of the financial entity.

The above Common Equity Tier One Capital is subject to the following deductions:

- Any prior or current period losses;

- Direct and indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation;

- Deferred income taxes, if positive;

- Intangible assets registered after August 23, 2012;

- Reacquired stock, subject to the conditions set forth in the regulations; and

- The unamortized amount of the actuarial calculation of the pension obligations of the entity.

The Additional Tier One Capital consists mainly of:

- Outstanding and paid-in capital stock classified as Additional Basic Capital by the SFC subject to the conditions set forth in the regulation;

- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the SFC;

- Non-controlling interests, subject to the conditions set forth in the regulation.

As of January 1, 2014, Tier Two Capital consists mainly of:

- Outstanding and paid-in share capital, classified as additional primary capital by the SFC;

- Current fiscal year profits that comply with the requirements set forth in the applicable regulation;

- Occasional reserves different from fiscal reserves that comply with the requirements set forth in the applicable regulation;

- The value of the liabilities owned by non-controlling interests, classified as secondary capital by the SFC;

- 50% of the fiscal reserves that complies with the requirements set forth in the applicable regulation;

- Mandatorily convertible bonds effectively subscribed and paid, that comply with the requirements set forth in the applicable regulation;

- Subordinated monetary obligations which are classified as secondary capital and comply with applicable regulations; and

- General allowances made by credit institutions.

In addition, the Basic Accounting Circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian credit institutions are required to calculate a value at risk, or "VaR," based on a methodology provided by the SFC. VaR is used in assessing a credit institution's solvency.

To prepare for the implementation of the Basel III accords in Colombia, the MHCP, in consultation with the SFC, has initiated an internal review of regulations applicable to financial institutions. Although it is expected that the MHCP will review all such regulations, to date it has focused its review on:

(i) The cyclical and countercyclical effects of changes in the financial environment: the MHCP has appointed a special committee to track financial developments which is currently evaluating macroprudential instruments (including credit-related, liquidity-related and capital-related measures) based on the Basel III accord; and

(ii) The need for further adjustments to manage liquidity risk: the MHCP is currently reviewing the links and interactions between different market agents for how this could affect the liquidity of financial institutions.

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The following tables set forth our reported consolidated capital adequacy information at March 31, 2014 and December 31, 2013.

	At March 31, 2014	**At December 31, 2013**
	(COP in millions)	
Subscribed Capital	791,587	791,587
Reserves and Profits	39,920	63,538
Non-controlling interests	-	-
Inflation adjustment on non-monetary assets	-	9,876
Unconsolidated financial sector investments	(25,000)	-
More (Less) Others[(1)]	162	1
Goodwill	-	-
Unamortized pension liabilities	-	-
Others	-	-
Tier One Capital	**806,669**	**845,252**
Reserves and Profits	-	-
Non-controlling interests	-	-
Inflation adjustments on non-monetary assets	-	4,938
Unrealized gains/losses on securities available for sale	-	-
Valuations	-	656
Subordinated bonds	-	-
Devaluations	-	-
Unconsolidated financial sector investments[(2)]	-	6,000
More (Less) Others [(3)]	64,415	73,009
Tier Two Capital	**64,415**	**84,603**
Technical Capital	**871,084**	**929,855**
Risk-weighted assets	6,491,152	6,341,598
Regulatory value at risk	137,837	-

	At March 31, 2014	At December 31, 2013
	(COP in millions)	
Risk-weighted assets including regulatory value at risk	**6,628,989**	**6,341,598**
Tier One Capital to risk-weighted assets including regulatory value at risk	**11.92%**	**13.33%**
Tier Two Capital to risk weighted assets including regulatory value at risk	**0.95%**	**1.33%**
Solvency Ratio	**12.87%**	**14.66%**

(1) Corresponds to dividends declared per share.
(2) Corresponds to our investments in the National Guarantee Fund (*Fondo Nacional de Garantias*).
(3) Corresponds to our loan provisions and the valuation of property, plant and equipment.

As noted above, the rules by which we calculate our capital adequacy information changed beginning January 1, 2014. Therefore, the figures above at March 31, 2014 are not comparable to the calculations above at December 31, 2013.

2013 Investment Appraisal Rules

As of the date of this offering memorandum, entities under surveillance of the SFC, such as us, appraise their investments in accordance with rules issued by the SFC for this purpose, contained in the Basic Accounting Circular.

Between 2010 and 2012, the Colombian government and the SFC issued a series of regulations, including External Circular 006 of 2012 issued by the SFC (recently amended by External Circular 50 of 2012), which established a new regime for appraisal of investments by entities subject to the surveillance of the SFC, such as us. Under this regime such appraisal must be made by an independent appraisal price provider (*proveedor de precios de valoración*) and entities under surveillance of the SFC have to rely on these independent providers.

Specifically, Decree 985 of 2010, which is currently incorporated under the provisions established in Decree 2555 of 2010, as well as external circulars 006, 033, 039 and 050 of 2012, issued by the SFC, indicate that appraisal price providers (*proveedores de precios de valoración*) are entities authorized by the SFC to (i) create and issue appraisal methodologies and (ii) provide professional services for the calculation, determination and provision of information for investment appraisal. In accordance with these regulations, entities under the surveillance of the SFC must designate at least one appraisal price provider in order to use the information delivered by these entities to appraise their investments. Additionally, the new regime establishes that prior to making new investments each entity under surveillance of the SFC must verify that the designated appraisal price provider has the capacity to provide appraisal prices (*precios de valoración*) for such new investments.

As established by External Circular 50 of 2012 issued by the SFC, the appraisal price providers' regime involves the following obligations:

- The authorized appraisal price providers must perform tests with the entities supervised by the SFC to which price information will be provided;

- Entities supervised by the SFC must appraise their investments using information provided by the designated appraisal price provider.

Capital Investment Limit

All investments, including in any subsidiaries created in the future, and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity reappraisal account of the respective credit institution, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign Currency Position Requirements

According to External Circular DODM 285 of 2005, or Circular DODM 285, issued by the board of directors of the Colombian Central Bank, as amended, the foreign currency position of a government-owned credit institution dedicated to intermediation financing, such as us, is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items). Such assets and liabilities are realized or contingent, including those that may be sold in Colombian legal currency.

Circular DODM 285 provides that a credit institution's average foreign currency position for three business days cannot exceed the equivalent in foreign currency of 20% of the credit institution's technical capital. Credit institutions are permitted, however, to hold a three business days' average negative foreign currency position not to exceed the equivalent in foreign currency of 5% of its Technical Capital (with penalties payable after the first business day). As of March 31, 2014, our foreign currency position was COP 526,149 million (US$ 267,155 million); and COP 128,577 million (US$65,286 million) in cash, which falls within the regulatory guidelines.

Reserve Requirements

Credit institutions are required by the board of directors of the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to Resolution 11 of 2008, the reserve requirements for Colombian credit institutions are measured bi-weekly and the amounts depend on the class of deposits.

The reserves of credit institutions range between zero and 11%. For example, credit institutions must maintain reserves of 11% for checking accounts deposits and savings accounts deposits and other liabilities, reserves of 4.5% for term deposits with a maturity of less than 540 days, and no reserves for term deposits with a maturity of more than 540 days.

Credit institutions may maintain these reserves in their accounts at the Colombian Central Bank or in cash.

Foreign Currency Loans

Residents of Colombia may obtain foreign currency loans from foreign residents (e.g., foreign financial institutions, foreign companies, etc.), or, under certain limited cases, from foreign individuals that obtain a code from the Colombian Central Bank. Foreign currency loans must be either channeled through foreign exchange intermediaries (such as Colombian financial institutions) or deposited in offshore compensation accounts (including special designated accounts at foreign banks held by Colombian residents and registered with the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest-bearing deposits for a specified term, although the size of the required deposit is currently zero.

Additionally, as established in article 26 of Regulation 8 of 2000, in certain cases, such deposits would not be required, such as in the case of foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans, provided that the loan is disbursed against the funds of Banco de Comercio Exterior—Bancoldex. Moreover, according to article 81 of Regulation 8 of 2000, foreign currency loans obtained from governmental financing intermediaries, such as us, would not be required to post such deposits so long as such foreign financing is used for the purpose of making loans to residents in Colombia with a tenor equal to or shorter than the tenor of the foreign financing, either through intermediary financial institutions or directly. Those loans made to residents in Colombia may be denominated in Colombian pesos or in foreign currency. Article 81 also provides that governmental financing intermediaries may open and maintain checking accounts outside Colombia to provide external indebtedness intermediation, which do not require registration with the Colombian Central Bank.

In addition, pursuant to Law 9 of 1991, the board of directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

According to article 408 of the Colombian Tax Code (as amended by article 47 of Law 1430 of 2010), interest payments or accruals to foreign non-resident individuals or foreign non-domiciled entities derived from long-term foreign loans (i.e., one year or longer) are subject to a 14% withholding tax, whereas interest payments or accruals to foreign non-resident individuals or foreign non-domiciled entities derived from short-term foreign loans (i.e., less than one year) are subject to a 33% withholding tax. Nevertheless, certain exceptions apply to this rule, including (i) foreign indebtedness incurred by entities controlled by the Colombian government and (ii) loans obtained abroad by Colombian credit institutions.

Requirements for Foreign Investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange market participants. Any income or expenses under any ADR program must be made through the foreign exchange market.

Non-residents are permitted to directly hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company, or an investment firm. Investors are allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine, may be commenced.

Credit Risk Administration and Allowance for Intermediation Financing Losses

The SFC has issued guidelines relating to allowances for intermediation financing losses in the Basic Accounting Circular, as amended, and External Circular 054 of 2009, which refer to the adoption of a system for the administration and management of credit risks ("SARC") by credit institutions. Banks, financing companies, finance corporations and other credit institutions, such as us, are required to adopt a SARC system.

The SARC system adopted by each credit institution must contain policies and procedures defining the manner in which the institution assesses, evaluates, classifies, grades, controls and covers credit risk. Management must adopt policies and procedures to ensure adequate risk management in connection with the establishment of allowances and of intermediation financing and continuous monitoring standards.

The SFC's guidelines specify the criteria for classifying intermediation financing, including type of loan (e.g., consumer and microcredit loans) and credit ratings of the intermediary financial institutions. Credit institutions are also required to apply specific allowances to particular categories of loans, which are calculated as a percentage of the outstanding balance.

Our board of directors has also adopted additional guidelines to establish thresholds of maximum risk exposure to each intermediary financial institution, including determining repayment capability and field visits.

Ownership and Management Restrictions

We are organized as a Colombian national mixed economy company. Our corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Code of Commerce. The Colombian Code of Commerce requires stock companies (such as us) to have at least five shareholders at all times.

Pursuant to article 88 of the Colombian Banking Law, any transaction resulting in an individual or corporation holding 10% or more of any class of capital stock of any Colombian financial institution, including, any transactions resulting in holding ADRs representing 10% or more of our outstanding common and preferred shares, is subject to the prior authorization of the SFC. For that purpose, the SFC must evaluate the proposed transaction based on the criteria and guidelines specified in Law 510 of 1999, as amended by Law 795 of 2003. Transactions entered into without the prior approval of the SFC are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to Colombian as well as to foreign investors.

Colombian financial institutions that are issuers of securities in the public securities market must comply with special rules regarding the composition of their board of directors. In particular, at least 25% of the board members of the board of our directors must be independent. To be considered independent, Law 964 of 2005 sets forth the following criteria, according to which, the board members must not be (i) employees or directors of Findeter; (ii) shareholders of Findeter that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards; (iii) shareholders or employees of entities that render certain services to Findeter in cases in which the service provider receives 20% or more of its income from Findeter; (iv) employees or directors of a non-profit organization that receives donations from Findeter in excess of certain amounts; (v) directors of other entities on whose board of directors one of the legal representatives of Findeter participates; and (vi) any other person that receives from Findeter any kind of economic consideration (except for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

Intervention Powers of the SFC—Insolvency Considerations

Pursuant to the Colombian Banking Law, the SFC has the power to intervene in the operations of a credit institution in order to prevent it from, or to control and reduce the effects of, a credit institution failure.

The SFC may undertake Intervention Measures and intervene in a credit institution's business (i) prior to the liquidation of the credit institution, by taking precautionary measures in order to prevent the credit institution from entering into a state where the SFC would need to take possession, or (ii) to take possession of the credit institution to either administer the credit institution or order its liquidation, depending on the severity of the situation.

The purpose of taking possession is to allow the SFC to decide (i) whether the entity should be liquidated, (ii) whether it is possible to place it in a position to continue doing business in the ordinary course, or (iii) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the SFC takes possession of a credit institution, Fogafin must appoint a special agent (who must be accepted by the SFC) to administer the affairs of the credit institution during such process and until the credit institution is ordered to be liquidated or the entity is reestablished to continue doing business in the ordinary course.

During the period of the SFC's possession (which period ends when the liquidation process begins), Colombian Banking Law prevents any creditor of the credit institution from (i) initiating any procedure for the collection of any amount owed by the credit institution, (ii) enforcing any judicial decision rendered against the credit institution to secure payment of any of its obligations, (iii) placing a lien or attachment on any of the assets of the credit institution to secure payment of any of its obligations, or (iv) making any payment, advance or compensation or assuming any obligation on behalf of the credit institution, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the credit institution is liquidated, the SFC must, among other measures, provide that all term obligations of the credit institution are due and payable at the date when the order to liquidate becomes effective.

During the liquidation process, bank deposits and other types of savings instruments will be excluded from the liquidation assets and paid with preference. From then on, claims of creditors rank as follows: (i) amounts owed to employees and former employees for salaries, benefits, indemnities and pensions; (ii) taxes; (iii) secured credits; (iv) all other credits, except subordinated credits; and (v) subordinated credits. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category. Colombian banks and other financial institutions are not subject to the laws and regulations that govern generally the insolvency, restructuring and liquidation of industrial and commercial companies. However, if pursuant to Intervention Measures, the SFC decides to liquidate us, it is obligated to follow the above-mentioned priorities of payment.

Anti-Money Laundering Provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the Colombian Banking Law and Circulars 26 of 2008 and 19 of 2010 issued by the SFC, as well as Law 599 of 2000, as amended from time to time (the Colombian Criminal Code).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering ("FATF"). Colombia, as a member of the GAFI-SUD (a FATF-style regional body) follows all of FATF's 40 recommendations and eight special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of Circular 26 of 2008, the SFC has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include "know your customer" rules and procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; those rules and procedures set forth detailed instructions for monitoring these risks, as well as reporting suspicious operations.

Intermediary financial institutions are required to comply with anti-money laundering regulations with respect to their final borrowers. Although not required by law, we also perform an additional limited review on such final borrowers.

Risk Management Systems

Credit institutions, including us, must have risk administration systems to meet the SFC minimum standards for compliance and to avoid and mitigate the following risks: (i) credit; (ii) liquidity; (iii) market; (iv) operational; and (v) money laundering and terrorism.

Generally, credit institutions are required to assign risk-weightings to their assets based on 0%, 25%, 50% and 100% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk.

Depending on the rating assigned, a different amount of provisions is required, as established by the SFC in Chapter II of the Basic Accounting Circular.

With respect to liquidity and market risks, credit institutions must follow the provisions of the Basic Accounting Circular, which defines criteria and procedures for measuring a bank's exposure to interest rate risk, foreign exchange risk, and market risk. Under such regulations, credit institutions must send the SFC information on the net present value, duration, and interest rate of its assets, liabilities, and derivative positions. Since January 2002, Colombian credit institutions have been required to calculate, for each position on the balance sheet, a volatility rate and a parametric VaR, which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the SFC.

With respect to operational risk, credit institutions must assign a rating, according to principles provided by the Basic Accounting Circular, to each of their operative lines (such as, among others, corporate finance, issue and negotiation of securities, commercial banking and asset management) in order to record the risk events that may occur and cause fraud, technology problems, legal and reputational problems and problems associated with labor relations at the bank.

Data protection law

On October 17, 2012, Law 1581, as amended on June 27, 2013, by Decree 1377 of 2013 and Decree 886 of 2014, introduced a new data protection regime that applies to any person that administers databases in Colombia. This regulation provides a set of principles and specific requirements (e.g., legality, freedom, truth or quality, transparency, access, confidentiality) that apply to us in the administration of our databases. In addition, there is a general prohibition regarding transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the SIC. This prohibition does not apply to transfers of data that are inherent to banking and securities activities under the applicable law.

New regulation on liens over movable assets

On August 20, 2013, the Colombian Congress enacted Law 1676, which regulates liens over movable assets. Law 1676 introduced substantial modifications to Colombian regulation on liens over movable assets, including: (a) the creation of a single unified lien registry, or Unified Registry; (b) the adoption of a broader concept of movable asset; (c) the ability for creditors to directly foreclose on the secured assets with expert appraisal; (d) the ability for creditors to enforce the security upon insolvency, in case the assets are not essential for the business of the insolvent borrower; and (e) an upgrade of priority upon liquidation.

MANAGEMENT

Board of Directors

The members of our Board of Directors are elected by the general shareholders' meeting for two year terms. Our Board of Directors is currently comprised of five principal members and five alternates. Pursuant to Article 24 of our by-laws, at least two principal members and their alternates must be independent.

The Board of Directors conducts monthly ordinary meetings and, additionally, extraordinary meetings whenever considered convenient or necessary. Resolutions of the Board of Directors are passed by a majority of its members.

The business address of each member of our board of directors is c/o Findeter Calle 103 No. 19-20 Bogotá, D.C., Colombia.

Set forth below are the names, positions, dates of appointment, expirations of appointment and brief biographical descriptions of the members of our Board of Directors as of the date hereof.

Name	Position	Year of Appointment	Alternate
Ana Lucía Villa Arcila	President	2006	Tatiana Orozco de la Cruz
Juan Francisco Espinosa Palacios	Director	2013	Carlos Alberto Aparicio Patiño
José Antonio Segebre Berardinelli	Director	2012	Carlos Arturo Rodríguez Celis
Eduardo Pizano de Narváez	Director	2014	César Negret Mosquera
Luis Felipe Henao Cardona	Director	2013	Álvaro Rodríguez Pérez

Ana Lucía Villa Arcila. Ms. Villa has served as president of our Board of Directors since June 22, 2006. She is currently employed as the director of fiscal support at MHCP. Previously, she worked as a consultant to COEA LTDA., United Nations Development Programme and to the Colombian department of Atlántico as well as an advisor in the commercial and trade union area at Federación Colombiana de Ganaderos. She graduated from Universidad de Antioquia with a degree in business administration and Universidad Externando with a degree in economics.

Juan Francisco Espinosa Palacios. Mr. Espinosa has served as a member of our Board of Directors since December 4, 2013. He is currently employed as chief legal officer at MHCP. Previously, he worked as a partner at Opebsa Compañía de Abogados and Holguin Neira & Pombo Abogados and served as secretary general of SaludCoop EPS. In addition to our Board, he also serves as an alternate member on the board of directors of the following organizations: Fiduprevisora S.A. He graduated from Universidad Colegio Mayor de Nuestra Señora del Rosario with a degree in law.

José Antonio Segebre Berardinelli. Mr. Segebre has served as a member of our Board of Directors since February 2, 2012. He is currently employed as governor of the Colombian department of Atlántico. Previously, he worked as a consultant at Gases del Caribe y Promigas, S.A., a professor at the Universidad del Norte and served as deputy of the Colombian department of Atlántico. In addition to our Board, he also serves on the board of directors of Gran Central de Abastos del Caribe S.A. He graduated from Universidad del Norte de Barranquilla with a degree in law and a master's degree in political and economic studies.

Eduardo Pizano de Narváez. Mr. Pizano de Narváez has served as a member of our Board of Directors since January 30, 2014. He is currently employed as chief executive officer at Naturgas S.A. Previously, he worked as Minister of Economic Development, Secretary General for the Presidency, Senator, Director of Community Action in the Colombian department of Cundinamarca, Deputy of the Cundinamarca Assembly, and Mayor of the Chía municipality. He also has served as a consultant at Asesorias e Inversiones de Colombia AINCOL Ltda., a public affairs manager at Compañías Shell and a general manager at HORTAEXPORT Ltda. In addition to our Board, he also serves on the board of directors for the following organizations: Naturgas S.A. He graduated from the Universidad de Los Andes with a degree in law and from Harvard University with a master's degree in public administration.

Luis Felipe Henao Cardona. Mr. Henao has served as a member of our Board of Directors since December 4, 2013. He is currently employed as the Colombian Minister of Housing, City and Territory. Previously, he worked as Director at the *Instituto Nacional Penitenciario y Carcelario* (INPEC) and at the *Dirección Nacional de Estupefacientes* (DNE). Additionally, Mr. Henao worked as a professor of criminal law and economic criminal law at the Universidad del Rosario and of disciplinary law at the Universidad de Medellín. He has also served as Secretary General of the Colombian Ministry of Environment, Housing and Territorial Development, Vice Minister of Housing and Territorial Development, and Secretary General of the Colombian Ministry of the Interior and Justice, where he later served as Vice Minister of Participation and Rights Equality. In addition to our Board, he also serves on the board of directors for the following organizations: Fondo Nacional del y el Metro de Medellin. He graduated from Universidad Colegio Mayor de Nuestra Señora del Rosario with a degree in law.

Tatiana Orozco de La Cruz. Ms. Orozco de La Cruz has served as an alternate to Ms. Villa since December 4, 2013. She is currently employed as director at the National Planning Department of the Colombian government. Previously, she worked as Vice Minister of Tourism, executive director of the Fundación ProBarranquilla and at the Asociación Portuaria de Barranquilla, a professor of economics and coordinator of the Economics Program at the Universidad del Norte, and a researcher at Fundesarollo. She serves on the board of directors for the following organizations: Ecopetrol S.A. She graduated from Universidad de Los Andes with a degree in economics and specialized in marketing at the Universidad del Norte. Additionally, she graduated from the London School of Economics with a master's degree in development management.

Carlos Alberto Aparicio Patiño. Mr. Aparicio has served as an alternate to Mr. Espinosa since February 14, 2014. He is currently employed as director of Sustainable Territorial Development at the National Planning Department. Previously, he worked as director at Fundación Barichara Joven, contractor at Ministry of Housing, City and Territory, senior officer at the National Agency for Overcoming Extreme Poverty, and Inequality at the National Planning Department. He graduated from Universidad de Los Andes with a degree in political science.

Carlos Arturo Rodríguez Celis. Mr. Rodríguez has served as an alternate to Mr. Segebre since March 15, 2012. He is currently employed as Governor of the Amazonas. Previously, he worked as principal and teacher at the Colegio Sagrado Corazón de Jesús de Leticia. He graduated from Universidad Mariana and Universidad de San Buenaventura de Bogotá with a degree in commerce and accounting and from Universidad Santo Tomas with a degree in environmental development education.

César Negret Mosquera. Mr. Negret has served as an alternate to Mr. Pizano de Narváez since December 27, 2012. He is currently employed as arbitrator at the Chamber of Commerce of Bogotá and co-judge at the Council of State. Previously, he worked as vice president of administration at Banco Popular, sub-director of the Administrative Department of the Presidency, and vice president of administration at Coltefinanciera S.A. He graduated from Universidad del Cauca with a degree in law.

Álvaro Rodríguez Pérez. Mr. Rodríguez has served as an alternate to Mr. Henao since December 27, 2012. He is currently retired. Previously, he worked as director of small and medium enterprise banking at Banco de Bogotá, vice president of administration at Banco Popular, director of operations at Fusión Bancomerica, the head of the credit department at Credibanco. In addition to Findeter, he also serves on the board of directors for the following organizations: Almavira. He graduated from Universidad Javeriana with a degree in socio-economics and law.

Executive Officers

We are currently managed by 12 executive officers. Our President is appointed by our Board of Directors.

The executive officers usually meet in committees such as the assets and liabilities committee, the risk committee and the management committee. The resolutions of the committees of the executive officers are passed upon by approval of the majority of its members.

Set forth below are the names, positions, dates of appointment and brief biographical descriptions of each executive officer as of the date hereof.

Name	Position	Date of Appointment
Luis Fernando Arboleda González	President	November 9, 2010
Helmuth Barros Peña	Secretary General	January 14, 2011
Ramiro August o Forero Corzo	Vice President of Operations	July 5, 2011
Marcelino Romero Alejo	Vice President of Credit and Risk	November 22, 2004
Rodolfo Enrique Zea Navarro	Vice President of Finance	January 9, 2003
Ana María Cifuentes Patiño	Vice President of Technical Development	April 16, 2012
Ana Patricia Cañón Corrales	Vice President of Commerce	April 16, 2012
Diana Jimena Pereira Bonilla	Manager, Development Department	April 4, 2011
Ivonne Manzur Barbur	Manager, Project Structuring Department	September 24, 2013
Luis Fernando Ulloa Vergara	Manager, Sustainability Department	August 20, 2013
Daniel Antonio Tobón Gómez	Director, Communications Department	July 10, 2013
Rubiela Hernandez Velasco	Head of Internal Control Management	August 27, 2012

Luis Fernando Arboleda González. Mr. Arboleda has served as our president since November 9, 2010. Previously, he worked as the mayor of Manizales municipality, manager of Aguas de Manizales S.A., Metroagua S.A., Sociedad de Acueducto, and Alcantarillado y Aseo de Barranquilla, and as a consultant to the Ministry of Economic Development and to the Empresa Metropolitana de Aseo S.A. He graduated from the Universidad Nacional with a degree in business administration and a postgraduate degree in senior corporate management.

Helmuth Barros Peña. Mr. Barros has served as our secretary general since January 14, 2011. Previously, he served as president of Asociación de Egresados del INALDE Business School and Consultorio Jurídico Popular. He graduated from Universidad Externado de Colombia with a degree in law.

Ramiro August o Forero Corzo. Mr. Forero has served as our vice president of operations since July 5, 2011. Previously, he has held executive positions at both public and private sector entities such as the SFC and Banco de Bogotá. He graduated from Universidad del Rosario with a degree in law.

Marcelino Romero Alejo. Mr. Romero has served as our vice president of credit and risk since November 22, 2004. Previously, he worked in executive positions at the Superintendence of Securities and Banco Bilbao Vizcaya Argentaria, S.A. He graduated from Pontificia Universidad Javeriana with a degree in business administration.

Rodolfo Enrique Zea Navarro. Mr. Zea has served as our vice president of finance since January 1, 2007. Previously, he held senior positions with the government of the Colombian department of Córdoba. He graduated from Universidad de Los Andes with a degree in economics.

Ana María Cifuentes Patiño. Ms. Cifuentes has served as our vice president of technical development since November 18, 2013. Previously, she worked as evaluator of housing and potable water projects for Findeter. She graduated from Universidad Nacional de Colombia with a degree in architecture.

Ana Patricia Cañón Corrales. Ms. Cañón has served as our vice president of commerce since November 18, 2013. Previously, she held senior positions at Banco Anglo Colombiano and Grupo Colpatria. She graduated from the Universidad del Rosario with a degree in business administration.

Diana Jimena Pereira Bonilla. Ms. Pereira has served as manager of our development department since April 4, 2011. Previously, she worked as director at the Ministry of Environment, Housing and Territorial Development. She graduated from Universidad de los Andes with a degree in economics.

Ivonne Manzur Barbur. Ms. Manzur has served as manager of our project structuring department since September 24, 2013. Previously, she worked as branch manager at Corpbanca Colombia. She graduated from the Universidad de los Andes with a degree in industrial engineering.

Luis Fernando Ulloa Vergara. Mr. Ulloa has served as manager of our sustainability department since August 20, 2013. Previously, he worked as a general manager at Empresa de Acuerducto y Alcantarillado de Bogotá. He graduated from Universidad de Cartagena with a degree in civil engineering.

Daniel Antonio Tobón Gómez. Mr. Tobón has served as director of our communications department since July 10, 2013. Previously, he worked as the director of communications at the Colombian government's Department for Social Prosperity. He graduated from Universidad de la Sabana with a degree in communication and journalism.

Rubiela Hernandez Velasco. Ms. Hernandez has served as head of our internal control management since August 27, 2012. Previously, she worked as an advisor of internal control at *Secretaria Distrital de Hacienda*. She graduated from Universidad Católica de Colombia with a degree in administrative law.

Compensation

Compensation of our directors is set annually by our general shareholders' assembly. Our directors receive a fixed payment per meeting. In 2013, annual compensation to our board members totaled COP 202.5 million. In 2013, annual compensation for executive officers totaled COP 2,390 million.

Committees

Audit Committee. The audit committee coordinates between our Board of Directors and our internal and external auditors. The purpose of the audit committee is to keep our Board of Directors informed of the regulations relating to audit and control, which are developed by the Colombian government and the SFC. In addition, the committee also keeps our Board of Directors informed of the policies and process of evaluations conducted by the internal and external auditors and regulatory organizations. The audit committee currently has three members, all of which are members of the Board of Directors.

Risk and Asset and Liability Management Committee. The risk and asset and liability management committee defines, monitors, controls and implements of the policies and procedures pertaining to risk management. Additionally, the committee periodically evaluates our asset and liability portfolio, both in domestic and foreign currencies, recommends hedging activities and recommends quotas relating to our rediscount operations, based on the approved methodologies and studies submitted by those who evaluate our intermediary financial institutions. The risk and asset and liability management committee currently has five members, none of which are members of the Board of Directors.

Internal Control Coordination Committee. The internal control coordination committee arranges the necessary actions to ensure the articulate, efficient and effective operation of our internal control system and our quality management system. The internal control coordination committee currently has three members, all of which are members of the Board of Directors.

PRINCIPAL SHAREHOLDERS

Our only outstanding voting securities are our common shares. As of March 31, 2014, we had 7,915,873 common shares outstanding.

As of March 31, 2014, 92.55% of our outstanding common shares were held by the Colombian government through the MHCP and the remaining 7.45% is held by various Colombian Departments. The following table sets out the principal shareholders of our common shares as of March 31, 2014:

	Ownership of Common Shares	
Shareholders	**Shares**	**%**
MHCP [(1)]	7,325,966	92.55%
Departments [(2)]	589,907	7.45%
Total	**7,915,873**	**100.0%**

(1) Ministerio de Hacienda y Crédito Público, or MHCP, refers to the Colombian Ministry of Finance.
(2) Currently composed of 29 Colombian departments and INFINORTE (a financial institution for the development of the Colombian department of North Santander). Departments refer to the individual states located in Colombia.

On May 26, 2014, we made a rights offering with respect to the subscription of 306,981 new common shares to our existing shareholders which was fully subscribed and increased our common shares outstanding to 8,222,854. The following table sets out the principal shareholders of our common shares as of March 31, 2014 and after giving effect to the rights offering:

	Ownership of Common Shares	
Shareholders	**Shares**	**%**
MHCP [(1)]	7,610,057	92.55%
Departments [(2)]	612,797	7.45%
Total	**8,222,854**	**100.0%**

(1) Ministerio de Hacienda y Crédito Público, or MHCP, refers to the Colombian Ministry of Finance.
(2) Currently composed of 29 Colombian departments and INFINORTE (a financial institution for the development of the Colombian department of North Santander). Departments refer to the individual states located in Colombia.

Pursuant to Decree 4167 of 2011 and Article 12 of our by-laws, we are organized as a national mixed economy company and therefore private entities and individuals are authorized to hold our shares. However, Article 12 of our by-laws further provides that no shareholder is authorized to hold more than 30% of our outstanding shares, with the exception of the Colombian government.

RELATED-PARTY TRANSACTIONS

The Colombian Banking Law sets forth certain restrictions and limitations on transactions carried out with related parties, these being understood to be principal shareholders, subsidiaries, directors and senior management. Transactions that are prohibited for credit institutions are described in the Colombian Banking Law, specifically in Articles 119 and 122 thereof, as well as in the Commerce Code as amended by Law 222 of 1995. Credit and risk concentration limits are regulated by Decree 2555 (Articles 2.1.2.1.1 through 2.1.3.1.6), including its respective amendments and addendums.

Under these laws, our related parties are:

- Shareholders or beneficial owners of 5% or more of our equity.
- Legal entities in which we are a beneficial owner of 10% or more of their equity.
- Our senior management and the members of our board of directors.

According to Article 122 of the Colombian Banking Law, transactions that are carried out (as determined by the Colombian government) by credit institutions with their shareholders holding 5% or more of their subscribed capital, with their managers, as well as those carried out with spouses and relatives of shareholders and managers with up to a second degree of consanguinity or affinity, or of a single civil status, shall require the unanimous affirmative vote on the part of the members of the board of directors attending the corresponding meeting. In the minutes of this meeting no condition may be agreed upon that is different from that otherwise used by the entity with regard to the public, according to the type of transaction in question, except those transactions that are carried out with managers to address health, education, housing and transport issues according to the rules and regulations that the board of directors should determine in a general fashion for such purpose. To grant this type of credit, we must verify that regulations concerning limits of credit and concentration of risks are not violated.

All economic relations that we maintain with our directors and senior executives must be conducted pursuant to the limitations and conditions established by the applicable legislation and regulations governing the prevention, handling and resolution of conflicts of interest.

We have engaged in a variety of transactions with related parties in the ordinary course of business. We believe that the prices, interest rates and the terms and conditions set forth in those agreements are comparable to those that would be obtained at arms-length negotiations with unrelated parties. See note 22 to our audited financial statements included in this offering memorandum for a description of our related party transactions.

DESCRIPTION OF THE NOTES

We will issue COP 946,175,000,000 aggregate principal amount of 7.875% Notes due 2024 (the "Notes") in this offering. The Notes will be issued under an indenture to be dated as of August 12, 2014 (the "Indenture"), to be entered into by us, The Bank of New York Mellon, as trustee, registrar, paying agent, calculation agent and transfer agent (the "trustee"), and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg paying agent and transfer agent (the "Luxembourg agent"). The Indenture is not required to be nor will it be qualified under the Trust Indenture Act, as amended. A copy of the Indenture will be available for inspection during normal business hours at the offices of the trustee and any other paying agents.

The following summary of certain provisions of the Indenture and the Notes does not purport to be complete and is subject to, and qualified in its entirely by, reference to the provisions of the Indenture, including the definitions of certain terms contained in the Indenture. You should refer to the Indenture for more detailed information of the terms and conditions of the Notes and the Indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under "—Definitions." Unless otherwise indicated, or the context otherwise requires, references to "Notes" in this section are to the Notes offered hereby.

General

The Notes offered hereby:

- will be our senior unsecured obligations;
- will be initially issued in an aggregate principal amount of COP 946,175 million;
- will mature on August 12, 2024 and will be redeemed at par at maturity unless otherwise redeemed as described under "—Optional redemption— Optional Redemption at Par" and "—Tax redemption";
- will be issued on August 12, 2014;
- will not be subject to redemption at our option prior to maturity, except as described under "—Optional redemption— Optional Redemption at Par" and "—Tax redemption";
- will be issued in denominations of COP 5,000,000 and integral multiples of COP 1,000,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the Notes offered hereby:

- will accrue on their outstanding principal amount at the rate of 7.875% per year;
- will accrue from August 12, 2014;
- will be payable annually in arrears on August 12 of each year, commencing on August 12, 2015 to the person in whose names the Notes are registered at the close of business on the fifteenth calendar day preceding the interest payment date. Interest payable at maturity will be payable to the person to whom principal will be payable on that date; and
- will be computed on the basis of the actual number of days elapsed, not to exceed 365, divided by 365.

We will pay all amounts due in respect of principal or interest in US Dollars, as calculated by the Calculation Agent by translating the Colombian peso amount into US Dollars at the Average Representative Market Rate, on the applicable Rate Calculation Date, as provided under "—Payments" below.

If any interest payment date or maturity date would be otherwise a day that is not a Business Day, the related payment of principal and interest will be made on the next succeeding Business Day as if it were made on the date the payment was due, and no interest will accrue on the amounts so payable for the period from and after the interest payment date or the maturity date, as the case may be, to the next succeeding Business Day.

We may, from time to time, without notice or consent of the holders of the Notes, create and issue an unlimited principal amount of additional Notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first payment date) as, and forming a single series with, the Notes initially issued in this offering; provided that, if the additional Notes are not fungible with the Notes for U.S. federal income tax purposes, the additional Notes will have separate CUSIP and ISIN numbers.

The Indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction.

Despite the Republic of Colombia's indirect ownership interest in us, the Republic of Colombia is not liable for our obligations under the Notes or the Indenture.

Ranking

The Notes will at all times constitute our senior and unsecured obligations and will rank *pari passu*, without any preferences among themselves, with all of our other existing and future senior and unsecured obligations that constitute External Indebtedness (other than (i) obligations preferred by statute or by operation of law and (ii) External Indebtedness guaranteed by the Republic of Colombia).

Optional Redemption

The Notes will not be redeemable at our option prior to maturity, except as described below. Except as set forth below under "—Repurchase of Notes upon a Change of Control Repurchase Event", you will not be entitled to require us to repurchase your Notes from you before the stated maturity.

Optional Redemption at Par

At any time or from time to time on or after May 12, 2024 (three months prior to the maturity date of the Notes), the Notes will be redeemable at our option in whole or in part, on at least 30 days' but not more than 60 days' notice, at a redemption price equal to 100% of the outstanding principal amount of the Notes plus accrued and unpaid interest to, but excluding, the redemption date.

Tax redemption

The Notes may be redeemed at our election, in whole but not in part on any date, at a price equal to 100% of the outstanding principal amount thereof, together with any Additional Amounts and accrued and unpaid interest to the redemption date, if, as a result of:

(a) any change in, or amendment to, laws or treaties (or any regulation or rulings promulgated thereunder) of Colombia or any political subdivision or taxing authority thereof or therein; or

(b) any change in the official application, administration or interpretation of such laws, treaties, regulations or rulings in such jurisdictions,

we are or will become obligated to pay any Additional Amounts on the Notes, if such change or amendment is announced and becomes effective on or after the issuance of the Notes and we determine in good faith that such obligation cannot be avoided by taking commercially reasonable measures available to us.

Notice of any redemption will be given at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed (which in the case of the Global Notes, will be DTC) as provided herein under "—Notices"; provided, however, that no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which we would be obligated to pay such Additional Amounts. Prior to the giving of notice of redemption of such Notes pursuant to the Indenture, we will deliver to the trustee an officer's certificate and a written opinion of Colombian counsel independent of us and our Affiliates to the effect that all governmental approvals necessary for it to effect such redemption have been or at the time of redemption will be obtained and in full force and effect, and that we have or will become obligated to pay such Additional Amounts as a result of such change, amendment, application, administration or interpretation. On the redemption date, interest will cease to accrue on the Notes that have been redeemed, unless we default in the payment of the redemption price.

Redemption procedures

Unless we default in the payment of the redemption price under any of the optional redemption events described above, interest will cease to accrue on the Notes on and after the redemption date.

Open market purchases

We or any of our Affiliates may at any time purchase any Note in the open market or otherwise at any price. Any Notes redeemed or repurchased by us or any of our Affiliates may, at our option, continue to be outstanding or be cancelled, subject to the terms set forth in the Indenture.

Repurchase of Notes upon a Change of Control Repurchase Event

We must commence, within 30 days of the occurrence of a Change of Control Repurchase Event, and consummate an offer to purchase ("Offer to Purchase") all Notes then outstanding, at a purchase price equal to 101% of the principal amount of the Notes on the date of repurchase, plus accrued interest (if any) to the date of purchase. We are not required to make an Offer to Purchase following a Change of Control Repurchase Event if a third party makes an Offer to Purchase that would be in compliance with the provisions described in this covenant if it were made by us and such third party purchases (for the consideration referred to in the immediately preceding sentence) the Notes validly tendered and not withdrawn. Prior to the giving of the notice to holders commencing such Offer to Purchase, but in any event within 30 days following any Change of Control Repurchase Event, we covenant to (i) repay in full all of our Indebtedness that would prohibit the repurchase of the Notes pursuant to such Offer to Purchase or (ii) obtain any requisite consents under instruments governing any such indebtedness to permit the repurchase of the Notes. We shall first comply with the covenant in the preceding sentence before we repurchase Notes upon a Change of Control Repurchase Event pursuant to this covenant.

We will comply, to the extent applicable, with the requirements of Rule 14e-1 of the Exchange Act and other applicable securities laws or regulations in connection with making an offer to purchase Notes upon the occurrence of a Change of Control Repurchase Event. To the extent that the provisions of any applicable securities laws or regulations conflict with provisions of this covenant, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue of our compliance with such securities laws or regulations.

There can be no assurance that we will have sufficient funds available at the time of any Change of Control Repurchase Event to make the repurchases of Notes required by the foregoing covenant (as well as by any covenant contained in any of our other securities which might be outstanding at the time).

Payments

We will make payments of principal, premium, if any, and interest on the Notes to the paying agents in US Dollars, as calculated by the Calculation Agent by translating the Colombian peso amount into US Dollars at the Average Representative Market Rate, on the applicable Rate Calculation Date. The trustee will initially act as a paying agent with respect to the Notes. So long as the Notes are listed on the Luxembourg Stock Exchange, we will also maintain a paying agent in Luxembourg.

We will pay interest on the outstanding principal amount of the Notes to the Persons in whose name the Notes are registered on the relevant record date (which, in the case of Global Notes, will be DTC) and will pay principal and premium, if any, on the Notes to the Persons in whose name the Notes are registered on the due date for payment (which, in the case of Global Notes, will be DTC). Payments of principal, premium, if any, and interest in respect of each certificated note will be made by the paying agents by US dollar check drawn on a bank in New York City and mailed to the Person entitled thereto at its registered address. Upon written notice from a holder to the specified office of any paying agent not less than 15 days before the due date for any payment in respect of a Note, such payment may be made by wire transfer to a US dollar account maintained by the payee with a bank in New York City. Payments to holders of Global Notes will be made in DTC in accordance with its applicable procedures. We will make payments of principal and premium, if any, upon surrender of the relevant Notes at the specified office of the trustee or any of the paying agents.

Under the terms of the Indenture, payment by us of any amount payable under the Notes to the paying agents in accordance with the Indenture will satisfy our obligation to make such payment; provided that the liability of any paying agent will not exceed any amounts paid to it by us, or held by it, on behalf of the holders under the Indenture.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No fees or expenses will be charged to the holders in respect of such payments.

Unclaimed Amounts

Subject to applicable law, the trustee and the other paying agents will pay to us upon written request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us for payment as general creditors. After the return of such monies by the trustee or the other paying agents to us, neither the trustee nor the other paying agents will be liable to the holders in respect of such monies.

Form, Denomination and Title

The Notes will be issued in fully registered form without coupons attached in minimum denominations of COP 5,000,000 and integral multiples of COP 1,000,000 in excess thereof.

Notes sold in offshore transactions in reliance on Regulation S will be represented by one or more Global Notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by one or more Global Notes in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes represented by the Global Notes will trade in DTC's Same-Day Funds Settlement System and secondary market trading activity in such Notes will therefore settle in immediately available funds. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream.

Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the Global Notes. See "Form of the Notes—Global notes."

Transfer of Notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the Global Notes will be effected only through records maintained by DTC and its participants. See "—Form of the Notes." Notes will be subject to certain restrictions on transfer as more fully set out in the Indenture. See "Transfer restrictions."

The trustee will initially act as the registrar and as a transfer agent with respect to the Notes. So long as the Notes are listed on the Luxembourg Stock Exchange, we will also maintain a transfer agent in Luxembourg.

Transfer will be effected without charge by or on behalf of us, the registrar or the transfer agents, but upon payment, or the giving of such indemnity as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

We are not required to transfer or exchange any Note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal, premium, if any, or interest on that Note.

Additional Amounts

Pursuant to the Indenture, all payments to be made in respect of the Notes are to be made free and clear of, and without deduction or withholding for or on account of, any taxes imposed or levied by or on behalf of Colombia or any political subdivision or authority thereof or in such jurisdiction having the power to tax ("Taxes", and such jurisdictions, "Taxing Jurisdiction"), except to the extent such Taxes are imposed by applicable law. In the event that any Taxes are required by applicable law of a Taxing Jurisdiction to be deducted or withheld from any payment required to be made in respect of the Notes or otherwise under the Indenture, then the amount of such payment shall be increased by an amount as may be necessary such that such payment is made, after withholding or deduction for or on account of such Taxes, in an amount equal to the amount that would have been received by the applicable recipient(s) in respect of such payment had no such Taxes (including any Taxes payable in respect of such Additional Amounts) been required to be so deducted or withheld (any such amounts, "Additional Amounts"). Furthermore, the amount of any Taxes required to be withheld or deducted from any payment made in respect of the Notes or otherwise under the Indenture shall be withheld or deducted from such payment (as increased by any Additional Amounts) and paid to the Taxing Jurisdiction imposing such Taxes in accordance with applicable law. Notwithstanding the preceding sentences, no such Additional Amounts will be payable in respect of:

(i) any Tax assessed or imposed by any Taxing Jurisdiction to the extent that such Tax would not have been assessed or imposed but for the applicable recipient or beneficial owner of such payment having a present or former connection with the Taxing Jurisdiction (including, without limitation, such holder being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment therein), other than solely by reason of the applicable recipient's participation in the transactions effected by the Indenture and the receipt of payments thereunder (including under the Notes);

(ii) any estate, inheritance, gift, personal property, sales, value added, use, excise, transfer or other similar Tax imposed with respect to such payment;

(iii) any such Taxes that would not have been imposed but for the failure of the applicable recipient or beneficial owner of such payment to comply with any certification, identification, information, documentation or other reporting requirement to the extent (a) such compliance is required by applicable law or an applicable treaty as a precondition to exemption from, or reduction in the rate of deduction or withholding of, such Taxes and (b) at least 30 days before the first payment date with respect to which the obligor with respect to a payment shall apply this clause (iii), such obligor shall have notified such recipient in writing that such recipient will be required to comply with such requirement;

(iv) any Tax imposed on a payment on the Notes required to be made pursuant to Council Directive 2003/48/EC of the Council of the European Union on the taxation of savings income in the form of interest payments (or any European Union Directive otherwise implementing the conclusions of the ECOFIN Council Meeting of 26 and 27 November 2000) or any law implementing or complying with, or introduced in order to conform to, any such Directive;

(v) any Tax imposed as a result of any Note being presented for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the applicable recipient (except to the extent that such recipient would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);

(vi) any Tax payable other than by withholding or deduction from payments of principal or of interest on the Note;

(vii) Taxes imposed on or in respect of a payment to or on behalf of a holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Note to another Paying Agent;

(viii) where such Taxes are imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(ix) any combination of the circumstances described in clauses (i) through (viii);

nor will any Additional Amounts be paid with respect to any payment to a recipient who is a fiduciary, partnership, limited liability company or any Person other than the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary or a member of such partnership, limited liability company or a beneficial owner would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been in the place of such recipient.

We will provide the trustee upon its request with documentation reasonably satisfactory to it evidencing the payment of Taxes in respect of which we have paid any Additional Amounts. Copies of such documentation will be made available to the applicable Holders upon written request therefor to the trustee.

The obligation to pay Additional Amounts will survive the repayment of the Notes and the sale or transfer of the Notes (or beneficial interests therein) by any investor.

In addition, we shall pay any and all other Taxes ("Other Taxes") imposed by the relevant taxing authority imposing such Other Taxes in accordance with applicable law, excluding any such Other Taxes imposed by any jurisdiction outside of Colombia. As used herein, Other Taxes shall mean any and all stamp, documentary or similar taxes, or any other excise or similar levies that arise on account of any payment to be made under any note or from the execution, delivery, registration, recording or enforcement of the Notes and the Indenture (other than any Taxes paid in accordance with the first paragraph of "—Additional Amounts").

Limitation on consolidation, merger or transfer of assets

We will not consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our assets to, any Person, unless:

(1) the successor Person (if not us) is a Person organized and existing under the laws of Colombia, the United States or any State thereof, and expressly assumes, by a supplemental indenture to the Indenture, executed and delivered to the trustee, all of our obligations under the Indenture and the Notes;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no default or event of default will have occurred and be continuing; and

(3) we deliver to the trustee an officers' certificate and an opinion of counsel, each stating that such transaction and such supplemental Indenture, if any, comply with the Indenture.

In case of any such consolidation, merger, conveyance or transfer, such successor Person will succeed to and be substituted for us as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of our obligations by any such successor Person in such circumstances, subject to certain exceptions, we will be discharged from all obligations under the Indenture and the Notes.

Covenants

The Indenture contains the following covenants:

Reporting requirements

To the extent the same shall not have been made publicly available by filing with the United States Securities and Exchange Commission or a Colombian regulator, or on our website, we will (A) make available, upon request, to any holder and any prospective purchaser of Notes designated by any holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act; and (B) furnish (or in lieu of furnishing, make accessible electronically (including on our publicly-accessible website or the publicly-accessible website of a Colombian regulator) with notice to the trustee, and upon request, make available to the trustee the URL of such website) to the trustee:

(i) Within 90 days after the end of each fiscal quarter (other than the fourth quarter), our consolidated (to the extent applicable) unaudited balance sheet, statement of income, statement of changes in stockholders' equity and statements of cash flow, translated into English, calculated in accordance with Colombian Banking GAAP, or IFRS or U.S. GAAP, or such other accounting standards as may from time to time be required for Colombian banks; and

(ii) Within 120 days after the end of each fiscal year, our consolidated (to the extent applicable) audited balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow, translated into English, calculated in accordance with Colombian Banking GAAP, or IFRS or U.S. GAAP, or such other accounting standards as may from time to time be required for Colombian banks and accompanied by a report thereon by an independent public accountant, together in all cases under (i) and (ii) with a management description and analysis of our financial condition and results of operations substantially in the form set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum.

Listing

In the event that the Notes are admitted to listing on the Luxembourg Stock Exchange, we will use our reasonable best efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive we could be required to publish financial information either more regularly than we otherwise would be required to or according to accounting principles which are materially different from the accounting principles which we would otherwise use to prepare our published financial information, or we determine that it is unduly burdensome to maintain a listing on the Luxembourg Stock Exchange, we may delist the Notes from the Luxembourg Stock Exchange and seek an alternative admission to listing, trading and/or quotation for the Notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as we may decide. Although we cannot assure you as to the liquidity that may result from a listing on the Luxembourg Stock Exchange, delisting the Notes from the Luxembourg Stock Exchange may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Events of Default

The term "event of default" means any one of the following events with respect to the Notes:

1. failure by us to pay interest on any of the Notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;

2. **f**ailure by us to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity or otherwise and the continuance of any such failure for seven (7) days;

3. default in the performance, or breach, of any of our covenants or warranties in the Indenture or the Notes and continuance of the default or breach for a period of 60 days (inclusive of any cure period contained in any such covenant or other term for compliance thereunder) after there has been given, by registered or certified mail, to us by the trustee or to us and the trustee by the holders of at least 25% in principal amount of the outstanding Notes, a written notice specifying the default or breach and requiring it to be remedied and stating that the notice is a "Notice of Default" under the Indenture;

4. any event of default as defined in any mortgage, indenture or instrument under which there may be issued, or of by which there may be secured or evidenced, any of our External Indebtedness (other than (i) External Indebtedness guaranteed by the Republic of Colombia and (ii) the Notes) whether such External Indebtedness now exists or shall hereafter be created, shall occur and shall result in such External Indebtedness in aggregate principal amount (or, if applicable, with an issue price and accreted original issue discount) in excess of US$50.0 million (or its equivalent in another currency) becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

5. the entry by a court having competent jurisdiction of:

   (a) a decree or order for relief in respect of us in an involuntary proceeding under the Bankruptcy Law, which decree or order shall remain unstayed and in effect for a period of 180 consecutive days;

   (b) **a** decree or order in an involuntary proceeding under the Bankruptcy Law adjudging us to be insolvent, or approving a petition seeking a similar relief under the Bankruptcy Law in respect of us, which decree or order shall remain unstayed and in effect for a period of 180 consecutive days;

   (c) a final and non-appealable order appointing a custodian, receiver, liquidator, assignee, trustee or other similar official of us or of any substantial part of our property or ordering the winding up or liquidation of our affairs; or

6. Pursuant to or within the meaning of the Bankruptcy Law, we:

   (a) commence a voluntary case;

   (b) consent to the entry of an order for relief against us in an involuntary case;

   (c) consent to the appointment of a custodian of us or for all or substantially all of our assets; or

   (d) are subject to any other Intervention Measure or Preventive Measure.

If an event of default with respect to the Notes at the time outstanding (other than an event of default specified in clause (5) or (6) above) occurs and is continuing, then the trustee or the holders of at least 25% in principal amount of the outstanding Notes may declare the principal of the Notes, to be due and payable immediately, by a notice in writing to us (and to the trustee if given by the holders) and upon any declaration the accrued interest and principal shall become immediately due and payable. If an event of default specified in clause (5) or (6) above occurs, all unpaid principal of and accrued interest on the Notes shall become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder of any note.

At any time after a declaration of acceleration or automatic acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of not less than a majority in principal amount of the outstanding Notes, by written notice to us and the trustee, may rescind and annul such declaration of acceleration or automatic acceleration, as the case may be, and its consequences if:

1. we have paid or deposited with the trustee a sum of money sufficient to pay all overdue installments of any interest on and Additional Amounts with respect to all the Notes and the principal of and any premium on the Notes which have become due otherwise than by the declaration of acceleration or automatic acceleration, as the case may be; and

2. all events of default with respect to the Notes, other than the nonpayment of the principal of, any premium and interest on, and any Additional Amounts with respect to the Notes which shall have become due solely by the declaration of acceleration or automatic acceleration, as the case may be, shall have been cured or waived.

Defeasance

We may at any time terminate all of our obligations with respect to the Notes ("defeasance"), except for certain obligations, including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the Notes, to replace mutilated, destroyed, lost or stolen Notes and to maintain agencies in respect of Notes. We may at any time terminate our obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the Notes issued under the Indenture ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the Notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent accountants, investment bank or consultants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, the premium, if any, and interest on the Notes to redemption or stated maturity and comply with certain other conditions, including the delivery of opinions of Colombian and U.S. counsel as to certain tax matters (including that holders will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance, as the case may be, had not occurred.) In the case of defeasance, such an opinion must be based on a ruling by the Internal Revenue Service or a change in the applicable U.S. federal income tax law.

Amendment, Supplement, Waiver

Subject to certain exceptions, the Notes and the Indenture may be amended or supplemented by us with the written consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any default or event of default and its consequences may be waived with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding. However, without the consent of each holder of an outstanding Note affected thereby, no amendment, supplement or waiver may:

(1) reduce the rate of or extend the time for payment of interest on any Note;

(2) reduce the principal of or change the stated maturity of any Note;

(3) reduce the amount payable upon the redemption or repurchase of any Note or change the time at which any note may be redeemed or must be repurchased;

(4) change the currency for payment of principal of, premium, if any, or interest on, any Note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any Note;

(6) waive a default or event of default in the payment of principal of, premium, if any, and interest on the Notes;

(7) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver; or

(8) make any change in the amendment, supplement or waiver provisions which require each holder's consent.

Any Notes owned by us or any of our Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of Notes outstanding have given any request, demand, authorization, direction, consent or waiver under the Indenture.

The holders of the Notes will receive prior notice as described under "—Notices" of any proposed amendment, supplement or waiver to the Notes or the Indenture described in this section. After an amendment, supplement or waiver described in the preceding paragraph becomes effective, we are required to give to the holders a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all holders of the Notes, or any defect therein, will not impair or affect the validity of the amendment, supplement or waiver.

The consent of the holders of the Notes is not necessary to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment, supplement or waiver.

We and the trustee may, without notice to or the consent of any holder of the Notes, amend or supplement the Notes or the Indenture for the following purposes:

(1) to cure any ambiguity, omission, defect or inconsistency (including, without limitation, any inconsistency between the text of the Indenture or the Notes and the description of the Indenture and the Notes contained in this offering memorandum);

(2) to comply with the covenant described under "—Covenants—Limitation on consolidation, merger or transfer of assets";

(3) to add guarantees or collateral with respect to the Notes;

(4) to add to our covenants for the benefit of holders of the Notes;

(5) to surrender any right conferred by the Indenture upon us;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional Notes; or

(8) to make any other change that does not materially and adversely affect the rights of any holder of the Notes.

Notices

For so long as Notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If Notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the Notes at their registered addresses as they appear in the register maintained by the registrar. The trustee will also mail notices by first-class mail, postage prepaid, to each registered holder's last known address as it appears in the security register that the trustee maintains. The trustee will only mail these notices to the registered holder of the Notes. You will not receive notices regarding the Notes directly from us unless we reissue the notes to you in fully certificated form.

In addition, so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange. Any such notice will be deemed to have been delivered on the date of first publication.

Trustee

The Bank of New York Mellon is the trustee under the Indenture.

The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the Indenture. The Indenture also contains provision for the replacement of the trustee by us.

Except during the continuance of an event of default, the trustee need perform only those duties that are specifically set forth in the Indenture and no others,. In case an event of default has occurred and is continuing, the trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs. No provision of the Indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

We may from time to time enter into normal banking and trustee relationships with the trustee, and its Affiliates. In addition, the trustee may appoint co- or separate trustees to the extent required to meet the legal requirements of a particular jurisdiction. The trustee may hold Notes in its own name.

Registrar, Transfer, Calculation and Paying Agents

The trustee will initially act as registrar for the Notes. The trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of Notes after all the Notes have been called for redemption.

For so long as the Notes are listed on the Luxembourg Stock Exchange, we will maintain a paying agent and transfer agent in Luxembourg. We have initially appointed The Bank of New York Mellon (Luxembourg) S.A. as Luxembourg paying agent and transfer agent. To the extent that the Luxembourg paying agent is obliged to withhold or deduct tax on payments of interest or similar income, we will maintain an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of 26 and 27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, for so long as the Notes are outstanding, we will maintain a Calculation Agent for determining the Average Representative Rate on each Rate Calculation Date. We have initially appointed The Bank of New York Mellon to serve as Calculation Agent. Each determination of the Calculation Agent will, in the absence of manifest error, be conclusive for all purposes and binding on us and the holders of the Notes.

Governing law, Submission to Jurisdiction and Claims

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York except that the laws of Colombia will govern all matters relating to authorization by us of both the Notes and the Indenture.

We will submit to the non-exclusive jurisdiction of any federal or state court in the City of New York, Borough of Manhattan for purposes of all legal actions and proceedings instituted in connection with the Notes or the Indenture. We have appointed CT Corporation, currently located at 111 Eighth Avenue New York, New York 10011, as our authorized agent upon which service of process may be served in any such action relating to the Notes or the Indenture.

Currency Indemnity

US dollars are the sole currency of account and payment for all sums payable by us under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of us or otherwise) by any holder of a Note in respect of any sum expressed to be due to it from us will only constitute a discharge of us to the extent of the dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that dollar amount is less than the dollar amount expressed to be due to the recipient under any Note, we will indemnify such holder against any loss sustained by it as a result; if that dollar amount so purchased exceeds the dollar amount expressed to be due to the recipient under any Note, such recipient agrees to remit to us such excess. Notwithstanding the foregoing, any payment required to be made by us under this indemnity will remain subject to the final judgment, order or decree entered by the applicable court of jurisdiction with respect thereto.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a Note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable; it being required that the need for a change of date be certified in the manner mentioned above). These indemnities will constitute a separate and independent obligation from the other obligations hereunder, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a Note and will continue in full force and effect despite any other judgment or order, for a liquidated amount in respect of any sum due under any Note.

Definitions

The following is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

"Affiliate" means, with respect to any specified Person, any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person. For purposes of this definition, control of a Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Average Representative Market Rate" means, for any Rate Calculation Date, the average of the Representative Market Rates for each business day in the five business day period ending on that Rate Calculation Date.

"Bankruptcy Law" means the provisions of the Colombian Banking Law concerning bankruptcy of financial institutions, Decree 2555 of 2010, as amended, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

"Business Day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in The City of New York; provided, however, that solely for the purposes of determining the Average Representative Market Rate, "business day" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open, or not authorized to close, in Bogotá D.C., Colombia.

"Calculation Agent" means The Bank of New York Mellon.

"Change of Control" means an event or series of events that results in (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our properties or assets to any "person" (as that term is used in Section 13(d) of the Exchange Act), (ii) the adoption of a plan relating to our liquidation or dissolution or (iii) the Republic of Colombia ceasing to be the beneficial owner, directly or indirectly, of a majority in the aggregate of the total voting power of our Voting Stock.

"Change of Control Repurchase Event" means the occurrence of both a Change of Control and a Rating Downgrade Event.

"Colombian Banking GAAP" means generally accepted accounting principles prescribed by the SFC for banks licensed to operate in Colombia, consistently applied, as in effect on the Issue Date.

"Colombian Banking Law" means Decree 663 of 1993 of Colombia (*Estatuto Orgánico del Sistema Financiero*), as may be amended from time to time or superseded.

"Exchange Act" means the U.S. Securities and Exchange Act of 1934, as amended.

"External Indebtedness" means Indebtedness other than Internal Indebtedness.

"Fitch" means Fitch Ratings Ltd.

“guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“holder” means the Person in whose name a Note is registered in the register.

“IFRS” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board.

“Indebtedness” of any Person means, without duplication:

(1) any indebtedness of such Person (i) for borrowed money or (ii) evidenced by a note, debenture or similar instrument (including a purchase money obligation) given in connection with the acquisition of any property or assets, including securities;

(2) any guarantee by such Person of any indebtedness of others described in the preceding clause (1); and

(3) any amendment, renewal, extension or refunding of any such indebtedness or guarantee.

“Internal Indebtedness” means any Indebtedness payable to Colombian residents in Colombian pesos.

“Intervention Measure” means the measures described in Article 114 of the Colombian Banking Law that allow the SFC to take possession of a financial institution.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“Preventive Measure” means any of the measures described in Article 113 of the Colombian Banking Law that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure.

“Rate Calculation Date” means the third Business Day preceding (i) in the case of interest or principal, each scheduled interest or principal payment date or any other date on which principal or interest shall become payable as a result of an acceleration of the maturity of the bonds and (ii) in the case of the exercise of the optional redemption rights described herein, the applicable redemption date.

“Rating Agency” means (1) each of Fitch and S&P; and (2) if any of Fitch or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of our control, a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by us as a replacement agency for Fitch or S&P, as the case may be.

“Rating Downgrade Event” means the rating on the Notes is lowered from their rating then in effect by any of the Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies).

“Representative Market Rate” means the weighted average of the buy and sell foreign exchange rates for transactions completed on the previous business day by certain commercial banks and financial corporations in Bogotá, Cali, Barranquilla and Medellín, as calculated and published by the Superintendencia Financiera (Financial

Superintendency) of Colombia, and which is available on Bloomberg by typing “TRM<INDEX>HP<GO>”, at the Financial Superintendency’s website at http://www.superfinanciera.gov.co or at the Banco de la República´s website at http://www.banrep.gov.co. If such exchange rate is not reported by the Financial Superintendency for any business day, then the Representative Market Rate shall be determined by the Calculation Agent by polling Citibank Colombia, Banco Bilbao Vizcaya Argentaria Colombia S.A., Bancolombia S.A., HSBC Colombia S.A. and Banco CorpBanca Colombia S.A. located in Bogotá D.C., Colombia (collectively, the “Reference Banks”) at 1:00 P.M., Bogotá time, for the exchange rate for the professional market, by taking the arithmetic mean of the polled exchange rates (such mean, the “Alternative Rate”). In the event that any of the Reference Banks cease to operate in Colombia, they shall be replaced by us, for the purpose of determining the Alternative Rate, with subsidiaries or branches of other foreign banks having similar characteristics.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill, Inc.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“SFC” means the Superintendence of Finance of Colombia.

“Share Capital” means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) such Person’s equity (including any preferred stock, but excluding any Notes convertible into or exchangeable for such Share Capital).

“stated maturity” means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision the day specified for the payment thereof (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

“U.S. GAAP” means the generally accepted accounting principles in the United States, as in effect from time to time.

“Voting Stock” means, with respect to any Person, securities of any class of Share Capital of such Person entitling the holders thereof to vote in the election of members of the board of directors or equivalent governing body of such Person.

Form of the Notes

Notes sold pursuant to Regulation S will be represented by one or more global notes in fully registered form without interest coupons (the “Regulation S Global Note”) and will be registered in the name of a nominee of The Depository Trust Company (“DTC”) and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a Global Note in fully registered form without interest coupons (the “Rule 144A Global Note” and, together with the Regulation S Global Note, the “Global Notes”) and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The Notes are being offered and sold in this initial offering in the United States solely to “qualified institutional buyers” or “QIBs” under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States pursuant to Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under “Transfer Restrictions.”

Prior to the 40th day after the date of original issuance of the Notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Exchanges between the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to a Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the Indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction complying with the requirements of Rule 144A. Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Global Notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. Except as described in "Certificated notes", owners of beneficial interests in a Global Note will not be entitled to have any portions of such Global Note registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered the owners or holders of the Global Note (or any Notes represented thereby) under the Indenture or the Notes. In addition, no beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream")).

Investors may hold interests in the Global Notes through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC.

Payments of the principal of and interest on Global Notes will be made to DTC or its nominee as the registered owner thereof. None of us, any initial purchaser, the trustee, any paying agent, the registrar or any transfer agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. We anticipate that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note representing any Notes held by its nominee, will credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. We also expect that payments by DTC Participants to owners of beneficial interests in such Global Note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a Global Note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described above, crossmarket transfers between DTC participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a Global Note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a Global Note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described below, DTC will exchange the Global Notes for certificated notes (in the case of Notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the Global Notes through DTC Participants have no direct rights to enforce such interests while the Notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a Global Note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“indirect participants”).

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Rule 144A Global Note among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the initial purchasers, the trustee or any of their respective agents will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Certificated notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for a Global Note and a successor depositary is not appointed by us within 90 days, (2) any of the Notes has become immediately due and payable in accordance with “—Events of default” or (3) if we, at our sole discretion, determine that the Global Notes will be exchangeable for certificated notes and we notify the trustee thereof, we will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. In the event of the occurrence of any clauses (1), (2) or (3) above, we will use our best efforts to make arrangements with DTC for the exchange of interests in the Global Notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the trustee for delivery to holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by us to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through DTC, Euroclear or Clearstream.

Meetings of Noteholders

A meeting of noteholders may be called by the trustee, us or the holders of at least 25% in aggregate principal amount of the outstanding Notes at any time and from time to time, to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other actions provided by the Indenture to be made, given or taken by holders of the Notes. The meeting shall be held at such time and at such place in the Borough of Manhattan, The City of New York or in such other place as the trustee shall determine. Notice of every meeting of noteholders, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given not less than 21 nor more than 180 days prior to the date fixed for the meeting.

The persons entitled to vote a majority in principal amount of the outstanding debt Notes shall constitute a quorum for a meeting. Any resolution presented to a meeting at which a quorum is present may be adopted only by the affirmative vote of the holders of a majority in principal amount of the outstanding Notes. Any resolution passed or decision taken at any meeting of holders of Notes duly held in accordance with the Indenture shall be binding on all the holders of Notes, whether or not such holders were present or represented at the meeting.

No Personal Liability of Shareholders, Officers, Directors, or Employees

The Indenture provides that the Notes will be solely our obligations, and the holders of the Notes will have no recourse against our direct or indirect owners, and/or against any of such owners’ officers, directors, employees, members or managers with respect to our obligations under the Notes and the Indenture governing the Notes.

TAXATION

Certain Colombian Tax Considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Article 25-a(3) and Article 266(3) of the Colombian Tax Code (*Estatuto Tributario*) provide that indebtedness obtained abroad by credit institutions, such as us, does not generate income for Colombian tax purposes and is not deemed to be held in Colombia. Furthermore, Article 266(6) generally provides that debt securities issued by a Colombian issuer and traded abroad are not deemed to be held in Colombia.

As a result, under current Colombian law, payments of principal and interest on the notes to holders of the notes who are not resident or domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to holders of the notes not resident or domiciled in Colombia.

In addition, and given that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia.

On December 26, 2012, Law 1607, 2012 was enacted (the "2013 Tax Law"). This law became effective on January 1, 2013, introducing, among others, material changes to the determination of the tax residency for Colombian tax purposes (which, in turn, determines whether a holder of notes is subject to Colombian income withholding tax or not). Under the rules set forth in the 2013 Tax Law, a person (including a holder of notes) will be deemed to be a tax resident in Colombia if he or she meets any of the following criteria:

- If such person physically stays in Colombia for more than 183 calendar days within any given 365-consecutive-day term.
- If such person has been in service with the Colombian State or Government in a foreign state in which that person is exempt from taxes during the time of service by virtue of any provisions of the Vienna Conventions on diplomatic relations.
- If such person is a Colombian national residing abroad, provided that, additionally, any of the following conditions are met:
  - Such person has a spouse or permanent companion, or dependent children, who is a resident of Colombia, or
  - 50% or more of such person's total income is sourced in Colombia, or
  - 50% or more of such person's assets are managed in Colombia, or
  - 50% or more of such person's assets are deemed to be located in Colombia, or

- If such person has been summoned by the Colombian Tax Office to provide proof of residency in another country (other than Colombia) and has failed to provide such evidence, or

- If such person is a resident of a country deemed a tax haven under Colombian law.

Changes introduced by the 2013 Tax Law and additional changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties; see "Risk Factors—New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our financial condition and results of operation."

Certain U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this offering memorandum and that hold the notes as "capital assets" (generally, property held for investment). This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion assumes that the notes will not be issued with more than a de *minimis* amount of original issue discount for U.S. federal income tax purposes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the US dollar;
- U.S. expatriates; or
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address any U.S. federal estate and gift tax consequences, alternative minimum tax consequences, Medicare tax on net investment income consequences or any state, local and non-U.S. tax consequences of the acquisition, ownership and disposition of the notes.

As used herein, the term "U.S. Holder" means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes), created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to the consequences to it of acquisition, ownership and disposition of the notes.

Characterization of the Notes

Because the notes are denominated in a currency other than the US dollar, the notes are subject to special rules under Section 988 of the Code and the Treasury regulations thereunder (the "988 regulations"). The proper application of the 988 regulations to the notes is unclear. For purposes of applying the 988 regulations to the notes, we believe that it is reasonable to treat the relevant Average Representative Market Rate that we use to translate the issue price and payments on a note into US dollars (as set forth above under "Description of the Notes—General—Interest on the Notes offered hereby") as the relevant exchange rates for determining income, gain or loss with respect to payments on, or the proceeds from the disposition of, the notes, and the remainder of this discussion assumes that such treatment is correct. It is possible, however, that the IRS could require a U.S. Holder to calculate income, gain or loss on the notes using spot rates in effect on the issue date or on a relevant payment date, as the case may be. If such rates were to apply, it is possible that the character, amount, source and timing of income, gain or loss on the notes could differ from what is described below. U.S. Holders should consult their tax advisors regarding the proper application of the 988 regulations to the notes.

In addition, in certain circumstances, we may be obligated to pay amounts in excess of stated interest or principal on the notes. Our obligation to pay such excess amounts may cause the IRS to take the position that the notes are ''contingent payment debt instruments'' for U.S. federal income tax purposes. If the IRS is successful in such an assertion, the timing and amount of income included and the character of gain recognized with respect to the notes would likely be different from the consequences discussed herein. Notwithstanding this possibility, we do not believe that the notes are contingent payment debt instruments, and, consequently, we do not intend to treat the notes as contingent payment debt instruments. Such determination by us is binding on all holders unless a holder discloses its differing position in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which a note was acquired. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

Stated Interest

Payments of stated interest to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes.

The amount of income recognized by a cash basis U.S. Holder will be the US dollar value of the interest payment, based on the exchange rate in effect on the date of receipt.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into US dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale, retirement or other taxable disposition of a note) denominated in foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into US dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into US dollars.

In addition, interest on the notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest, which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the US dollar cost of the note to the U.S. Holder. The US dollar cost of a note purchased with foreign currency generally will be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of notes traded on an established securities market, within the meaning of the applicable regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realized on a sale, retirement or other taxable disposition for an amount in foreign currency will be the US dollar value of this amount on the date of sale, retirement or other taxable disposition, or the settlement date for the sale, in the case of notes traded on an established securities market, within the meaning of the applicable regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale, retirement or other taxable disposition of a note equal to the difference, if any, between the US dollar values of the U.S. Holder's purchase price for the note (i) on the date of sale, retirement or other taxable disposition and (ii) the date on which the U.S. Holder acquired the note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realized only to the extent of total gain or loss realized on the sale, retirement or other taxable disposition. Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of a note is subject to foreign income tax, a U.S. Holder may not be able to credit such tax against its U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, a U.S. Holder may be required to treat an exchange loss from the notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

In addition, for taxable years beginning after March 18, 2010, legislation requires certain U.S. Holders who are individuals to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences in their particular situations.

PLAN OF DISTRIBUTION

Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives of each of the initial purchasers named below. Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

Initial purchaser		Principal Amount of Notes
Deutsche Bank Securities Inc.	COP	473,088,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	COP	473,087,000,000
Total	COP	946,175,000,000

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the initial purchasers propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

New Issue of Notes

The notes are a new issue of securities with no established trading market. Although application has been made for the notes to be listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained. In addition, we have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Settlement

We expect that delivery of the notes will be made to investors on or about August 12, 2014, which will be the fourth business day following the date of this offering memorandum (such settlement being referred to as "T+4"). Under Rule 15c6-1 under the Securities Exchange Act of 1934, trades in the secondary market are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder will be required, by virtue of the fact that the notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

No Sales of Similar Securities

We have agreed that we will not, for a period of 45 days after the date of this offering memorandum, without first obtaining the prior written consent of Deutsche Bank Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated , directly or indirectly, issue, sell, offer to contract or grant any option to sell, pledge, transfer or otherwise dispose of, any debt securities or securities exchangeable for or convertible into debt securities in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority ("DFSA"). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The notes to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

Notice to Prospective Investors in Chile

The offer of the notes will begin on August 4, 2014 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 4 de Agosto del 2014 y está acogida a la Norma de Carácter General número 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Notice to Prospective Investors in Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or registered under the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

We intend to register the notes with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Superintendency of Banks, Insurance and Pension Funds' (*Superintendencia de Banca, Seguros y AFPs*) in order to make the notes eligible for investment by Peruvian private pension funds administrators. The notes may not be offered or sold in the Republic of Peru except in compliance with the securities law thereof.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") no offer of notes may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require us or our representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then securities, debentures and units of securities and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Notice to Prospective Investors in Colombia

The offering of the notes will not be authorized by the SFC and the notes have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the SFC and may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except as permitted by Colombian law.

TRANSFER RESTRICTIONS

The following restrictions will apply with respect to the resale of the notes. Purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the notes.

None of the notes has been registered under the Securities Act or any state securities laws, and they may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the notes are being offered and sold only (A) to "qualified institutional buyers" (as defined in Rule 144A) ("QIBs") in compliance with Rule 144A and (B) outside the United States to persons other than persons ("non-U.S. purchasers," which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)) in reliance upon Regulation S under the Securities Act, or Regulation S. As used herein, the terms "United States" and "U.S. person" have the meanings given to them in Regulation S.

Each purchaser of notes will be deemed to have represented and agreed as follows:

1. It is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above).

2. It acknowledges that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act; that the notes have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.

3. It shall not resell or otherwise transfer any of such notes except (A) to the issuer or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 904 under the Securities Act, (D) pursuant to the exemption from registration (if available), (E) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the issuer so requests), or (F) pursuant to an effective registration statement under the Securities Act.

4. It agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes.

5. It acknowledges that prior to any proposed transfer of notes in certificated form or of beneficial interests in a note in global form (a "Global Note") (in each case other than pursuant to an effective registration statement) the holder of notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the indenture.

6. It understands that (i) the following is the form of restrictive legend which will appear on the face of the Rule 144A Global Note, and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that this Note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer and its subsidiaries, (2) so long as this Note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in

accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this Note, represents and agrees that it will notify any purchaser of this Note from it of the resale restrictions referred to above. This legend may be removed only with the consent of the Issuer."

and (ii) the following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

"This Note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws. The holder hereof, by purchasing this Note, agrees that neither this Note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration.

The foregoing legend may be removed from this Note after 40 days beginning on and including the later of (a) the date on which the notes are offered to persons other than distributors (as defined in Regulation S under the Securities Act) and (b) the original issue date of this Note."

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Form of Notes, Clearing and Settlement."

7. It acknowledges that the foregoing restrictions apply to holders of beneficial interests in the notes, as well as holders of the notes.

8. It acknowledges that the trustee will not be required to accept for registration of transfer any notes acquired by it, except upon presentation of evidence satisfactory to us and the trustee that the restrictions set forth herein have been complied with.

9. It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the notes is no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Shearman & Sterling LLP, our U.S. counsel, and by Gómez-Pinzón Zuleta Abogados S.A., our Colombian counsel. Certain legal matters will be passed upon for the initial purchasers by Milbank, Tweed, Hadley & McCloy LLP, U.S. counsel for the initial purchasers, and by, Brigard & Urrutia Abogados S.A.S., Colombian counsel for the initial purchasers.

INDEPENDENT AUDITORS

Our financial statements as of and for the years ended December 31, 2013, 2012 and 2011 included in this offering memorandum have been audited by PricewaterhouseCoopers Ltda., a member of PricewaterhouseCoopers, as set forth in their report included in this offering memorandum.

LISTING AND GENERAL INFORMATION

1. The issuance of the notes has been authorized by resolution 270 of our Board of Directors dated February 19, 2013.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our condition (financial or otherwise) or our general affairs since March 31, 2014 (the end of the most recent fiscal period for which financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg listing agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours, our principal office, at the address listed on the inside back cover page of this offering memorandum:

- our latest published unaudited interim financial statements, which are published on a quarterly-basis, and audited year-end financial statements; and
- our *estatutos sociales* (by-laws).

6. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP and ISIN numbers, as applicable, for the notes are as follows:

Rule 144A Note CUSIP:	Rule 144A Note ISIN:
31772M AA0	US31772MAA09
Regulation S Note CUSIP:	Regulation S Note ISIN:
P40420 AA2	USP40420AA25

INDEX TO FINANCIAL STATEMENTS

Audited Financial Statements of

FINANCIERA DE DESARROLLO TERRITORIAL S.A.

as of December 31, 2013 and 2012
and the years ended December 31, 2013, 2012 and 2011

Unaudited Interim Financial Statements of

FINANCIERA DE DESARROLLO TERRITORIAL S.A.

as of March 31, 2014 and December 31, 2013
and for the three months ended March 31, 2014 and 2013

Independent auditor's report

To the Board of Directors of
Financiera de Desarrollo Territorial - FINDETER S.A.

We have audited the accompanying financial statements of Financiera de Desarrollo Territorial - FINDETER S.A., which comprise the balance sheets as at December 31, 2013 and 2012, and the income statements, statements of changes in the shareholders' equity, and statements of cash flows for the years ended December 31, 2013, 2012 and 2011, and a summary of significant accounting policies set forth in Note 2 and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general accepted in Colombia for entities under the surveillance of the Finance Superintendency, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Financiera de Desarrollo Territorial - FINDETER S.A. at December 31, 2013 and 2012, and its financial performance and its cash flows for the year ended December 31, 2013, 2012 and 2011 in accordance with accounting principles general accepted in Colombia for entities under the surveillance of the Finance Superintendency.

/s/ PricewaterhouseCoopers Ltda.
July 29, 2014

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

BALANCE SHEET
(COP Millions)

Assets	Notes	December 31, 2013	December 31, 2012
Cash and deposits due from banks		357,900	592,766
Inter-bank borrowing	4	46,300	22,900
Investments	5		
Debt securities			
Negotiable		6,012	-
Equity securities			
Negotiable		38,871	19,377
Available for sale		25,000	25,000
Total equity securities		63,871	44,377
Total investments		69,883	44,377
Loan accounts receivable	6		
Commercial		6,066,593	5,624,998
Consumer		3,233	2,868
Mortgage		33,291	25,211
Total loan accounts receivable		6,103,117	5,653,077
Provisions for loan accounts receivable	6	(65,279)	(60,512)
Total net loan accounts receivable		6,037,838	5,592,565
Accounts receivable, net	7	50,016	39,062
Derivative instruments	8	1,134	-
Goods received as payments		46	-
Property, plant and equipment, net	9	4,599	4,808
Property given in trust	10	122,394	117,104
Assets reappraisal	12	36,528	19,690
Other assets	11	32,517	15,380
Total Assets		6,759,155	6,448,652
Memorandum Accounts	20		
Debit		13,655,937	11,150,182
Trust		6,617	4,223
Credit offsetting accounts		15,231,808	14,239,329
Total Memorandum Accounts		28,894,362	25,393,734

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

BALANCE SHEET (CONTINUED...)
(COP Millions)

	Notes	Year ended on December 31 2013	2012
Liabilities and Shareholders' Equity			
Liabilities			
Deposits			
Certificates of deposit	13	5,197,192	5,021,051
Derivative instruments	8	659	3,924
Long-term financial liabilities			
Due to banks and other financial entities	14	493,226	375,363
Outstanding investment securities	15	22	20
Accounts payable	16	37,793	47,873
Estimated liabilities and provisions	17	36,955	46,582
Other Liabilities	18	68,921	80,744
Total Liabilities		5,834,768	5,575,557
Shareholders' Equity			
Subscribed and paid-in capital	19	791,587	762,333
Surplus from donations		-	641
Appropriated retained earnings	19	63,541	61,016
Unrealized gain (loss) from transactions with hedge derivatives		1,311	(1,723)
Income for the year		31,420	31,138
Surplus from reappraisal		36,528	19,690
Total Shareholders' Equity		924,387	873,095
Total Liabilities and Shareholders' Equity		6,759,155	6,448,652
Memorandum Accounts	20		
Credit		15,231,808	14,239,329
Trust		6,617	4,223
Debit offsetting accounts		13,655,937	11,150,182
Total Memorandum Accounts		28,894,362	25,393,734

The accompanying notes are an integral part of the Financial Statements.

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

INCOME STATEMENT
(COP Millions)

	Note	2013	2012	2011
		Years ended December 31		
Interest income				
Interest on loan accounts receivable		398,154	445,586	336,278
Interest on debt securities		2,179	1,037	4,202
Interest on inter-bank loans, bank accounts and other instruments		18,719	29,541	14,544
Total interest income		419,052	476,164	355,024
Interests and similar expenses				
Certificates of deposit		(286,744)	(330,349)	(229,421)
Financial liabilities with banks and financial entities		(8,411)	(4,998)	(5,665)
Total interest and similar expenses		(295,155)	(335,347)	(235,086)
Net interest income		123,897	140,817	119,938
Provisions				
Provision for loans and accounts receivable		(5,257)	(3,627)	(13,212)
Other provisions		(2,627)	(8,483)	(1,050)
Total provision		(7,884)	(12,110)	(14,262)
Interest income net of provisions		116,013	128,707	105,676
Income from commissions and fees		31,530	8,990	5,837
Expenses from commissions and fees		(10,786)	(9,329)	(5,420)
Net income from commissions and fees		20,744	(339)	417
Other income (loss)				
Net income on equity securities investments		11,600	1,306	2,407
Net income (loss) on derivatives valuation		1,655	(19,353)	(3,314)
Net income (loss) on exchange difference		(8,519)	20,095	(1,515)
Other		1,402	3,608	1,342
Total other income (loss)		6,138	5,656	(1,080)
Other expenditures				
Personnel expenses		(28,003)	(25,071)	(19,227)
Overhead expenses	21	(50,914)	(45,781)	(36,168)
Other, net	22	(4,358)	(493)	4,732
Total other expenditures		(83,275)	(71,345)	(50,663)
Income before income tax provision		59,620	62,679	54,350
Income tax expense	17	(28,199)	(31,540)	(26,162)
Net income		31,421	31,139	28,188
Net income per share (in COP)		4,044	4,140	3,864

The accompanying notes are an integral part of the Financial Statements.

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER
STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED ON DECEMBER 31
(COP Millions)

	Subscribed and Paid-in capital	Surplus from donations	Appropriated retained earnings	Unrealized gains from transactions with derivatives	Non-appropriated retained earnings	Surplus from reappraisal	Total Equity
Balance as of December 31, 2010	715,312	641	52,823	96	27,025	9,093	804,990
Earning appropriation:							
For capitalization	24,187	-	-	-	(24,187)	-	-
Provisions for investments	-	-	135	-	(135)	-	-
For legal reserve	-	-	2,703	-	(2,703)	-	-
Redistribution of the occasional reserves:							
For capitalization	2,323	-	(2,323)	-	-	-	-
Assets reappraisal and depreciation	-	-	-	-	-	6,207	6,207
Accumulated unrealized gains or losses	-	-	-	2,868	-	-	2,868
	-	-	-	-	28,188	-	28,188
Balance as of December 31, 2011	741,822	641	53,338	2,964	28,188	15,300	842,253
Earning appropriation:						-	-
For capitalization	17,369	-	-	-	(17,369)	-	-
Provisions for investments	-	-	-	-	-	-	-
For legal reserve	-	-	2,820	-	(2,820)	-	-
Creation of occasional reserves	-	-	8,000	-	(8,000)	-	-
Redistribution of the occasional reserves:							
For capitalization	3,142	-	(3,142)	-	-	-	-
Assets reappraisal and depreciation	-	-	-	-	-	4,390	4,390
Accumulated unrealized gains or losses	-	-	-	(4,687)	-	-	(4,687)
Income for the year	-	-	-	-	31,138	-	31,138
Balance as of December 31, 2012	762,333	641	61,016	(1,723)	31,138	19,690	873,095
Earning appropriation:							
For capitalization	25,024	-	-	-	(25,024)	-	-
Provisions for investments	-	-	-	-	-	-	-
For legal reserve	-	-	3,114	-	(3,114)	-	-
Creation of occasional reserves	-	-	3,000	-	(3,000)	-	-
Redistribution of the occasional reserves:							
For capitalization	3,589	-	(3,589)	-	-	-	-
Capitalization of share excesses	-	-	-	-	-	-	-
Assets reappraisal and depreciation	-	-	-	-	-	16,838	16,838
Accumulated unrealized gains or losses	-	-	-	3,034	-	-	3,034
Capitalization of donations	641	(641)	-	-	-	-	-
Income for the year	-	-	-	-	31,420	-	31,420
Balance as of December 31, 2013	791,587	-	63,541	1,311	31,420	36,528	924,387

The accompanying notes are an integral part of the Financial Statements.

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

STATEMENT OF CASH FLOWS
(COP Millions)

	Years ended on December 31,		
	2013	2012	2011
Cash flows from operating activities			
Interests on rediscount and other accounts receivable	347,582	539,456	280,435
Trust management commission	27,800	3,041	64,517
Other revenues	205,102	365,256	329,897
Payroll payment and other personnel expenses	(22,715)	(20,714)	(45,400)
Other administrative expenses	(280,468)	(104,873)	(155,871)
Issuance of certificates of deposit	1,622,617	1,889,909	2,090,690
Payment of certificates of deposits	(1,754,142)	(1,840,805)	(1,193,851)
Collection of rediscount and other accounts receivable	2,128,159	1,783,456	1,196,921
Disbursements of rediscount and other accounts receivable	(2,546,002)	(2,274,714)	(2,430,613)
Total funds (used in) provided by operating activities	(272,067)	340,012	136,725
Cash flows from investment activities			
Investments redemption and earnings charge	4,580,279	7,490,550	7,254,978
Acquisition of investments	(4,623,313)	(7,426,448)	(7,256,028)
Acquisition of property and equipment	(3,131)	(901)	(318)
Net assets restatement in foreign currency	13,934	529	(8,031)
Total funds (used in) provided by investment activities	(32,231)	63,730	(9,399)
Cash flows from financing activities			
Credits granted by banks and financial entities	117,165	80,769	43,614
Payment of credits to bank and financial entities	(48,916)	(44,564)	(38,128)
Transactions with derivative instruments	1,183	(9,068)	(12,341)
Total funds (used in) provided by funding activities	69,432	27,137	(6,855)
Cash (decrease) increase	(234,866)	430,879	120,471
Cash at the beginning of the year	592,766	161,887	41,417
Cash at the end of the year	357,900	592,766	161,888

The accompanying notes are an integral part of the financial statements.

FINANCIERA DE DESARROLLO TERRITORIAL S. A. FINDETER

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013, 2012 AND FOR THE YEARS ENDED ON DECEMBER 31, 2013, 2012 AND 2011

(Figures expressed in COP millions, except for USD and the number of shares)

NOTE 1 - REPORTING ENTITY

Incorporation

Financiera de Desarrollo Territorial S. A., FINDETER, was incorporated by public deed number one thousand five hundred seventy (1,570), dated May 14,1990, with the operation authorization issued by the Finance Superintendency of Colombia, by means of Resolution No. 3354 dated September 17, 1990. Decree 4167 of November 3, 2011, transformed Findeter into a semi-public company, set up as a credit entity of the Ministry of Finance and Public Credit of the Colombian Government, subject to the control and supervision by the Finance Superintendence of Colombia. Colombia's National Government is its main shareholder through the Ministry of Finance and Public Credit with 92.55% interest.

Its main domicile is the city of Bogotá D.C. and it currently has four regional units, three zones and seven offices in the country. Its operation term is indefinite.

Findeter's corporate purpose is the promotion of the regional and urban development in the Republic of Colombia through funding and assessment, especially to Colombia's municipalities and departments regarding the design, execution and management of investment projects or programs related to infrastructure construction, expansion and replacement in sectors such as drinking water, transport roads, education establishments, sports facilities, hospitals and health services, etc.; in addition to, the execution of the activities that may be assigned or those attributed by the National Government.

In the performance of its corporate purpose, Findeter acts as a second-tier development bank, granting loans to State entities or individuals dedicated to the development of infrastructure construction, expansion and replacement in the sectors aforementioned through the entities of the Colombian financial system assuming the loan's entire risk with the client, whereas Findeter assumes the loan's risk with the financial entity. The interest rates are generally below the market rates, as the loans are funded through resources from multilateral entities, resources collected from the public through term deposits and its own resources.

NOTE 2 - MAIN POLICIES AND ACCOUNTING PRACTICES

Findeter uses the standards prescribed by the Finance Superintendency of Colombia and the Nation's General Accountant on its accounting records and to prepare its financial statements. For aspects not prescribed by the Finance Superintendence or General Accountant, Findeter applies the generally accepted accounting principles in Colombia per Decree 2649 of 1993.

The main accounting practices and policies are described as follows:

1. Inter-bank funds

Includes loans made by Findeter to other financial entities with maturity dates from one to thirty days. Interest income is accrued when earned.

2. Investments

a. Classification:

Investments in Colombia are classified into negotiable investments to be held to maturity and investments available for sale. Findeter has no held to maturity investments.

Negotiable investments include the classification of fixed income and variable income securities that have been acquired by Findeter with the purpose of generating profit from their price fluctuation in the short-term.

Investments available for sale include the classification of all securities acquired not classified as negotiable investments or as investment to be held to maturity, in respect to which Findeter's sound purpose and its legal, contractual, financial and operating ability is to keep them for at least six months from the first day they were initially classified as such, or from when they were reclassified as investments available for sale at December 31, 2013 (at least one year for investments acquired prior to such date).

b. Valuation

The main purpose of the investments valuation is the calculation and revelation of the fair exchange value for which an investment may be negotiated on a determined date, in accordance with the following criteria:

Negotiable investments in debt securities are valued using the daily prices published by a price provider authorized by the Finance Superintendency to perform such function.

Negotiable investments in equity securities in private capital funds are valued by the unit value provided by the fund's manager, who in turn values its assets according to market prices.

Investments in equity securities available for sale not listed in a stock market are registered at cost, and they are simultaneously valued based on Findeter's proportional interest in the equity increases of the company invested in as of their acquisition date. Such interest is calculated based on the entity's financial statements prepared up to six months prior the acquisition of securities.

c. Accounting

The difference that may arise between the current market value of the negotiable investments and the immediately preceding market value is recorded as a higher and lower investment amount and affects the results for the period as an income or expense, respectively. The interest from the investments is accounted as an investment's lower amount. In the case of the investments in equity securities, dividends are recorded as revenues in the income statement when the right to receive such dividends is accrued.

Investments available for sale on equity securities listed in a stock market are initially recorded at cost, and subsequently adjusted for variations in fair value, as the case may be, to the equity account for unrealized earnings. Investments available for sale on equity securities not listed in a stock market are recorded at cost and their appraisal is recorded as follows:

a. If the investment value, updated for the interest corresponding to the investor, is higher than the recorded investment amount, it is taken to assets in a separate account called appraisals charged to the equity account named surplus from appraisals.

b. If the investment value, updated for the interest corresponding to the investor, is lower than the recorded investment amount, the amounts included in the appraisals and surplus account due to appraisals are decreased until extinguished, and the excess is recorded as depreciation in a separate account in assets against a deficit equity account for investments depreciation.

d. Provisions or loss due to credit risk scoring

Debt securities, both negotiable and available for sale, that do not have quoted prices, as well as the instruments classified as held to maturity and the amounts or equity securities with low or minimal liquidity or not listed, are adjusted on the price at each appraisal date, based on a credit risk rating, as indicated below.

Internal or external public debt securities issued or endorsed by the State are not subject to this adjustment, as well as those issued by the Central Bank (Banco de la Republica) as those are issued or guaranteed by the Financial Entities Guarantees Fund (“FOGAFIN” as per its acronym in Spanish).

Securities issued or issuers that have external credit risk ratings.

Securities with credit risk ratings assigned by external rating agencies recognized by the Superintendency, or debt securities issued by entities evaluated by such rating agencies, may not be valued in books if exceeding the following percentages of their nominal value, net of the amortizations applied as of the appraisal date:

Long-term Rating	Maximum amount %
BB+, BB, BB-	Ninety (90)
B+, B, B-	Seventy (70)
CCC	Fifty (50)
DD, EE	Zero (0)

Short-term Rating	Maximum amount %
3	Ninety (90)
4	Fifty (50)
5 and 6	Zero (0)

In the case of investments classified as held to maturity, for which a quoted price is available, the provision corresponds to the difference between the amortized cost in the books and such price.

Securities or issuers without external rating for credit or values risk or equity securities

Securities or issuers without external rating for credit or values risk or equity securities are assessed or rated in accordance with the methodology determined by Findeter. The maximum amount established by the Superintendency by which each investment is recorded, according to its rating, is as follows:

	Category	Maximum amount recorded %(1)	Investments characteristics
B	Acceptable risk, higher than normal	Eighty (80)	Bear uncertainty factors that may affect their ability to continue in adequate compliance with the debt service and weaknesses that may affect its financial situation.
C	Substantial Risk	Sixty (60)	Have high or medium level in compliance probability on the timely payment of capital and interests, and deficiencies in their financial position that risk the investment's recovery.
D	Significant Risk	Forty (40)	Do not comply with the terms agreed on the security and have deep deficiencies in their financial position; hence, the probability of recovery of the investment is highly questionable.
E	Uncollectable	Zero (0)	It is estimated as uncollectable.

(1) For debt securities, on the net par value of the amortizations applied up to the appraisal date, or for equity securities, on the acquisition cost less the provision.

3. Loan Accounts Receivable

- Classification

According to the regulations of the Finance Superintendency, in Colombia the loan accounts receivables are classified based on the loan destination as commercial, consumer, mortgage and micro-loans. In performing its corporate purpose, Findeter grants commercial loan only, as these are loans to financial entities or established companies. Consumer and mortgage loans correspond to employee loans.

The credits are recorded at the nominal value net of the repayments received from the clients; accumulated interest is recorded against accounts receivable taken to income.

- Assessment, rating and provisions on credit risk.

Twice a year, in May and November, Findeter assesses its entire commercial accounts receivable based on credit risk, considering each debtor's risk factors, primarily related to their payment ability, the compliance with the terms agreed and the generation of cash flows to service the debt. Consumer and mortgage loans correspond primarily to the classification by risk levels, essentially by the aging of the default.

Once the accounts receivable are assessed, the credits granted are classified per risk levels and individual provisions are created for the portions not covered by actual guarantees, as follows:

For commercial and consumer accounts receivable:

Category	Minimum percentage of net guarantee provision
A - Normal	0.00%
B - Acceptable	1.00%
C - Substantial	20.00%
D - Significant	50.00%
E - Uncollectable	100.00%

For mortgage loans accounts receivable:

Category	Provision percentage on the portion not guaranteed
A - Normal	1%
B - Acceptable	100%
C - Substantial	100%
D - Significant	100%
E - Uncollectable	100%

In addition to the above, a general provision is set up corresponding to 1% on the total gross accounts receivable, and additional general provisions may also be created with the approval of the General Shareholders' Meeting, with a deciding majority higher than 85%, which shall be technically justified.

- Accounts receivable write-offs

Accounts receivable write-offs, if any, are approved by the Board of Directors, based on adequately documented information on uncollectible credits, and they are recorded against the provision for accounts receivable losses.

- Restructuring of credits with problems.

Considering most credit operations made by Findeter are with reputable financial entities, and to a lesser extent with other types of companies, restructuring operations on credits with collection problems are rare. No debt restructuring due to collection problems have taken place during the years ended December 31, 2013, 2012 and 2011.

- Suspension of interest accrual.

  The accrual of credit interests taken to income is suspended when the accounts receivable is more than three months past due.

Securitizations

Findeter carried out an account receivable securitization process in compliance with the guidelines set out for such purpose by the legal regulations and by the Finance Superintendency. Write-off of the accounts receivable subject to securitization, and other underlying assets, is made for the net carrying amount at the date of negotiation. In case the transaction presents a difference between the carrying amount of the assets transferred and the cash amount received, a profit or loss for the period is recorded, as it may correspond, if the guidelines set by the Finance Superintendency are met; otherwise, the securitized account receivable is recorded in Findeter's assets, and the cash received is recorded as a liability.

4. Operations with derivative financial instruments.

A derivative is a financial instrument which amount changes in time, based on a variable called 'underlying', does not require a net initial investment or requires a small investment in respect to the underlying asset and it is liquidated at a future date.

In performing its operations, Findeter trades in stock markets with derivative forward and swap contracts, with the sole purpose of a hedging foreign currency and interest rates of liabilities with financial entities.

All derivative operations are initially recorded at their fair value; subsequent changes to the fair value are adjusted to income, as the case may be, unless the derivative instrument is designated as a hedge, and if so, the nature of the item hedged. Findeter designates hedge derivatives as:

(a) Fair value hedges of recognized liabilities, in which case changes to the derivatives fair value are recorded in income, together with any change in the fair value of the corresponding liability, that is attributable to the risk hedged.

(b) Cash flows hedges of recognized liabilities interest rates, in which case the effective portion of the changes in the fair value of the derivatives is recognized in the equity account unrealized earnings. The derivative's profit or loss related to the hedge´s ineffective portion, or that do not correspond to the risk hedged, is immediately recognized in the income statement. Accumulated amounts in the unrealized earnings account are taken to income in the period when the hedged items are also taken to income.

    At the beginning of the transaction, Findeter documents the current relation between the hedge instrument and the hedged item, as well as the risk purpose and the strategy to carry out the hedge relation. In addition, Findeter documents its assessment, both at the beginning of the transaction and on a recurrent basis, indicating that the hedge relation is highly effective offsetting the changes to the fair value, or in the cash flows of the items hedged.

Financial assets and liabilities due to derivatives are not offset in the balance sheet; however, in the case of a legal and exercisable right to offset the amounts recognized and there is an intention to liquidate on a net basis or to realize the asset and simultaneously liquidate the liability, they are presented net in the balance sheet.

5. Property and equipment.

Property and equipment are recorded at the acquisition cost. The depreciation is calculated on the straight line method on the useful lives of assets at the following annual rates:

Buildings	5%
Furniture and equipment	10%
Vehicles	20%
Computing equipment	20%

Disbursements for improvements which purpose is increasing the efficiency or the useful life of the properties and equipment are capitalized. Other payments for maintenance and repairs are accounted for as expenses.

6. Property given in trust

Funds given in trust to duly set up trust funds in Colombia are recorded through the equity interest method. Under such method, funds deposited in trust and subsequent additions are recorded in this account. Such amounts are then adjusted for increase or decrease that may occur in the trust’s net equity, based on the balance sheets prepared for such trusts by the trust companies managing them, in accordance with generally accepted accounting principles in Colombia.

The figures in these financial statements at December 31, 2012 differ from those approved by the Shareholders of Findeter given that on January 31, 2013 Findeter reversed COP 382,161 million initially recorded as Properties given in trust and Other Liabilities for the value of the contract signed with the Ministry of Housing because those resources were transferred directly to the Ministry in trust during 2013.

7. Deferred charges

Deferred charges correspond mainly to office remodeling expenses and disbursements for the acquisition of computer programs amortized to income over a 3-year period.

8. Reappraisals and surplus from reappraisals

Reappraisals of investments available for sale are recorded based on Findeter's proportional equity share of the equity increase of the entity invested in, based on such entity's financial statements, prepared within the prior six months, at the latest. Reappraisal of property, plant and equipment is accounted for based on reappraisal carried out by renowned and independent firms, and they are determined as the difference between the market value and its net cost in books. The appraisals are recorded in the special reappraisals account in assets and taken to the surplus from reappraisals equity account.

9. Estimated liabilities and provisions

Provisions must be recorded to cover estimated liabilities or probable losses when it may be necessary according to the technical standards; the provisions must be justified, quantifiable and reliable.

10. Translation of transactions and balances in foreign currency

Transactions in foreign currency are recorded at the exchange rate in force on the date of the transaction. Assets and liabilities balances presented in foreign currency are translated into Colombian pesos at the market representative exchange rate on the closing date of the financial statements, as certified by the Finance Superintendency. The resulting adjustment is recorded in income.

11. Income tax provision

The income tax provision is calculated at the end of the accounting period, based on the estimates made for such purpose, in accordance with the tax regulations in force. Findeter records a debit deferred tax, caused by the temporary differences that imply a higher tax for the current year, calculated at the tax rates in force.

12. Contingent memorandum accounts

Contingent accounts include the transactions where the entity's obligation is conditioned to the occurrence or not of a fact, depending on future factors that may be unforeseeable.

13. Memorandum accounts

Memorandum accounts allow recording transactions and other situations that may not correspond in all cases to the assets and liabilities accounts, but which information is important for management, as well as the recording of assets and values in custody or collateral. Such accounts include, among others: goods and values given in custody and as collateral, unused lines of credit, written-off assets, depreciated property, plant and equipment, tax value of assets, goods and values received in custody and as collateral, etc.

14. Net income per share

Net income per share is determined as per the instructions provided by Colombia's Finance Superintendency, based on the average number of outstanding shares during the year, subscribed and paid.

15. Recognition of other revenues, costs and expenses

All revenues, costs and expenses are taken to income through the accrual method. Revenues from financial earnings and other concepts are recognized when accrued, except for those produced when the accrual of the loan accounts receivable interests are suspended, which are recognized in contingent accounts pending collection.

16. Use of estimates in the preparation of the financial statements

When preparing the financial statements, Findeter's management generally makes estimates that affect the amounts reported in assets and liabilities, and the amounts reported in income and expenses. The regulations of the Finance Superintendency require that provisions are created in the case of investment and loan accounts receivable items, based on estimates. The final value of the losses may differ from the estimated amounts in the financial statements.

17. Convergence to IFRS

According to the regulations of the Nation's General Accountant Office, as of December 31, 2016, Findeter must adopt International Financial Reporting Standards (IFRS) for the presentation of its financial statements and is preparing its opening balance sheet for such purpose as of January 1, 2015.

The other entities in the Colombian financial system will adopt IFRS for their financial statements at December 31, 2015 and are preparing their opening balance sheet under IFRS for such purpose on January 1, 2014.

NOTE 3 - POSITIONING IN FOREIGN CURRENCY

As of December 31, 2013 and 2012, Findeter had the following assets and liabilities in foreign currency at is equivalent in U.S. Dollars, which were translated into Colombian Pesos at the market representative exchange rate on that date, as certified by Colombia's Finance Superintendency, which was COP1926.83 in 2013, and COP1768.23 in 2012, per USD1.

	2013		2012	
	USD (thousands)	COP	USD (thousands)	COP
Assets				
Cash on hand and in banks	56,269	108,420	49,535	87,590
Loan accounts receivable	162,591	313,285	102,246	180,794
Accounts receivable interests	675	1,301	696	1,230
Derivatives (1)	19,087	36,776	-	-
Other Assets	-	-	507	896
Total Assets	238,622	459,782	152,984	270,510
Liabilities				
Derivatives (1)	(19,696)	(37,951)	(60,936)	(107,747)
Liabilities with banks and other financial entities	255,978	493,226	212,282	375,363
Interests on financial liabilities and commissions	1,019	1,963	813	1,437
Total Liabilities	237,301	457,238	152,159	269,053
Net asset position	1,321	2,544	825	1,457

(1) In order to cover its exchange exposure, Findeter has entered into derivative hedge contracts (see Note 8).

These amounts represent the value of the rights acquired or to be paid pursuant to the contracts entered into, and not their fair value (see Note 8).

NOTE 4 - INTER-BANK LOANS

The account in the balance as of December 31, 2013 and 2012, includes loans granted to Corporación Financiera Colombiana with terms less than 30 days and effective interest rates of 3.27% in 2013 and 4.30% in 2012.

NOTE 5 - INVESTMENTS

As of December 31, investments were comprised as follows:

	2013	2012
Negotiable debt securities		
Certificates of deposit in Colombian financial entities (1)	6,012	-
Negotiable equity securities		
ASHMORE Private capital fund (2)	38,871	19,377
Available for sale equity securities (3)	25,000	25,000
Total Investments	69,883	44,377

(1) Corresponds to a term deposit certificate opened in a Colombian financial entity with a term less than 90 days and an annual effective interest rate of 5.50%.

(2) By means of Decree 1070 of April 08 of 2010, the Ministry of Finance and Public Credit authorized the investment in private capital funds, which investment policy is related to Findeter´s the corporate purpose. The Board of Directors on April 26, 2010, considered and approved the investment in Fondo de Infraestructura Colombia ASHMORE FCP'.

The fund is supported by the International Development Bank - BID, the Andean Development Corporation - CAF, the Colombian Government and Bancoldex, and Ashmore Investment Limited acts as manager and its counterparty in Colombia is INVERLINK; Fiduciaria FIDUCOR acts as the administrator.

The fund was created with a 15 years investment horizon and a 5 year period to make contributions. Fund investments are mainly directed to projects related to transport, electric power, gas and oil, water, telecommunications and satellites, garbage and waste management, logistics infrastructure, social infrastructure, and others.

Findeter's investment commitment is up to $40,000, in conformity with the fund´s regulations. Findeter's President signed the commitment for the investment dated July 1, 2010.

At the end of the period, Findeter´s participation in the fund was 12.8489%.

(3) Investments available for sale in equity securities include mainly an investment in the Fondo Nacional de Garantías, another industrial and commercial company of the Colombian government, dedicated to promotion the accessibility of credit, by granting guarantees on such loans made by financial entities to small and medium size companies. The investment amounts to COP25,000 and Findeter's share is 6.75%.

NOTE 6 - LOAN ACCOUNTS RECEIVABLE

As indicated by Note 1, the Colombian government has established, through Findeter in the performance of its corporate purpose, specific programs for the promotion of regional and urban development of Colombia by providing funding and assistance programs to Colombian municipalities and departments, and to Colombian individuals and private companies. Under such programs, private and state banks and other Colombian Financial entities receive a line of credit approved by a client with access to one of the programs opened by Findeter. The bank that receives the line of credit makes a full credit analysis of the ultimate borrower according to the credit policies and the policies established by Findeter for such purpose. If such policies are met to the bank's satisfaction, it requests Findeter to disburse the corresponding amount. Based on such request, Findeter conducts its own analysis, and if its policies are met, it disburses the funds to the bank. The bank, in turn, makes the disbursement to its clients and assumes the total credit risk with the client. Credits are granted by the intermediary financial entities to its client at interest rates below the market rates and such entity's income for administrative costs and for assuming the credit risk correspond to the difference between the placement interest rates and the rates used by Findeter to lend the resources, also at rates below the market. Findeter, in turn, assumes the credit risk of the intermediary financial entity.

According to the above, following is the detail of the credits granted as of December 31, classified by the origin of Findeter's resources:

	2013	2012
Resources provided by multi-lateral banking entities (1)		
Inter-American Development Bank - BID (as per its acronym in Spanish)		
In COP	178,209	136,496
In foreign currency	164,919	180,794
Total resources provided by BID	343,128	317,290
French Agency for the Development AFD (as per its acronym in Spanish)	73,757	-
German Development Bank - KFW	294	383
International Bank for Reconstruction and Promotion BIRF (as per its acronym in Spanish)	-	29
Total resources provided by other multilateral banks	74,051	412
Resources provided by entities of the Colombian Government (2)	968,526	848,940
Resource provided by Findeter´s certificates and deposit program and own resources (3)	4,540,513	4,464,731
Accounts receivable in dollars with Findeter´s own resources (1)	148,367	-
Loans to employees (4)	28,532	21,704
Total loan accounts receivable	6,103,117	5,653,077

(1) Credits granted with resources from multilateral banks in installments that may be of up to 30 years with variable interest rates that vary according to the consumer price index (IPC as per its acronym in Spanish) plus 1.33% and 4.26% and average interest rates for term deposits of the Colombian financial system - DTF plus 2.65% to 2.68%.

Notwithstanding that these loans are funded with resources from the multi-lateral banks, there is not a direct match between the amortization and such resources which are subsequently used for other foreign or local currency credits.

(2) With the purpose of promoting the development of certain economic sectors that are a priority in the country for Colombian government, Findeter grants loans with its own funding resources through banks to the individuals or entities eligible for the benefit of loans at subsidized rates as compared to the rates Findeter charges in its regular financing lines. The difference between the placement rates on such credits and the rates applied to Findeter´s regular financing lines is assumed by other government entities such as certain Ministries of the Central government and public entities such as the Colombian departments and municipal entities.

When the funds sent by the above mentioned entities to assume the subsidy are received by Findeter, they are recorded as a liability as prepaid interest and are amortized taking them to income, to the extent they are accrued. These credits` terms are up to 12 years with up to 3-year grace periods to amortize the principal and the rates offered to the clients are at DTF plus 1% to 2%.

Findeter regular financing lines are funded through the issuance of certificates of deposit in the national market. The credits offered have a 15-year term with a grace period for the principal of 3-years, with interest rates that vary between DTF plus 2.20% and DTF plus 3.30% paid quarterly in advance.

(3) Credits to employees are granted especially for housing and consumer credits to a lesser degree. Mortgage loans are granted with terms of up to 20 years with interest rates of the Consumer Price Index (IPC) for housing credits and DTF for consumer loans.

The following is the detail of the loan accounts receivable per financial intermediary, through which mainly Findeter´s credits are placed, which entirely assumes the client´s credit risk and Findeter assumes the credit risk of the financial intermediary.

	2013	2012
Financial entities supervised by the Finance Superintendency		
Banco Davivienda	1,445,246	1,571,096
Banco Colpatria	641,526	810,577
Leasing Bancolombia	965,618	773,472
GNB Sudameris	560,590	499,359
Bancolombia	569,127	223,017
Banco de Occidente	414,982	360,124
Banco de Bogota	422,617	287,605
Other financial intermediaries with individual balances below $200,000 in 2013	705,871	693,002
Subtotal	5,725,577	5,218,252
Entities supervised by other State control entities		
Family Welfare Funds (1)	45,723	52,490
Cooperatives	118,185	105,523
Territorial Finance Entities (2)	171,775	242,739
Other	13,325	12,368
Loans to employees	28,532	21,704

	2013	2012
Subtotal	377,540	434,825
Total loan accounts receivable	6,103,117	5,653,077

(1) Not-for-profit private Colombian entities that manage contributions of all employees to carry out family welfare activities for their affiliates.

(2) Financial entities created by Colombian departments and municipalities that participate of the economic and social development projects of such Government entities.

The following is the detail of the loan accounts receivable at December 31, for the performance of infrastructure works in various sectors:

	2013	2012
Transportation	2,045,699	1,872,528
Urban development, construction and housing	1,201,382	743,487
Energy	681,789	913,814
Healthcare	604,683	544,076
Potable water and basic sanitation	589,659	546,463
Education	412,892	398,450
Tourism	221,277	202,645
Environmental infrastructure	86,978	159,565
Telecommunication	79,002	106,982
Sport, recreation and culture	32,818	33,444
Fiscal governance	110,412	103,544
Other (1)	36,526	28,079
Total	6,103,117	5,653,077

(1) The "other" category above consists solely of consumer and mortgage loans to our employees.

Following is the detail of the loan accounts receivable per risk levels and provisions created:

		2013		
Category	Principal	Interests	Provision for Capital	Provision for Interests
A	6,098,176	37,579	348	-
B	646	4	130	-
C	350	4	110	3
D	-	-	-	-
E	3,945	215	3,945	215
General provision	-	-	60,746	-
Total	6,103,117	37,802	65,279	218

2012

Category	Principal	Interests	Provision for Capital	Provision for Interests
A	5,627,017	36,898	273	-
B	300	3	63	-
C	271	4	85	4
D	16	-	9	-
E	3,767	221	3,767	220
General provision	-	-	56,314	-
Total	5,631,373	37,125	60,512	224

Following is the movement of the provision for protection of loan accounts receivable during the years ended December 31, 2011, 2012 and 2013:

	2013	2012	2011
Balance at the beginning of the year	60,512	60,452	51,007
Provisions created during the year	5,325	3,700	13,852
Provisions reversal	(558)	(3,639)	(4,407)
Balance at the end of the year	65,279	60,512	60,452

Securitization of the loan accounts receivable

This funding mechanism makes available additional funding lines and improves solvency levels without increasing Findeter's liabilities.

An independent trust fund was set up in Helm Fiduciaria for this operation, called "Fideicomiso Titularización TIF", whereby the Trust company will only act as its spokesperson and manager and Findeter is the originator and manager of the securitized accounts receivable.

In November 2012, at the time of the operation, securities for $289,650 were assigned as presented below:

Term (months)	Amount assigned (COP)	Rate	Cutoff rate % (T.A.)	Part. (%)
24	99,650	DTF	1.27	34.40%
48	91,500	DTF	1.55	31.59%
72	98,500	DTF	1.71	34.01%
Total	289,650	DTF	1.51	100.00%

As collateral for this transaction, Findeter endorsed promissory notes for $317,011 in the name of the independent trust fund, considering an additional 8% collateral over the amount assigned.

As of December 31, 2013 and 2012, the total underlying assets balance amounted to $159,874 and $289,301, respectively.

NOTE 7 - ACCOUNTS RECEIVABLE

As of December 31, 2013 and 2012, accounts receivable included the following:

	2013	2012
Interests		
On loans accounts receivable	37,780	37,106
On inter-bank funds	8	32
On ex-employee accounts receivable	22	19
	37,810	37,157
Commissions		
On trust fund management	4	6
Advances to personnel	22	16
Advances on contracts and to suppliers	1,640	10
Interests paid by the Ministry of Finance due to the transfer of a liability (see note 13)	394	470
Fondo Nacional de Garantías (1)	191	108
Other (1)	10,160	1,510
Total commissions	12,407	2,115
Account receivable before provisions	50,221	39,278
Provision	(205)	(215)
Total account receivable	50,016	39,062

(1) It comprises the balance receivable from Fiduciaria Bogotá trust funds for the services provided under the 100,000 houses program and the water for prosperity program for $9,527, and it includes a charge to the Securitization trust fund for $512.

The following is the movement for the provision for protection of loan accounts receivable during the years ended December 31, 2013, 2012 and 2011:

	2013	2012	2011
Balance at the beginning of the year	238	244	236
Provisions created during the year	155	240	125
Provisions reversal	(158)	(246)	(117)
Balance at the end of the year	235	238	244

NOTE 8 - DERIVATIVE INSTRUMENTS

In compliance with the regulation issued on July 26, 2005, by Banco de la República (External Regulatory Circular - DODM 285) that requires public promotion entities to cover their exchange exposure, Findeter has been hedging the exchange rate exposure of its liabilities in foreign currency, particularly with Non-Deliverable Forward contracts, as well as swap operations since 2010. Additionally, there are savings accounts in U.S. Dollars that mitigate the exchange risk.

According to the guidelines of the Board of Directors, in order to carry out Findeter´s treasury operations, including operations with derivatives recorded in the balance sheet at December 31, 2013, 2012 and 2011, the maximum negotiation limits per transaction must be considered (i.e. that the maximum amount that may be negotiated must be observed, depending on the authorized attributions).

Continuing with the hedge liabilities program, on December 31, 2013, Findeter closed with a 100.5% hedging (100.9% at December 31, 2012) using forwards and swaps, active credits and resources in checking accounts abroad.

The forward operations in force at December 31, 2013 amounted to USD$28,700,000 (USD$40,800,000 at December 31, 2012), and they were contracted with an average weighted devaluation of 3.62% (4.50% at December 31, 2012) The swap hedge operations in force amounted to USD$10,115,316 (USD20,437,941 at December 31, 2012), out of which USD$10,000,000 corresponded to currency swap and USD115,316 to interest rate swap (at December 31, 2012, USD$20,000,000 corresponded to currency swap and USD$437,941 to interest rate swap).

As of December 31, 2013 and 2012, the balance of the hedge derivative instruments through Forward and Swaps was as follows:

	2013	2012
Assets		
Peso / Dollar forwards		
Value of right	17,339	-
Value of liability	(17,265)	-
Fair value	74	-
Swap		
Value of currency right and rate	19,437	-
Value of currency liability	(18,377)	-
Fair value	1,060	-
Total Assets	1,134	-
Liabilities		
Peso / Dollar forward		
Value of right	37,951	72,044
Value of liability	(38,610)	(74,497)
Fair value	659	2,453
Swap		
Value of currency right and rate	-	35,703
Value of currency liability	-	(37,174)
Fair value	-	1,471
Total liabilities	659	3,924

NOTE 9 - PROPERTY AND EQUIPMENT

The balance of property and equipment as of December 31, 2013 and 2012 comprised the following:

	2013	2012
Lands	1,908	1,926
Buildings	14,057	14,292
Furniture and supplies	2,790	2,623
Computer equipment	1,657	1,638
Vehicles	4	90
Total before accumulated depreciation	20,416	20,569
Accumulated depreciation	(15,817)	15,761
Total	4,599	4,808

As of December 31, 2013 and 2012, property and equipment were duly protected against risks insurable in the country, and there are no liens on them.

NOTE 10 - PROPERTY HELD IN TRUST

The following is the detail of the entities where property is held in trust:

	2013	2012
Fondo Nacional de Garantías (1)	59,340	56,948
Fiduciaria Bogotá - Technical Assistance (2)	14,534	14,146
Helm Fiduciaria (3)	48,520	46,010
Total	122,394	117,104

(1) These funds were held in trust under a mandate contract, which purpose is to manage the resources to grant individual loans or real estate micro-credits exclusively destined to financing the construction, remodeling or acquisition of housing for low income people classified as social interest.

(2) Funds provided to this trust are to be used on financing and supporting pre-investment projects in a flexible and agile manner, timely responding to the needs of the beneficiaries. The trust includes a non-reimbursable social responsibility account, which allows Findeter to conduct strategic studies for the development of the country when funding sources limitations exist for the beneficiary. On the other hand, the pre-investment strategic account resources are reimbursable, and therefore, once the studies contracted are completed, the resources return to the fund, allowing the funding of new studies.

As of December 31 2013, the trust balance amounted to:

- Pre-investment strategic account $9,900
- Social responsibility account $4,634

The pre-investment fund had $14,000 million for the year 2013, out of which $5,000 were destined to the social responsibility account and $9,000 to the pre-investment strategic account.

(3) This is a commercial trust agreement through which the loan accounts receivable were transferred, represented on promissory notes as part of the accounts receivable securitization process carried out in 2010 (see Note 6)

NOTE 11 - OTHER ASSETS

Other assets balance as of December 31 comprised the following:

	2013	2012
Expenses paid in advance	507	58
Deferred charges		
Assets remodeling	2,455	11
Software	1,029	460
Deferred income tax	313	1,960
Loss due to the adjustment on the reappraisal of derivative instruments (1)	-	896
Total deferred charges	3,797	3,327
Excess of income tax advance and withholding	28,193	11,974
Other	20	20
Total	32,517	15,380

(1) According to the regulations by the Finance Superintendency, until the year 2012 the appraisal of swap operations on the first day were recorded as deferred charges if they were negative. As from 2013, they are directly taken to income or equity, depending on the hedge accounting used (see Note 8).

NOTE 12 - APPRAISALS AND SURPLUS FROM REAPPRAISAL

The reappraisals account balance as of December 31, 2012 and 2013 included the following:

	2013	2012
Investments available for sale	12,001	10,617
Properties, plant and equipment	24,527	9,073
Total	36,528	19,690

NOTE 13 - CERTIFICATES OF DEPOSIT

Following is the detail of the certificates of deposit balances as of December 31 per the contractual maturity period determined at their issuance or renewal:

	2013	2012
Less than 6 months	19,716	-
Between 6 and 12 months	284,749	295,000
Between 12 and 18 months	457,716	507,170
More than 18 months	4,435,011	4,218,881
Total	5,197,192	5,021,051

NOTE 14 - LOANS WITH BANKS AND OTHER FINANCIAL LIABILITIES

	2013	2012
In thousands of U.S. Dollars		
International Bank for Reconstruction and Promotion BIRF (as per its acronym in Spanish)		
SPDT 4345 (1)	11,749	17,968
Inter-American Development Bank - BID (as per its acronym in Spanish)		
Loan 977/OC-CO (2)	7,266	8,573
Loan SPDT 1066 (3)	18,195	20,037
Loan 1967/OC-CO (4)	80,285	81,043
Loan 2314/OC-CO (5)	144,512	132,617
Loan 2768/OC-CO (6)	115,610	79,571
Total BID	365,868	321,841
Andean Promotion Corporation - CAF (as per its acronym in Spanish)		
Loan without a code (7)	19,268	-
Loan 001-2007		21,219
Loan 002-2007	-	14,146
Total CAF	19,268	35,365
French Agency for the Development AFD (as per its acronym in Spanish)		
Loan CCO1018K (8)	96,341	-
Total loans in US Dollars	493,226	375,174
In Euros		
German Credit and Reconstruction Institute - KFW		
Loan 8065948	-	189
Total loans in Euros	493,226	375,363

(1) Contract entered into on July 31, 1998, destined to financing programs for the development, improvement or expansion of the provision of public utilities in the municipalities.

Basic loan conditions:

Amount approved:	US$75,000,000
Amount disbursed:	US$40,862,346
Term:	17 years
Grace period:	5 years
Payment method:	semi-annually in arrears
Rate:	Libor rate 6 months + Spread
Commitment fees:	0,75% annual

(2) Contract entered into on March 16, 1997, destined to the financing of modernizing programs of the departments, as well as its technical support. On November 21, 2001, by means of the contract for the partial cession of a loan with the Nation, USD 4,000,000 was transferred to the Ministry of Finance to develop the investment project "Technical assistance, training and support for the development of information systems towards the institutional improvement and strengthening of the departments and municipalities".

Basic loan conditions:

Amount approved	US$40,000,000
Amount disbursed	US$14,260,579
Term	20 years
Grace period	4 years
Payment method	semi-annually in arrears
Fixed	Rate 4.59% + BID margin
Commission fees	0.75% annual

(3) Contract entered into on July 31, 1998, destined to the financing of investments, the strengthening of infrastructure at municipal level, and Findeter institutional strengthening.

Basic loan conditions

Amount approved:	US$60,000,000
Amount disbursed:	US$27,888,935.55
Term:	20 years
Grace period:	5.5 years
Payment method:	semi-annually in arrears
Rate:	Fixed USD4.59% + BID margin
Commission fees:	0,75% annual

(4) Contract entered into on December 9, 2008 that will allow Findeter to grant loans directed to the provision of public utilities:

Basic loan conditions

Amount approved:	US$50,000,000
Amount disbursed:	US$50,000,000
Term:	15 years
Grace period:	3.6 years
Payment method:	semi-annually in arrears
Rate:	Libor three months + SLF* + BID margin
Commitment fees:	0.25% annual

*Sub-Libor funding cost of the Inter-American Development Bank

(5) Contract entered into on August 5, 2011 that will allow Findeter to grant loans directed to the provision of public utilities:

Basic loan conditions

Amount approved	US$75,000,000
Amount disbursed	US$75,000,000
Term	20 years
Grace period	5.6 years
Payment method	semi-annually in arrears
Rate	Libor three months + SLF + BID margin
Commission fees	0.25% annual

(6) Contract entered into on December 21, 2012 that will allow Findeter to grant loans directed to the provision of public utilities:

Amount approved	US$75,000,000
Amount disbursed	US$45,000,000
Term	25 years
Grace period	5 years
Payment method	semi-annually in arrears
Rate	Libor 3m+SLF+BID margin
Commission fees	0.25% annual

In 2008, Findeter received a credit line for up to US$200 million from the Inter-American Development Bank line on which the loans 1967/OC-CO, 2314/OC-CO and 2768/OC-CO were disbursed.

(7) Contract entered into in July 2007; its resources were directed to the financing of working capital operations and investment projects to companies in the country's productive sector.

Basic loan conditions

Amount approved	US$50,000,000
Term	7 years
Grace period	2 years

Payment method	semi-annually in arrears	

Disbursements

Date	USD	Rate
September 13, 2007	30,000,000	Libor 6 months+1.25%
October 5, 2007	20,000,000	Libor 6 months+1.20%

(8) The Credit Lines Agreement without the Nation's guaranty al was entered into with the French Development Agency on November 19, 2012, for USD191,340,000, which will allow Findeter to fund long-term projects directed to the development of the public and urban utilities infrastructure in Colombia.

Basic loan conditions

Amount approved:	US$191,340,000
Amount disbursed:	US$50,000,000
Term:	15 years
Grace period:	3 years
Payment method:	semi-annually in arrears
Interest rate:	Fixed or floating

Varies for each disbursement requested
It may not exceed 5.89% annual and it shall not be lower than 0.25% annual

Availability fees	0.50% annual
Valuation fees	One single time 0.50% annual

The following is the accumulated maturity of the financial liabilities in force as of December 31, 2013 for the following years:

	Thousands of Dollars	Millions of Colombian pesos
Less than one year	21,197	40,842
Over one year and up to five years	59,448	114,546
Over five years and up to ten years	81,667	157,357
Over ten years	93,667	180,480
	255,979	493,226

NOTE 15 - OUTSTANDING INVESTMENT SECURITIES

The outstanding investment securities correspond to liabilities assumed by Findeter in prior years from another Colombian Government entity, which were liquidated and matured since the year 1994, but have not been claimed by their holders. According to the terms of the securities' conditions, interests are accrued according to an appraisal methodology for private debt issuances in local markets with AAA rate carried out by the quotes supplier "Infovalmer".

NOTE 16 - ACCOUNTS PAYABLE

As of December 31, 2012 and 2013 accounts payable included balances for the following concepts:

	2013	2012
Interests payable		
Loans with banks and other financial liabilities	1,788	1,434
Outstanding investment securities	103	101
Certificates of deposit	33,005	45,069
Total interest payable	34,896	46,604
Fees and commissions	212	43
Suppliers	109	298
Labor withholdings and contributions	573	347
Sales tax payable	1,058	240
Collections in favor of third parties	847	275
Other	98	65
Total	37,793	47,872

NOTE 17 - ESTIMATED LIABILITIES AND PROVISIONS

As of December 31, 2012 and 2013, estimated liabilities and provisions comprised the following:

	2013	2012
Income tax (1)	19,404	33,500
Income tax for Equality (CREE as per its acronym in Spanish) (2)	6,986	-
Industry and commerce (municipal) tax	920	1,014
Tax on equity (3)	4,391	-
Estimated accounts payable	636	850
Litigation (4)	4,618	4,718
Liquidity risk	-	5,500
Contributions and affiliations	-	1,000
Total	36,955	46,582

(1) Income Tax

As from January 1, 2013, taxable income in Colombia is subject to a 25% tax rate for income tax (33% in 2012).

The basis to determine the income tax may not be lower than 3% of its net equity on the last day of the preceding taxable year.

The integral inflation adjustments system was eliminated as from the taxable year 2007 for tax purposes, and the tax on occasional gains was reinstated for the companies on the total taxable occasional gain obtained by the taxpayer during the year. The single rate applicable on the taxable occasional gain is 10% (it was 33% until the year 2012).

Based on the above, the estimated income tax for each taxable year was determined as follows during the years ended on December 31:

	2013	2012	2011
Determination of the commercial taxable income			
Income before income tax	59,619	62,678	54,350
Non-taxable income	(10,338)	(8,149)	(26,226)
Non-deductible expenses	38,902	64,158	44,739
Deductible provisions	(10,566)	(17,876)	376
Taxable income	77,617	100,811	73,239
Determination of presumptive income:			
Net equity of the prior year	939,313	907,107	882,639
Decrease of presumptive income:			
Investments not subject to presumptive income	(3,412)	(3,766)	(4,533)
Presumptive income basis	935,901	903,341	878,106
Presumptive income at 3% rate	28,077	27,100	26,343
Net taxable income (the highest)	77,617	100,811	73,239
Tax rate	25%	33%	33%
Total tax for the year	19,404	33,500	24,169
Deferred tax adjustment	1,809	(1,960)	1,993
CREE tax (see Numeral 2 below)	6,986	-	-
Total	28,199	31,540	26,162

(2) Income Tax for Equality (CREE as per its acronym in Spanish)

Colombia's National Congress created the Income Tax on Equality (CREE as per its acronym in Spanish) as of January 1, 2013, as the contribution made by companies in favor of employees, the generation of employment and social investment.

The basis to determine the income tax for equality - CREE, may not be lower than 3% of its net equity on the last day of the immediately preceding taxable year.

For years 2013, 2014 and 2015, the rate for the income tax for equality - CREE, will be 9%, and it will be 8% as from taxable year 2016.

As from July 1, 2013, companies are exempt of the payment of labor contributions to the National Training Service (SENA, per its Spanish acronym) and the Colombian Family Welfare Institute (ICBF, per its Spanish acronym) on their employees' salaries, which, in accordance with Colombian law, must be done by the companies with employees that earn, individually considered, up to ten monthly minimum salaries in force.

Based on the aforementioned, the CREE tax was determined as follows for the year 2013:

	2013
Determination of the commercial taxable income	
Income before income tax	59,619
Non-taxable income	(10,338)
Non-deductible expenses	38,902
Deductible provision	(10,566)
Taxable income	77,617
Determination of presumptive income:	
Net equity of the prior year	939,313
Decrease of the presumptive income basis	
Presumptive income at 3% rate	(3,412)
Presumptive income basis	935,901
Presumptive income at 3% rate	28,077
Net taxable income (the highest)	77,617
Tax rate	9%
Total tax for the year	6,986

(3) Tax on Equity

Act 1370 of 2009, determined the tax on equity for year 2011 at the expense of the income taxpayers at a rate of 4.8%, payable into eight semi-annual installments until year 2014 for the periods 2011 to 2014, case which applies to Findeter.

According to Colombian accounting standards, the above - referenced tax is annually accrued as a liability at the installments corresponding to the year against income.

(4) Litigation provision

Based on the report of the suits currently filed against Findeter, although there are possibilities to dismiss the matters of the some of the lawsuits, management created provisions for all of them, as follows:

	2013	2012
Labor suits		
Labor	3,291	3,452
Damages to third parties	480	1,200
Other suits	847	66
Total	4,618	4,718

As of December 31, 2013, suits against Findeter processes to thirty-one ordinary labor proceedings, as a result of the entity's restructuring in 2003, for a maximum individual amount of COP434; one (1) petition for direct recompense of an ex-public servant that sued Findeter for moral and material damages, and fifteen (15) so-called “other proceedings”, that correspond to one (1) action derived from the action to protect the basic constitutional rights of an individual and fourteen (14) proceedings where Findeter acts as a plaintiff and the provision corresponds to the legal proceedings costs.

NOTE 18 - OTHER LIABILITIES

As of December 31, 2013 and 2012 other liabilities included:

	2013	2012
Deferred deposits	205	215
Consolidated labor liabilities	2,259	1,997
Collection of securitized accounts receivable (see Note 6)	30,571	31,666
Prepaid income (see Note 6)	35,724	46,866
Deferred tax	162	-
Total	68,921	80,744

(1) Prepaid income

It corresponds to the resources received in advance from various Ministries of the Colombian Government and the Departments to subsidize loans granted to people in priority sectors of the country. (See Note 6).

NOTE 19 - SHAREHOLDERS' EQUITY

Capital

As of December 31, 2013 and 2012, Findeter's subscribed and paid-in capital was composed by 7,915,873, 7,623,328 shares respectively, par value COP100,000 each, out of which 92.55% corresponded to the Colombian Nation and 7.20% to the departments (states) of the country.

Reserves

Following is the detail of the reserves set up with earnings from prior years:

	2013	2012
Legal reserve (1)	39,920	36,806
Occasional reserves (2)	23,619	24,207
Total	63,541	61,016

(1) According to Colombia's commercial legislation, 10% of the net earnings of the period must be provided to a legal reserve, until such balance is equivalent to 50% of the subscribed capital.

(2) Occasional reserves may be freely disposed of by the shareholders' meeting; however, according to Colombian legal regulations, Findeter is not subject to mandatory investments or cash distribution of dividends.

NOTE 20 - CONTINGENT AND MEMORANDUM ACCOUNTS

As of December 31, 2012 and 2013 contingent and memorandum accounts included the following:

	2013	2012
Credit contingent accounts (1)	27,070	35,371
Debit memorandum accounts		
Tax value of assets	6,883,454	4,842,810
Values placed in custody	6,141,989	5,672,454
Unused lines of credit	301,241	53,047
Value assigned to assets given in trust (2)	215,006	499,265
Other assets (3)	63,872	44,377
Other	50,375	38,229
Total	13,655,937	11,150,182
Credit memorandum accounts		
Assets and values received as collateral	7,431,521	6,859,117
Rating of accounts receivable with admissible collateral (4)	6,104,372	5,662,105
Tax value of equity	949,854	907,107
Inflation adjustment on equity	309,240	309,240
Capitalization from reappraisal	309,240	309,240
Fair value of hedged exchange liabilities (5)	74,762	108,266
Other	52,819	84,254
Total	15,231,808	14,239,329

(1) It records the amounts claimed by judicial litigations against Findeter for $10,363 million and the obligation to make investments in Fondo de Capital Privado ASHMORE for $16,434 million.

(2) It corresponds to the year-end balance of Findeter trust rights in Fondo Nacional de Garantías for $59,340, Helm Fiduciaria (Securitization) for $48,519 million, Fiduciaria Bogotá Preinversión for $14,511, and Fiduciaria Bogotá Aguas for $92,637.

(3) This item records the rights in equity investments in Fondo de Capital Privado ASHMORE for $38,871 and in Fondo Nacional de Garantías for $25,000.

(4) According to the guidelines of Colombia's Finance Superintendency - SFC, Findeter registers the amounts corresponding to principal, interests and other commercial credit concepts covered by the collaterals considered as admissible according to the aging of the default.

(5) It records the present value of the liability positions covered by derivative operations, using the zero percent coupon rate applied at the appraisal.

NOTE 21 - OTHER GENERAL EXPENSES

Other general expenses comprised the following:

	2013	2012
Taxes other than income tax	10,340	11,828
Tax on equity	13,172	13,172
Industry and commerce tax	5,704	6,102
Rentals	2,724	1,941
Contributions and affiliations	3,518	2,973
Insurance policies	1,108	471
Maintenance and repairs	887	1,065
Renovation of facilities	18	23
Depreciation	918	916
Amortization	486	428
Cleaning and surveillance services	571	597
Temporary services	5,487	2,268
Publicity and advertising	690	216
Public relations	2	5
Public utilities	457	369
Travel expenses	1,213	841
Transport	437	345
Supplies and stationery	302	229
Other miscellaneous	2,880	1,990
Total	50,914	45,781

NOTE 22 - OTHER EXPENDITURES, NET

Non-operating income and expenses included the following as of December 31:

	2013	2012
Non- Operating income		
Income on sale of properties	168	5
Leasing	93	64
Reimbursement of provisions for litigation in process	1,165	559
Other recoveries (1)	7,565	4,605
Reimbursement provisions	190	142
Total non - operating income	9,181	5,375
Non-operating expenditures		
Penalties and sanctions on suits - Provision	1,365	122
Loss on the sale of properties	12	0
Profit expense on programs	80	730
Offset rate (2)	5,122	2,858
Offset rate yield - Ministry of Finance	539	1,152
Loss due to disasters and fiscal contribution of Nation's General Controller	6,420	1,003
Other	1	3

Total non-operating expenditures	13,539	5,868
Total	(4,358)	(493)

(1) It includes provision recoveries due to exchange rate variances that affect the entity's rights and liabilities in foreign currency for $6,500 million and income tax refunds for $720 million.

(2) Findeter shareholders' meeting authorized that occasional reserves are set up from its earnings to cover credit granting with below market interest rates for fiscal restructuring and education programs. As a result of these special credit lines, Findeter records annually in its non-operating expenditure accounts the interest amount covered by the indicated credit lines.

NOTE 23 - TRANSACTIONS WITH RELATED PARTIES

The fees paid to the members of Findeter´s Board of Directors during the years ended on December 31, 2013, 2012 and 2011 amounted to $202,493, $114,467, and $50,882, respectively.

The balances of credit operations with Findeter managers, which are included in the same conditions as all other employees loans, and the interests accrued as of December 31, 2013, 2012 and 2011, amounted to:

Principal			Interests		
2013	2012	2011	2013	2012	2011
2,660	2,264	1,169	61	75	39

NOTE 24 - SUBSEQUENT EVENTS

No economic facts have occurred after the cut-off date (subsequent events) that may affect Findeter's financial position, perspectives, or that may raise doubts on its continuity as a going concern.

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

INTERIM BALANCE SHEETS
(COP Millions)

Assets	Notes	March 31, 2014 (unaudited)	December 31, 2013
Cash and deposits due from banks		444,110	357,900
Inter-bank borrowing	3	132,750	46,300
Investments	4		
Debt securities			
Negotiable		23,194	6,012
Equity securities			
Negotiable		44,685	38,871
Available for sale		25,000	25,000
Total equity securities		69,685	63,871
Total investments		92,879	69,883
Loan accounts receivable	5		
Commercial		6,432,120	6,066,593
Consumer		3,084	3,233
Mortgage		36,400	33,291
Total loan accounts receivable		6,471,604	6,103,117
Provisions for loan accounts receivable		(68,855)	(65,279)
Total loan accounts receivable		6,402,749	6,037,838
Accounts receivable, net	6	65,441	50,016
Derivative instruments	7	1,088	1,134
Goods received as payments		77	46
Property, plant and equipment, net	8	4,359	4,599
Property given in trust	9	123,652	122,394
Other assets	10	31,316	32,517
Assets reappraisal	11	37,207	36,528
Total assets		7,335,628	6,759,155
Memorandum accounts	19		
Debit		13,664,657	13,655,937
Trust		14,341	6,617
Credit offsetting accounts		15,893,219	15,231,808
Total memorandum accounts		29,572,217	28,894,362

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

BALANCE SHEET (CONTINUED...)
(COP Millions)

Liabilities and Shareholders' Equity	Notes	March 31, 2014 (unaudited)	December 31, 2013
Liabilities			
Deposits			
Certificates of deposit	12	5,738,654	5,197,192
Derivative instruments	9	1,313	659
Long-term financial liabilities			
Due to banks and other financial entities	13	524,849	493,226
Outstanding investment securities	14	12	22
Accounts payable	15	41,695	37,793
Estimated liabilities and provisions	16	33,533	36,955
Other liabilities	17	61,833	68,921
Total liabilities		6,401,889	5,834,768
Shareholders' Equity			
Subscribed and paid-in capital	18	791,587	791,587
Surplus from donations		-	-
Appropriated retained earnings	18	63,541	63,541
Unrealized gain (loss) from transactions with hedge derivatives		1,655	1,311
Income for the year		8,329	31,420
Income for the past year		31,420	-
Surplus from reappraisal		37,207	36,528
Total shareholders' equity		933,739	924,387
Total liabilities and shareholders' equity		7,335,62	6,759,155
Memorandum accounts	19		
Credit		15,893,219	15,231,808
Trust		14,341	6,617
Debit offsetting accounts		13,664,657	13,655,937
Total memorandum accounts		29,572,217	28,894,362

The accompanying notes are an integral part of the Financial Statements

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

INTERIM INCOME STATEMENTS
(COP Millions)

		Quarterly periods ended March 31	
		2014 (unaudited)	2013
Interest income			
Interest on loan accounts receivable		100,977	105,661
Interest on debt securities investments		262	-
Interest on inter-bank loans, bank accounts and other instruments		5,695	7,780
Total interest income		106,934	113,441
Interest and similar expenses			
Certificates of deposit		(72,294)	(78,276)
Financial liabilities with banks and financial entities		(2,193)	(2,036)
Total interest expense and similar expenses		(74,487)	(80,312)
Net interest income		32,447	33,129
Provisions			
Provisions for loans and accounts receivable		(3,792)	(3,076)
Other provisions		(715)	(455)
Total provisions		(4,507)	(3,531)
Interest income net of provisions		27,940	29,598
Income from commissions and fees		8,152	4,715
Expenses from commissions and fees		(1,055)	(1,096)
Net income from commissions and fees		7,097	3,619
Other income (loss)			
Net income (loss) on equity securities investments		1,963	(126)
Net income (loss) on derivatives valuation		901	(624)
Net income (loss) on exchange difference		(1,481)	(3,751)
Other		(838)	442
Total other income (loss)		545	(4,059)
Other expenditures			
Personnel expenses		(8,004)	(6,709)
Overhead expenses	20	(14,689)	(11,328)
Other, net	21	755	1,550
Total other expenditures		(21,938)	(16,487)
Income before income tax provision		13,644	12,671
Income tax expense		(5,315)	(4,373)
Net income		8,329	8,298
Net income per share (in COP)		1,052	1,088

The accompanying notes are an integral part of the Financial Statements

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

AS OF MARCH 31, 2014, 2013
(COP Millions)

	Subscribed and paid-in capital	Surplus from donations	Appropriated retained earnings	Unrealized gains from transactions with derivatives	Non-appropriated retained earnings	Surplus due to reappraisal	Total Equity
Balance as of December 31, 2012	762,333	641	61,016	(1,723)	31,138	19,690	873,095
Accumulated unrealized gains or losses	-	-	-	705	-	-	705
Net income for the period	-	-	-	-	8,297	-	8,297
Balance as of March 31, 2013 (unaudited)	762,333	641	61,016	(1,018)	39,435	19,690	882,097
Balance as of December 31, 2013	791,587	-	63,541	1,311	31,420	36,528	924,387
Assets reappraisal and Depreciation	-	-	-	-	-	680	680
Accumulated unrealized gains or losses	-	-	-	344	-	-	344
Net income for the period	-	-	-	-	8,328	-	8,328
Balance as of March 31, 2014 (unaudited)	791,587	-	63,541	1,655	39,748	37,208	933,739

The accompanying notes are an integral part of the financial statements

FINANCIERA DE DESARROLLO TERRITORIAL S. A. - FINDETER

STATEMENT OF CASH FLOWS
(COP Millions)

	Quarterly periods ended March 31	
	2014 (unaudited)	2013
Cash flows from operating activities		
Interests on rediscount and other accounts receivable	90,415	94,372
Trust management commission	1,711	1,212
Other revenues	9,293	5,572
Payroll payment and other personnel expenses	(5,512)	(4,153)
Other administrative expenses	(40,886)	(77,080)
Issuance of certificates of deposit	910,247	452,550
Payment of certificates of deposit	(462,301)	(455,003)
Collection of rediscount and other accounts receivable	374,810	531,368
Disbursements of rediscount and other accounts receivable	(709,187)	(761,493)
Total funds (used in) provided by operating activities	168,590	(212,655)
Cash flows from investment activities		
Investments redemption and earnings charge	1,869,999	1,225,092
Acquisition of investments	(1,975,909)	(1,292,084)
Acquisition of property and equipment	(275)	(443)
Net assets restatement in foreign currency	3,044	5,986
Total funds (used in) provided by investment activities	(103,141)	(61,450)
Cash flows from financing activities		
Loans granted by banks and financial entities	29,679	88,092
Payment of loans of banks and financial entities	(10,863)	(9,702)
Transactions with derivatives	1,945	(1,496)
Total funds (used in) provided by financing activities	20,761	76,893
Cash (decrease) increase	86,210	(197,212)
Cash at the beginning of the period	357,900	592,766
Cash at the end of the period	444,110	395,555

The accompanying notes are an integral part of the financial statements

FINANCIERA DE DESARROLLO TERRITORIAL S. A. FINDETER

NOTES TO THE FINANCIAL STATEMENTS

AS OF MARCH 31, 2014 AND DECEMBER 31, 2013

(Figures expressed in COP millions, except for USD and the number of shares)

NOTE 1 - MAIN POLICIES AND ACCOUNTING PRACTICES

Findeter uses the standards prescribed by the Finance Superintendency of Colombia and the Nation's General Accountant on its accounting records and to prepare its financial statements for the aspects not prescribed by the Finance Superintendency or General Accountant they apply generally accepted accounting principles in Colombia, as per Decree 2649 of 1993.

The same year-end accounting policies were used for the preparation of the financial statements and no changes have arisen at the cutoff date reported.

NOTE 2 - POSITIONING IN FOREIGN CURRENCY

As of March 31, 2014 and December 31, 2013, Findeter had the following assets and liabilities in foreign currency at is equivalent in U.S. Dollars, which were translated into Colombian Pesos at the market representative exchange rate on that date, as certified by Colombia's Finance Superintendency, which was COP1,969.45 as of March 31, 2014, and COP1,926.83 as of December 31, 2013, per USD1.

	2014		2013	
	USD (thousands)	COP	USD (thousands)	COP
Assets				
Cash on hand and in banks	65,423	128,848	56,269	108,420
Loan accounts receivable	167,247	329,385	162,591	313,285
Accounts receivable interests	1,279	2,518	675	1,301
Derivatives (1)	12,053	23,737	19,087	36,776
Total assets	246,002	484,488	238,622	459,782
Liabilities				
Derivatives (1)	(21,697)	(42,732)	(19,696)	(37,951)
Liabilities with banks and other financial entities	266,495	524,848	255,978	493,226
Interests on financial liabilities and commissions	1,426	2,808	1,019	1,963
Total Liabilities	246,224	484,924	237,301	457,238

Net asset position	(222)	(436)	1,321	2,544

(1) In order to cover its exchange exposure, Findeter has entered into derivative hedge contracts (see Note 9).

These amounts represent the value of the rights acquired or to be paid pursuant to the contracts entered into, and not their fair value (see Note 9).

NOTE 3 - INTER-BANK LOANS

The account in the balance as of March 31, 2014 and December 31, 2013, includes loans granted to Corporación Financiera Colombiana with terms less than 30 days and effective interest rates of 3.08% and 3.1% in 2014 and 3.27% in 2012.

NOTE 4 - INVESTMENTS

As of March 31, 2014 and December 31, 2013 investments were comprised as follows:

	March 31, 2014 (unaudited)	December 31, 2013
Negotiable debt securities		
Certificates of deposit in Colombian financial entities (1)	23,194	6,012
Negotiable equity securities		
ASHMORE Private capital fund (2)	44,685	38,871
Available for sale equity securities (3)	25,000	25,000
Total investments	92,879	69,883

(1) Corresponds to three certificates of deposit in three Colombian financial entities, which maturity and weighted interest rate are 274 days and 5.5% annual effective. The variation compared to the balance presented as of December 31, 2013 is due to a higher liquidity situation by the Financial entity, and because these instruments provide higher profitability than active interbank operations and savings accounts.

(2) By means of decree 1070 of April 08, 2010, the Ministry of Finance and Public Credit authorized the investment in private capital funds, which investment policy is related to Findeter's corporate purpose. The Board of Directors on April 26, 2010, considered and approved the investment in 'Fondo de Infraestructura Colombia ASHMORE FCP'.

The fund has additional support by the International Development Bank - BID, the Andean Development Corporation - CAF, the Colombian Government and Bancoldex, and Ashmore Investment Limited acts as manager and its counterparty in Colombia is INVERLINK; Fiduciaria FIDUCOR acts as the administrator.

The fund was created with a 15-year investment term and a 5-year period to make contributions. Fund investments are mainly directed to projects related to transport, electric power, gas and oil, water, telecommunications and satellites, garbage and waste management, logistics infrastructure, social infrastructure, and others.

Findeter's investment commitment is up to $40,000, in conformity with the fund´s regulations. Findeter's president signed the commitment for the investment dated July 1, 2010.

At the end of the period, Findeter´s share in the Fund was 12.8489%.

In February 2014, a capital call was received for $3,851 million, which became the main event during the quarter, related to this investment along with appraisals for $2,511 in January and March and depreciations for $549 million in February.

(3) Investments available for sale in equity securities include mainly an investment in the Fondo Nacional de Garantías, another industrial and commercial company of the Colombian government, dedicated to promoting the accessibility of credit for the financial entities to small and medium size companies by granting guarantees on such loans made by the financial entities to small and medium size companies. The investment amounts to COP25,000 and Findeter's share is 6.75%.

NOTE 5 - LOAN ACCOUNTS RECEIVABLE

As indicated by Note 1, the Colombian government has established, through Findeter´s operations and its corporate purpose, specific programs for the promotion of regional and urban development of Colombia by providing funding and programs assessment to Colombian municipalities and departments, and to Colombian individuals and private companies. Under such programs, private and state banks and Colombian financial entities receive a line of credit approved by a client with access to one of the programs opened by Findeter. The bank that receives the line of credit makes a full credit analysis of the ultimate borrower, according to the credit policies and the policies established by Findeter for such purpose. If such policies are met to the bank's satisfaction, it requires Findeter to disburse the corresponding amount to the bank. Based on such request, Findeter conducts its own analysis, and if its policies are met, it disburses the funds to the bank. The banks, in turn, make the disbursement to their clients and assume the total credit risk with the client. Loans are granted by the intermediary financial entities to the clients at interest rates below the market rates and such entity's income for administrative costs and for assuming the credit risk, correspond to the difference between the placement interest rates and the rates used by Findeter to lend the resources, also at rates below the market. Findeter, in turn, assumes the credit risk of the intermediary financial entity.

According to the above, following is the detail of the loans granted as of March 31, 2014 and December 31, 2013, classified by the origin of Findeter's resources:

	2014 (unaudited)	2013
Resources provided by multi-lateral banking entities (1)		
Inter-American Development Bank - BID (as per its acronym in Spanish) In Colombian Pesos	186,701	178,209
In foreign currency	165,921	164,919
Total resources provided by BID	352,622	343,128
French Agency for the Development - AFD (as per its acronym in Spanish)	73,668	73,757

German Development Bank - KFW	267	294
Total resources provided by other multilateral banks	73,935	74,051
Resources provided by other entities of the Colombian Government (2)	1,222,005	968,527
Resources provided by Findeter´s certificates of deposit program and own resources (3)	4,629,428	4,540,513
Accounts receivable in dollars with Findeter´s own resources	163,464	148,367
Loans to employees (4)	30,150	28,532
Total	6,471,604	6,103,117

(1) Credits granted with resources from these multilateral banks in installments that may be of up to 30 years with variable interest rates that vary according to the consumer price index (IPC as per its acronym in Spanish) plus 3.3% and 5% and average interest rates for term deposits of the Colombian financial system between DTF and DTF + 3%.

(2) With the purpose of promoting the development of certain economic sectors that are a priority in the country for the Colombian government, Findeter grants loans with its own funding resources through banks to the individuals or entities eligible for the benefit of loans at subsidized rates as compared to the rates Findeter uses in its regular financing lines. The difference between the placement rates on such loans and the rates applied to Findeter´s regular financing lines is assumed by other Government entities like such as certain Ministries of the Central government and the Colombian departments and municipal entities.

When the funds sent by the above mentioned entities to assume the subsidy are received by Findeter, they are recorded as a liability as prepaid interest and are amortized taking them to income, to the extent they are accrued. These loans terms are up to 12 years with up to 3-year grace periods to amortize the principal and the rates offered to the clients are at DTF plus 1% to 2%.

During the period comprised from January 1 and March 31, 2014, disbursements were made for $544,024 million through lines with interest rates subsidized by other entities of the Colombian Government and Findeter special lines, out of which 53.3% corresponded to rates subsidized by other entities of the Colombian Government and 46.7% to Findeter resources.

Additionally, resources were received for capital amortization, advances and payments in advance for COP42,457 million, out of which 86.1% corresponds to lines with interest rates subsidized by other entities of the Colombian Government and 13.9% to Findeter resources.

(3) Findeter´s regular financing lines are funded through the issuance of certificates of deposit into the national market. The loans offered have a 15-year term with a 3-year grace period for the principal, with interest rates that vary between DTF plus 2.20% paid quarterly in advance, to DTF plus 3.30% paid quarterly in advance.

During the period comprised between January 1 and March 31, 2014, $161,159 were disbursed and capital amortization, advances and payment in advance revenues were received for COP301,913 million.

(4) Loans to employees are granted especially for housing and consumer loans to a lesser degree. Mortgage loans are granted with terms of up to 20 years with interest rates of the Consumer Price Index for housing credits and DTF for consumption loans.

Below you will find the detail of the loans accounts receivable per financial intermediary, through which Findeter´s loans are placed, which entirely assumes the clients -credit risk and Findeter assumes the credit risk of the financial intermediary:

	March 31, 2014 (unaudited)	December 31, 2013
Financial entities supervised by the Finance Superintendency		
Banco Davivienda	1,608,392	1,445,246
Banco Colpatria	573,021	641,526
Leasing Bancolombia	1,052,986	965,618
GNB Sudameris	598,940	560,590
Bancolombia	686,889	569,127
Banco de Occidente	413,265	414,982
Banco de Bogotá	465,692	422,617
Other financial intermediaries with individual balances below $200,000 in 2014	727,006	705,871
Subtotal	6,126,191	5,725,577
Entities supervised by other State control entities		
Family Welfare Funds (1)	43,908	45,723
Cooperatives	101,982	118,185
Territorial Finance Entities (2)	159,363	171,775
Other	10,011	13,325
Loans to employees	30,150	28,532
Subtotal	345,414	377,540
Total	6,471,604	6,103,117

(1) Non-profit private Colombian entities that manage contributions of all employees to carry out welfare activities for their affiliates.

(2) Financial entities created by Colombian departments and municipalities that participate of the economic and social development projects of such Government entities.

The following is the detail of the loan accounts receivable for the performance of infrastructure works in various sectors:

	March 31, 2014 (unaudited)	December 31, 2013
Transportation	2,152,292	2,045,699
Urban development, construction and housing	1,213,681	1,201,382
Energy	896,253	681,789
Health	582,461	604,683
Potable water and basic sanitation	596,267	589,659
Education	475,508	412,892
Tourism	218,801	221,277
Environmental	78,512	86,978
Telecommunication	78,206	79,002
Sport, recreation and culture	31,081	32,818
Fiscal governance	109,058	110,412
Other activities (1)	39,484	36,526
Total	6,471,604	6,103,117

(1) The “other” category above consists solely of consumer and mortgage loans to our employees.

The following is the detail of the loan accounts receivable per risk levels and provisions:

March 31, 2014 (Unaudited)

Category	Principal	Interests	Provision capital	Provisions Interests
A	6,468,269	31,387	377	-
B	34	4	104	-
C	65	-	126	-
D	-	-	-	-
E	3,236	201	3,833	201
General provision	-	-	64,415	-
Total	6,471,604	31,592	68,855	201

December 31, 2013

Category	Principal	Interests	Provision capital	Provisions Interests
A	6,098,176	37,579	348	-
B	646	4	130	-
C	350	4	110	3
D	-	-	-	-
E	3,945	215	3,945	215

General provision	-	-	60,746	-
Total	6,103,117	37,802	65,279	218

The following is the movement for the protection provision of loan accounts receivable at March 31, 2014 and 2013:

	2014 (unaudited)	2013
Balance at the beginning of the period	65,279	60,512
Provisions created during the period	3,826	3,084
Provisions reversal	(250)	(188)
Balance at the end of the period	68,855	63,408

Securitization of the loan accounts receivable

This funding mechanism makes available additional funding lines space and improves the solvency levels without increasing Findeter's liabilities.

An independent trust fund was set up in Helm Fiduciaria for this operation, called "Fideicomiso Titularización TIF", were by the Trust company will only act as its spokesperson and manager and Findeter is the originator and manager of the securitized accounts receivable.

In November 2012, at the time of the operation, securities for $289.650 were assigned as presented below:

Term (months)	Amount assigned (COP)	Rate	Cutoff rate % (T.A.)	Part. (%)
24	99,650	DTF	1.27	34.40%
48	91,500	DTF	1.55	31.59%
72	98,500	DTF	1.71	34.01%
Total	289,650	DTF	1.51	100.00%

As collateral for this transaction, Findeter endorsed promissory notes for $317,011 in the name of the independent trust fund, considering 8% collateral over the amount assigned.

As of March 31, 2014 and December 31, 2013, the total underlying assets balance amounted to $135,175 and $159,874, respectively.

NOTE 6 - ACCOUNTS RECEIVABLE

As of March 31, 2014 and December 31, 2013, accounts receivable included the following:

	March 31, 2014 (unaudited)	December 31, 2013
Interests		
On loans accounts receivable	31,574	37,780
On inter-bank funds	62	8
On ex-employee accounts receivable	20	22
	31,656	37,810
Commissions		
On trust fund management	1	4
Advances to personnel	77	22
Advances on contracts and to suppliers	2,192	1,640
Interests paid by the Ministry of Finance due to the transfer of a liability (see Note 13)	344	394
Fondo Nacional de Garantías	122	191
Other (1)	31,267	10,160
Total commissions	34,003	12,407
Accounts receivable before provisions	65,659	50,221
Provision	(218)	(205)
Total accounts receivable	65,441	50,016

(1) It comprises the balance receivable from Fiduciaria Bogotá trust funds for the services provided under the 100,000 houses program and the water for prosperity program for $16,919, and it includes a charge for $14,213 to Ministry of Finance and Ministry of Education for interests on credit receivables with subsidized rate.

The following is the movement for the provision for protection of accounts receivable during the periods ended March 31, 2014 and 2013:

	2014	2013
Balance at the beginning of the period	235	238
Provisions created during the period	-	-
Provisions reversal	(17)	(33)
Balance at the end of the period	218	205

NOTE 7 - DERIVATIVE INSTRUMENTS

In compliance with the regulation issued on July 26, 2005, by Banco de la República (External Regulatory Circular - DODM 285) that requires public promotion entities to cover their exchange exposure, Findeter has been hedging the exchange rate exposure of its liabilities in foreign currency, particularly with Non - Deliverable Forward contracts, as well as swap operations since 2010. Additionally, there are savings accounts in U.S. Dollars that mitigate the exchange risk.

According to the guidelines of the Board of Directors, in order to carry out Findeter´s treasury operations, including operations with derivatives recorded in the balance sheet as of March 31, 2014, and December 31, 2013, the maximum negotiation limits per transaction must be considered (i.e. that the maximum amount that may be negotiated must be observed, depending on the authorized attributions).

Continuing with the hedge liabilities program, as of March 31, 2014, Findeter closed with a 99.92% hedging (100.5% as of December 31, 2013) using forwards and swaps, active credits and resources in checking accounts abroad.

The forward operations in force as of March 31, 2014 amounted to USD26,700,000 (USD28,700,000 as of December 31, 2013), and they were contracted with an average weighted devaluation of 3.02% (3.62% at December 31, 2013) The swap hedge operations in force amounted to USD7,068,849 (USD10,115,316 at December 31, 2013), out of which USD7,000,000 corresponded to currency swap and USD68,849 to interest rate swap (as of December 31, 2013, USD10,000,000 corresponded to currency swap and USD115,316 to interest rate swap).

As of March 31, 2014 and December 31, 2013, the balance of the hedge derivative instruments through Forward and Swaps was as follows:

	2014	2013
Assets		
Peso / Dollar forwards		
Value of right	9,847	17,339
Value of liability	(9,775)	(17,265)
Fair value	72	74
Swap		
Value of currency right and rate	13,890	19,437
Value of currency liability	(12,874)	(18,377)
Fair value	1,016	1,060
Total Assets	1,088	1,134
Liabilities		
Peso / Dollar forward		
Value of right	42,732	37,951
Value of liability	(44,045)	(38,610)
Fair value	(1,313)	(659)
Swap		
Value of currency right and rate	-	-
Value of currency liability	-	-
Fair value	-	-
Total liabilities	(1,313)	(659)

NOTE 8 - PROPERTY AND EQUIPMENT

The balance of property and equipment as of March 31, 2014 and December 31, 2013 comprised the following:

	2014	2013
Lands	1,908	1,908
Buildings	14,057	14,057
Furniture and supplies	2,790	2,790
Computing equipment	1,657	1,657
Vehicles	4	4
Total before accumulated depreciation	20,416	20,416
Accumulated depreciation	(16,057)	(15,817)
Total	4,359	4,599

As of March 31, 2014, property and equipment were duly protected against risks insurable in the country, and there are no liens on them.

NOTE 9 - PROPERTY GIVEN IN TRUST

The following is the detail of the entities where property is given in trust:

	March 31, 2014 (Unaudited)	December 31, 2013
Fondo Nacional de Garantías (1)	60,329	59,340
Fiduciaria Bogotá - Technical Assistance (2)	14,804	14,534
Helm Fiduciaria (3)	48,519	48,520
Total	123,652	122,394

(1) These funds were held in trust under a mandate contract, which purpose is to manage the resources to grant individual loans or real estate micro-loans exclusively destined to financing the construction, remodeling or acquisition of housing classified as social interest for low income people.

(2) Funds provided to this trust are to be used on financing and supporting pre-investment projects in a flexible and agile manner, timely responding to the needs of the beneficiaries. The trust includes a non-reimbursable social responsibility account, which allows Findeter to conduct strategic studies for the development of the country when funding sources limitations exist for conduct beneficiary. On the other hand, the pre-investment strategic account resources are reimbursable, and therefore, once the studies contracted are completed, the resources return to the fund, allowing the funding of new studies.

As of March 31, 2014 and December 31, 2013 the trust balance amounted to:

	March 31, 2014 (unaudited)	December 31, 2013
Pre-investment strategic account	10,166	9,900
Social responsibility account	4,638	4,634

(3) This is an irrevocable commercial trust agreement through which the loan accounts receivable were transferred, represented on promissory notes as part of the accounts receivable securitization process carried out in 2010 (see Note 3).

NOTE 10 - OTHER ASSETS

Other assets balance as of March 31, 2014 and December 31, 2013 comprised the following:

	2014	2013
Expenses paid in advance	1,248	507
Deferred charges		
Assets remodeling	2,242	2,455
Software	1,072	1,029
Deferred income tax	313	313
Total deferred charges	3,627	3,797
Excess of income tax advance and withholding	26,421	28,193
Other	20	20
Total	31,316	32,517

NOTE 11 - APPRAISALS AND SURPLUS FROM REAPPRAISAL

The reappraisals account balance as of March 31, 2014 and December 31, 2013 included the following:

	2014	2013
Investments available for sale	12,001	12,001
Property, plant and equipment	25,206	24,527
Total	37,207	36,528

NOTE 12 - CERTIFICATES OF DEPOSIT

The following is the detail of the certificates of deposit balance for the contractual maturity period determined at maturity or upon renewal:

	March 31, 2014 (unaudited)	December 31, 2013
Below 6 months	17,321	19,716
Between 6 and 12 months	293,738	284,749
Between 12 and 18 months	626,976	457,716
Over 18 months (1)	4,800,619	4,435,011
Total	5,738,654	5,197,192

(1) The balance of certificates and deposit issued over 18 months during the period January - March 2014 increased on 8.2%, i.e., COP365,608 million. This occurs because certificates of deposit were issued during the period under these conditions for COP1,058,655 million. Out of this amount, 46.9% correspond to funds raised through the Dutch auction carried out on February 18, 2014, 28.7% to the primary issue and 24.4% to renewal. Additionally, securities current at December 31, 2013 matured during Q1 2014, which met these conditions, for COP693,047 million.

NOTE 13- LOANS WITH BANKS AND OTHER FINANCIAL LIABILITIES

Financial liabilities were comprised as follows:

	March 31, 2014 (Unaudited)	December 31, 2013
In U.S dollars		
International Bank for Reconstruction and Promotion - BIRF (as per its acronym in Spanish)		
Loan SPDT 4345 (1)	12,009	11,749
Inter-American Development Bank - BID (as per its acronym in Spanish)		
Loan 977/OC-CO (2)	6,365	7,266
Loan SPDT 1066 (3)	16,738	18,195
Loan 1967/OC-CO (4)	82,060	80,285
Loan 2314/OC-CO (5)	147,709	144,512
Loan 2768/OC-CO (6)	147,709	115,610
Total BID	400,581	365,868
Andean Promotion Corporation - CAF (as per its acronym in Spanish)		
Loan without a code (7)	13,786	19,268
French Agency for the Development - AFD (as per its acronym in Spanish)		
Loan CCO1018K (8)	98,473	96,341

Total	524,849	493,226

(1) Contract entered into on July 31, 1998, destined to financing programs for the development, improvement or expansion of the provision of public utilities in the municipalities.

Basic loan conditions:

Amount approved:	USD75,000,000
Amount disbursed:	USD40,862,346
Term:	17 years
Grace period:	5 years
Payment method:	Semi-annually in arrears
Rate:	Libor rate 6 months + Spread
Commitment fees:	0,75% annual

(2) Contract celebrated on March 16, 1997, destined to the financing of modernizing programs of the departments, as well as its technical support. On November 21, 2001, by means of the contract for the partial cession of a loan with the Nation, USD4,000,000 were transferred to the Ministry of Finance to develop the investment project "Technical assistance, training and support for the development of information systems towards the institutional improvement and strengthening of the departments and municipalities".

Basic loan conditions:

Amount approved	USD40,000,000
Amount disbursed	USD14,260,579
Term	20 years
Grace period	4 years
Payment method	Semi-annually in arrears
Fixed	Rate 4.59% + BID margin
Commission fees	0.75% annual

(3) Contract subscribed on July 31, 1998, destined to the financing of investments, the strengthening of infrastructure at municipal level, and Findeter institutional strengthening.

Basic loan conditions

Amount approved:	USD60,000,000
Amount disbursed:	USD27,888,935.55
Term:	20 years
Grace period:	5.5 years
Payment method:	Semi-annually in arrears
Rate:	Fixed USD4.59% + BID margin
Commitment fees:	0.75% annual

(4) Contract entered into on December 9, 2008 that will allow Findeter to grant loans directed to the provision of public utilities:

Basic loan conditions

Amount approved:	USD50,000,000
Amount disbursed:	USD50,000,000
Term:	15 years
Grace period:	3.6 years
Payment method:	Semi-annually in arrears
Rate:	Libor three months + SLF* + BID margin
Commitment fees:	0,25% annual

*Sub-libor funding cost of the Inter-American Development Bank

(5) Contract entered into on August 5, 2011 that will allow Findeter to grant loans directed to the provision of public utilities:

Basic loan conditions

Amount approved	USD75,000,000
Amount disbursed	USD75,000,000
Term	20 years
Grace period	5.6 years
Payment method	Semi-annually in arrears
Rate	Libor three months + SLF + BID margin
Commission fees	0.25% annual

(6) Contract entered into on December 21, 2012 that will allow Findeter to grant loans directed to the provision of public utilities:

Amount approved	USD75,000,000
Amount disbursed	USD60,000,000
Term	25 years
Grace period	5 years
Payment method	Semi-annually in arrears
Rate	Libor 3m+SLF+BID margin
Commission fees	0.25% annual

In 2008, Findeter received a credit line for up to USD200 million from the Inter-American Development Bank line on which the aforementioned loans with such entity were disbursed.

(7) Contract entered into in July 2007; its resources were directed to the financing of working capital operations and investment projects to companies in the country´s productive sector.

Basic loan conditions

Amount approved	USD50,000,000
Term	7 years
Grace period	2 years

Payment method	Semi-annually in arrears
Disbursements	

Date	USD	Rate
September 13, 2007	30,000,000	Libor 6 months+1.25%
October 5, 2007	20,000,000	Libor 6 months+1.20%

(8) The Credit Lines Agreement without the Nation's guaranty was entered into with the French Development Agency on November 19, 2012, for USD191,340,000, which will allow Findeter to fund long-term projects directed to the development of the public and urban utilities infrastructure in Colombia.

Basic loan conditions

Amount approved:	USD191,340,000
Amount disbursed:	USD50,000,000
Term:	15 years
Grace period:	3 years
Payment method:	Semi-annually in arrears
Interest rate:	Fixed or floating

Varies for each disbursement requested
It may not exceed 5.89% annual and it shall not be lower than 0.25% annual

Availability fees	0.50% annual
Valuation fees	One single time 0.50% annual

The following is the accumulated maturity of the financial liabilities as of March 31, 2014 for the following years:

	Thousands of Dollars	Millions of Colombian Pesos
Less than one year	16,714	32,917
Over one year and up to five years	60,198	118,557
Over five years and up to ten years	85,417	168,224
Over ten years	104,167	205,151
	266,495	524,849

NOTE 14 - OUTSTANDING INVESTMENT SECURITIES

The outstanding investment securities correspond to liabilities assumed by Findeter in prior years from another Colombian Government entity, which were liquidated and matured since the year 1994, but have not been claimed by their holders. According to the terms of the securities' conditions, interests are accrued according to an appraisal methodology for private debt issuances in local markets with AAA rate carried out by the quotes supplier "Infovalmer".

NOTE 15 - ACCOUNTS PAYABLE

As of March 31, 2014 and December 31, 2013 accounts payable included balances for the following concepts:

	2014	2013
Interests payable		
Loans with banks and other financial liabilities	2,263	1,788
Outstanding investment securities	52	103
Certificates of deposit	34,256	33,005
Total interest payable	36,571	34,896
Fees and commissions	853	212
Suppliers	893	109
Labor withholdings and contributions	1,034	573
Sales tax payable	559	1,058
Collections in favor of third parties	1,233	847
Property rentals	223	-
Other	329	98
Total	41,695	37,793

NOTE 16 - ESTIMATED LIABILITIES AND PROVISIONS

As of March 31, 2014 and December 31, 2013, estimated liabilities and provisions comprised the following:

	2014	2013
Income tax (1)	15,312	19,404
Income tax for Equality (2) -CREE as per its acronym in Spanish-	8,393	6,986
Industry and commerce (municipal) tax	490	920
Tax on equity (3)	3,293	4,391
Estimated accounts payable	-	636
Litigation (4)	4,821	4,618
Labor liabilities	984	-
Contributions and affiliations	240	-
Total	33,533	36,955

(1) Income Tax

As of March 31, 2014, taxable income in Colombia is subject to a 25% tax rate for income tax (25% in 2013).

The basis to determine the income tax may not be lower than 3% of its net equity on the last day of the preceding taxable year.

The integral inflation adjustments system was eliminated as from the taxable year 2007 for tax purposes, and the tax on occasional gains was reinstated for the companies on the total taxable occasional gain obtained by the taxpayer during the year. The single rate applicable on the taxable occasional gain is 10% (it was 33% until the year 2012).

Based on the above, the estimated income tax for each taxable year was determined as follows during the years ended on March 31, 2014 and December 31, 2013:

	2014	2013
Determination of the commercial taxable income		
Income before income tax	15,408	59,619
Non-taxable income	(2,351)	(10,338)
Non-deductible expenses	11,788	38,902
Deductible provisions	(9,212)	(10,566)
Taxable income	15,633	77,617
Determination of presumptive income:		
Net equity of the prior year	978,593	939,313
Decrease of presumptive income:		
Investments not subject to presumptive income	(3,605)	(3,412)
Presumptive income basis	974,988	935,901
Presumptive income at 3% rate	29,250	28,077
Net taxable income	15,633	77,617
Tax rate	25%	25%
Total tax for the period and year respectively	3,908	19,404
Last year provision	26,390	
Deferred tax adjustment	-	1,809
First tax quote paid on February 2014	(8,000)	-
CREE tax (see Numeral 2 below)	1,407	6,986
Total	23,705	28,199

(2) Income Tax for Equality (CREE as per its acronym in Spanish)

Colombia's National Congress created the Income Tax on Equality (CREE as per its acronym in Spanish) as of January 1, 2013, as the contribution made by companies in favor of employees, the generation of employment and social investment.

The basis to determine the income tax for equality - CREE, may not be lower than 3% of its net equity on the last day of the immediately preceding taxable year.

For years 2013, 2014 and 2015, the rate for the income tax for equality - CREE, will be 9%, and it will be 8% as from taxable year 2016.

As from July 1, 2013, companies are exempt of the payment of labor contributions to the National Training Service (SENA, per its Spanish acronym) and the Colombian Family Welfare Institute (ICBF, per its Spanish acronym) on their employees' salaries, which, in accordance with Colombian law, must be done by the companies with employees that earn, individually considered, up to ten monthly minimum salaries in force.

Based on the aforementioned, the CREE tax was determined as of March 31, 2014 and December 31, 2013:

	2014	2013
Determination of the commercial taxable income		
Income before income tax	15,408	59,619
Non-taxable income	(2,351)	(10,338)
Non-deductible expenses	11,788	38,902
Deductible provision	(9,212)	(10,566)
Taxable income	15,633	77,617
Determination of presumptive income:		
Net equity of the prior year	978,593	939,313
Decrease of the presumptive income basis		
Presumptive income at 3% rate	(3,605)	(3,412)
Presumptive income basis	974,988	935,901
Presumptive income at 3% rate	29,250	28,077
Net taxable income	15,633	77,617
Tax rate	9%	9%
Total tax for the period and year respectively	1,407	6,986

(3) Tax on Equity

Act 1370 of 2009, determined the tax on equity for year 2011 at the expense of the income taxpayers at a rate of 4.8%, payable into eight semi-annual installments until year 2014 for the periods 2011 to 2014, which applies to Findeter.

According to Colombian accounting standards, the above-referenced tax is annually accrued as a liability at the installments corresponding to the year against income.

(4) Litigation

Based on the report of the processes currently filed against Findeter, despite there are possibilities to dismiss the matters of some of the lawsuits, management created provisions for all of them, as follows at March 31, 2014 and December 31, 2013:

	2014 (Unaudited)	2013
Labor processes		
Labor	3,291	3,291
Damages to third parties	1,490	480
Other suits	40	847
	4,821	4,618

As of March 31, 2014, Findeter processes corresponded to thirty-one ordinary labor processes, as a result of the entity's restructuring in 2003 for a maximum individual amount of COP434, one (1) petition for direct recompense of an ex-public servant that sued Findeter for moral and material damages, and fifteen (15) so-called “other proceedings”, that correspond to one (1) action derived from the action to protect the basic constitutional rights of an individual and fourteen (14) processes where Findeter acts as a Claimant and the provision corresponds to the legal proceedings costs.

NOTE 17 - OTHER LIABILITIES

As of March 31, 2014 and December 31, 2013 Findeter’s other liabilities comprised the following:

	March 31, 2014 (Unaudited)	December 31, 2013
Deferred deposits	193	205
Consolidated labor liabilities	2,212	2,259
Collection of securitized accounts receivable (see Note 4)	35,311	30,571
Prepaid income (1)	23,955	35,724
Deferred tax	162	162
Total	61,833	68,921

(1) Prepaid income

It corresponds to the resources received in advance from various Ministries of the Colombian Government and the Departments to subsidize loans granted to people in priority sectors of the country. (See Note 4).

NOTE 18 - SHAREHOLDERS' EQUITY

Capital

As of March 31, 2014 and December 31, 2013, Findeter's subscribed and paid-in capital was composed of 7,915,873 shares, par value COP100,000 each, out of which 92.55% corresponded to the Colombian Nation and 7.20% to the departments (states) of the country.

Reserves

The following is the detail as of March 31, 2014 and December 31, 2013 of the reserves set up with earnings from prior years:

	2014	2013
Legal reserve (1)	39,920	39,920
Occasional reserves (2)	23,621	23,621
Total	63,541	63,541

(1) According to Colombia's commercial legislation, 10% of the net earnings of the period must be provided to a legal reserve, until such balance is equivalent to 50% of the subscribed capital.

(2) Occasional reserves may be freely disposed of by the shareholders' meeting; however, according to Colombian legal regulations, Findeter is not subject to mandatory investments or cash distribution of dividends.

NOTE 19 - CONTINGENT AND MEMORANDUM ACCOUNTS

As of March 31, 2014 and December 31, 2013 contingent and memorandum accounts included the following:

	2014	2013
Credit contingent accounts (1)	33,434	27,070
Debit memorandum accounts		
Tax value of assets	6,883,454	6,883,454
Values placed in custody	6,147,803	6,141,989
Unused lines of credit	280,151	301,241
Value assigned to assets given in trust (2)	216,263	215,006
Other assets (3)	69,685	63,872
Other	67,301	50,375
Total	13,664,657	13,655,937
Credit memorandum accounts		
Assets and values received as collateral	7,741,042	7,431,521
Rating of accounts receivable with admissible collateral (4)	6,463,695	6,104,372
Tax value of equity	949,854	949,854
Inflation adjustment on equity	309,240	309,240
Capitalization from reappraisal	309,240	309,240
Fair value of hedged exchange liabilities (5)	66,489	74,762
Other	53,659	52,819
Total	15,893,219	15,231,808

(1) It records the amounts claimed by judicial litigations against Findeter for $16,999 million and the obligation to make investments in Fondo de Capital Privado ASHMORE for $16,434 million.

(2) It corresponds to the year-end balance of Findeter trust rights in Fondo Nacional de Garantías for $59,340, Helm Fiduciaria (Securitization) for $48,519 million, Fiduciaria Bogotá Preinversión for $14,511, and Fiduciaria Bogotá Aguas for $92,637.

(3) This item records the rights in participative investments in Fondo de Capital Privado ASHMORE for $44,685 and in Fondo Nacional de Garantías for $25,000.

(4) According to the guidelines of Colombia's Finance Superintendency - SFC, Findeter registers the amounts corresponding to principal, interests and other commercial credit concepts covered by the collaterals considered as admissible according to the aging of the default.

(5) It records the present value of the liability positions covered by derivative operations, using the zero percent coupon rate applied at the appraisal.

NOTE 20 - OTHER GENERAL EXPENSES

As of March 31, 2014 and March 31, 2013, other general expenses comprised the following:

	2014	2013
Taxes other than income tax	2,537	2,633
Tax on equity	3,293	3,293
Industry and commerce tax	1,451	1,479
Rentals	838	622
Contributions and affiliations	918	826
Insurance policies	180	235
Maintenance and repairs	337	180
Renovation of facilities	2	2
Depreciation	240	227
Amortization	331	78
Cleaning and surveillance services	160	102
Temporary services	3,037	665
Publicity and advertising	304	246
Public relations	2	1
Public utilities	123	89
Travel expenses	389	244
Transport	21	82
Supplies and stationery	92	62
Other miscellaneous	334	262
Total	14,689	11,328

NOTE 21 - OTHER EXPENDITURES, NET

Non-operating income and expenses included the following as of March 31, 2014 and March 31, 2013:

	2014	2013
Non-operating income		
Income on sale of properties	2	-
Rentals	25	18
Reimbursement of provisions for litigation in process	-	378
Other recoveries (1)	1,501	2,611
Reimbursement provisions	132	65
Total non- operating income	1,660	3,072
Non-operating expenditures		
Penalties and sanctions on suits - Provision	205	299
Loss on the sale of properties	-	11
Subsidized credits rate (2)	610	594
Subsidized credits rate - Ministry of Finance	-	111
Loss due to disasters and fiscal contribution of Nation's General Controller	87	506
Other	3	1
Total non- operating expenditures	905	1,522

Total other expenditures, net	755	1,550

(1) It includes $637 originated in recoveries of provision over services and income tax refunds for $512 million

(2) Findeter shareholders' meeting authorized that occasional reserves are set up from its earnings to cover credit granting with below market interest rates for fiscal restructuring and education programs. As a result of these special credit lines, Findeter records annually in its non-operating expenditure accounts the interest amount covered by the indicated credit lines.

NOTE 21 - TRANSACTIONS WITH RELATED PARTIES

The fees paid to the members of Findeter´s Board of Directors during at March 31, 2014 and December 31, 2013 amounted to $39 and $202, respectively.

The balances of credit operations with Findeter managers, which are included in the same conditions as all other employee loans, and the interests accrued as of March 31, 2014 and December 31, 2013 amounted to:

Principal		Interests	
2014	2013	2014	2013
2,511	2,582	14	61

NOTE 23 - SUBSEQUENT EVENTS

No economic facts have occurred after the cutoff date (subsequent events) that may affect the financial position, Findeter's perspectives, or that may raise questions on it as a going concern.

FINANCIERA DE DESARROLLO TERRITORIAL S.A. – FINDETER

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