



Financiera de Desarrollo Territorial S. A. - FINDETER

*Report for the period between **January 1 and March 31, 2018***

*Condensed Financial Statements under Financial Information Accounting Standards
Adopted in Colombia (NCIF)*

1Q-2018



Financiera de Desarrollo Territorial S. A. - Findeter

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(Figures expressed in thousands except number of shares)

Original version dully signed

1. Entidad que reporta

The Financiera de Desarrollo Territorial SA, hereinafter Findeter, was constituted by public deed number one thousand five hundred and seventy (1570) dated May 14, 1990, with operating authorization issued by the Financial Superintendence of Colombia through Resolution No. 3354 of 17 September 1990. Findeter is a joint-stock company incorporated under the laws of the Republic of Colombia with its principal domicile in the city of Bogotá at Calle 103 No. 19-20, organized as a credit establishment, linked to the Ministry of Finance and Public Credit of the Colombian Government, subject to the control and surveillance of the Financial Superintendence of Colombia. Its main shareholder is the National Government of Colombia through the Ministry of Finance and Public Credit with a 92.55% stake.

Its main domicile is the city of Bogotá, and it currently has five regional offices, and two areas, for a total of seven offices in the country. Its term of duration is indefinite.

The corporate purpose of Findeter is the promotion of regional and urban development, through funding and advice, mainly to municipalities and departments of Colombia regarding the design, implementation and management of projects or investment programs, in projects such as construction, expansion and replacement of infrastructure in the sectors of drinking water, roads, educational facilities, sports facilities, hospitals and health services, etc., as well as the execution of those activities that may be assigned by law or those assigned by the national government.

The development of its corporate purpose is defined by Decree 663 of 1993. Findeter acts as a second-tier development bank, granting loans to state entities or private companies dedicated to the development of construction, expansion and replacement of infrastructure projects, and technical assistance in the aforementioned sectors, through the entities of the Colombian financial system, which assume the total credit risk with the client and Findeter assuming the credit risk of the financial institution, at interest rates that are generally below the market value, which are financed with resources from multilateral agencies, public fundraising through certificates of deposit, issuance of bonds on the domestic and international markets and its own resources.

At the meeting of the Board of Directors on April 24 of this year, according to act 335, the financial management was presented to March 31, 2018.

2. Note (2) Declaration of compliance with the Financial Information Accounting Standards Accepted in Colombia

The financial statements have been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, regulated by Sole Regulatory Decree 2420 of 2015 modified by Decrees 2496 of 2015, 2131 of 2016 and 2170 of 2017.

Findeter applies to these individual financial statements the following exceptions contemplated in Title 4 Special Regimes of Chapter 1 of Decree 2420 of 2015.

Except in relation to:

- Treatment of the classification and valuation of investments as stipulated in IAS 39 and IFRS 9, in addition to the treatment of the loan portfolio and its impairment, recognition of impairment of assets received as payment or refunded, regardless of their accounting classification, for which the accounting provisions issued by the Financial Superintendence of Colombia included in the Basic Accounting and Financial Circular apply.

For legal purposes in Colombia, the individual financial statements are the financial statements used to distribute dividends, when applicable.

The financial statements of the Financiera de Desarrollo Territorial S.A. FINDETER, for the quarter ended March 31, 2018, have been prepared in accordance with the Accounting and Financial Information Standards Accepted in Colombia (NCIF) and especially those as required by IAS 34-Interim Financial Information and the provisions issued by the Financial Superintendence of Colombia applicable in the separate financial statements.

3. Significant accounting policies

The accounting policies applied in the Financial Statements of the Financiera de Desarrollo Territorial S.A. FINDETER, as of December 31, 2017, have been applied with these interim financial statements.

The items included in the financial statements of the Company are expressed in the currency of the primary economic environment where the entity operates, which is the Colombian peso, which is the functional currency and the presentation currency. All information is presented in thousands of pesos and has been rounded to the nearest unit.

The condensed separate interim financial statements of the interim period do not include all the information and disclosures required for an annual financial statement, for this reason it is necessary to read them in conjunction with the annual financial statements as of December 31, 2017. In accordance with IAS 34, the intermediate financial information and accounting policies used for the interim periods are the same as those applied in the preparation of the annual financial statements.

4. Judgments and estimates

Use of judgments and accounting estimates with significant effect on the financial statements

Findeter makes estimates and assumptions that affect the amounts recognized in the financial statements and the book value of the assets and liabilities within the next accounting period. The judgments and estimates are continually evaluated and are based on the experience of Findeter and other factors, including the expectation of future events that are believed to be reasonable.

Findeter also makes certain judgments other than those involving estimates in the process of applying the accounting policies. The judgments that have the most important effects on the amounts recognized in the financial statements and the estimates that may cause an adjustment in the book value of the assets and liabilities in the year include the following:

i. Impairment of Financial Assets:

a) Provision of credit portfolio

For the re-loan portfolio the impairment of an intermediary is calculated, which is a process whose objective is to mitigate losses in the event of default. This process goes through several stages:

- Qualitative analysis of the intermediary.
- Calculation of the value to be provisioned (impairment).
- Adjustment for systemic risk of the value to be provisioned (impairment).

Taking into account that Findeter S.A carries out operations with several types of intermediaries (Family Compensation Funds, Savings and Credit Cooperatives, Employee Funds, Credit Establishments and INFIS), the methodology is adjusted to the particularities of each type of intermediary.

The risk category depends on the weighted rating that in turn arises from the quantitative rating factor.

ii. Estimation for legal processes

A provision for legal proceedings is estimated and recorded, in order to cover possible losses for labor cases, civil, commercial, tax or other cases according to the circumstances that, based on the opinion of Findeter's Legal Department and the committee of Judicial defense, supported by concepts of external legal advisors when circumstances so warrant, are considered probable for loss and can be reasonably quantified. Given the nature of the claims, cases and / or processes, it is sometimes not possible to make an accurate forecast or quantify a loss amount in a reasonable manner, therefore, the differences between the actual amount of disbursements actually made and Estimated and initially provisioned amounts are recognized in the period in which they are identified.

iii. Onerous Contracts

Findeter, analyzing the provisions of IAS 37 Paragraph 10, periodically performs a review of the contracts signed and in execution, in order to estimate if any contract exists where the expenses incurred exceed the benefits of the contracted service, verifying that no contracts were identified with the previous characteristic.

iv. Financial guarantees

In order to analyze the risk associated with the financial guarantee issued by Findeter and to estimate the losses associated with it, a methodology was designed that considers the following variables:

- The reduction of interest due to a probable restructuring of the municipality's debts within the framework of Law 550.
- The sensitivity of the flows to changes in the interest rate of the loans (consumer price index CPI).
- The sensitivity of revenues due to changes in the allocation of the budget of the General System of Participation SGP in the subjects of drinking water.

With the above information, an expected loss is defined in an aggregate manner.

5. New accounting pronouncements

IFRS 9. FINANCIAL INSTRUMENTS as of January 1, 2018 the application of IFRS 9 - Financial Instruments came into effect, which establishes changes in the measurement of the impairment of accounts receivable, whose application was considered by Findeter

prospectively, without having an effect on the re-expression of the comparative financial statements of 2017.

Investments

Regarding the classification and measurement of investments and the deterioration thereof, no impact was identified, because they are exempt according to Decree 2420 of 2015, clause 1 of paragraph 1 of article 1.1.1.1.

Loan portfolio

Regarding the classification and measurement of investments and the deterioration thereof, no impact was identified, because they are exempt according to Decree 2420 of 2015, clause 1 of paragraph 1 of article 1.1.1.1.

Other accounts receivable

Initial Recognition

Accounts receivable are measured at the value of the transaction, equivalent to the value of the transaction. These accounts receivable do not have the recognition of a significant financial component according to what was initially agreed with the counterparty.

Subsequent Recognition

For the accounts that are expected to be recovered in less than a year, there is no interest measurement, therefore, its measurement is carried out according to its recognition as a transaction value decreased by the collections of the payments received.

Impairment

The recognition of the impairment of accounts receivable is made in accordance with a simplified method or approach in reference to the expected losses during the life of the account receivable. In the case of Findeter no impairment is quantified because, there is no uncertainty about its recovery due to the fact that the debtor is the State through the government ministries.

In this regard, it was determined that the application in the policy mentioned above did not generate an impact on the financial statements.

IFRS 15. IFRS 15 "Revenue from ordinary activities from contracts with customers": Findeter implemented this standard using the work progress method, for purposes of recognizing

technical assistance services. Transactions until December 31, 2017, were recorded under IAS 18

In developing the implementation of IFRS 15, Findeter established the calculation procedure in accordance with the services provided by technical assistance, which has allowed the amount to be recognized for the tasks performed to be quantified, recording it in the entity's quarterly financial statements as an income estimated by the services rendered, according to the progress of the deliverables object of each contract subscribed with the clients.

6. Operating segments

The operating segments are defined as a component of an entity: (a) that develops business activities from which it can obtain income from ordinary activities and incur expenses; (b) whose operating results are reviewed on a regular basis by the highest authority in the decision making for operations of the entity; and (c) on which differentiated financial information is available.

In accordance with this definition and taking into account that the Board of Directors, the highest authority in the decision making for operations, regularly reviews and evaluates a variety of information and financial data, which are key to evaluating performance and making decisions related to the investment and assignment of funds. Findeter defined two operating segments of business lines for the provision of services; Financial Services and Technical Assistance, for this purpose, the direct allocation of income, expenses, assets and liabilities was established, in accordance with the allocation of the cost centers of the Findeter areas.

It should be noted that there are no levels of integration between the segments, the business units carry out separate activities, which do not generate inter-segment pricing. The yield generated by each segment is measured on income before income tax, according to the monthly reports presented to the board of directors.

The following figures correspond to income and expenses for years ending in:

Miles de pesos
Segmento sobre los que debe informarse

ESTADO DE RESULTADOS	<u>SERVICIOS FINANCIEROS</u>		<u>ASISTENCIA TÉCNICA</u>		<u>TOTAL</u>	
	<u>31-Mar-18</u>	<u>31-Mar-17</u>	<u>31-Mar-18</u>	<u>31-Mar-17</u>	<u>1 de enero a 31 marzo 2018</u>	<u>1 de enero a 31 marzo 2017</u>
	Ingresos ordinarios, neto					
Servicios	172,371,726	197,189,542	20,024,497	19,518,358	192,396,223	216,707,900
Utilidad por valoración de inversiones, Neto	11,058,103	12,772,140	-	-	11,058,103	12,772,140
Utilidad por diferencia en cambio, neto	58,582,770	31,742,362	-	-	58,582,770	31,742,362
Total ingresos ordinarios	242,012,599	241,704,044	20,024,497	19,518,358	262,037,096	261,222,402
Pérdida por valoración derivados, neto	67,648,952	45,660,766	-	-	67,648,952	45,660,766
Deterioro neto por activos financieros de crédito	889,544	(1,534,299)	-	-	889,544	(1,534,299)
Gastos que no han dado lugar a salida de efectivo (no monetarios):	68,538,496	44,126,467	-	-	68,538,496	44,126,467
Gastos que dan lugar a salida de efectivo (monetarios):	22,596,423	28,499,374	15,939,325	11,048,852	38,535,748	39,548,226
Gastos financieros	124,909,846	145,483,170	-	-	124,909,846	145,483,170
Utilidad/(Pérdida) antes de impuestos	25,967,834	23,595,033	4,085,172	8,469,506	30,053,006	32,064,539
Gasto/(Ingreso) por impuesto sobre las ganancias	11,166,169	12,118,187	1,756,624	4,349,859	12,922,793	16,468,046
Utilidad/(Pérdida) Neta	14,801,665	11,476,846	2,328,548	4,119,647	17,130,213	15,596,493

	<u>SERVICIOS FINANCIEROS</u>		<u>ASISTENCIA TÉCNICA</u>		<u>TOTAL</u>	
	<u>31-Mar-18</u>	<u>31-Dic-17</u>	<u>31-Mar-18</u>	<u>31-Dic-17</u>	<u>31-Mar-18</u>	<u>31-Dic-17</u>
Activos	9,492,611,325	9,396,542,181	30,668,180	39,444,934	9,523,279,506	9,435,987,115
Pasivos	8,325,959,952	8,347,652,593	96,448,429	4,314,421	8,422,408,381	8,351,967,014

7. Fair value estimation

Findeter values the financial assets and liabilities traded in an active market with available and sufficient information at the valuation date such as derivatives and debt and equity securities, by means of the price information published by the official contracted price provider (PRECIA S.A.). In this way, Findeter obtains the prices and curves published by the supplier and applies them according to the methodology corresponding to the instrument to be valued.

The fair value of non-monetary assets such as held for sale and investment properties is determined by independent experts using the comparison or market method.

The fair value hierarchy has the following levels

- Level 1 entries are quoted prices (unadjusted) in active markets for assets or liabilities identical to those that the entity can access at the measurement date.
- Level 2 entries are inputs different to the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 entries are unobservable inputs for the asset or liability.

Findeter classifies the financial assets and liabilities in each of these hierarchies, based on the evaluation of the input data used to obtain the fair value.

i. Fair value measurements on a recurring basis

Recurring measurements are those required or permitted by IFRS accounting standards in each reporting period and which are measured regularly on that basis. If their measurement is required in a circumstantial manner, they are classified as non-recurrent.

In order to determine the fair value hierarchy levels, an evaluation is made of the methodologies used by the official price provider and the expert criterion of the treasury areas, who have knowledge of the markets, the inputs and the approaches used for estimating fair values.

The financial assets and liabilities measured at fair value are as follows:

Activos	Valor razonable	Nivel de jerarquía			Valor razonable	Nivel de jerarquía		
	31 de marzo de 2018	1	2	3	31 de diciembre de 2017	1	2	3
Inversiones Negociables								
Títulos de deuda otras entidades financieras	87,768,309	-	87,768,309	-	82,664,878	-	82,664,878	-
Títulos de deuda de Gobierno	55,878,986	55,878,986	-	-	55,669,746	55,669,746	-	-
Fondo de Capital Privado- Ashmore	56,411,364	-	-	56,411,364	55,019,243	-	-	55,019,243
Fondos de Inversión Colectiva	21,215,044	-	21,215,044	-	21,234,122	-	21,234,122	-
Cambios en Patrimonio								
Acciones FNG	29,197,484	-	29,197,484	-	29,476,483	-	29,476,483	-
Total activos	250,471,186	55,878,986	138,180,836	56,411,364	244,064,472	55,669,746	133,375,483	55,019,243
Pasivos								
Forward de moneda	67,727,328	-	67,727,328	-	11,362,686	-	11,362,686	-
Total pasivos	67,727,328	-	67,727,328	-	11,362,686	-	11,362,686	-

Financial assets and liabilities measured at fair value did not present transfers of value hierarchy as of March 31, 2018, as can be seen in the table, due to the fact that the types of securities subject to investment were the same for the two periods being compared.

For the case of the investment classified in the fair value hierarchy 3, which corresponds to the investment in the Ashmore Colombia FCP-I Infrastructure Fund, said valuation of the unit of participation that is held is obtained from the value of the Fund at the close of the previous day (Equity Value) plus the results of the day in which the Fund is being valued ((+) Contributions (-) Withdrawals (+) Income (-) Expenses), divided by the number of Units of Participation issued by the Fund at the close of the previous day (Total Units of the Fund, which are generated in each capital call). The result gives the value of the unit of participation of the Fund that is reported to the investors in accordance with the provisions of the Regulations.

Findeter as of March 31, 2018, records an investment in the Ashmore Colombia FCP-I Infrastructure Fund, for \$ 56,411,364, a figure equivalent to having a 12.86% stake and having 1,874,956 units of the total of the Fund. The valuation of the fund is reported by an independent third party (KPMG) in accordance with the provisions of the fund regulations. The valuation variables are presented in the following table:

Tipo	Técnica de valoración	Información significativa no observable	Interrelación entre la información no observable significativa y la medición del valor razonable
Consideración Contingente	La valoración de las empresas que hacen parte del Fondo de Infraestructura Ashmore Colombia FCP-I se realiza a través de las metodologías Flujo de Caja descontado y Avalúo de Activos.	<p>La principal información significativa no observable corresponde a:</p> <ol style="list-style-type: none"> 1. Los ingresos estimados para el periodo de valoración. 2. La estructura de pricing y costos de las compañías 3. El costo promedio ponderado de capital utilizado para descontar los flujos futuros 4. El nivel de gastos administrativos y de ventas. 5. Las políticas de administración de capital de trabajo utilizadas en la proyección. 6. La estructura de balance utilizada en la proyección. 7. La política de dividendos de cada una de las compañías. <p>La información de los puntos mencionados anteriormente proviene de los planes de negocio que se generan al interior de cada compañía, que a su vez se construyen con base en un desempeño histórico, en unos objetivos de crecimiento específicos de acuerdo con información de mercado y en las estrategias del negocio.</p>	<p>El valor de la unidad estimado puede aumentar o disminuir si:</p> <ol style="list-style-type: none"> 1. Los supuestos de ingresos proyectados se cumplen 2. Si hay un efectivo control de costos y gastos en cada compañía 3. Si se incrementan o disminuyen los requerimientos de capital de trabajo 4. Si la política de dividendos es modificada sustancialmente. 5. Si la tasa de descuento usada para descontar los flujos de caja libre aumenta o disminuye.

On the other hand, and in accordance with the methodologies approved by the Financial Superintendence of Colombia, the price provider receives the information from all external and internal sources of negotiation, information and registration within the established schedules.

Accounts receivable are recorded according to their transaction value, they have no associated interest or payment flows except the principal that corresponds to short-term figures.

ii. Applicable methodologies for the valuation of investments in debt securities and equity certificates:

- Market Prices: methodology applied to assets and liabilities that have sufficiently large markets, in which the volume and number of transactions sufficient to establish an exit price for each negotiated reference are generated. This methodology, equivalent to a level 1 hierarchy, is generally used for investments in sovereign debt securities, financial entities and corporate debt in local and international markets.
- Margins and reference curves: methodology applied to assets and liabilities for which market variables are used as reference curves and spreads or margins with respect to recent quotes of the assets or liability in question or similar. This methodology, equivalent to a level 2 hierarchy, is generally used for investments in debt securities of financial institutions and corporate debt of the local market of low-recurrent issuers with low amounts in circulation.
- The Measurement of the participative title of the private equity fund Ashmore, as an individual case of hierarchy level of value 3, is obtained from the value of the Fund at the close of the previous day ((Equity Value) plus the results of the day on which the Fund is being valued (+) Contributions (-) Withdrawals (+) Income (-) Expenses), divided by the number of Units of Participation issued by the Fund at the close of the previous day (Total units of the Fund, which are generated in each call of capital). The result gives the value of the unit of participation of the Fund that is reported to the investors in accordance with the provisions of the Regulations.

iii. Applicable methodologies for the Valuation of derivative financial instruments:

- OTC derivative financial instruments: these instruments are valued by applying the discounted cash flow approach, in which, based on inputs published by the price provider of domestic, foreign and implicit interest rate curves, and exchange rates, the

future flows of each contract are projected and discounted depending on the underlying flow in question. The portfolio of these instruments, classified in level 2 of fair value, is made up of forward currency contracts.

- iv. **Measurement at fair value on non-recurring bases:** As of March 31, 2018, there are assets or liabilities valued at fair value determined on a non-recurring basis.

The following is the detail of the way in which the financial assets and liabilities managed by accounting until maturity were valued at fair value for the purposes of this disclosure.

- **Credit portfolios:** For Credit portfolios, their fair value was determined using cash flow models discounted at the interest rates at the cut off dates for the valued portfolios. (See note 10).
- **Financial Obligations and Other Financial Liabilities:** For financial obligations and other credit liabilities, their fair value was determined using cash flow models discounted at the interest rates at the cut off dates of the valued portfolios. (See notes 18,19 and 20).

2018

	Valor en libros	Valor razonable
Activos		
Cartera de creditos (bruto)	\$ 8,651,171,446	8,661,030,984
Inversiones	281,867,736	281,867,736
Total activos financieros	<u>8,933,039,182</u>	<u>8,942,898,720</u>
Pasivos		
Certificados de Depósito a Término	5,301,202,965	5,333,540,060
Instrumentos de deuda emitidos	1,184,654,276	1,218,404,754
Créditos de bancos y otras obligaciones	1,761,300,233	1,783,844,045
Total pasivos	<u>\$ 8,247,157,474</u>	<u>8,335,788,859</u>

2017

	Valor en libros	Valor razonable
Activos		
Cartera de creditos (bruto)	\$ 8,357,330,116	8,395,821,353
Inversiones	274,877,767	274,877,767
Total activos financieros	<u>8,632,207,883</u>	<u>8,670,699,120</u>
Pasivos		
Certificados de Depósito a Término	5,131,628,443	5,340,557,243
Instrumentos de deuda emitidos	1,165,835,913	1,192,507,986
Créditos de bancos y otras obligaciones	1,931,188,286	1,940,911,453
Total pasivos	<u>\$ 8,228,652,642</u>	<u>8,473,976,682</u>

8. Loan portfolio and financial leasing operations

The financial assets account by loan portfolio in the balance sheet is classified by commercial portfolio, consumption and housing, taking into account that this is the classification adopted by the Financial Superintendence in the new Unique Catalog of Financial Information "CUIF", the balances of the portfolio are shown according to the modalities in the following classification detail:

	Mar-18	Dec-17
Ordinary loans	\$8,560,993,106	8,273,351,840
Housing portfolio (employees and former employees)	34,898,666	34,779,095
Credits to employees (consumption)	2,963,890	3,133,976
Loans to former employees (consumption)	536,716	577,895
Accounts receivable interest	51,779,068	45,487,310
Subtotal	8,651,171,446	8,357,330,116
Impairment	80,922,261	80,032,717
Total	\$8,570,249,185	8,277,297,399

The movements of expenses and impairment recoveries of Findeter's loan portfolio as of March 31, 2018 and 2017 are detailed as follows:

Impairment Portfolio balance	Mar-18	Mar-17
Initial Balance Capital Provision	\$ 80,032,717	65,413,078
Capital Recoveries	6,572,881	8,497,983
Capital Charges	7,524,325	7,916,214
Recoveries Interests	358,102	1,150,159
Interest charges	296,202	197,629
Final Balance Capital Provision	80,922,261	63,878,779

Composition of Expenditure for Deterioration Portfolio	Mar-18	Mar-17
Capital Recoveries	6,572,881	8,497,983
Capital Charges	7,524,325	7,916,214
Recoveries Interests	358,102	1,150,159
Interest charges	296,202	197,629
Net impairment portfolio	\$ (889,544)	1,534,299

9. Provisions

The following is the movement of provisions:

	Legal proceedings, fines, sanctions and indemnities (1)	Other miscellaneous provisions (2)	Total
Balance as of December 31, 2017	\$2,608,882	68,387,546	70,996,428
New provisions	17,799	964,085	981,884
Increase (decrease) in existing provisions	0	(1,036,113)	(1,036,113)
Balance as of March 31, 2018	\$2,626,681	68,315,518	70,942,199

(1) Provisions for legal processes correspond to: labor processes; for which it is not possible to determine a disbursement schedule since there are different processes in different instances. During the period, an increase of \$ 17,799 was presented, related to an adjustment in the provision of the proceeding filed against Findeter, by Tania Marcela Orozco.

(2) The other provisions correspond to the values calculated for the coverage of the technical estimate of the National Guarantee Fund on the social interest housing loans granted, amounting to \$ 34,206,166. It also reflect the provision for the guaranteed water bonds, the possible loss of the credits granted by the financial intermediaries to the creditor territorial entities in the line of credit of these bonds, which is valued at \$ 33,201,114. This provision is recognized for 100% of the estimated loss ratio, which is why it does not change compared to December 2017.

The above provisions are calculated in accordance with the technical estimate tables where the assumptions and curves that determine the materialization of the risks associated with the guaranteed products are detailed. Provisions recorded an increase in the period of \$ 964,085; which correspond to the technical reserve of the National Guarantee Fund; originated in the increase by granting new guarantees that require the recognition of a higher expense for this concept.

On the other hand, the Trade Industry Tax provision of \$ 907,833 corresponding to the provision for the month of March 2018 is recorded. The decrease in miscellaneous

provisions of \$ 1,036,113 is due to the payment of the industry and commerce tax for the last two months. of 2017, paid in January 2018.

10. Income Tax

Income tax expense is recognized based on the administration's best estimate of both current income tax and deferred income tax. The effective tax rate of Findeter S. A. in respect of continuing operations for the three-month period ended March 31, 2018 was 43.00% (Three-month period ended March 31, 2017, 51.36%).

The variation of -8.36% in the effective tax rate originates mainly because for the three-month period ended March 2017, the Company did not have the deferred tax asset and liability updated, so the effective tax rate for this period is overestimated. This situation is not presented for the three-month period ended March 2018, since the deferred tax assets and liabilities are updated.

Likewise, it is important to indicate that for the year 2018 the tax rate is 37% and for 2017 the tax rate was 40%, therefore there is a decrease of 3 percentage points in the effective rate for the period.

11. Equity of shareholders

Capital in shares

The authorized, issued and outstanding common shares of the Financial Company have a nominal value of 100,000 for each one, they are represented as follows:

	<u>Mar-18</u>	<u>Dec-17</u>
Number of subscribed and paid shares	9.243.131	9.243.131
Subscribed and paid capital	\$ 924.313.100	\$ 924.313.100
Dividends decreed	2.560	2,560

During the general shareholders' meeting held on March 22, 2018, the profit distribution project was approved, where the capitalization was ordered for a value of \$ 47,400,800. The legal procedure came into effect in the month of April 2018.

The Entity has not issued preferred shares,

12. Assets and Contingent Liabilities

The commitments and contingencies correspond to:

	<u>Mar-18</u>	<u>Dec-17</u>
Contingent assets:		
Interests suspended loans (1)	\$983,831	939,591
	<u>\$983,831</u>	<u>939,591</u>
Contingent liabilities		
For stipulated litigation (Claims) (2)	\$1,215,407	33,296,341
BID loans credits (3)	12,378,658	16,812,440
Approved and undisbursed credits (4)	676,167,069	702,545,153
	<u>\$689,761,134</u>	<u>752,653,934</u>

The balances of this account correspond to:

(1) Suspended interests

They correspond to interest on loans granted to former officials of the entity, who have not serviced the debt on the acquired obligations.

(2) Corresponds to the claims arising from the legal proceedings brought against Findeter, of which there are several types of processes underway including labor and administrative processes, whose loss assessment is probable or possible.

(3) Counter-guarantees

Findeter signed the Loan Contracts with the IDB, loans 1967, 2314, 2768 and 3392, on which counter-guarantee contracts were constituted in favor of the Nation, in which the income received by FINDETER for the Onloan Portfolio Collection is pledged and paid directly in Deposit Account No.65812166 of the Colombian Central Bank. Said income must cover at least 120% of the value of the semiannual service of the debt of the Loan Agreement. In addition to the granting of the promissory note with its respective instruction letter.

Under the Loan Contracts IDB S.F. 977 and IBRD (BM) 4345. Findeter subscribed Trustee Order with the Fiduciaria la Previsora No.420010 of February 21, 1997, and No.4006 of July 30, 1998, respectively, as a counter-guarantee of 120% of the semiannual service of the debt of these loans, derived from the Guarantee granted by the Nation.

- (4) The commitments derived from the approved undisbursed loans are the product of the contracts with customers, in this sense it is determined that the pending unused credit balances do not necessarily represent future cash requirements because said quotas may expire and not be used totally or partially but are recognized in the contingent accounts as possible capital requirements.

In the following list, the value of the approved loans is reported to the different financial entities which have not been disbursed by Findeter

Bank entity	Mar-18	Dec-17
Banco de Bogotá S.A.	\$8,738,000	10,640,000
Banco Davivienda S.A.	14,746,000	17,955,000
Bancolombia S.A.	645,583,069	665,305,153
Banco de Occidente S.A.	7,100,000	8,645,000
	\$676,167,069	702,545,153

13. Transactions with related parties:

Transactions with related parties:

Findeter may enter into transactions, agreements or contracts with related parties, with the understanding that any of these transactions will be carried out at reasonable values, in accordance with market conditions and rates.

Between Findeter and its related parties the following are presented:

- Loans with interest rates different from those that are ordinarily paid or charged to third parties under similar conditions of term, risk, etc.

Due to the activities of the board of directors, fees were paid to its Members for attending meetings of the Board of Directors and Committees. The sum of:

	Mar-18	Dec-17
Board of Directors Fees	44,531	267,791

As of March 31, 2018 and December 31, 2017, Findeter records balances of the credit portfolios and remuneration with the key personnel of Findeter, as detailed below:

	Mar-18	Dec-17
Credit portfolios	301,565	1,254,066
Key Management Personal Compensation	2,597,662	9,225,353

All operations and disbursements were made at market prices.

- Findeter is an entity linked to the Ministry of Finance and Public Credit of the Colombian Government, this being its main shareholder.

Within its financial operations, the financial statements reflect the following balances representing transactions with parties related to government entities:

ENTITY	Item	Mar-18	Dec-17
Ministry of Finance	Compensated Rates	<u>\$47,777,289</u>	<u>15,813,125</u>

Accounts payable by way of resources received in advance for purposes of interest rate compensation, in loan placements with special rates, which have as beneficiaries loans to Territorial Entities, and such benefits are received through Findeter's financial institution clients.

14. Subsequent events

There are no economic events that occurred after the cut off date (subsequent events) that could affect the financial situation, the prospects of Findeter or that question the continuity of the same.

Financiera de Desarrollo Territorial S. A. - Findeter

***INTERIM CONDENSED FINANCIAL
STATEMENTS FIRST QUARTER 2018***

FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
Condensed statement of financial situation
To March 31, 2018
(Figures expressed in thousands of pesos)

Statement of financial position	Note	March 31, 2018	December 31, 2017
Assets			
Cash and restricted cash equivalents	\$	518 637 560	770 919 769
Investment financial assets		281 867 736	274 877 767
Loan portfolio and financial leasing operations, net	8	8 570 249 185	8 277 297 399
Trade accounts receivable and other accounts receivable, net		101 445 182	62 055 142
Deferred tax assets, net		19 423 487	19 423 487
Property, plant and equipment, net		29 006 852	29 043 803
Investment properties		619 546	619 546
Intangible assets, net		887 194	335 953
Other assets, net		1 142 764	1 414 249
Total assets	\$	9,523,279,506	9,435,987,115
Equity and liabilities			
Liabilities			
Certificates of deposit		5 301 202 965	5 131 628 443
Derivative financial instruments		67 727 328	11 362 686
Financial obligations		1 761 300 233	1 931 188 286
Trade accounts payable and other accounts payable		21 971 464	27 589 788
Employee benefits		7 269 538	6 324 981
Investment securities in circulation		1 184 654 276	1 165 835 913
Provisions	9	70 942 199	70 996 428
Current income taxes, net	10	5 336 913	5 035 463
Other non-financial liabilities		4 751	6 312
Other financial liabilities		1 998 714	1 998 714
Total liabilities	\$	8,422,408,381	8,351,967,014
Equity	11	\$ 1,100,871,125	1,084,020,101
Total equity and liabilities	\$	9,523,279,506	9,435,987,115

See the notes accompanying the condensed financial statements

RICHARD ORLANDO MARTÍNEZ HURTADO
Legal Representative

HOLLMAN JAVIER PUERTO BARRERA
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Professional Card 31196-T

GABRIELA MARGARITA MONROY DÍAZ
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(See my report of May 15, 2018)

FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER

Condensed Results Statement
For the quarter ending on March 31, 2018
(Figures expressed in thousands of pesos)

	Note	March 31, 2018	March 31, 2017
Ordinary operating net income			
Interest loan portfolio		162,464,583	184,908,625
Net investment income, net		11,058,103	12,772,140
Operational expenses			
Certified interest for term deposits		(83,417,153)	(106,704,849)
Interest on financial obligations		(18,673,415)	(19,956,394)
Interest on outstanding investment securities		(22,819,278)	(18,821,927)
Net profit for exchange difference, net		58,582,770	31,742,362
Loss for derivative valuation, net		(67,648,952)	(45,660,766)
Financial margin, net		39,546,658	38,279,191
Impairment for financial assets of credit and accounts receivable, net	8	(889,544)	1,534,299
Financial margin, after impairment, net		38,657,114	39,813,490
Income and expenses for commissions and other services			
Income for commissions and other services		27,965,764	28,335,115
Expenses for commissions and other services		(2,187,061)	(1,517,864)
Income and expenses for commissions and other services, net		25,778,703	26,817,250
Other income and expenses			
Other income		1,965,876	3,464,160
Other expenses		(36,348,688)	(38,030,362)
Other income, net		(34,382,812)	(34,566,201)
Profit before income taxes and CREE		30,053,005	32,064,539
Income tax expense	10	(12,922,792)	(16,468,046)
Profit for the financial year		17,130,213	15,596,493

See the notes accompanying the condensed financial statements

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. FINDETER
Condensed Statement of Cash Flows
for the period ended March 31, 2018
(Figures expressed in thousands of pesos)

	March 31, 2018	March 31, 2017
PROFIT FOR THE FINANCIAL YEAR	17.130.213	15.596.493
Reconciliation between profit for the year and net cash used in operating activities	\$	
Provision of credit portfolio, financial leasing and other accounts receivable, net	889.544	(1.534.299)
Depreciation	173.368	154.476
Amortization	352.424	331.112
Investment valuation and interest, net	(11.058.103)	(12.772.140)
Net profit for difference, net	(58.582.770)	(31.742.362)
Valuation of derivatives and contract transactions, net	67.648.952	45.660.766
Interest expenses	124.909.846	145.483.170
Expenses for other provisions	963.680	4.081.328
Estimated income	(4.899.112)	-
Current tax recovery previous periods	-	-
Income tax	12.922.792	16.468.046
Changes in assets and adjustment for exchange difference in operating liabilities:		
Increase in loan portfolio and financial leasing operations	(274.367.022)	(171.866.849)
Increase in accounts receivable	(34.490.928)	(37.583.299)
Decrease other assets	271.485	408.423
Decrease provisions	(1.017.908)	(3.909.429)
Increase in accounts payable and other liabilities	153.999.923	77.468.356
Increase employee benefits	944.557	519.363
Increase non-financial liabilities	-	227.847
Decrease in acceptances, cash transactions and derivatives	(11.284.310)	(42.384.800)
Decrease (increase) unrealized gain	(279.189)	3.492.489
Decrease in property and equipment	-	153.449
Increase (decrease) in negotiable investments	4.068.134	(2.648.553)
Income tax paid	(2.225.552)	-
Interest paid	(104.228.906)	(123.331.855)
Interests received	110.067.461	146.233.415
Net cash used for operating activities	(170.556.004)	(156.403.478)
Sale of property and equipment	-	-
Additions of property and equipment	(136.417)	(204.508)
Additions of other intangible assets	(903.665)	(289.843)
Net cash used in investment activities	(1.040.082)	(494.351)
New loans in bank loans and other financial obligations	-	-
Payments of bank loans and other financial obligations	(66.182.233)	(68.103.982)
Net cash provided by the Financing activities	(66.182.233)	(68.103.982)
Cash from the variation of the exchange difference on cash	(14.503.890)	(7.510.199)
Net decrease in cash and cash equivalent before the effect on the exchange rate	(237.778.319)	(225.001.811)
Net decrease in cash and cash equivalent	(252.282.209)	(232.512.010)
Cash and cash equivalents at the beginning of the period	770.919.769	723.497.771
Cash and cash equivalents at the end of the period	518.637.560	490.985.761
Available Restricted	21.822.511	24.961.255
Cash and cash equivalents at the end of the period without the restricted cash	496.815.049	466.024.506

See the notes accompanying the condensed financial statements

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period ended March 31, 2018
(Figures expressed in thousands of pesos)

	Subscribed and paid capital	Legal reserves	Reserves	Reserves	Reserves	Results of first time adoption	Profits (Losses) Unrealized	Accumulated earnings	Accumulated profits	Profit for the Financial year	Total equity
Balance as of December 31, 2016	\$ 887,480,159	49,247,874	11,677,805	34,071,300	(11,039,512)	18,004,477	41,494,171	1,030,936,274			
Changes in equity:											
Capitalization of profits	-	-	-	-	-	-	-	-	-	-	-
Result for the period	-	-	-	-	3,492,489	-	(41,494,171)	15,596,493			15,596,493
Other comprehensive result	-	-	-	-	3,492,489	-	(25,897,678)	3,492,489			3,492,489
Total changes in equity	-	-	-	-	(7,547,023)	-	(15,596,493)	-			-
Final balance as of March 31, 2017	\$ 887,480,159	49,247,874	11,677,805	34,071,300		59,498,648	41,494,171	1,050,025,256			
Balance as of December 31, 2017	10 \$ 924,315,660	53,397,292	12,187,056	34,071,300	(10,102,174)	18,004,478	52,146,489	1,084,020,101			
Changes in equity:											
Capitalization of profits	-	-	-	-	-	-	-	-	-	-	-
Result for the period	-	-	-	-	(279,189)	-	(52,146,489)	17,130,213			17,130,213
Other comprehensive result	-	-	-	-	(279,189)	-	(35,016,276)	16,851,024			(279,189)
Total changes in equity	-	-	-	-	(10,381,363)	-	(70,371,745)	16,851,024			-
Final balance as of March 31, 2018	\$ 924,315,660	53,397,292	12,187,056	34,071,300		70,150,967	17,130,213	1,100,871,125			

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
Condensed Statement of Other Comprehensive Income
For the quarter ending on March 31, 2018
(Figures expressed in thousands of pesos)

	March 31, 2018	March 31, 2017
Profit for the financial year	\$ 17.130.213	15.596.493
Items that will not be reclassified "results of the period"		
Other total comprehensive income	(180)	2.301
Items that can be subsequently reclassified to results of the period		
Other comprehensive income, net of taxes, gains (losses) on investments in equity instruments	(279.009)	3.490.188
Total other comprehensive income, net of taxes	(279.189)	3.492.489
Total comprehensive income	\$ <u>16.851.024</u>	<u>19.088.982</u>

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