



***Financiera de Desarrollo Territorial S. A. - FINDETER***

*Report for the period between **January 1 and March 31, 2019***

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

***1Q-2019***

**FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER**  
**Condensed statement of financial situation**  
**To March 31, 2019**  
**(Figures expressed in thousands of pesos)**

<b>Statement of financial position</b>	<b>Note</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Assets</b>			
Cash and cash equivalents	\$	544.861.052	717.949.878
Investment financial assets and derivatives		294.844.352	348.429.220
Loan portfolio and financial leasing operations, net	9	8.418.376.091	8.505.449.222
Trade accounts receivable and other accounts receivable, net	13,1	91.084.454	83.023.343
Property and equipment, net		29.320.526	29.480.230
Rights of Use assets	5	3.572.873	-
Investment properties		589.203	589.203
Intangible assets, net		1.430.648	1.397.006
Current tax assets	11	-	23.582.645
Deferred tax assets, net	11	45.419.302	4.661.455
Other assets, net	\$	4.526.860	1.767.625
<b>Total assets</b>		<b>9.434.025.361</b>	<b>9.716.329.827</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Derivative financial instruments		9.539.561	577.070
Current profit income taxes, net	11	9.018.940	-
Certificates of deposit	13,3	5.128.587.821	5.183.899.111
Investment securities in circulation		1.186.236.832	1.167.454.806
Financial obligations	13,2	1.832.126.863	2.128.118.856
Leasing Liabilities	5	3.572.873	-
Employee benefits		9.663.092	5.379.351
Financial guarantees	10	66.404.678	66.693.160
Provisions	10	1.885.848	2.438.126
Trade accounts payable and other accounts payable	8	17.664.649	21.410.568
Other non-financial liabilities	\$	995	995
<b>Total liabilities</b>		<b>8.264.702.152</b>	<b>8.575.972.044</b>
<b>Equity</b>	\$	<b>1.169.323.209</b>	<b>1.140.357.783</b>
<b>Total equity and liabilities</b>	\$	<b>9.434.025.361</b>	<b>9.716.329.827</b>

See the notes accompanying the condensed financial statements

\*Original copies signed

**RICHARD ORLANDO MARTÍNEZ HURTADO (\*)**  
 Legal Representative

**HOLLMAN JAVIER PUERTO BARRERA**  
 Accountant  
 Professional Card 31196-T

**GABRIELA MARGARITA MONROY DÍAZ**  
 Statutory Auditor  
 Professional Card 33256-T  
 Member of KPMG S.A.S.  
 (See my report of May 15, 2019)

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**FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER**  
**Condensed Results Statement**  
**For the quarter ending on March 31, 2019**  
**(Figures expressed in thousands of pesos)**

	Note	to March 31 2019	March 31 2018
<b>Ordinary operating net income</b>			
Interest loan portfolio	13,4	147.326.815	162.464.583
Net investment income, net		9.090.601	10.375.514
<b>Operational expenses</b>			
Certified interest for term deposits		(67.765.162)	(82.734.564)
Interest on financial obligations		(22.734.532)	(18.673.415)
Interest on outstanding investment securities		(22.215.571)	(22.819.278)
Net profit for exchange difference, net		26.644.775	58.582.770
Loss for derivative valuation, net		(29.524.949)	(67.648.952)
<b>Financial margin, net</b>		<b>40.821.976</b>	<b>39.546.658</b>
Impairment for financial assets of credit and accounts receivable, net		2.140.414	(889.544)
<b>Financial margin, after impairment, net</b>		<b>42.962.389</b>	<b>38.657.114</b>
<b>Income and expenses for commissions and other services</b>			
Income for technical assistance		16.050.867	<b>20.024.132</b>
Income for commissions and other services		3.834.655	7.941.632
Expenses for commissions and other services		(913.107)	(2.187.061)
<b>Income and expenses for commissions and other services, net</b>		<b>18.972.415</b>	<b>25.778.703</b>
<b>Other income and expenses</b>			
Other income		2.145.838	1.965.876
Other expenses		(33.936.961)	(36.348.688)
<b>Other income, net</b>		<b>(31.791.123)</b>	<b>(34.382.812)</b>
<b>Profit before income taxes</b>		<b>30.143.682</b>	<b>30.053.005</b>
Income tax expense		(2.647.686)	(12.922.792)
<b>Profit for the financial year</b>		<b>27.495.996</b>	<b>17.130.213</b>

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**FINANCIERA DE DESARROLLO TERRITORIAL S.A. FINDETER**  
**Condensed Statement of Cash Flows**  
**for the period ended March 31, 2019**  
**(Figures expressed in thousands of pesos)**

		<b>March 31, 2019</b>	<b>March 31, 2018</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>6</b>	27.495.996	17.130.213
<b>Reconciliation between profit for the year and net cash used in operating activities</b>	<b>\$</b>		
Impairment for credit financial assets, net		(2.140.414)	889.544
Depreciation		-	-
Amortization		177.270	173.368
Investment valuation and interest, net		242.777	352.424
Net profit for difference, net		(9.090.601)	(10.375.514)
Valuation of derivatives and forward transactions, net		(26.644.775)	(58.582.770)
Interest expenses		29.524.949	67.648.952
Reimbursements and Expenses for other provisions, net		112.715.266	124.227.257
Technical Assistance Income		(840.760)	963.680
Interests Income		(5.058.187)	(4.899.112)
Income tax		2.647.686	12.922.792
<b>Changes in assets and adjustment for exchange difference in operating liabilities:</b>			
Decrease (Increase) in loan portfolio and financial leasing operations		129.136.160	(274.367.022)
Increase in accounts receivable		(3.002.924)	(34.211.739)
Decrease (increase) other assets		(2.759.235)	271.485
(Decrease) estimated liabilities and other liabilities		46.362.716	153.999.923
Increase accounts payable and other liabilities		4.283.741	944.557
Increase employee benefits		-	-
Increase in property and equipment		(3.572.874)	-
Decrease in financial instruments derivatives		(20.562.458)	(11.284.310)
Increase deferred tax assets		(40.757.847)	-
Decrease in negotiable investments		64.144.899	3.509.756
Income tax paid		(1.555.142)	(2.225.552)
Interest paid		(105.542.849)	(104.228.906)
Interests received		99.610.007	110.067.461
<b>Net cash used for operating activities</b>		<b>146.504.229</b>	<b>(170.556.004)</b>
Additions of property and equipment		(17.565)	(136.417)
Additions of other intangible assets		(276.418)	(903.665)
<b>Net cash used in investment activities</b>		<b>(293.983)</b>	<b>(1.040.082)</b>
Payments of bank loans and other financial obligations		(312.479.692)	(66.182.233)
<b>Net cash provided by the Financing activities</b>		<b>(312.479.692)</b>	<b>(66.182.233)</b>
Net decrease in cash and cash equivalent before the effect on the exchange rate		(166.269.446)	(237.778.319)
Increase for the effect of the variation of the exchange rate over cash		(6.819.380)	(14.503.890)
<b>Net decrease in cash and cash equivalent</b>		<b>(173.088.826)</b>	<b>(252.282.209)</b>
Cash and cash equivalents at the beginning of the period		717.949.878	770.919.769
<b>Cash and cash equivalents at the end of the period</b>		<b>544.861.052</b>	<b>518.637.560</b>
Available Restricted		2.479.864	21.822.511
<b>Cash and cash equivalents at the end of the period without the restricted cash</b>		<b>542.381.187</b>	<b>496.815.049</b>

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**FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER**  
**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS 'EQUITY**  
**For the period ended March 31, 2019**  
**(Figures expressed in thousands of pesos)**

		Paid capital	Reserves Legal reserves	Occasional reserves	Results of first time adoption	Other Comprehensive Results	Accumulated profits Accumulated earnings	Profit for the Financial year	Total equity
Balance as of January 1st 2018	\$	924.315.660	53.397.292	12.187.056	34.071.300	(10.102.174)	18.004.477	52.146.489	1.084.020.100
Changes in equity:									
Capitalization of profits	12	-	-	-	-	-	52.146.489	(52.146.489)	-
Result for the period							-	17.130.213	17.130.213
Other comprehensive result		-	-	-	-	(279.189)			(279.189)
Total changes in equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(279.189)</u>	<u>52.146.489</u>	<u>(35.016.276)</u>	<u>16.851.024</u>
Final balance as of September 30, 2017	\$	<u>924.315.660</u>	<u>53.397.292</u>	<u>12.187.056</u>	<u>34.071.300</u>	<u>(10.381.363)</u>	<u>70.150.966</u>	<u>17.130.213</u>	<u>1.100.871.124</u>
Balance as of January 1st 2019	12 \$	971.716.511	58.611.941	11.718.045	34.071.300	(10.324.400)	18.004.478	56.559.908	1.140.357.783
Changes in equity:									
Capitalization of profits		-	-	-	-	-	56.559.908	(56.559.908)	-
Result for the period								27.495.996	27.495.996
Other comprehensive result		-	-	-	-	1.469.430			1.469.430
Total changes in equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.469.430</u>	<u>56.559.908</u>	<u>(29.063.913)</u>	<u>28.965.426</u>
Final balance as of March 31st, 2019	12 \$	<u>971.716.511</u>	<u>58.611.941</u>	<u>11.718.045</u>	<u>34.071.300</u>	<u>(8.854.970)</u>	<u>74.564.386</u>	<u>27.495.996</u>	<u>1.169.323.209</u>

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**FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER**  
**Condensed Statement of Other Comprehensive Income**  
**For the quarter ending on March 31, 2019**  
**(Figures expressed in thousands of pesos)**

	<b>March 31 , 2019</b>	<b>March 31 , 2018</b>
"Profit for the financial year	\$ 27.495.996	17.130.213
<b>Items that will not be reclassified "results of the period"</b>		
Valuation of derivative contracts due to the effects of CVA and DVA	726.464	(180)
Valuation of investments in equity instruments and shares	742.966	(279.009)
<b>Total other comprehensive income that will not be reclassified to the result of the period, net of taxes</b>	<b>28.965.426</b>	<b>16.851.024</b>
<b>Total comprehensive income</b>	<b>\$ <u>28.965.426</u></b>	<b><u>16.851.024</u></b>

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**Financiera de Desarrollo Territorial S. A. - Findeter**

*Report for the period between January 1 and March 31, 2019*

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

*(Figures expressed in thousands of pesos except the number of shares)*

## **1. Entity that reports**

The Financiera de Desarrollo Territorial SA, hereinafter referred to as 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 headquarters in the city of Bogotá at Calle 103 No. 19-20, organized as a credit establishment, linked to the Ministry of Finance, Treasury and Public Credit of the Colombian Government, subject to the control and surveillance of the Financial Superintendence of Colombia. Its main shareholder is the Colombian National Government through the Ministry of Finance and Public Credit with a 92.55% stake.

Findeter currently has five regional and two zones, for a total of seven offices in the country. Its term is indefinite.

The corporate purpose of Findeter is the promotion of regional and urban development, through financing and advice mainly to the municipalities and departments of Colombia in terms of design, execution and administration of projects or investment programs, in projects such as construction, expansion and replacement of infrastructure in the sectors of drinking water, transportation routes, educational facilities, sports facilities, hospitals and health services, etc .; also the execution of those activities that by legal disposition are assigned to it or those that the National Government attributes it.

The development of its corporate purpose is defined by the Decree 663 of 1993, Findeter, acts as a second-tier development bank to grant loans to state entities or individuals who are dedicated to developing projects of construction, expansion and replacement of infrastructure and technical assistance to adequately advance these activities, in the aforementioned sectors, through entities of the Colombian financial system, which assume the total credit risk with the client and Findeter assumes the credit risk of the financial institution, at rates of interest generally below the market, which are financed with resources obtained from multilateral organizations, collection of resources from the public through certificates of deposit at term, placement of bonds in national and international markets and own resources.

In the meeting of the Board of Directors of April 29 of this year, according to Act No. 349, the financial management was presented as of March 31, 2019.



## **2. Declaration of compliance with the Financial Information Accounting Standards Accepted in Colombia**

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

- Treatment of the classification and valuation of investments according to IFRS 9, in addition to the treatment of the credit portfolio and its impairment, for which the accounting provisions issued by the Financial Superintendency of Colombia included in the Basic Accounting and Financial Circular apply.

The condensed intermediate financial information has been prepared in accordance with international accounting standard 34 (IAS 34), intermediate financial information contained in the Accounting and Financial Information Standards accepted in Colombia (NCIF), established in Law 1314 of 2009, regulated by the Sole Regulatory Decree 2420 of 2015 modified by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017 and 2483 of 2018.

For legal purposes in Colombia, the individual financial statements are the financial statements used to distribute dividends, when there is room for them.

The condensed individual financial statements for the intermediate period do not include all the information and disclosures required for an annual financial statement, for this reason it is necessary to read them together with the annual financial statements as of December 31, 2018.

## **3. Significant accounting policies**

The accounting policies applied in these condensed financial statements of the Financiera de Desarrollo Territorial S.A. FINDETER, are the same as those applied in the financial statements as of December 31, 2018, with the exception of IFRS 16 "lease".

### **Leases Accounting policy**

IFRS 16 Leases. Effective date of application on January 1, 2019. This standard establishes basic characteristics to determine the classification of a lease as financial.

For which were defined the policies that will be applied in Findeter as a tenant, as well:

### **Initial Measurement - Tenant**

The Right of Use, for the underlying assets that are under the application of IFRS 16 "Leases", will be initially measured at cost (Lease Liability, adjustment costs and dismantling costs).

The lease liability will be the present value for outstanding lease payments, discounted at the interest rate of the liability.

As a result of the above, two types of property contracts were established:

Short-term lease contract is the one subscribed for a period equal to or less than twelve months. As indicated by the standard in Appendix A: "A lease that, on the start date, has a lease term of 12 months or less", therefore, these will be recorded at the expense.

Assets of low value, are those that considered individually, does not exceed 1% of the total property and equipment of Findeter. The payments derived from these will be recognized directly in the lease expense.

### **Subsequent measurement - Tenant**

The Right of Use - Will be measured at fair value according to IAS 40 "Investment Properties".

The lease liability will be measured taking into account the outstanding cancellation fees discounted at the rate of the liability.

The Frequency of update of the rights of use and the Liability for lease, will be made in each accounting quarter.

The interest rate, applicable for the updates of the lease liability, will be the Consumer Price Index for twelve months, available on the measurement date..

### **Lessor**

Findeter as a lessor, will classify your lease agreements as an Operating Lease.

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.

#### 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 continuously evaluated and are based on Findeter's experience 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 and estimates made with these condensed financial statements did not change and therefore correspond to those made in the annual financial statements as of December 31, 2018.

#### 5. Impact application IFRS 16 "leases"

##### Effect of Implementation of IFRS 16

After determined the policies and analyzed the conditions of the effective contracts, the impact of the application of this norm for the financial statements with cut to the 28 of February of the year 2019 was quantified, as it is shown in the following summary:

ACTIVE TYPE	MONTHLY LEASE CANON	CONTRACT REMAINING TIME (MONTHS)	RIGHT OF USE	LIABILITY FOR LEASING
Office 1	38.780.303	33,16	1.230.297	1.230.297
Office 2	42.861.547	21,04	876.360	876.360
Office 3	41.981.950	30,04	1.211.407	1.211.407
Office 4	2.935.972	15,4	44.260	44.260
		<b>TOTAL</b>	<b>3.362.324</b>	<b>3.362.324</b>

ACTIVE TYPE	MONTHLY LEASE CANON	CONTRACT REMAINING TIME (MONTHS)	RIGHT OF USE	LIABILITY FOR LEASING
TOYOTA PRADO	4.270.490	3,67	169.841	169.841
RENAULT DUSTER	1.768.067	3,67	40.708	40.708
		<b>TOTAL</b>	<b>210.549</b>	<b>210.549</b>

For purposes of applying the Findeter standard, it shall record as depreciation of the right to use in a straight-line manner until the end of the lease each contract; According to the calculations made, the impact of this recognition amounts to \$ 358,670. On the other hand, it will deduct each payment made against the lease liability.

## 6. Operating segments

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 integration levels between the segments, the business units carry out separate activities, which do not generate inter-segment pricing. The income 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 the quarters ended March 31, 2018 and 2019:

Thousands of pesos

Segment to be informed about

	<u>FINANCIAL SERVICES</u>		<u>TECHNICAL ASISTANCE</u>		<u>TOTAL</u>	
	<u>31-Mar-19</u>	<u>31-Mar-18</u>	<u>31-Mar-19</u>	<u>31-Mar-18</u>	<u>January 1 to March 31, 2019</u>	<u>January 1 to March 31, 2018</u>
<b>Ordinary operating net income</b>						
Interest portfolio of credits	147.326.815	162.464.583	-	-	147.326.815	162.464.583



## **7. Seasonality or cyclical nature of the transactions of the period**

Findeter does not present seasonality in its operations, transactions were carried out in a homogeneous manner during the reporting period.

## **8. Fair value estimation**

Findeter values financial assets and liabilities such as derivatives and debt and equity securities which are traded in an active market with available and sufficient information at the valuation date, through the price information published by the official price provider hired (PRECIA SA). 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 investment properties and property and equipment 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 from quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 entries are unobservable entries 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 on a circumstantial basis, they are classified as non-recurrent.

In order to determine the levels of fair value hierarchy, 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 the estimate of fair values.

Financial assets and liabilities measured at fair value are as follows:

Assets	Fair Value	Hierarchy Level			Fair Value	Hierarchy Level		
	March 31, 2019	1	2	3	March 31, 2019	1	2	3
<b>Negotiable Investments</b>								
institutions	1.680.488	5.059.200	6.621.288		4.729.765	543.390	4.186.375	
Government Debt Securities	5.162.229	4.475.872	686.357		17.063.327	8.630.647	8.976.070	
Private Equity Fund Ashmore	2.801.044		2.801.044		2.739.897			2.739.897
Collective Investment Funds	9.861.418		9.861.418		9.861.333		9.861.333	
<b>Changes in Patrimony</b>								
FNG Shares	9.063.788				8.324.612		8.324.612	
Forward of Currency	6.929.270				4.841.316		4.841.316	
<b>Total Assets</b>	<b>65.498.237</b>	<b>9.535.072</b>	<b>7.169.063</b>	<b>2.801.044</b>	<b>17.560.250</b>	<b>9.174.037</b>	<b>76.189.706</b>	<b>2.739.897</b>
<b>Liabilities</b>								
Forward of Currency	9.539.561		9.539.561		577.070		577.070	
<b>Total Liabilities</b>	<b>9.539.561</b>		<b>9.539.561</b>		<b>577.070</b>		<b>577.070</b>	

Financial assets and financial liabilities measured at fair value did not present transfers of value hierarchy with a cut-off of March 31, 2019.

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 held is obtained from the value of the Fund at the close of the period 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, 2019, records an investment in the Infrastructure Fund Ashmore Colombia FCP-I, for \$ 52,801,044, equivalent to having a participation of 12.86% and having 1,874,957.62 units, over the total of the Fund. The valuation of the fund is reported by an independent third party in accordance with the provisions of the fund regulations. The valuation variables are presented in the following table:

Type	Valuation Technique	Significant information not observable	Interrelation between significant unobservable information and fair value measurement
Contingent Consideration	The valuation of the companies that are part of the Infrastructure Fund Ashmore Colombia FCP-I is done through the discounted Cash Flow and Asset Valuation methodologies.	<p>The main unobservable significant information corresponds to:</p> <ol style="list-style-type: none"> <li>1. Estimated income for the valuation period.</li> <li>2. The pricing structure and costs of the companies</li> <li>3. The weighted average cost of capital used to discount future flows</li> <li>4. The level of administrative and sales expenses</li> <li>5. The policies of administration of working capital used in the projection</li> <li>6. The balance structure used in the projection.</li> <li>7. The dividend policy of each of the companies</li> </ol> <p>The information of the aforementioned points comes from the business plans that are generated within each company, which in turn are built based on a historical performance, on specific growth objectives according to market information and in the business strategies.</p>	<p>The value of the estimated unit can increase or decrease if:</p> <ol style="list-style-type: none"> <li>1. Projected income assumptions are met.</li> <li>2. If there is an effective control of costs and expenses in each company</li> <li>3. If the working capital requirements are increased or decreased</li> <li>4. If the dividend policy is substantially modified</li> <li>5. If the discount rate used to discount free cash flows increases or decreases</li> </ol>

It is important to mention that the value of the unit can also be affected by the accounting of the carry interest agreed in the Fund's regulations, this charge is based on the valuation of



the investments calculated by an external third party and is applied to the financial statements of the fund , taking into account the application of IAS 32, IFRS 9 and IFRS 13.

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.

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

**ii. Applicable methodologies for the valuation of investments in debt securities and participatory securities:**

- 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 asset 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 little recurring issuers with low amounts in circulation.

**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, they are projected and they discount the future flows of each contract depending on the underlying one in question. The portfolio of these instruments, classified in fair value level 2, consists of forward contracts for currencies.

**iv. Measurement at fair value on non-recurring basis:** As of March 31, 2019, 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 to maturity were valued and that are valued at fair value only for purposes of this disclosure.

- **Loan Portfolio:** For the loan portfolio, their fair value was determined using cash flow models discounted at the cut interest rates of portfolios valued.
- **Financial obligations and other financial liabilities:** For financial obligations and other credit liabilities, their fair value was determined using discounted cash flow models at the cut-off interest rates of the valued portfolios.

For purposes of determining the fair value of the loan portfolio, financial obligations and other financial liabilities, the following methodology and the necessary inputs for its calculation were determined:

- **Projection of Flows.**

For each one of the portfolios, the cash flows that are going to be received and / or paid in the validity of each of them are projected individually. For the respective projection the interest rate of the current flow is taken at the cut-off date to determine the interest value that would have to be received and / or paid in the period immediately following the cut-off date of the calculation and the days are determined at the expiration of same.

- **Determination of the Discount Rate**

The active or passive effective rate of each of the portfolios is determined as appropriate, on the cut-off date, according to the facial characteristics of each one and the values caused on the cut-off date. This rate is Base 365 / real.

- **Calculation of Duration.**

With the above calculations we obtain the present values and the individual durations which when summed (present values) and weighted (durations), we obtain the fair value of each one of the portfolios by index and currency.

In the following detail, the measurement of financial assets and liabilities, not measured on a recurring basis, is presented:

**March 31, 2019**

	<u>Value in books</u>	<u>Fair Value</u>
<b>Assets</b>		
Credit portfolio (net)	\$ 8,418,376,091	8,493,025,751
Investments	29,346,115	30,305,733
<b>Total Financial Assets</b>	<b>\$ 8,447,722,206</b>	<b>8,523,331,484</b>
<b>Liabilities</b>		
Certificates of Term Deposit	\$ 5,128,587,821	5,179,678,392
Debt instruments issued	1,186,236,832	1,251,512,156
Bank loans and other obligations	1,832,126,863	1,823,017,666
<b>Total Liabilities</b>	<b>\$ 8,146,951,516</b>	<b>8,254,208,214</b>

**December 31, 2018**

	<u>Value in books</u>	<u>Fair Value</u>
<b>Assets</b>		
Credit Portfolio (net)	\$ 8,505,449,222	8,508,734,277
Investments	30,868,970	30,884,386
<b>Total Financial Assets</b>	<b>\$ 8,536,318,192</b>	<b>8,539,618,663</b>
<b>Liabilities</b>		
Certificates of Term Deposit	\$ 5,183,899,111	5,220,783,334
Debt instruments issued	1,167,454,806	1,200,391,518
Banks loans and other obligations	2,128,118,856	2,145,010,199
<b>Total Liabilities</b>	<b>\$ 8,479,472,773</b>	<b>8,566,185,051</b>

**9. 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 Superintendency in the new Financial Information Unique Catalog "CUIF", they are presented the balances of the portfolio according to the modalities in the following classification detail:

	<b>Mar-19</b>	<b>Dec-18</b>
Ordinary loans	\$ 8,403,111,651	8,493,993,689
Housing portfolio (employees and former employees)	37,899,114	37,711,872
Credits to employees (consumption)	2,729,993	2,911,769
Credits for former employees (consumption)	1,175,144	923,669
Accounts receivable interest	42,002,149	40,586,723
	<b>\$ 8,486,918,051</b>	<b>8,576,127,722</b>
Deterioration (1)	(68,541,960)	(70,678,500)
	<b>\$ 8,418,376,091</b>	<b>8,505,449,222</b>

<b>Impairment Portfolio balance</b>	<b>Mar-19</b>	<b>Mar-18</b>
Initial balance impairment	\$ 70,678,500	80,015,340
Capital Recoveries	(2,720,467)	(6,572,881)
Capital Charges	374,542	7,424,523
Interests Recoveries	(62,204)	(358,102)
Interests Charges	271,588	396,005
	<b>\$ 68,541,960</b>	<b>80,904,884</b>

Next, the movement of portfolio impairment is presented:

<b>Loss or reimbursement due to Portfolio impairment</b>	<b>Mar-19</b>	<b>Mar-18</b>
Capital Recoveries	\$ 2,720,467	6,572,881
Capital Charges	(374,542)	(7,424,523)
Interests Recoveries	62,204	358,102
Interests Charges	(267,715)	(396,005)
	<b>\$ 2,140,414</b>	<b>-889,544</b>

(1) The decrease in the impairment reflected between the December 2018 and March 2019 cuts is mainly due to the improvement in the internal risk category of one of Findeter's main clients, this customer in December was in risk category "A2" and for the month of March the category of this client had improved to "A1", this change in category implied a lower risk associated with the client and consequently a lower value of provisions.

## 10. Financial Guarantees and Provisions

Next is the movement of provisions and financial guarantees:

	Legal proceedings, fines, sanctions and indemnities (1)	Financial Guarantees (2)	Total
<b>Balance as of December 31, 2018</b>	\$ 2,438,126	66,693,160	69,131,287
Increase (decrease) in existing provisions	(552,278)	(288,482)	(840,760)
<b>Balance as of March 31, 2019</b>	<b>\$1,885,848</b>	<b>66,404,678</b>	<b>68,290,526</b>

(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. at the end of the year there are 87 proceedings against Findeter, of which, according to the instance, and against the provisions policy, 12 processes have been provisioned, for a total of \$ 1,885,848, during the period it presented a decrease of \$ 552,278, derivatives of six legal proceedings filed against the entity, which were decided in favor of Findeter and led to the reduction of the provision.

(2) The financial guarantees correspond to the values calculated for:

- The registration of the guarantee on the water vouchers, which covers the possible loss of the credits granted by the financial intermediaries to the territorial creditor entities, was increased by \$ 176,592, according to the analysis of the possible loss ratio. Which will be recognized progressively until the risk curve of the bonds is covered.
- The coverage of the technical estimate of the National Guarantee Fund on loans granted as social interest housing amounting to \$ 32,718,750, which presented a decrease of \$ 465,074 in accordance with the performance of the guarantees granted.

## 11. 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., with

respect to continuing operations for the three-month period ended March 31, 2019 was 8.78% (Three-month period ended March 31, 2018, 43.00%).

- For the quarter ended March 2019, Findeter updated its deferred tax in relation to the active and passive positions of the forward transaction, and did not update the projected applied rate to determine the current tax, due to the lack of accurate information. on the devaluation in the country as of December 31, 2019, which generated a lower income tax expense of approximately \$ 9,040,024 and a decrease in the effective rate for the quarter of (29.99%).
- In the quarter ended March 2018, the projected effective rate applied to determine the rental expense to said court presented an approximate estimate of 5.26%
- The above justifies a decrease in the effective rate from one quarter to another (35.25%)

## 12. Shareholders' equity

### Capital in shares

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

	<u>Mar-19</u>	<u>Dec-18</u>
Number of subscribed and paid shares	9,717,139	9,717,139
Subscribed and paid capital	\$ 971,713,900	971,713,900
Dividends decreed	2,611	2,611

During the general shareholders' meeting held on March 28, 2019, the profit distribution project was approved, where the capitalization was ordered for a value of \$ 53,246,683. The legal procedure took effect in the month of April 2019, the month in which the registration took place. Findeter has not issued preferred shares

Findeter is a public limited company, constituted with the exclusive participation of public entities and in accordance with Article 30 of Law 1328 of July 15, 2009, which modifies Article 271 of the Organic Statute of the Financial System, "shall not be subject to to forced investments and will not distribute cash profits among its members ".

### **13. Significant transactions**

#### **1- Trade accounts receivable and other accounts receivable, net**

During this period, there was an increase in assets of \$ 8,061,111, generated by the increase in the accounts receivable for technical assistance, usual behavior in the first quarter in the collection of the same..

#### **2- Financial Obligations**

The main cause of this variation corresponds to the cancellation of the credit with BANK OF TOKYO, which was made in the month of February 2019 for \$ 248,206,500.

#### **3- Interest Expenses for term deposit certificates and certificate balance**

During this period there was a variation in the expense of \$ 14,969,402, due to a decrease in the balance of the liability of Certificates of \$ 55,311,290, plus a decrease in the collection rate of 65 basis points; which generates less interest causation.

#### **4- Interest income from loan portfolio**

The income derived from the loan portfolio showed a decrease of \$ 15,137,768, based on two factors: the decrease in the balance of the portfolio of \$ 141,983,131, in addition to the decrease in the average placement rate of 75 basis points, which generated the least interest causation.

#### **5- Interests financial obligations**

During the period the interests caused an increase of \$ 4,061,117, although the balance of the obligations decreased, the devaluation of the TRM exchange rate presented this period amounted to \$ 314, which generated the increase in the causation.

#### **6- Income from technical assistance, commissions and other services**

In relation to the income from technical assistance, commissions and other services, they presented a decrease of \$ 8,080,242, as had been foreseen in the development of technical assistance projects. They are in the final stage, which is reflected in lower income caused by said services.

In relation to the other services, in this period there has been a lower income in the fees of the National Guarantee Fund, due to the behavior in granting the guarantees.

#### 14. Commitments and contingencies

The commitments and contingencies correspond to:

	<b>Mar-19</b>	<b>Dec-18</b>
Pawn credits IDB (1)	\$ 25,030,334	22,771,412
For litigation (claims) (2)	808,221	1,044,911
Approved and undisbursed credits (3)	599,359,117	610,372,905
Interest suspended credits (4)	939,213	923,758
	<b>\$ 626,136,886</b>	<b>635,112,986</b>

##### (1) Counter-guarantees

Findeter subscribed the Loan Contracts with the IDB, credit 1967 of 2008, 2314 of 2010, 2768 of 2012 and 3596, 3392 of 2015, on which were constituted in favor of the Nation, contracts of counterguarantees in which the income is pledged that FINDETER receives for the collection of the rediscount portfolio paid directly in Deposit Account No.65812166 of the Banco de la República, such income must cover a maximum of 120% of the value of the semiannual service of the debt of the Loan Agreement. In addition to the granting of blank promissory notes with its respective letter of instructions.

Under the IDB Loan Agreements S.F. 977 and IBRD (BM) 4345. Findeter entered into the Trustee Order with the Trustee for the Trustee No.420010 of February 21, 1997, and No.4006 of July 30, 1998, respectively, as a counter-guarantee of 120% of the semi-annual service of the debt of these loans, derived from the Guarantee granted by the Nation.

- (2) Corresponds to the claims arising from the legal proceedings against Findeter, of which there are several types of ongoing processes such as labor and administrative, whose loss assessment is remote.



- (3) 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 in whole or in part , but they are recognized in contingent accounts as possible capital requirements.

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

<b>Banking entity</b>	<b>Mar-19</b>	<b>Dec-18</b>
Banco de Bogotá	\$ 3,839,000	3,839,000
Banco Davivienda	6,480,000	6,480,000
Bancolombia S.A.	585,919,117	596,932,905
Banco de Occidente	3,121,000	3,121,000
	<b>\$ 599,359,117</b>	<b>610,372,905</b>

- (4) 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. On the date there are 17 credits generating these interests, of which 10 are in the form of housing and 7 consumption.

## **15. 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 are presented:

1. 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:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Board of Directors Fees	\$ 55,431	44,531

2. As of March 31, 2019 and 2018, Findeter records balances of the loan and compensation portfolio with key Findeter personnel, as detailed below.:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Loan Portfolio	\$ -	1,254,066
Key Management Personnel Remuneration	2.434.988	2,597,662

The loan portfolio does not present a balance due to the fact that Findeter executives do not have current loans.

All operations and disbursements were made under the conditions described in the collective agreement.

3. 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 operations with parties related to government entities:

ENTITY	Concept	<u>2019</u>	<u>2018</u>
Treasury	Compensated Rates	\$37,225,537	37,764,978

Correspond to accounts receivable, for the concept of interest rate compensation, in loan placements with special rates, which have as beneficiaries of loans to Territorial Entities, being received such benefits through the financial entities clients of Findeter.

#### **16. Subsequent events**

There are no economic events that occurred after the cut-off date, which could affect the financial situation, Findeter's perspectives or that question the continuity of this.