FINANCIERA DE DESARROLLO TERRITORIAL S.A.
FINDETER

AUDITED
FISCAL YEAR FINANCIAL STATEMENTS
2016-2015

FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
Separate Statement of Financial Position
As of December 31, 2016 and 2015 and January 1, 2015
(In thousands of Colombian pesos)

As of December 31	Note	2016	2015	1 January 2015
Assets				
Cash and cash equivalents	*10*	**696.743.156**	**684.978.353**	**913.034.285**
Investments		**250.011.522**	**206.003.418**	**389.899.406**
Marketable securities	*11*	151.199.778	131.900.476	334.293.252
Held-to-maturity investments	*11*	52.235.584	19.729.082	5.076.000
Available-for-sale investments equity securities	*11*	46.576.260	54.373.960	50.530.254
Less: impairment loss		(100)	(100)	(100)
Loan portfolio		**7.746.319.654**	**6.812.404.904**	**5.982.586.943**
Commercial portfolio	*12*	7.773.502.489	6.835.506.829	6.005.364.583
Home portfolio	*12*	35.216.650	37.783.939	37.474.078
Consumer portfolio	*12*	3.013.593	2.826.266	3.976.569
Less: Impairment loss	*12*	(65.413.078)	(63.712.130)	(64.228.287)
Derivative instruments	*11*	**1.318.620**	**4.774.446**	**6.372.652**
Accounts receivable	*13*	**156.223.537**	**143.684.835**	**95.283.535**
Property and equipment, net	*15*	**29.339.585**	**29.830.640**	**29.998.361**
Non-current held for sale assets	*14*	**220.100**	-	-
Investment properties	*16*	**606.994**	**566.860**	**410.000**
Intangible assets	*17*	**1.013.570**	**841.193**	**1.269.052**
Income taxes		**70.061.206**	**54.399.410**	**30.552.230**
Current tax assets	*18*	42.446.212	29.330.399	24.947.174
Deferred tax assets	*18*	27.614.994	25.069.011	5.605.056
Other net assets	*19*	**1.857.455**	**1.430.645**	**1.242.855**
Total assets		8.953.715.399	7.938.914.704	7.450.649.319
Liabilities				
Financial liabilities at amortised cost		**5.683.919.505**	**5.435.608.690**	**5.660.546.369**
Term Deposit Certificates	*20*	4.755.332.000	4.506.868.000	4.734.011.000
Outstanding investment securities	*22*	928.587.505	928.740.690	926.535.369
Instruments and derivatives	*11*	**16.802.920**	**15.814.189**	**504.461**
Bank loans and other financial obligations	*21*	**2.001.232.236**	**1.326.120.950**	**657.403.788**
Accounts payable	*25*	**94.304.672**	**72.522.673**	**63.798.177**
Employee benefits	*23*	**5.627.405**	**4.930.017**	**3.271.145**
Income taxes		**54.177.391**	**24.548.664**	**27.336.788**
Income tax liabilities	*18*	42.665.708	11.740.000	19.655.528
Deferred tax liabilities	*18*	11.511.683	12.808.664	7.681.260
Provision of guarantees	*24*	**23.825.530**	**12.177.855**	**14.525.088**
Provisions	*24*	**24.402.986**	**13.056.920**	**4.484.940**
Other non-financial liabilities		**13.620.978**	**28.864.125**	**34.045.218**
Other financial liabilities		**4.865.502**	**4.222.285**	**30.108.380**
Total liabilities		7.922.779.125	6.937.866.368	6.496.024.354
		-		
Stockholders' equity				
Subscribed and paid-in capital	26	**887.478.100**	**858.636.800**	**822.285.400**
Declared dividends per share		**2.059**	**897**	**365**
Reserves	26	**60.925.678**	**61.915.968**	**64.262.530**
Retained earnings	5	**18.004.478**	**2.076.204**	**34.005.370**
Net income for the year		41.494.171	43.780.447	
Other comprehensive income		**23.031.788**	**34.638.120**	**34.071.300**
Unrealized gains or losses		(11.039.512)	566.820	
First-time adoption	4	34.071.300	34.071.300	34.071.300
Total equity		1.030.936.274	1.001.048.436	954.624.965
Total liabilities and equity		8.953.715.399	7.938.914.804	7.450.649.319

Notes 1 to 34 are an integral part of the financial statements.

LUIS FERNANDO ARBOLEDA GONZALEZ
President

HOLLMAN JAVIER PUERTO BARRERA
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PILAR MARTINEZ TORRADO
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A member of PriceWaterHouseCoopers Ltda.
(See my report dated on February 24, 2017)

FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
Separate Statement of Comprehensive Income
For the year ended December 31, 2016 and 2015
(In thousands of Colombian pesos)

Year ended December 31	Note	2016	2015
Interest income and valuation of financial debt securities		1.684.341.593	1.244.337.654
Loan portfolio and financial leasing	27	746.894.026	491.200.584
Interests on investments and others	27	20.050.351	9.789.814
Gain on valuation of derivatives	27	772.134.290	488.459.978
Difference in exchange rate	27	145.262.926	254.887.278
Financial expenses		1.535.977.115	1.146.644.399
Interests on Term Deposit Certificates	27	417.787.857	285.038.016
Interest on bonds and financial obligations	27	149.534.653	107.277.795
Loss on valuation of derivatives	27	863.298.476	399.021.883
Difference in exchange rate	27	105.356.129	355.306.705
Interest income and valuation of investments, net		148.364.478	97.693.255
Provision of financial assets		49.374.184	66.267.464
Loan portfolio and accounts receivable		24.581.751	60.305.214
Other provisions		24.792.433	5.962.250
Interest income and valuation of investments after provision, net		98.990.294	31.425.791
Revenues from commissions and other services	27	89.939.277	70.778.110
Expenses for commissions and other services	27	13.891.924	14.735.527
Income from fees and commissions, net		76.047.353	56.042.583
Other income	28	33.569.853	70.598.941
Other expenses	29	128.290.584	114.807.215
Other expenses, net		(94.720.731)	(44.208.274)
Profit before income tax		80.316.916	43.260.100
Income tax	18	38.822.745	(520.347)
Profit and loss for the year		41.494.171	43.780.447
Earnings per share			
Basic earnings per share (pesos)		4,7138	- 5,1718

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. FINDETER
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS 2016 and 2015
(Figures expressed in thousands of pesos)

CASH FLOW FROM OPERATING ACTIVITIES	**2016**	**2015**
Cash received from:		
Collection of rediscount portfolio and others	1.453.046.195	1.593.677.252
Redemption of marketable securities plus returns	22.560.436	98.051.063
Interests on rediscount portfolio and others	512.241.201	350.540.557
Resources received from offset rate	147.191.950	69.631.885
Restatement of foreign currency bank deposits	57.679.752	370.234.938
Establishment of Term Deposit Certificates	1.433.434.558	1.340.058.625
Trust management fees	82.993.582	72.553.117
Other income	69.399.184	13.995.115
	3.778.546.858	3.908.742.552
Cash disbursed for:		
Disbursements of rediscount portfolio and others	2.487.027.446	2.302.109.496
Payment of Term Deposit Certificates	1.615.787.892	1.777.578.089
Payment of payroll and personnel expenses	31.850.470	23.620.937
Taxes	63.233.847	54.743.243
Restatement of foreign currency bank deposits	73.842.074	237.377.145
Others	4.979.141	12.284.916
Payment to suppliers	68.237.603	113.510.850
	4.344.958.473	4.521.224.676
Cash used in operating activities	**(566.411.616)**	**(612.482.124)**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash received from:		
Dividend income	418.721	53
	418.721	53
Cash disbursed for:		
Purchase of property and equipment and intangible assets	2.222.221	2.328.912
Held-to-maturity investments	26.677.383	11.207.599
	28.899.604	13.536.511
Cash used in investing activities	**(28.480.883)**	**(13.536.458)**
CASH FLOW FROM FINANCING ACTIVITIES		
Cash received from:		
International banks loans	827.072.872	415.860.078
Forwards and Swap	53.850.854	138.322.560
	880.923.726	554.182.638
Cash disbursed for:		
Payment for international banks loans	59.265.485	49.747.080
Payment for international bonds	74.498.721	74.502.857
Forwards and Swap	140.502.218	31.970.051
	274.266.424	156.219.988
Cash obtained from financing activities	**606.657.302**	**397.962.650**
NET INCREASE (DECREASE) IN CASH	11.764.803	(228.055.932)
CASH AT THE BEGINNING OF YEAR	684.978.353	913.034.285
CASH AT YEAR-END	**696.743.156**	**684.978.353**

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER

SEPARATE STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2015 and 2016
(Thousands of Colombian pesos)

	Note		Subscribed and paid-in Capital	Declared Dividends	Legal Reserves	Occasional Reserves	Profit and loss First-time Adoption	Unrrealised Gains and Losses	Retained Earnings	Net Income for the Year	Total Equity
Opening balance as of January 1, 2015		$	822.285.400	365	43.062.120	21.200.410	34.071.300		34.005.370		954.624.965
Changes in equity:											
Dividend distribution			36.351.400	532	3.400.537	-5.747.099			-34.005.370		0
Profit and loss for the period										43.780.447	43.780.447
Other comprehensive income								566.820	2.076.204		2.643.024
Total changes in equity			36.351.400	532	3.400.537	-5.747.099	0	566.820	-31.929.166	43.780.447	46.423.471
Closing balance as of December 31, 2015	26	$	858.636.800	897	46.462.657	15.453.311	34.071.300	566.820	2.076.204	43.780.447	1.001.048.436
Changes in equity:											
Dividend distribution			28.841.300	1.162	2.785.217	-3.775.506			15.928.274	-43.780.447	0
Profit and loss for the period										41.494.171	41.494.171
Other comprehensive income								-11.606.332			-11.606.332
Total Changes in equity			28.841.300	1.162	2.785.217	-3.775.506		-11.606.332	15.928.274	-2.286.276	29.887.839
Closing balance as of December 31, 2016	26	$	887.478.100	2.059	49.247.874	11.677.805	34.071.300	11.039.512	18.004.478	41.494.171	1.030.936.275

Notes 1 to 34 are an integral part of the financial statements.

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FINANCIERA DE DESARROLLO TERRITORIAL S.A. - FINDETER
Separate Statement of Other Comprehensive Income
For the year ended 31st December 2016 and 2015
(In thousands of Colombian pesos)

	2016	2015
Net income for the year	41.494.171	43.780.447
Items that will not be reclassified to profits or loss		
Unrealised gains or losses		
Reassessment of properties	(261.558)	990.888
Unrealized loss on available-for-sale investments in equity securities	(11.532.485)	(424.068)
Deferred tax	187.711	
Total unrealized gains or losses	(11.606.332)	566.820
Total	29.887.839	44.347.267

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Financiera de Desarrollo Territorial S. A. - Findeter
Notes to the Separate Financial Statements under the Accounting Standards of Financial Reporting (NCIF by its acronym in Spanish) adopted in Colombia.

As of December 31, 2016 (with comparative figures as of December 31, 2015 and January 1, 2015)

(Amounts expressed in thousands of Colombian pesos except USD and number of shares)

1. Note (1) Reporting Entity

The Financiera de Desarrollo Teritorial S. A., Findeter, was incorporated through public deed number 1570 dated May 14, 1,990, with an operating license issued by the Financial Superintendence of Colombia through Resolution No. 3354 of September 17, 1990. Findeter is a government-owned corporation, incorporated under the laws of the Republic of Colombia with main place of business at Calle 103 No. 19 - 20, Bogotá, organized as a credit institution, attached 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 majority shareholder is the National Government of Colombia through the Ministry of Finance and Public Credit with a 92.55% stake.

Its principal place of business is the city of Bogotá D.C., and it currently has five regional divisions, two zones, with a total of seven offices throughout the country. It is incorporated for an indefinite term.

Findeter's corporate purpose is the promotion of urban and regional sustainable development, funding and advising the design, execution, and management of infrastructure projects in the municipalities and departments of Colombia. Findeter supports infrastructure projects in sectors such as potable water, roads, education, sports facilities, hospitals, and health. Findeter is also committed in the execution of those tasks assigned by legal provisions, or those assigned by the National Government.

In compliance of its corporate purpose, Findeter acts as a second-tier development bank, conceding rediscount loans to financial entities, which in turn, those institutions grant loans to governmental entities or private companies that develops infrastructure projects in the aforementioned sectors. Findeter assumes the credit risk of the financial institutions, with interest rates generally below the market, and the financial institutions assume the credit risk of the final beneficiaries of the rediscount loans.

As of December 31, 2016, the Financiera de Desarrollo Territorial had a workforce of 252 permanent employees.

The separate financial statements were authorized by the Board of Directors on February 21, 2017 to be submitted at the General Meeting of Shareholders for approval, which may adopt and amend them.

2. Note (2) Statement of Compliance with the Accounting Standards of Financial Reporting adopted in Colombia

The attached separate financial statements have been prepared in accordance with the Accounting Standards of Financial Reporting (NCIF by its acronym in Spanish) adopted in Colombia, which includes: The International Financial Reporting Standards (IFRS), compiled in Decree 2420 of 2014 that was issued by the National Government. It applies in all aspects other than the investments classification and valuation treatment as provided by IAS 39 and IFRS 9, the loan portfolio and its impairment treatment, the recognition of damage to the goods received in payment or returned property, regardless of their accounting classification for which the Financial Superintendence of Colombia issued accounting rules included in the Basic Accounting and Financial Circular Letter, and the option of the annual accrual of tax on wealth charged against capital reserves or profit or loss, as provided by Law 1739 of December, 2014. Partial implementation of the International Financial Reporting Standards for public entities, such as the financial institutions, was required by the General Accountancy of the Nation through Resolution 743 of 2013 and Decree No. 2784 issued by the National Government in December of 2012, which is mandatory for the accounting management and the preparation of public entities financial statements from January 1, 2016.

This regulatory framework is mandatory for the accounting management and the preparation of banks and other public organizations' financial statements, effective on January 1, 2016 with a transition period for the preparation of the opening balance as of January 1, 2015 and a set of financial statements prepared under the Accounting and Financial Reporting Standards as of December 31, 2015 for comparative purposes.

3. <u>Note (3) Significant Accounting Policies</u>

a) Measurement bases

The separate financial statements have been prepared on the basis of the historical cost with the exception of the following items, which have been measured using an alternative basis for each balance date.

Item	Measurement basis
Derivative financial instruments	Fair value with changes posted to profit and loss
Financial instruments classified at fair value	Fair value with changes posted to profit and loss and for equity instruments

	initially recognized, at fair value with changes posted to other comprehensive income
Investment properties	Fair value with changes posted to profit and loss
Property (land and buildings)	Revalued cost

b) Functional and reporting currency

The items included in the Financiera separate financial statements are expressed in the currency of the primary economic environment in which the entity operates, which is the Colombian peso that is the functional and reporting currency, in accordance with IAS 21. All the information is reported in thousands of pesos and has been rounded to the nearest unit.

c) Presentation of financial statements

The accompanying financial statements are presented taking into account the following aspects:

i. Statement of financial position

It shows the different assets and liabilities accounts classified on the basis of their liquidity, in the event of sale or its maturity, respectively, finding that this way of reporting provides a more relevant reliable information for a financial entity. As a result, in the development of each of the notes of the financial assets and liabilities, it shows the amount expected to be recovered or paid within twelve months and after twelve months, in line with IAS 1 "Presentation of Financial Statements".

ii. Income statement for the year and other comprehensive income

They are reported separately in two statements, as permitted under IAS 1 "Presentation of Financial Statements". Likewise, the income statement is broken down according to the nature of the expenditure, which is the model most commonly used by financial institutions since it provides more appropriate and relevant information.

iii. Statement of cash flows

It is presented through the direct method, where the net cash flow from operating activities is determined by adjusting the profit before income tax, by the impact of non-cash items, net changes in assets and liabilities proceeding from operating activities, and by any other items for which the monetary effects are considered investing or financing cash flows. The interest income and expenses received and paid, are part of the operating activities.

The following concepts are taken into account to prepare the statement of cash flows:

- Operating activities: These are activities that cause changes in the capital size and structure and the Financiera de Desarrollo Territorial borrowings.

- Investing activities: refer to the acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalent.

- Financing activities: activities that result in changes in the size and composition of the net equity and liabilities that are not part of the operating or investing activities.

iv. Statement of changes in equity

The statement of changes in equity aims at showing the variations of the different elements that compose the equity, in a given period. Besides showing these variations, the statement of changes in equity seeks to explain and analyze each of the variations, their causes and consequences within the financial structure of the entity.

d) Foreign currency transactions

Foreign currency transactions are translated into Colombian pesos at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate in effect on the closing date of the statement of financial position. As of December 31, 2016, and December 31, 2015, the exchange rates were 3,000.71 (in pesos) and 3,149.47 (in pesos) respectively.

e) Cash and cash equivalents

Cash and cash equivalents include the cash on hand, bank deposits and other short-term investments, mainly interbank transactions, which are carried out as part of the routine administration of the cash surplus. For a financial investment to be rated as cash equivalent, it should be held to meet short-term cash commitments rather than for investment or similar purposes, it should be readily convertible to a given amount of cash and be subject to an insignificant risk of changes in value.

f) Consolidation

Findeter does not consolidate the following autonomous trusts and assets pursuant to:

i. Commercial Trust Agreement with Fiduciaria Bogotá S.A., provision of technical assistance services and resource management for works contracting and auditing, corresponding to water and basic sanitation projects. In relation to the autonomous equity, there is no control over the use of funds proceeding from the Ministry of Housing, City and Territory, since this entity is responsible for determining the investment of funds in the development of the country's infrastructure projects.

ii. The contribution of 1,000 made by Findeter for the establishment of Alianza Fiduciaria Fideicomiso de Crédito Entidades Territoriales Agua (Credit Trust, Water, Territorial Entities), is not tangible against its assets, nor there is control over its activities, since they were previously defined by the Ministry of Finance and Public Credit, as loans granted to the Territorial Entities that had water bonds obligations in the country.

iii. Irrevocable Commercial Trust Agreement of Administration and Payments established in the Fiduaciaria Bogotá pre-investment. Findeter is not exposed to variable yields proceeding from their implication in the entity.

iv. In the case of the Inter-Administrative Mandate Agreement without representation between the Fondo Nacional de Garantías S.A (National Guarantees Fund) and Financiera de Desarrollo Territorial. The entity is the main actor of the transaction, decision-maker and risk- taker, thus reflecting the results of the Mandate with the Fondo Nacional de Garantías in FINDETER Financial Statements.

g) Operating segments

The entity has no segmentation of operations as the main purpose and generation of income, are related to the rediscount operations and, in turn, to the investing and hedging operations which represent 93 per cent of the total revenues of the period.

h) Financial assets

Investments are classified according to the business model adopted by the Board of Directors by marketable securities, held-to-maturity investments and available for sale investments.

i. Financial assets of investment

It includes investments acquired with the purpose of keeping a secondary liquidity reserve and complying with legal or regulatory provisions, in order to maximize the risk-return relationship of the portfolios and/or managed assets and seize opportunities that arise in the markets in which it operates.

The entity values most of its investments using the information supplied by INFOVALMER S.A. price provider. The supplier provides inputs for the valuation of investments (prices, rates, curves, margins, etc.), and has methodologies to assess investments that have been approved in accordance with the provisions of Decree 2555 of 2010, as well as the instructions laid down in the Basic Legal Circular Letter of the Financial Superintendence of Colombia.

Below is the way in which different types of investment are classified, valued and posted according to the business model defined by:

Marketable		
Characteristics	**Valuation**	**Accounting**
Portfolio to manage fixed-income and variable-income investments different from shares with the main purpose of	Investments in debt securities or instruments are valued on the basis of the price determined by the valuation price provider.	These investments are posted in the "investments at fair value through profit or loss" respective accounts, from the Catálogo

Marketable		
Characteristics	**Valuation**	**Accounting**
obtaining profits, resulting from changes in the market value of different instruments and in the purchase and sale of securities activities. It gives rise to active buying and selling.	For those exceptional cases where there is no fair value determined on the date of valuation, such securities or instruments are valued exponentially based on the internal rate of return. This procedure is performed on a daily basis. Equity shareholdings in collective investment funds, private equity funds, hedge funds, mutual funds, *inter alia*, and securities issued in securitization processes, are valued based on the unit value calculated by the management company on the day immediately prior to the valuation date. However, the equity shareholdings in collective investment funds, private equity funds, hedge funds, stock funds, mutual funds, *inter alia*, which are listed on the stock exchange to signal prices in the secondary market, should be valued in accordance with the procedure described above.	Único de Información Financiera con Fines de Supervisión (Financial Reporting Unique Catalogue for Supervisory Purposes). The difference between the current reasonable and immediately preceding fair value is recorded as a higher or lower value of the investment, affecting the profit and loss for the period. This procedure is performed on a daily basis.

Marketable		
Characteristics	Valuation	Accounting

To be held to maturity		
Characteristics	Valuation	Accounting
Securities for which the entity has the purpose and legal, contractual, financial and operating capacity to hold to the expiration of their maturity or redemption term, taking into account that the structure of financial instruments eligible for this portfolio only involves payments of principal and interests. Money market operations (repo, simultaneous or temporary transfer of securities) cannot be carried out on these investments, except for compulsory or mandatory investments subscribed in the primary market and provided that the transaction counterparty is the Financiera	Exponentially, from the internal rate of return, calculated at the time of purchase, on the basis of a 365-day year. This procedure is performed on a daily basis. For the fixed-income investments at variable rate, the Internal Rate of Return is recalculated every time the value of the face indicator changes. In the case of securities that add prepayment option, the Internal Rate of Return is recalculated each time that future cash flows and	Accounting of these investments must be made in the respective "Investments at Amortized Cost" accounts, from the Financial Reporting Unique Catalogue for Supervisory Purposes (CUIF by its acronym in Spanish). The difference between the current fair value and the one immediately preceding the respective value, shall be recorded as a higher or lower value of the investment, affecting the profit and loss for the period. Due yields to be collected are recorded as a greater value of the investment. Consequently, collection of

To be held to maturity		
Characteristics	**Valuation**	**Accounting**
de la República, Public Credit and the National Treasury General Direction or entities supervised by the Financial Superintendence of Colombia. In the same way, they may be delivered as collateral in a central counterparty clearing house, in order to secure compliance with the operations approved by the latter for their clearing and settlement and/or as collateral of money market transactions.	payment dates change.	such yields shall be posted as a lower value of the investment. This procedure is performed on a daily basis.

Available for sale - debt securities		
Characteristics	**Valuation**	**Accounting**
Securities and, in general, any type of investments not classified as marketable securities or as held-to maturity investments. According to the business model, fixed-income investments are managed within this portfolio with the main purpose of having contractual cash flows and to sell when	Investments in debt securities are valued on the basis of the price determined by the valuation prices provider. For those exceptional cases where there is no fair value determined for the valuation date, such securities are valued exponentially from the internal rate of return.	Posting these investments is carried out in the "investments at fair value with changes in other Comprehensive Income - OCI" respective accounts, from the Financial Reporting Unique Catalogue for Supervisory Purposes. The difference between the current value of the

Available for sale - debt securities		
Characteristics	**Valuation**	**Accounting**
circumstances so require, in order to keep an optimal combination of profitability, liquidity and hedge to provide a profitability support relevant to the balance sheet. Securities classified as available-for-sale investments may be delivered as collateral in a central counterparty clearing house, in order to ensure compliance with the operations it has approved to be offset and settled. Also, these investments allow making money market operations (repo, simultaneous and securities temporary transfer operations) and to deliver this type of transactions as collateral.	This procedure is performed on a daily basis.	valuation day and the immediately preceding one (estimated on the basis of the internal rate of return, which is calculated at the time of purchase, based on a 365-day year), must be recorded as a greater value of the investment credited to the profit and loss accounts. The difference between the fair value and the current value calculated according to the previous paragraph, is recorded in the respective unrealized gains or losses account (OCI). This procedure is performed on a daily basis.

Reclassification of investments

Investments may be reclassified in accordance with the following provisions:

From held-to-maturity investments to marketable securities

They may be reclassified whenever one or any of the following circumstances occur:

- A significant deterioration in the conditions of the issuer, its parent company, its subordinates or its related offices.

- Differences in the regulations that hinder maintaining the investment.

- Merger or institutional reorganization processes that involve the reclassification or completion of the investment, with the purpose of maintaining the previous position of interest rate risk or of adjusting to the credit risk policy previously established by the resulting entity.

- Other unanticipated events, prior authorization of the Financial Superintendence of Colombia.

From available for sale investments to marketable securities or held-to-maturity investments.

There is room for its reclassification whenever:

- The structure of the business significant activities is redefined, arising from circumstances such as variations in the economic cycle or the market niche in which the controlled entity operates or in its risk appetite.

- The assumptions of adjustment are fulfilled in the management of investments previously defined by the business model.

- The investor loses its capacity as parent or controlling company and this circumstance also implies the decision of transferring the investment in the short term from that date.

- A significant deterioration in the conditions of the issuer, its parent company, its subordinates or its related offices.

- Differences in the regulations that hinder maintaining the investment.

- Merger processes that involve the reclassification or completion of the investment, with the purpose of maintaining the previous position of interest rate risk or of adjusting to the credit risk policy previously established by the resulting entity.

When available-for-sale investments are reclassified to marketable securities, the result of the investments reclassification should be recognized and maintained in the other comprehensive income (OCI) as unrealized gains or losses until the corresponding investment is sold.

When available-for-sale investments are reclassified to held-to-maturity investments, the rules on valuation and accounting of the latter should be observed. Accordingly, unrealized gains or losses recognized in other comprehensive income (OCI), must be discharged against the registered value of the investment, since the effect of fair value will no longer take place, because of the decision of reclassification to the held-to maturity category. In this way, the investment must be recorded as if it had always been classified in the held-to-maturity category. Likewise, from that date, the investment must be valued under the same conditions of the Internal Rate of Return on the day prior to the reclassification.

Investments buyback rights

It refers to investments that represent the collateral guarantee of money market operations such as repo and simultaneous operations. On these investments, Findeter keeps the rights and economic benefits associated with the value and keeps all the risks specific to it, although it transfers legal ownership by performing the money market operation.

These securities continue to be valued on a daily basis, and recorded in the statement of financial position or income statement in line with the methodology and procedure applicable to marketable, held-to maturity and available for sale investments depending on the category in which they are classified before the acquisition of the buyback agreement.

Investments delivered as collateral

It refers to debt securities investments delivered as collateral to secure compliance with transactions accepted by a central counterparty clearing house to be offset and settled.

These securities are valued on a daily basis and recorded in the statement of financial position and in the income statement, in line with the methodology and procedure applicable to the category they had before they were delivered as collateral.

Impairment or losses due to the issuer's risk rating

The price of the marketable or available for sale investments that do not have, at the valuation day, exchange fair prices and the price of the held-to-maturity investments, as well as equity securities that are valued at equity variation, are adjusted in each valuation date based on the credit risk rating, according to the following criteria:

- The rating of the issuer and/or the corresponding security whenever it exists.

- The objective evidence that an impairment loss of these assets value has been incurred or could be incurred. This criterion is applicable even to record a further impairment simply taking the issuer and/or security rating, if so is required, based on the evidence.

The amount of the impairment loss is always recognized in the income statement of the period, regardless of whether the respective investment has any amount recorded in Other Comprehensive Income (OCI), except for internal or external public debt securities issued or guaranteed by the Nation, those issued by the Financiera de la República and those issued or guaranteed by the Fondo de Garantías de Instituciones Financieras – FOGAFÍN.

Securities of issues or non-rated issuers

Securities that do not have an external rating or that are issued by non-rated entities will be rated as follows:

Category / Risk	**Characteristics**	**Provisions**
A - Normal	They comply with the terms agreed in the security and have adequate capacity to pay for the principal and interests.	Not applicable.
B - Acceptable	It corresponds to issues that show uncertainty factors that may affect the ability to continue meeting the debt servicing adequately. In addition, the financial statements and other information available from the issuer, show weaknesses that may affect their financial position.	In the case of debt securities, the value for which they are recognized cannot be over eighty percent (80%) of their net nominal value of the amortizations made up to the valuation date. In the case of securities and/or equity securities, the net value of credit risk

Category / Risk	Characteristics	Provisions
		provisions (cost minus provision) for which they are recognized cannot be over eighty percent (80%) of the acquisition cost.
C - Noticeable	It corresponds to issues that show high or medium likelihood of default in the timely payment of principal and interests. In the same way, its financial statements and other available information, show weaknesses in their financial position that affect the investment recovery.	In the case of debt securities, the value for which are recognized cannot be over sixty per cent (60%) of net nominal value of the amortizations made up to valuation date. In the case of equity securities, the net value of provisions for credit risk (cost minus provision) for which they are recognized cannot be over sixty per cent (60%) of the acquisition cost.
D - Significant	It corresponds to those issues that show non-compliance with the terms agreed in the security, and its financial statements and other available information show marked deficiencies in their financial position.	In the case of debt securities, the value for which the recognized cannot be over forty per cent (40%) of thei nominal value of the amortizations made up to valuation date. In the case of equity securities, the net value of credit risk provisions (cost minus provision) for which they are recognized cannot be over forty per cent (40%) of the acquisition cost.
E - Uncollectible	Investments considered to be unrecoverable, according to the financial statements and other information available from the issuer.	The value of these investments is provided in its entirety.

Securities of issues or issuers that have external ratings

Debt securities with one or more ratings and debt securities rated by external rating agencies recognized by the Financial Superintendence of Colombia cannot be recorded by an amount that exceeds the following percentages of their net nominal value of amortizations made up to the valuation date:

Long-term rating	Maximum value %	Short-term rating	Maximum value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 and 6	Zero (0)
DD, EE	Zero (0)		

The rating of the respective issuer is taken to estimate the provisions on term deposits.

In any case, if the provisions on investments classified as to be held to maturity and for which a fair value can be established, are greater than the ones estimated with the rule given above, the latter will apply. This provision corresponds to the difference between the registered value of the investment and the fair value, if this is lower.

If the investment or the issuer have ratings from more than one rating company, the lowest rating is taken into account, if they were issued within the past three (3) months, or the most recent one when there is time lag that exceeds this period between one rating and the other.

ii. Operations with derivative financial instruments

According to the International Accounting Standard IAS 39, a derivative is a financial instrument or other agreement whose value changes over time in response to the differences in a variable called the ‘underlying’ (a specified interest rate, the price of a financial instrument, a commodity price quoted, a foreign currency exchange rate, etc.); it does not require an initial net investment or requires an investment lower than the one that would be required for other types of contracts where a similar response to market conditions changes could be expected; and is settled at a future date.

In the course of its operations, the Financiera generally trades financial instruments within the financial markets with trading purposes as forward contracts, futures contracts, swaps, and options either for hedging or trading purposes.

All derivative transactions are initially recognized at their fair value. Subsequent changes in fair value are adjusted with charge against or credited to income, as the case may be, unless the derivative instrument is designated as hedging instrument and, if so, it will depend on the nature of the hedged item and the type of hedging relationship. Currently, Findeter does not use hedge accounting to record its derivatives.

iii. Loan portfolio

The provisions of the Financial Superintendence of Colombia laid down in Chapter II of the Basic Accounting and Financial Circular Letter (Spanish acronym: CBCF) apply for the accounting treatment of the loan portfolio.

The following transactions are shown in the loan portfolio:

- Rediscount operations: They originate from the credit operations intermediated by entities supervised by the Financial Superintendence, and from the creation of the Vivienda de Interés Social (VIS or Low-Income Housing) line, other intermediaries, such as the following, were authorized: Family Compensation Funds, Savings and Credit Cooperatives and Employee Funds.

- First-tier portfolio: This type of portfolio takes place when FINDETER decides to accept the re-discounted portfolio of the credit institution under liquidation as payment and act as first tier bank. It is important to make clear that Findeter has no policies for the allocation of first tier loans.

- Former employees' portfolio: It is generated when a Findeter employee, who had obtained an employee loan, leaves the entity. It is important to make clear that Findeter has no policies to grant loans to former employees.

Criteria for the credit risk assessment.

Findeter continuously evaluates the risk involved in its credit assets. This analysis depends on the type of portfolio. For the rediscount portfolio, this analysis begins before linking a new intermediary. Once linked, and even in those cases in which there may be restructuring, the entity monitors operations regularly and controls each transaction before approval. For the first-tier portfolio, the assessment begins when the liquidating intermediary delivers the portfolio with the Financiera funds it was responsible for. From there, monthly monitoring of this portfolio beneficiaries is carried out, based on the analysis of the main financial figures and payment behavior. As for the former employees' portfolio, monitoring starts from the separation and is carried out on a monthly basis according to the debtor's payment behavior.

For this purpose, Findeter designed and adopted a Credit Risk Management System (SARC by its acronym in Spanish), which consists of credit risk management policies and processes, internal methodologies and reference models to estimate and assess expected losses, system of provisions to cover the credit risk and internal control processes.

For the rediscount portfolio, SARC defines the VME as the maximum credit exposure that the Financiera assigns to each of its intermediaries. This value will be discretionary; that is to say, it will be exclusively of internal management, it may be changed at any time and does not compel the Financiera to contract operations up to that amount, disbursements of new operations to an intermediary are subject to, among other factors, this value of maximum exposure. The VME is assigned to an intermediary based on the analysis of different indicators and financial variables, both internal and external, that have been determined according to each type of intermediary. For the first-tier and former employees' portfolios, there are no granting loans policies.

The methodologies and procedures of the granting process described in the SARC, allow monitoring and controlling the credit exposure for different types of intermediaries.

Findeter continuously monitors and rates the credit operations based on, among other criteria, the intermediaries' financial reporting and the quality of the beneficiaries' portfolio, for the rediscount portfolio. In the case of the first-tier and former employees' portfolios, it is based on the payment behavior.

Findeter assesses and re-rates the risk of its loan portfolio by introducing changes in the corresponding ratings when there is new analysis or information to support these changes.

Credit risk rating

The rediscount portfolio is classified and rated by the appropriate risk categories, based on the provisions of Exhibit 6 of chapter II of the Basic Accounting and Financial Circular Letter 100 of 1995 (INDIVIDUAL PROVISIONS OF ENTITIES AUTHORIZED TO CARRY OUT REDISCOUND OPERATIONS); the first tier portfolio applies Exhibit 3 of the above-mentioned standard (BUSINESS REFERENCE MODEL - MRC by its acronym in Spanish); the former employees' portfolio applies Exhibit 1 (GENERAL SCHEME OF EVALUATION, RATING AND PROVISIONING OF LOAN PORTFOLIOI) and 5 (REFERENCE MODEL FOR CONSUMER PORTFOLIO - MRCO by its acronym in Spanish) of the aforementioned standard.

The following categories are used for the rediscount portfolio (from the lowest to the highest risk)

RATING
A1
A2
A3
A4
A5

Each intermediary's rating is carried out based on the analysis of its financial indicators and the type of intermediary.

The following categories are used for the former employees and first tier portfolios:

CATEGORY	FIRST TIER AND FORMER EMPLOYEES
AA	Credits in this category show excellent quality.
A	Credits in this category show adequate quality.
BB	Credits in this category are served in an acceptable manner but show weaknesses.
B	Credits in this category show shortcomings in debtor's payment capacity.
CC	Credits show serious shortcomings in the debtor's payment capacity.
DEFAULT	High levels of arrears determined by the standard.

Findeter applies the following tables to certify the ratings before credit reporting bureaus and in the financial statements records:

Rediscount portfolio:

INTERNAL RATING	BUREAUS AND BALANCE

	SHEET
A1	A
A2	A
A3	A
A4	A
A5	D

First tier portfolio:

INTERNAL RATING	BUREAUS AND BALANCE SHEET
AA	A
A	B
BB	B
B	C
CC	C
C	C
D	D
E	E

Former employees' portfolio:

INTERNAL RATING	BUREAUS AND BALANCE SHEET
AA	A
A (<30 days of delinquency)	A
A (>30 days of delinquency)	B
BB	B
B	C
CC	C
C	C
D	D
E	E

Whenever, pursuant to the implementation of the reference models adopted by the Financial Superintendence of Colombia, Findeter rates its customers as defaulting, these are recognized as follows:

Group category E = defaulting customers whose PDI assigned is equal to one hundred percent (100%).

Group category D = the rest of the customers rated as defaulting.

Findeter rates debtors in ratings of greater risk, when it has additional risk elements to support this change.

Restructuring processes

Findeter may modify the originally agreed conditions of one or more disbursed rediscount operations. Restructuring the rediscount operations must be initially approved by the intermediary and submitted for consideration by Findeter. Once approved, the intermediary will send, where appropriate, any amendments that modify the promissory note or leasing contract before implementing it. Findeter has rediscount operations regulations that sets the policies for the restructuring of this portfolio.

For the first-tier portfolio, in the rediscount operations regulations, Findeter defines the policies to be followed to restructure this portfolio operations.

In the case of the former employees' portfolio, the Loan Committee, under the opinion of the legal area, is the only authority of the Financiera allowed to study and approve the debt restructuring applications corresponding to active, suspended and/or former employees' loans, which need to be sent to the Committee under the proposed conditions.

Portfolio write-offs

The obligations that the Management deems Uncollectible or of remote recovery and that are one hundred percent (100%) provisioned are subject to write-offs, after having exhausted all possible collection means, according to the opinion of judicial collection agencies.

The write-off does not hold officials harmless against the responsibilities arising from the approval and credit management, nor relieves them from the obligation to proceed with the collection efforts.

The Board of Directors is the only body authorized to approve the operations write-off.

Provisions

To cover the credit risk, Findeter has a provision system, which estimates on the outstanding balance, by applying the commercial portfolio reference models (MRC, by its acronym in Spanish) for the first-tier portfolio and Consumer portfolio (MRCO by its acronym in Spanish) for the former employees' portfolio, except for the home loans provisioned according to the guidelines given in Exhibit 1 of chapter II of the Basic Accounting and Financial Circular Letter. The internal methodology applies to the rediscount portfolio adjusted to the conditions of Exhibit 6 of the aforementioned standard.

The provisions of the reference models are calculated as the sum of the "individual pro-cyclical component (CIP by its acronym in Spanish)" and "counter-cyclical individual component (CIC by its acronym in Spanish)", whose methodologies are defined in terms of the cumulative phase applied by the Financiera that introduces indicators related to the loan portfolio provisions, efficiency and growth.

CIP: For the whole portfolio, it is the expected loss calculated in matrix A, i.e., the result obtained by multiplying the debtor's exposure, the Probability of Default (PI by its acronym in Spanish) of matrix A and the Loss Given Default (hereinafter referred to as LGD) associated with the debtor's collateral, as set out in the relevant reference model.
CIC: It is the maximum value between the counter-cyclical individual component in the previous period (t-1) affected by exposure, and the difference between the expected loss calculated using matrix B and the expected loss calculated with matrix A at the time of the provision calculation (t).

In line with the internal methodology of the rediscount portfolio, both CIP and CIC components are adjusted by the systemic risk.

Loss Given Default (LGD)

It is defined as the percentage of exposure that would be involved in case of a default by the intermediary. For the rediscount portfolio, Findeter defines the LGD according to the type of intermediary (supervised, INFI, Cooperative, Family Compensation Fund, Employee Fund) and in accordance with the final intended use of funds (VIS, Not VIS).

For the first-tier portfolio, the LGD is given by the MRC (Exhibit 3 Chapter 2 Basic Accounting and Financial Circular Letter). For debtors rated in the default category, there will be a gradual increase based on the amount of days elapsed from the classification in this category. In the former employee's portfolio, the LGD is given by the MRCO (Exhibit 5 Chapter 2 Basic Accounting and Financial Circular Letter). In the above-mentioned exhibits, there are two types of guarantees to be taken.

EXPOSURE

The following tables show the portfolio segregation by risk level with figures as of December, 2016 (Information in millions of pesos).

	DEC-16	
RISK RATING	EXPOSURE	PERCENTAGE
A	7,800,406	99.85%
B	1,502	0.02%
C	88	0.00%
D	69	0.00%
E	9,668	0.12%
TOTAL	7,811,733	100.00%

More than 99% of the Financiera loan portfolio is in the lowest level of risk.

PROVISION	DEC-16
SUPERVISED	39,275
NON-SUPERVISED	14,915
FIRST TIER	9,351
EMPLOYEES	255
FORMER EMPLOYEES	1,216
GENERAL	402
TOTAL	65,413

The total provision of the loan portfolio (65,413 million) corresponds to 0.84% of the gross portfolio.

Policy for the approval and collateral management

For the rediscount portfolio, Findeter has different guarantee-related policies that must be established at the time of a new operation and which depend on the type of intermediary and final use of the funds.

For the first-tier and former employees’ portfolios, collaterals are evaluated in line with the provisions of exhibits 3 and 5 of Chapter 2 of the Basic Financial Accounting Circular Letter.

i) Non-current, held for sale assets

Assets that the Financiera intends to sell, as they are expected to be recovered mainly through sales instead of being recovered through their continued use and their sale is considered highly likely within a period not longer than 2 years, are recorded as "non-current held for sale assets". These assets are recognized by the lowest value of their book value when they are transferred to this account or their fair value minus estimated costs of sale; the difference between the two of these values is recorded in the income statement.

If assets are not sold at the end of this period, they are reclassified to the categories where they originated (investment property, properties, plant and equipment, other assets, among others).

Properties received in payment

The value of properties received by the Financiera in lieu of payment for unpaid balances from credits to its favor is recorded.

Real estate properties received in lieu of payment, are received based upon a technically determined commercial appraisal and personal property, stocks and shares, based on the market value.

The following conditions are taken into account to record the property received as payment:

Initial recognition is carried out according to the value determined by the legal award or the value agreed with debtors, taking its fair value into account and the resulting differences are recognized accordingly, as an expense charged against the income statement for the period (in case that there is an excess value of credits related to the value of the asset awarded) or as a payable account in the debtor's favor.

Regardless of their classification, (whether in portfolio, investments, investment properties, non-current assets held for sale and other assets) according to the instructions of the Financial Superintendence of Colombia, the calculation of the provision is carried out for property received in lieu of payment by applying Chapter III of the Basic Accounting and Financial Circular Letter (CBCF by its acronym in Spanish), where the intent of this provision is not based on the impairment in the value of the assets but with the purpose of preventing the risk and preserving the Financiera equity, as follows:

Provision for properties received in lieu of payment

Real estate property

The individual provisions are constituted applying the model developed by The Financiera and approved by the Financial Superintendence of Colombia. The model estimates the maximum loss expected in the sale of the property received as payment, according to its recoveries history on assets sold, the inclusion of costs incurred in the receipt, maintenance and sale of the same and their grouping in common categories to estimate the base rate of provision. This rate is adjusted by a factor that relates the elapsed time from the receipt up to eighty percent (80.0%) of the provision in a maximum term of forty-eight (48) months; however, if there is no extension requested or if it is not granted before the expiration of the time limit to be sold, an additional provision is established until reaching eighty percent (80.0%) of the asset value after two years.

j) Investment properties

According to the International Accounting Standard IAS 40, they are defined as those lands or buildings considered, in whole or in part, owned by Financiera to earn revenues, valuation of the asset, or both, instead of using it for its own purposes.

Investment properties are initially measured at cost, which includes:

i. Its purchase price, including import and non-discountable taxes costs, after deducting the trade discounts.

ii. Any costs directly attributable to bring the asset to the location and conditions necessary for its correct and proper operation.

Some assets may have been acquired in exchange for one or more non-monetary assets; in these cases, the cost of such asset will be measured at fair value, unless:

i. The exchange transaction is of a non-commercial nature.

ii. The fair value of the asset received or delivered may not be measured reliably.

Although it is classified as investment property and was acquired under a financial lease, the initial cost corresponds to the lowest value between the fair value and the current value of the minimum lease payments, in accordance with the provisions of the International Accounting Standard IAS 17.

The recognition of the cost will cease when the item is in the location and under its operating conditions.

The investment properties in Findeter will be measured subsequently at fair value adjusted to profit and loss.

k) Property, plant and equipment

Property, plant and equipment include the assets, in property, that the Financera keeps for its current or future use and expects to use during more than one fiscal year.

They are recorded at their acquisition cost less its accumulated depreciation and, if appropriate, the estimated loss resulting from comparing the net book value of each item with its corresponding recoverable value.

Depreciation is calculated using the straight-line method, over the cost of assets acquisition, less its residual value; it being understood that the lands on which to build buildings and other constructions have an indefinite useful life and that, therefore, are not subject to depreciation. Depreciation is recorded charged against income and is calculated based on the following useful lives:

	Useful life (years)
Asset Type	IFRS

Buildings	80
Equipment, furniture and fixtures	6
Computer equipment	3
Fleet and transport equipment	3

The useful life and residual value of these assets are based on independent assessments, mainly for buildings, or on the opinion of other expert personnel and are reviewed according to the accounting policy laid down by the entity.

The preservation and maintenance expenses of the properties and equipment are recognized as an expense in the year in which they are incurred and are recorded under the "Maintenance Expense" heading.

Property, plant and equipment are initially measured at cost, which includes:

i. Its purchase price, including import and non-discountable taxes costs, after deducting the trade discounts.

ii. Any costs directly attributable to bring the asset to the location and conditions necessary for its correct and proper operation.

iii. Dismantling costs: they correspond to the initial estimate of the costs of dismantling and removing the item, as well as restoring the site on which it is located.

iv. Costs of borrowings: costs that are associated with a qualified asset, which is the one that necessarily requires a substantial period prior to being ready for its intended use or sale, are capitalized and, in the other cases, are recognized in the income statement of the period, in line with the financing costs.

Property, plant and equipment are measured at their cost minus the accumulated depreciation and accumulated amount of impairment losses, wherever applicable.

Findeter will subsequently measure its property, plant and equipment assets, depending on the type of assets; for furniture and fixture, computer equipment and vehicles it was determined that they will be measured at cost; for the land and buildings, they will be measured by means of the re-evaluated model minus the impairment losses and depreciations calculated, as provided by paragraph 31 of IAS 16.

Derecognition of fixed assets

The book value, including the property, plant and equipment asset residual value is derecognized when no more associated economic future benefits are expected, obsolescence is determined or by the management decision, and the profits or losses of the derecognition are recognized in the income statement of the year.

Impairment of property, plant and equipment items

At each fiscal year closing, the Financiera analyzes whether there is internal and external evidence that a real asset may be impaired. If there is evidence of impairment, the entity analyzes whether there is indeed such impairment by comparing the net book value of the asset with its recoverable value (as higher between its fair value minus the costs of sale and its value in use). When the book value exceeds the recoverable value, the book value is adjusted to its recoverable value, modifying future depreciation charges, according to its remaining useful life.

Similarly, when there are indications that the value of a real asset has been recovered, the Financiera estimates the recoverable value of the asset and recognizes it in the profit and loss account of the year, recording the reversal of the impairment loss posted in previous periods, and it adjusts future charges accordingly in its amortization heading. In no case, the reversal of an asset impairment loss can involve the increase of its book value in excess of the one that it would have if no impairment loss had been recognized in previous fiscal years.

Residual value

According to paragraph 53 of IAS 16, the estimated residual value will be based on similar assets that have reached the end of their useful life as of the estimate date. In practice, the residual value is usually insignificant and/or will be equal to zero.

The depreciable amount of an asset is its cost after deducting its residual value.

Findeter, should review the residual value and the useful life of assets annually in each fiscal year and if expectations differ from previous estimates. Changes will be recorded as a change in an accounting estimate according to IAS 8.

l) Leased assets

i. Leased

Assets leased by the Financiera are classified at the time of signing the contract as financial or operating leases. A lease is classified as a financial lease if it substantially transfers all the risks and rewards incidental to the ownership of the property. A lease is classified as an operating lease if it does not substantially transfer all the risks and rewards incidental to the ownership of the property. Lease contracts that are classified as financial leases are included in the balance sheet under the "financial assets by loan portfolio at amortized cost" heading and are posted in the same way as the other loans granted. Lease contracts that are classified as operating leases are included within the appropriate account and are posted according to the nature of the asset. Revenues received are recorded as income in the profit and loss.

ii. Taken on lease

Taken financial leases that substantially transfer all the risks and rewards incidental to the ownership of the leased property, are recognized at the beginning of the lease, either for the cash value of the leased asset or the current value of the cash flow expected in the contract, whichever is lower, and are included in the balance sheet as property, plant and equipment for own use or as investment properties according to their purpose and are initially recorded in the asset and in the liability simultaneously by a value equal to the fair value of the asset taken on lease or by the current value of the minimum lease payments, if this is lower.

Payments made under operating leases are recognized in the income statement in a linear manner during the term of the lease. Findeter determined that it does not have financial leases and that their lease contracts do not represent the greatest time of use of the economic life of assets owned in these contracts; therefore, all lease contracts are recorded as operating leases.

m) Intangible assets

The Financiera intangible assets correspond to non-monetary assets without physical substance that results from a legal transaction or are developed internally. These are assets whose cost can be estimated reliably, and are considered likely that future economic benefits will flow to the Financiera, which are amortized by the straight-line method.

The following is the accounting treatment of the Financiera intangible assets:

i. Other intangible assets

These mainly correspond to computer software, which is initially measured by the cost of acquisition or in its phase of internal development. The costs incurred during the research phase are directly taken to profit and loss. After its initial recognition, these assets are amortized over their estimated useful life which, for computer software, is of 2 years based on technical concepts and the experience of the Financiera.

ii. Impairment

At each fiscal year closing, the Financiera analyzes whether there is internal and external evidence, and in these cases, the accounting policy of property, plant and equipment is followed, to determine if the recognition of any impairment loss applies. Any impairment loss or subsequent reversals are recognized in the profit and loss of the year.

n) Financial guarantees

"Financial Guarantees" are those contracts that require specific payments by the issuer in order to reimburse the creditor for the loss incurred when a specific debtor fails to meet its payment obligation based on the conditions, original or modified, of a debt instrument; regardless of its legal form. Financial guarantees may take the form, inter alia, of a collateral or financial guarantee.

Financial guarantees, whatever the guarantee or collateral, implementation or other circumstances, are regularly analyzed in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to establish some provision for them, which are determined by applying criteria similar to those established to assess impairment losses experienced for financial assets.

The provisions on the financial guarantee contracts that are considered impaired are recorded as provisions in the liabilities charged against the profit and loss for the year.

Income from the guarantee instruments are recorded in the income account from commissions of the profit and loss accounts for the year and are calculated by applying the type established in the contract which gives raise to the nominal value of the guarantee.

o) Financial liabilities

A financial liability is any contractual obligation of the Financiera to receive cash or any other financial asset to another entity or person, or to exchange the entity's financial assets or liabilities.

Financial liabilities are recognized and measured at amortized cost, provided that they correspond to the typical fund collection activities of financial institutions, except for derivatives that are measured at fair value on the basis of the carrying capacity to meet the requirements applicable in IFRS 9.

Amortized cost is understood as the acquisition cost of a financial liability adjusted (by more or less, as the case may be) by the repayments of the principal and the part systematically attributable to the state resulting from the difference between the initial cost and the corresponding redemption at maturity value.

The amortized cost of the term deposit certificates financial liabilities, outstanding investment securities, bonds in legal tender and financial obligations, is determined on the basis of the obligation nominal value including the expenses from the payment of interests.

Financial liabilities corresponding to outstanding investment securities and bonds in foreign currency. The transaction costs associated with the acquisition of financial liabilities classified as incremental costs are recognized and the effective rate of interest is re-calculated, based on which the corresponding financial expenses are recognized in the income statement of the year. Financial liabilities are only derecognized from the statement of financial position when the obligations they generate have extinguished.

p) Employee benefits

The Financiera grants the following benefits to its employees, in return for the services rendered by them:

i. Short-term benefits

They correspond to the benefits that the Financiera expects to pay before twelve months after the end of the reporting period. As provided by the Colombian labor regulations and the Financiera labor agreements, these benefits correspond to the severance pay, interests on severance, paid vacation, vacation bonuses, legal and extralegal bonuses, aids and social security and parafiscal contributions, service bonuses. These benefits are measured at their nominal value and are accumulated by the accrual system charged against the income statement.

ii. Other long-term benefits

They are all the employee benefits different from the short-term employee benefits and following the employment period and severance payments. According to the collective agreements and employment agreements of the Financiera, these benefits relate mainly to retirement bonus and bonuses for five-year periods.

Liabilities for long-term employee benefits are determined based on the theory of insurance for life contingencies. Accordingly, it is established that the likelihood of a future life time for a person with certain population characteristics, such likelihood is estimated on the basis of a life table with annual deaths published for each country or stakeholder. The tables of resolution number 1555 of 2010 are used in Colombia, and changes in the actuarial liabilities due to changes in the actuarial assumptions are recorded in the statement of income.

iii. Defined contribution plans

The obligations to contribute to specific contribution plans are recognized as expense as the service is provided, this type of benefit does not require actuarial calculations. Therefore, there is no possibility of having actuarial gains or losses. Contributions paid in advance are recognized as assets provided that there is a cash disbursement or a reduction in future payments.

q) Taxes

i. Income tax

The income tax expense includes the current tax, the income tax for fairness "CREE" and deferred tax. It is recognized in the income statement except for the part that corresponds to items recognized in the other comprehensive income (OCI).

Below is a more detailed explanation of the policy adopted for each heading:

ii. Current and CREE tax

The current tax includes the expected payable or receivable tax over the taxable profit or loss of the year and any adjustment related to previous years. It is measured using the taxable rates approved or whose approval process is close to completion at the balance sheet date. The current tax also includes any tax derived from dividends.

In Colombia, the income tax for fairness CREE created by Law 1607 of 2012 is part of the current tax. It falls on revenues susceptible to increase the capital, excluding occasional gains and non-income receipts and it is settled based on tax rates approved.

iii. Deferred tax

Deferred taxes are recognized on temporary differences between tax bases of assets and liabilities and the amounts recognized in the financial statements, which give rise to amounts deductible or taxable at the time of determining the taxable profit or loss corresponding to future periods when the book value of the asset is recovered or the liability is settled. However, the deferred tax liabilities are not recognized if: i) they come from the initial recognition of capital gains, ii) if they come from the initial recognition of an asset or liability in a transaction different from a business combination that at the time of the transaction does not affect the accounting or taxable profit or loss, iii) the deferred tax is determined using tax rates effective on the balance sheet date and they are expected to be applied when the deferred tax asset is realized or when the deferred tax liability is offset.

Deferred tax assets are recognized only when it is likely to have future tax revenues available against which temporary differences may be used.

Deferred tax assets and liabilities are offset when there is a legal right to offset current deferred taxes against current tax liabilities and when the deferred tax assets and liabilities are related to taxes levied by the same tax authority on the same entity or different entities when there is an intention to offset the balances on net basis.

iv. Tax on wealth

In December 2014, the National Government issued Law 1739, which created the tax on wealth payable by all Colombian entities with a liquid net worth that exceeds 1,000 million pesos. This law establishes that for accounting purposes in Colombia, this tax is payable annually on January 1, 2015 up to 2018 and may be recorded charged against the capital reserves under the equity.

r) Provisions and contingencies

Provisions are liabilities with uncertainty about their amount or maturity and are recognized in the statement of financial position if:

- The Financiera has a present obligation (either statutory or constructive) that can be estimated reliably.
- It is the result of a past event.
- It is likely that they need to come from funds, that introduce economic benefits to pay for that obligation.

The amount of the provision is determined through the best estimate; in cases when its settlement is expected to occur in the long term, it is deducted from its present value, provided that this discount is significant and costs of providing this estimate exceed the benefits.

Each provision must be used only to make the disbursements for which it was originally recognized.

If the entity has an onerous contract, the present obligations derived therefrom must be recognized and measured, in the financial statements, as provisions.

A contingent liability is any possible obligation, resulting from past events whose existence is confirmed only if one or more uncertain future events occur that are outside the Financiera control. Contingent liabilities will be subject to disclosure and will be recognized as provision to the extent that they become probable obligations.

Provisions are regularly updated at least on the closing date of each period and are adjusted to reflect the best estimate each time. The update of the provisions to reflect the passage of time is recognized in the profit and loss of the year as expenses by processes. If the cash outflow is no longer probable, to pay for the corresponding obligation, the provision is reserved and the contingent liability is disclosed, as appropriate.

s) Revenues

Revenues are measured at fair value of the compensation received or to be received and represent the amounts receivable for goods or services provided. The Financiera recognizes revenues when their amount can be measured reliably, it is likely that future economic benefits flow to the entity and when the specific criteria of each of the Financiera activities have been met.

i. Interest income

Interest income and similar items are generally recognized as they are earned using the effective interest method.

ii. Revenues from commissions and fees

Commissions and fees are recognized as revenues when the respective services are rendered.

t) Expenses

Expenses are measured at fair value and represent and outflow of cash carried out by the entity as compensation for a service or good acquired. These amounts are recognized when they can be measured reliably based on the regular line of business of the Financiera.

u) Net earnings per share

The net earnings per share as of December 31, 2016 corresponds to 4,7138 pesos (2015 - 3.2902). It was estimated based on the total outstanding subscribed and paid-in shares, which correspond to 8,874,781 for the end of the period.

4. Note (4) First-time adoption - application of IFRS 1

The Financial Reporting Standards are a wide and supported summary of international accounting standards for large and small businesses, issued by the International Accounting Standards Board (IASB), aimed at certifying the financial language among countries. Their application in Colombia will allow companies to facilitate access to the capital markets, will lower issuance costs and will facilitate comparative positioning of companies globally.

In mid-July, 2009, the Congress of Colombia issued the Law 1314, to regulate the accounting and financial reporting principles and standards and the Information Assurance Standards (NAI by its acronym in Spanish) or International Standards Audit (ISA) that will apply to Colombia. Article 12 of this Law provided that the different authorities with competency on private and public bodies shall ensure that the accounting, financial reporting and information assurance standards of those involved in the same economic sector are homogeneous, consistent and that for the achievement of this objective, regulatory and supervisory authorities, are required to coordinate the performance of their duties. Later, the Technical Council of Public Accounting presented the strategic direction related to the convergence process of the above-mentioned standards in line with the international standards and established three groups of users to start the convergence gradually. The convergence schedule towards international accounting and financial reporting standards in Colombia, will be applied in a differential manner to three groups of users classifying us as Group 1 with the following terms:

Implementation of the full IFRS

Beginning of the transition period: January 1, 2014
Date of implementation December 31, 2014
Reporting date: December 31, 2015

In spite of the schedule issued by the technical council, the General Accountancy of the Nation specifically provided, by resolution 743 of 2013, that special official entities such as the Financiera de Desarrollo Territorial FINDETER, even though they comply with the requirements to belong to Group 1, will start implementing it from January 1, 2016. Having year 2015 as transition period.

In line with the above, the General Accountancy of the Nation, within the constitutional and legal competencies framework, issued resolution 598 of 2014, through which it joins the Public Accounting Regime, the regulatory framework provided in Exhibit Decree 1615 of

December, 2014. In addition to the accounting provisions issued by the Financial Superintendence of Colombia.

In this regard, Findeter began its process of adopting the Financial Reporting Accounting Standards (FRAS) by preparing its opening balance as of January 1, 2015, and its first comparative balance sheet as provided by international standard as of December 31, 2016.

For this reason, the Separate Opening Statement of Financial Position of FINDETER, has been prepared in accordance with the First-Time Adoption IFRS 1 and the rest of standards related to the International Financial Reporting Standards (IFRS) issued by the International Accountant Standard Board (IASB), as provided by the Colombian Law 1314 of 2009, Decree 2784 issued by the National Government in December, 2012, amendments and exemptions made by regulatory bodies.

It is worth noting that for the application of the standards, it has been taken into account that the Ministry of Finance and Public Credit, through Decree 2267 of November 11, 2014, made an exception about the treatment of the loan portfolio and its impairment and the classification and valuation of investments ignoring the application of IAS 39 and IFRS 9.

The source of each figure that supports changes in retained earnings and equity reclassification. They result from the standards application, among which we can mention the deferred tax, employee benefits, the recognition of the investments and fixed assets valuation that showed high variation due to the adjustments made, that generated a significant equity impact. All these adjustments generated a net change on the entity’s equity as of January 1, 2015 by a value lower than $-5,117 million and the generation of retained earnings by $34,071 million.

In the convergence process towards the international standards, the profit and loss for the year generated in the local standard that was previously reported, there were no changes with direct impact. This effect occurs because adjustments in the opening financial position are reflected on the equity as retained earnings. The affected adjustments are related to the recognition of expenses and revenues for impairment, provisions and derecognition of assets that do not affect the income.

The following are the adjustments generated by the equity variation in the opening statement of financial position:

Reconciliation of the net worth in the opening statement of financial position

EQUITY BALANCE AS OF DECEMBER 31, 2014 UNDER COLGAAP	**959,741,667**
Disregarding of deferred charges (remodeling and computer software)	- 2,028,302
Recognition of buildings improvement	24,931,193
Deferred tax	- 1,519,875
Present value of employees and former employees’ loans	-
Employee benefits (five-year periods and retirement)	- 1,370,390
Advances, general provision and depreciation - CVA	- 626,645
Recognition of investments valuation	13,212,735
Adjustment to the estimate balance of the litigation risk	1,472,585
TOTAL RETAINED EARNINGS	**34,071,300**
Reclassifications of the fixed assets and investments valuation accounts	- 39,188,003
EQUITY BALANCE AS OF JANUARY 1, 2015 UNDER NCIF (Colombian Financial Reporting Standards)	**954,624,964**

Reconciliation between Findeter balance sheet as of December 31, 2014 prepared in line with the Colombian accounting standards and the Opening Statement of Financial Position.

	Dec-31-2014 COLGAAP	**Transition effect IFRS**	**January-1-2015 NCIF**
Available	912,055,064	979,222	913,034,285
Investments and hedge	280,315,461	115,956,597	396,272,058
Loan portfolio	6,015,332,121	31,483,108	6,046,815,229
Portfolio provision	- 63,598,625	- 629,662	- 64,228,287
Fixed assets	4,339,352	26,069,009	30,408,361
Other assets	306,157,301	-	

		177,809,629	128,347,672
TOTAL ASSET	**7,454,600,674**	**- 3,951,355**	**7,450,649,319**
Deposits and current liabilities	4,734,011,000	-	4,734,011,000
Hedge investments	521,308	- 16,846	504,461
Credits from banks and other financial obligations	1,603,586,873	- 19,647,716	1,583,939,157
Other liabilities	156,739,826	20,829,910	177,569,736
TOTAL LIABILITIES	**6,494,859,007**	**1,165,348**	**6,496,024,355**
Subscribed and paid-in	822,285,400	-	822,285,400
Reserves and surplus	103,450,898	- 39,188,003	64,262,894
Profit and loss for the year	34,005,370	-	34,005,370
IFRS retained earnings	-	34,071,300	34,071,300
TOTAL EQUITY	**959,741,667**	**- 5,116,703**	**954,624,964**

Statement of financial position as of December 31, 2015

	Dec-31-2015 COLGAAP	EFFECT IFRS	Dec-31-2015 NCIF
Available	565,152,458	35,895	565,188,353
Loan portfolio	6,846,985,227	29,131,806	6,876,117,034
Portfolio provision	-63,129,494	-582,636	-63,712,130
Other assets	567,915,482	-6,593,934	561,321,548
TOTAL ASSET	**7,916,923,673**	**21,991,130**	**7,938,914,804**

Deposits and current liabilities	4,506,868,000	0	4,506,868,000
Credits from banks and other financial obligations	1,326,120,950	0	1,326,120,950
Bonds	946,180,106	-17,439,416	928,740,690
Other liabilities	152,229,788	23,906,941	176,136,728
TOTAL LIABILITIES	**6,931,398,844**	**6,467,525**	**6,937,866,369**
Subscribed and paid-in	858,636,800	0	858,636,800
Reserves	99,034,856	-37,117,992	61,916,864
First-time adoption profit and loss	0	34,071,300	34,071,300
Unrealized gain	0	2,643,025	2,643,025
Profit and loss for the year	27,852,173	15,928,273	43,780,446
TOTAL EQUITY	**985,523,829**	**15,524,606**	**1,001,048,435**

Exemptions and exceptions

As provided by Decree 2784 of 2012, 3023 of 2013, resolution 743 of the General Accountancy of the Nation (CGN by its acronym in Spanish) and other instructions given by supervisory and regulatory bodies for preparers of financial reporting that make up Group 1 with special terms of group 2, as well as the provisions of the International Financial Reporting Standard IFRS 1 “First-time adoption of international financial reporting standards”, Findeter implemented these standards for the first time at the beginning of January 1, 2015. In line with these standards, in this statement of opening financial position, Findeter has:

- applied the same accounting principles over the reported periods: December 31, 2016, 2015 and January 1, 2015.

- applied current standards retroactively as of December 31, 2012 as provided by Decree 3023 of December, 2013.

- applied certain optional exemptions and exceptions allowed or required by the IFRS 1, to the figures on the transition date as of December 31, 2015.

Blow are the details on exemptions and exceptions. They were applied to the conversion of the opening separate statement of financial position of the Financiera, they were prepared under the Colombian Accounting Standards and their conversion to the Accounting and Financial Reporting Standards were established for 2015;

A- Exemptions:

i. Attributed cost:

IFRS 1 allows Findeter to measure certain properties and equipment separately at their fair value or to use a reassessment according to the previous Colombian accounting principles such as the attributed cost of these assets on the transition date. The Financiera chose to use the fair value of its property and equipment as attributed cost on the transition date for the land and buildings headings, while for the rest of the items, it kept their historical cost, as provided by IFRS 01, Appendix D, paragraph 5.

ii. Measurement of financial assets or liabilities at fair value in their initial recognition:

In the normal course of Findeter operations, within the initial recognition of certain financial assets or liabilities transactions, they may differ from their fair value, in which case these transactions must be adjusted to their fair value under certain parameters. IFRS 1 allows applying this accounting standard on a prospective basis to transactions made from the transition date to the IFRSs, i.e., 2015.

iii. Employee benefits:

IFRS 1 does not require retroactive recognition of actuarial gains and losses related to actuarial estimates of employee benefits. Based on this exemption, Findeter recognized the estimated actuarial gains and losses existing on the transition date against retained earnings for applicable employee benefits (retirement bonus and bonuses for each five-year periods).

B- Exceptions:

i. Derecognition of financial assets and financial liabilities: IFRS 9 requires compliance with certain requirements to derecognize financial assets from the balance sheet. IFRS 1 requires prospective compliance with this requirement from an entity that adopts the IFRS for the first time, for transactions that take place from the date of transition to the IFRS.

ii. Classification and measurement of financial assets: financial assets and liabilities that must be measured at the amortized cost are determined according to the facts and circumstances existing on the transition date to the IFRS.

Changes to accounting policies by implementing the NCIF

In addition to the exemptions described above, below is an explanation of the main differences between the main accounting policies previously used by Findeter in accordance with the Colombian Generally Accepted Accounting Policies (Colombian GAAP) and the Accounting and Financial Reporting Standards Accepted in Colombia.

i. Presentation of financial statements.

Colombian GAAP: The Financial Superintendence of Colombia standards required the presentation of a balance sheet, an income statement, a statement of changes in equity and a statement of cash flows, along with the corresponding notes.

NCIF: In accordance with the International Accounting Standard IAS 1 "Presentation of Financial Statements", a complete set of financial statements comprises: (a) a statement of financial position at the end of the period, (b) a consolidated or separate income statement and other comprehensive income, (c) a statement of changes in equity, (d) a statement of cash flows for the period and (e) notes that include a summary of the most significant accounting policies and other explanatory information that is much broader and deeper than the one previously included in the financial statements.

ii. Property and equipment:

Colombian GAAP: The property and equipment were recognized at inflation-adjusted cost up to year 2001. Afterwards, assets were depreciated primarily on the basis of useful lives of 20 years for buildings, 10 years for machinery, equipment, furniture and fixture items and 5 years for vehicles and computer equipment.

In addition to the above, based on appraisals carried out during periods no longer than two (2) years, the valuation of these assets was calculated by the difference between the appraisal value and the book value of the asset. These appraisals were recorded on the assets in a separate account known as appraisals with balancing entry in the equity account (revaluation surplus). If the appraised value was lower than the book value, the difference was recorded as a provision to be charged against income.

NCIF: Properties and equipment for own use are recorded at their cost, which includes the costs necessary to place the asset under working conditions and the financial costs incurred in the construction process. Depreciation is calculated on the basis of the useful life defined in the accounting policy for the different assets, and Findeter did not estimate the residual value for the calculation of this depreciation.

Findeter defined the revalued cost method as subsequent measurement of real estate property and the cost method for the rest of its assets, as permitted by the NCIF.

At each accounting close, Findeter will analyze whether there are any external and internal indications, that a tangible asset can be impaired; when there is evidence of impairment, the entity analyzes whether such impairment exists by comparing the net book value of the asset against its recoverable value (as the higher value between its fair value minus the disposal costs and its value-in use). When the book value exceeds the recoverable value, the book value is adjusted up to its recoverable value, modifying future depreciation charges, depending on its remaining useful life.

iii. Deferred taxes:

Colombian GAAP: Deferred taxes were recorded as deferred assets or liabilities by the temporary differences that originated higher or lower payment of taxes in the current year; however, the Financial Superintendence of Colombia had restricted the recognition of deferred tax assets over tax losses and presumptive tax excess.

NCIF: Deferred taxes are recognized on temporary differences that result between the assets and liabilities tax bases and the accounting balances recognized in the financial statements, which give rise to deductible or taxable values by determining the taxable profit or loss that corresponds to future periods, when the book value of the asset is recovered or the liability is settled.

The deferred tax is determined using tax rates effective on the date of the balance sheet and are expected to be applied when the deferred tax asset is realized or when the deferred tax liability is offset. Deferred tax assets are recognized only to the extent that is likely to have future tax revenue available against which the temporary differences may be used.

iv. Employee benefits

Colombian GAAP: Under the Colombian accounting standards only the liabilities were recorded for post-employment benefits of retirement pensions. Such liability was calculated on the basis of actuarial studies using actuarial assumptions of mortality rate, wage increase, staff turnover and interest rates determined with reference to the average DTF (fixed-term deposit certificate) interest rate of the last 10 years.

This liability value was 100 percent accrued. Long-term employee benefits were generally recognized when they were paid or by the accrual system, in the years in which they were due. Under Findeter standard, there was no future benefit recognized.

NCIF: Future benefits that will be paid to employees are allocated to each accounting period in which the employee provides the service. Therefore, the expenditure for these benefits is recorded in Findeter income statement.

Long-term employee benefits liabilities are determined in the same way as the benefits described in the previous paragraph, with the only difference that changes in the actuarial liability to changes in the actuarial assumptions are also recorded in the income statement.

v. Property granted on lease:

Colombian GAAP: Properties granted on lease were classified in the property and equipment account by the property value and were depreciated over the useful life time defined. In addition, the corresponding income was recorded by charge to profit and loss.

NCIF: Properties granted on lease by Findeter are classified as operating lease. A lease is classified as an operating lease if it does not substantially transfer all the risks and rewards incidental to the ownership of the property.

The lease contracts that are classified as operating are included in the investment properties account and they do not depreciate, as Findeter has decided to record them using their fair value.

vi. Deferred charges:

Colombian GAAP: under the Colombian accounting principles, certain disbursements made by Findeter for expenditure such as refurbishments, licenses for the use of Software, etc., were recorded as deferred charges and amortized charged against income by the straight-line method at periods not exceeding 2 years.

NCIF: In the implementation of the standards, renovations payments made at the time of their accrual, are taken directly to profit and loss. In addition, the usage licenses are amortized through the straight-line method over a period of 2 years.

5. Note (5) Transition income statement

In the process of implementing the International Financial Reporting Standards provided by the Financial Superintendence of Colombia, 2015 was determined as the implementation transition period in terms of the application periods stated for special official bodies such as the Financiera. In this regard, during this transition period and in the implementation of the rules laid down, the Financiera generated variations compared to the closing financial information reported for the same period under the application of the local regulatory framework (COLGAAP), which are showed in the following summary chart:

Reconciliation of the income statement as of December 31, 2015

OPERATING INCOME	COLGAAP 2015	NCIF EFFECT	NCIF 2015
Portfolio interests	471,604,408	1,133,990	472,738,398
Interests on investment and other interests	17,267,280	- 1,133,990	16,133,290
Gain on the valuation of derivatives	488,459,978	-	488,459,978

Adjustment in exchange for restatement of assets and liabilities	254,887,278	-	254,887,278
Fees and commissions	70,778,110	-	70,778,110
Others (reimbursement of portfolio provisions)	64,671,218	5,927,777	70,598,995
Operating income subtotal	**1,367,668,271**	**5,927,777**	**1,373,596,048**

Operating expenses			
Interests	305,525,226	0	305,525,226
Interests on bonds	76,335,164	1,663,230	74,671,933
Portfolio provision	60,182,659	164,993	60,347,653
Other provisions	7,227,298	1,699,818	8,927,115
Commissions	9,478,478	1,084,270	8,394,209
Personnel expenses	31,461,044	73,235	31,534,279
Other overhead expenses	46,592,164	3,993,417	50,585,581
Exchange adjustment	355,306,705	0	355,306,705
Loss in the valuation of derivatives	399,021,883	0	399,021,883
Fees	6,341,318	0	6,341,318
Other taxes (VAT, equity, municipal business tax, GMF)	29,680,047	0	29,680,047
Operating expenses subtotal	**1,327,151,986**	**3,183,962**	**1,330,335,948**
NON-OPERATING INCOME AND EXPENSES	-		0

	924,111	924,111	
Operating profit	39,592,173	3,667,926	43,260,099
		-	-
PROVISION FOR INCOME TAX	11,740,000	12,260,347	520,347
Net income for the year	**27,852,173**	**15,928,273**	**43,780,446**

The variation resulting from 15,928 in the transition period from COLGAAP to IFRS, was recorded at the end of December of 2015, except for the deferred tax value of 12,260 that was recorded in the IFRS financial statements for the closing of 2016. Therefore, and for the comparative financial statements purposes, the above-mentioned deferred tax value and the balancing entries in the deferred assets accounts by 25,069 and deferred liabilities by 12,809 are shown in the financial statements for year 2015. The previous accounting procedure does not affect the reasonableness of the financial statements, the generation and liquidation of taxes or the distribution of profits made from 2015 validity.

STATEMENT OF CASH FLOWS

Heading	COLGAAP balance	Adjustment	IFRS balance
Operating activity	(731,166,461)	118,684,337	(612,482,124)
Investing activity	84,998,349	(98,534,860)	(13,536,511)
Financing activities	472,465,507	(74,502,857)	397,962,650

In the preparation of the COLGAAP cash flow statement and the application of the IFRS 2015, their difference is that the cash on hand of interbank funds and petty cash should have been taken into account for IFRS as of December 31, 2015 (operating activities). Likewise, registered investments should have been reclassified in IFRS as redemption of marketable securities (operating activity) and held to maturity investments (investing activity), as the payment of interests on international bonds which were reclassified as financing activities.

6. Note (6) Accounting standards updates

Issued by the IASB:

(a) New standards and amendments - applicable as of January 1, 2016

The following standards and interpretations are first applied to the periods of financial reporting beginning on or after January 1, 2016. The implementation of these accounting standards did not have any material effect on the financial statements of the Financiera.

i. Annual improvements to 2010-2012 and 2011-2013 IFRS cycles. Effective date on July 1, 2014. In December 2013, the IASB made the following amendments:

- IFRS 1 - confirms that those adopting IFRS for the first time may adopt standards that are not yet a compulsory requirement, but being under no obligation to do so.

- IFRS 3 - clarifies that the obligation to pay a contingent consideration is classified as a financial liability or equity instrument, based on the IAS 32 definitions. It also clarifies that all non-equity contingent considerations are measured at fair value at each reporting period.

- IFRS 3 - clarifies that the rule does not apply to the creation of any joint venture accounting.

- IFRS 8 - requires disclosures of the judgments used by the management to add operating segments and clarifies that a reconciliation of assets by segment should only be disclosed if segment assets are reported.

- IFRS 13 - confirms that short-term receivable and payable accounts can still be measured at invoice amount, when the discounting effect is immaterial.

- IFRS 13 - clarifies that the IFRS 13 portfolio exception (measuring the fair value of a set of financial assets and liabilities on a net basis) applies to all contracts under the scope of the IAS 39 or IFRS 9.

- IAS16 and IAS 38 - explains how are the gross book value and accumulated depreciation being addressed when an entity measures its assets with revalued figures.

- IAS 24 - when an entity gets the services of another entity's key management personnel, the reporting entity must disclose the compensation paid, but not the compensation paid by the other entity to its employees or directors.

- IAS 40 - explains that IAS 40 and IFRS 3 are not mutually exclusive when a distinction is made between investment and owner-occupied properties and to determine whether the purchase of an investment property is a business combination.

ii. Defined benefit plans: Employee contributions (amendments to IAS 19). Effective date on July 1, 2014. The amendments explain the accounting for defined benefit plans that require employees or third parties to contribute to the cost of the benefits. In the previous version of IAS 19, the majority of entities deducted contributions from the cost of the benefits obtained in the year in which they were paid. However, treatment of the standard revised as of 2011 was not very clear. It might be a bit complex to implement, as it requires an estimate of future contributions receivable and an allocation of services in future periods.

(b) Future requirements

As of December, 31 of 2016, the following standards and interpretations had been issued but they were not mandatory for the periods ended on December 31, 2015-2016. The Financiera is currently analyzing the potential effects of these new standards and interpretations; however, the management does not expect to have any material effect on the financial statements.

i. IFRS 9 Financial Instruments and amendments associated to other standards. Effective date on January 1, 2018. The IFRS 9 replaces the classification and measurement models of IAS 39 "Financial Instruments: Recognition and Measurement" with only one model that initially has two categories of classification: Amortized cost and fair value.

The classification of debt assets will be conducted through the entity’s business model to manage financial assets and the characteristics of the contractual cash flows of the financial assets. A debt instrument is measured at amortized cost if: (a) the purpose of the business model is to keep the financial asset to obtain contractual cash flows, and (b) the contractual cash flows of the instrument merely represent payments of the principal and interests.

The rest of the debt and equity instruments, including investments in complex debt and equity instruments, should be recognized at fair value.

All movements in financial assets go through the income statement, except for capital instruments that are not held for sale, which may be recorded in the income statement or in the reserves (and they cannot be recycled to the income statement).

In regards to the financial liabilities measured at fair value, entities will need to recognize some of the changes in the fair value caused by the changes in the credit risk in other comprehensive income instead of the income statement.

The new rules of hedge accounting (issued in December 2013) align hedge accounting with common risk-management practices. As a general rule, it will be easier to apply the hedge accounting. The new standard also introduces requirements of additional disclosures and presentation changes.

ii. IFRS 15 - Revenue from contracts with customers and amendments associated with other standards. Effective date on January 1, 2018. The IASB issued a new standard to recognize revenue. It replaces IAS 18 which covers the contracts for products and services, and IAS 11 about the construction contracts.
The new standard is based on the principle that revenues are recognized when the control over the product or service is transferred to the customer; therefore, the concept of control replaces the current notion of risks and benefits.

These accounting changes may have effects on business practices in relation to the systems, processes and controls, compensation and bonus plans, contracts, tax planning and communication with investors.

Entities have the option of comprehensive retrospective or forward-looking with additional disclosures application.

(c) New accounting requirements in Colombia:

In December 2015, the National Government issued Decree 2420, which compiled all the accounting standards issued to date by the Government in the process of partial adoption of the International Financial Reporting Standards and Decree 2496, which updated the previous decree and established the following, *inter alia*, that apply to the entity:

i. Incorporated the International Financial Reporting Standards prevailing on 31 December 31, 2014 into the Colombian legislation as from January 1, 2017, allowing its early application, except for IFRS 15 "Revenue from ordinary activities generated from contracts with customers," which shall apply from January 1, 2018 and noting that the conceptual framework for the financial reporting will become effective on January 1, 2016.

ii. It determines the parameters laid down in Decree 2783 of 2001 as the parameters to measure the post-employment benefits covered by the IAS 19, which will be reviewed every 3 years by the Ministry of Finance and Public Credit. This decree establishes for entities supervised by the Financial Superintendence to use an average inflation rate and DTF interest rate of the last 10 years in actuarial calculations of retirement pensions instead of current interest rates and inflation forecasted as set out in IAS 19. This amendment became effective from 2015, and although the effects on the actuarial calculations of the Financiera are not deemed significant, the Financiera started implementing this standard.

7. Note (7) Opinions and estimates

Use of accounting opinions and estimates that have 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 assets and liabilities within the next accounting period. The judgements and estimates are continually evaluated and are based on the Financiera experience and other factors, including expectations of future events that are believed to be reasonable.

The Financiera also makes some judgments apart from the ones that involve estimates in the process of applying the accounting policies. The judgments that have the most significant effect on the amounts recognized in the financial statements and the estimates that can cause an adjustment to the book value of assets and liabilities in the next year include the following:

i. Impairment of financial assets:

Loan portfolio provision

Based on evaluations, the loans granted are classified by risk level and individual provisions are created in line with Chapter II of the Basic Accounting and Financial Circular Letter 100 of 1995 as follows: exhibit 6 applies for the rediscount portfolio; the Consumption Reference Model - Exhibit 5 applies for the former employees portfolio classified as consumer portfolio; exhibit 1 applies for the former employee portfolio classified as home loan portfolio; the Commercial Reference Model - Exhibit 3 applies for the first-tier portfolio owned by FINDETER after exhibit 6 has entered into force.

The home loans are 100% secured by a mortgage.

- **Provision for investments:**

  For the provision of its investments, the Financiera makes judgments based on the issuers' financial reporting, the assessment of their credit quality and other macroeconomic variables, by issuing an internal rating. This rating is compared to the one issued by the risk credit-rating agencies, for investments that have been rated. When there is a likelihood of impairment, provisions to be made are estimated as set out in Chapter I-1 of the Basic Accounting and Financial Circular Letter for the percentages referred to in paragraph d. financial instruments.

ii. Fair value of derivative financial instruments

Information on the fair values of level 2 financial instruments, other than the quoted prices included in level 1 that are observable for the assets or liabilities, directly or indirectly, is disclosed in Note 6. Determination of fair values and valuation of financial instruments: they are determined based on the hierarchy of the three levels of fair value, which show the importance of the inputs used in its measurement.

The Financiera considers as observable data those market data that are already available, distributed or updated regularly, verifiable and reflect the assumptions that market participants would use to fix the asset or liability price.

iii. Deferred income tax

It evaluates the realization of deferred income tax asset over time. It represents income taxes collectable through future deductions from taxable income and are recorded in the statement of financial position. The deferred tax assets are collectable to the extent that the realization of the potential relative tax benefits. Future tax revenue and the amount of the tax benefits that are likely to happen in the future are based on medium-term plans prepared by the management. The business plan is based on the management's expectations that are believed to be reasonable under the circumstances.

As of December 31 2016, and 2015, it is estimated that the items of deferred income tax asset would be recoverable according to their future taxable income estimates. Deferred tax liabilities are recognized on temporary differences associated with different liabilities items, except when there is control over the reversal of temporary differences and it is probable that the difference will not be reversed in the foreseeable future. See note 15.

iv. Estimate for legal proceedings

It estimates and recognizes a provision for legal proceedings, in order to cover potential losses arising from labor cases, civil, commercial, fiscal or any other lawsuits according to circumstances that, based on the opinion of the legal department and advocacy committee of the entity, supported by the external legal advisors' opinions when circumstances so warrant, are considered potential loss and can be reasonably quantified. Given the nature of the claims, cases and/or proceedings, in some occasions it may not be possible to make an accurate forecast or quantify a loss amount reasonably. Therefore, the differences between the amount of actual disbursements made and the amounts initially estimated and provisioned, are recognized in the period in which they are identified.

v. Employee benefits

The measurement of obligations arising from the collective agreement as bonus for five-year periods and retirement pensions and other long-term obligations depend on a wide range of long-term premises and assumptions determined on actuarial bases, including estimates of the present value of the forecasted future payments of benefits, considering the likelihood of potential future events, such as increases in the minimum wage and demographic experience. These premises and assumptions may have an effect on the amount and in future contributions, if there is any variation.

For the calculation, the theory of insurance for contingencies of life was taken into account. Accordingly, it is established that the likelihood of a future life time for a person with certain population characteristics, is estimated from a life table with annual deaths published for each country or stakeholder.

vi. Provision of guarantees

The reserves of the VIS guarantee line are calculated according to the following formula:

- Delinquency in guarantees <= 12 months to Valid Loan Balance *Risk Fee
- Delinquency in guarantees > 12 months to Valid Guarantee Balance

This policy is appropriate to the extent that it allows having a more adjusted reserve value, as it is based on the expected loss of the VIS guarantees for loans with less than 12 months' delinquency.

For guarantees with more than 12 months' delinquency, 100% of the guarantee balance is reserved, which is equivalent to the loss rate value.

These models lead to the reserves minimum value. In the case of guarantees with delinquency of less than or equal to 12 months, the value of the reserves may be increased when the delinquency behavior indicates that the risk fee might not be enough to cover the losses.

vii. Onerous contracts

As of December 31 2016, and based on a technical study, Findeter does not have onerous contracts.

Findeter aims at promoting the regional and urban development through funding and consulting about the design, execution and management of investment projects or programs related, among others, to the technical assistance activity. In the framework of the foregoing, Findeter has developed a program called "Competitive and Sustainable Cities" based on the methodology developed by the Inter-American Development Bank (IDB) as part of the Emerging and Sustainable Cities Initiative (ESCI). This program seeks to identify and prioritize issues that are urgent for the municipal urban sustainability, as well as to define the strategic actions to solve these problems.

The development of the methodology in the municipalities that are part of the program, generates knowledge of the territorial entity and its needs, which then enables the Financiera to place credits, that serve to recover the funds invested therein. Therefore, these programs seek, on the one hand, to promote the regional and urban development of the Colombian cities (Findeter purpose) and secondly, to be an input and a tool for Findeter to place credits into the territorial entities.

On the other hand, it is important to note that Findeter has a multidisciplinary team of collaborators who work in the different municipalities that are part of the Sustainable and Competitive Cities and Emblematic Cities programs, thus generating efficiencies and properly taking advantage of the entity's working capital.

Finally, the funds contributed by the Financiera to contract base studies, will be charged against the Financial Agreement No. CCO1018 02 signed on November 5th between Findeter and the French Development Agency, which intends to strengthen Findeter sustainable cities and emblematic cities programs. Therefore, Findeter does not own these funds, but they come from international cooperation.

8. <u>Note (8) Estimate of fair value</u>

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivative instruments actively traded in stock exchanges or in interbank markets) is based on dirty prices provided by an official price provider authorized by the Financial Superintendence of Colombia, which determines them through weighted averages of transactions that take place during the trading day.

An active market is a market in which assets and liabilities transactions are carried out with enough frequency and volume to provide pricing information on an ongoing basis. A dirty price refers to the price that includes the accrued and outstanding interests on the security, from the date of issuance or last payment of interest up to the date of purchase and sale transaction or up to the date of valuation. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques established by the price provider or by the management of the entity.

The Financiera estimates the fair value of the fixed income and derivative instruments on a daily basis, using information about prices and/or inputs provided by the official price provider appointed officially (INFOVALMER price provider for Valoración S.A). This provider has been authorized after complying with the rules applicable to price providers for valuation in Colombia, including its purpose, rules of operation, the approval process of valuation methodologies and technological infrastructure required, among other aspects. After evaluating the methodologies of INFOVALMER S.A. price provider, it is concluded that the fair value calculated for the derivative instruments from prices and inputs delivered by the supplier, is adequate.

The Financiera may use models internally developed for instruments that do not have active markets. These models are generally based on valuation methods and techniques generally standardized in the financial sector. The valuation models are mainly used to assess equity financial instruments, which are not listed on the stock exchange. Some of these models' inputs may not be observable in the market and therefore, are estimated based on assumptions according to the market conditions existing at each reporting date.

A model output is always an estimate or approximation of a value that cannot be determined with certainty and the valuation techniques used may not fully reflect all the factors relevant to the Financiera positions. Therefore, valuations are adjusted, if necessary, to allow additional factors, including the model risks, liquidity risks and counterparty risks.

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

The fair value hierarchy has the following levels:

- Level 1 inputs 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 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are non-observable inputs for the asset or liability.

The fair value hierarchy level where the fair value measurement is fully classified, is determined based on the lowest level input that is significant to completely measure the fair value. To do this, the importance of an input is evaluated with reference to entire measurement of the fair value. If a fair value measurement uses observable inputs that require significant adjustments based on non-observable inputs, such measurement is a level 3 measurement. The assessment of the significance of a particular input in the entire measurement of the fair value requires professional judgment, taking factors specific to the asset or liability into account. The financial instruments traded on non-active markets, but valued in accordance with market prices quoted, quotes from price providers or alternative sources of price supported by observable inputs are classified in Level 2.

The Financiera considers as observable data, those market data that are already available, distributed or updated regularly by the price provider, which are reliable and verifiable, that do not have property rights, and that are provided by independent sources actively involved in this market.

Measurements of fair value on a recurring basis

These are measurements required by the IFRS accounting standards or allowed in the statement of financial position at the end of each accounting period.

The Financiera has determined that derivative assets and liabilities measured at fair value are classified in level 2 as noted below:

	2016	2015
Assets measured at fair value on a recurring basis		
Marketable securities	5,049,600	5,063,150
Equity securities - Ashmore	49,802,360	33,946,446
Debt securities	106,381,262	101,013,211
Currency forward	1,318,620	4,774,446
Total assets at fair value on a recurring basis	**162,551,842**	**144,797,253**

	2016	2015
Liabilities measured at fair value on a recurring basis		
Currency forward	16,802,920	15,814,189
Total liabilities at fair value on a recurring basis	**16,802,920**	**15,814,189**

In line with the methodologies approved by the Financial Superintendence of Colombia for the price provider, it receives information from all external and internal sources of negotiation, information and registration within the established schedules.

The methodologies applicable to the most common derivative instruments are:

- **Valuation of foreign currency forwards:** The provider publishes curves assigned according to the original currency of the underlying instrument. These curves are comprised of past due nominal rates associated with forward contracts of exchange rates.

- **Measurement at fair value on non-recurring basis:** As of December 31 2016, and 2015, there are no assets or liabilities measured at fair value determined on non-recurring basis.

- **Fair value of financial assets and liabilities recorded at amortized cost determined solely for disclosure purposes:** The following is the detail of the valuation of the financial assets and liabilities managed for accounting purposes to maturity and valued at fair value only for the purposes of this disclosure.

- **Fixed-income investments until maturity:** The fair value of the fixed-income investments to maturity was determined using the dirty price provided by the price provider, the securities that have an active market and have a market price for the valuation date are classified as Level 1, securities that do not have an active market and/or the price provided by the provider is an estimated price (present value of security flows, discounted with the reference rate and the corresponding margin) are classified as Level 2.

- **Loan portfolio:** In regards to the loan portfolio, its fair value was determined using cash flow models discounted at the interest rates offered by banks to grant new loans taking the credit risk and maturity period into account, it is considered the valuation process of Level 3.

- **Financial obligations and other liabilities:** the book value was considered as its fair value for the financial obligations and other short-term liabilities. In terms of the long-term financial obligations, its fair value was determined using the effective interest method at the end of each period. For the outstanding bonds, its fair value is determined in accordance with their quotes, in which case the valuation is Level 1 and Level 2 for the rest of obligations.

9. Note (9) Financial risk management

Corporate structure of the risk management

In line with the guidelines laid down by the Financiera, the corporate structure for the different risks management, is comprised of the following levels:

- Board of Directors
- Risk committees
- Risk management administrative processes

BOARD OF DIRECTORS

The board of directors of the Financiera is responsible for adopting, *inter alia*, the following decisions concerning the appropriate organization of the risk management system:

- ✓ The SARC and its respective manual shall be approved by the Board of Directors during ordinary meeting.
- ✓ To dictate general policies for proper risk management.

- ✓ To set the award limits and concentration by debtors.
- ✓ To set provisioning policies.
- ✓ To establish recovery policies.
- ✓ To approve the methodology for the assessment of financial intermediaries and issuers allowing the establishment of the VME.
- ✓ Periodically review the VME for each intermediary and the calculation methodology.
- ✓ To guarantee the allocation of human and technical resources to ensure optimal management of credit risk.
- ✓ To approve the rediscount operations rules.
- ✓ To approve the VME for each intermediary and set granting policies.
- ✓ To set the awarding limits and concentration by debtor.
- ✓ To approve the provisioning policy.
- ✓ To approve the recovery policies.
- ✓ To approve the estimate of the economic capital.
- ✓ To request periodic reports, for approval, from the management on the levels of exposure to credit risk, its implications and activities relevant to its mitigation and/or proper administration.
- ✓ To set the responsibilities and duties assigned to the posts and areas responsible for managing the credit risk.
- ✓ To assess the recommendations and corrective proposals on the administrative processes suggested by the main legal representative, without prejudice to the informal adoption of those deemed relevant.
- ✓ To approve the SARC internal control system, accurately assigning the areas and competent employees' responsibilities, as well as to review the reports and the management of the area responsible for that control.

RISK COMMITTEES

i. The Risk and GAP Committee

REGULATIONS

Basic Accounting and Financial Circular Letter 100 of 1995-CFF.
Agreement 10 of 2008 of the Board of Directors.
Internal circular 9 of 2013

GENERAL OBJECTIVE

To support the Board of Directors and the Presidency of the entity in the definition, monitoring, control, implementation of risk management policies and procedures.

MEMBERS

President of Findeter
Secretary General
Vice President of Finance
Vice President of Operations
Commercial Vice President
Vice President of Credit and Risk
Head of the Internal Control Office (in an advisory capacity)

MAIN DUTIES

- ✓ To establish risk management procedures and mechanisms.
- ✓ To advise the Board of Directors in the definition of the exposure limits.
- ✓ To recommend strategies for the balance sheet structure in terms of time limits, amounts, currencies, types of instruments and hedging mechanisms.
- ✓ To evaluate the assets and liabilities portfolio.
- ✓ To ensure compliance with the BOD decisions.
- ✓ To design and approve the risk management strategy and to lead its implementation.
- ✓ To advice the BOD on the maximum exposure value (VME by its acronym in Spanish) for rediscount operations, investments and hedge.
- ✓ To assess the portfolio

ii. SARC COMMITTEE

GENERAL OBJECTIVE

This Committee aims at analyzing, validating and maintaining an interdisciplinary control of all matters related to the credit risk of intermediaries and beneficiaries, prior to the submission of the relevant issues before the risk and GAP Committee. The internal Committee of Credit Risk will meet at least every two months.

MEMBERS

Vice president of Credit and Risk

Portfolio Manager

Chief of Credit Analysis

SARC Professionals

In addition, the Commercial Vice Presidency will be invited in an advisory capacity as well as employees from the different areas that need to attend given the topic that will be discussed or addressed.

MAIN DUTIES

- ✓ To monitor early warning indicators.
- ✓ To define the entities that need to be visited based on quantitative and qualitative analyses.
- ✓ To analyze the provision level of each intermediary.
- ✓ To define presentations for the Risk Committee.
- ✓ To analyze the periodic reconciliations between the portfolio registered by FINDETER and the one registered by the intermediaries.
- ✓ To analyze the beneficiaries' portfolio.
- ✓ To make recommendations to the Risk Committee.
- ✓ To analyze the variations of the VME proposed.
- ✓ To define the qualitative aspects to be assessed from each intermediary.

Other duties deemed by the Vice President of Credit and Risk, and/or the Risk and GAP Committee.

RISK MANAGEMENT ADMINISTRATIVE PROCESSES

The Financiera, over the ordinary course of business, is exposed to different financial and non-financial risks.

According to the policy of continuous improvement set out by the Financiera, the procedures of identification, measurement, follow-up, control and monitoring of each one of the risk systems, such as the following, have been regularly updated and optimized. Financial risks: Liquidity Risk (SARL), Market Risk (SARM), Credit Risk (SARC), non-Financial Risks, Operational Risk (SARO), Money Laundering and Terrorism Financing Risk (SARLAFT), Information Security Management System (ISMS). Each of these systems has models, methodologies, policies and limits defined in each of the respective manuals. All these components have been approved by the Board of Directors of the Financiera and focus on strategic decision-making.

PROCEDURES:

SARC

- ✓ Assignment of Gross Maximum Exposure value, monitoring and control for entities supervised by the Financial Superintendence of Colombia.
- ✓ Assignment of Maximum Exposure Value, monitoring, and control for entities non-supervised by the Financial Superintendence of Colombia.
- ✓ Allocation of counterparty quota, monitoring and control.

SARL

- ✓ Measurement and control of liquidity risk

SARM

- ✓ Measurement and control of market risk

SARLAFT

- ✓ Identification, monitoring and control of the SARLAFT risks
- ✓ Customer knowledge
- ✓ Knowledge of the market
- ✓ Detection and identification of suspicious and unusual operations

SARO

- ✓ Identification, monitoring and control of operational risk
- ✓ Identification, monitoring and control of the Information Security Risk
- ✓ Crisis management
- ✓ Anti-Fraud and corruption program

SGSI

- ✓ Identification, monitoring, and control of information Security (SI by its acronym in Spanish) risks.

SARAS

- ✓ Environmental and social analysis

Credit risk

Within its risk management system, Findeter has implemented the Credit Risk Management System - SARC, (by its acronym in Spanish). The Credit Risk mainly in the following operations:

Rediscount: It is originated in the credit operations intermediated by credit institutions supervised by the Financial Superintendence and operations originated in some entities not supervised by this entity as in the case of the regional development agencies (INFIS). Likewise, with the creation of the low-income housing line (VIS), other intermediaries are authorized, such as: Family Compensation Funds monitored by the Superintendence of Family Allowance, savings and credit cooperatives and employee funds monitored by the Superintendence of Solidarity Economy. It is important to clarify that the portfolio associated with entities non-supervised by the Financial Superintendence of Colombia (SFC by its acronym in Spanish) and the INFIS entities, is a portfolio that is exclusively under recovery, i.e., no new operations are carried out with this type of entities.

Interbank operations: These are operations carried out to take advantage of cash flow surpluses and they can only be made with other credit institutions supervised by the Financial Superintendence of Colombia.

Investments: These are the set of positions, held by the entity with the aim of taking advantage in the short-term of price fluctuations and those that are sensitive to the market fluctuations; that is to say, marketable and available for sale investments.

Derivatives: These are the set of operations that the entity signs with the purpose of hedging asset and liability positions. This hedge is currently carried out for liabilities in dollars through the Forward Non-delivery operations.

The above operations can only be carried out with entities to which the Board of Directors has approved the Credit Exposure Maximum Value, this is a discretionary value; that is to say, it will be exclusively under internal management, it may be changed at any time and does not commit the Financiera to contract operations up to that value.

In addition, the credit risk is also found in the first-tier and former employees' portfolio. The first one results from the intermediary settlement and Findeter attribution in this instance to collect this portfolio directly. The second one arises in case of separation of a Findeter collaborator to whom the entity granted a loan.

The SARC manual is within the Integrated Management System which includes the policies, procedures, methodologies and models to manage this risk properly; below are some of these policies:

- Granting policies criteria to define the credit subjects.
- Credit exposure limits policies.
- Policies on guarantees
- Portfolio restructuring policies
- Portfolio recovery policies
- Monitoring and control policies
- Information disclosure policies on loan portfolios risk levels
- Reporting policies
- Policies on incentive, management of conflicts of interest and ethics
- Policies for the inclusion of new products and/or loan portfolios
- Policies on information and registration of the portfolio assessment
- Rediscount operations general policies
- Provisioning policies
- Portfolio write-off policies.

Below are the follow-up procedures:

- Assignment of counterparty VME, monitoring and control
- Assignment of VME for entities supervised by the Financial Superintendence of Colombia, monitoring and control.
- Monitoring and control for entities non-supervised by the Financial Superintendence of Colombia.

The following methodologies are defined within the SARC manual:

- VME assignment methodology, control and follow-up for entities supervised by the Financial Superintendence.
- Control and monitoring for cooperatives and employee funds supervised by the Superintendence of Solidarity.
- Control and follow-up for family compensation funds supervised by the Superintendence of Family Allowance.
- Control and follow-up for Regional Development Entities - INFIS
- Counterparty VME assignment methodology (exclusively treasury operations), control and follow-up for stockbroker companies.
- Counterparty quota allocation methodology (exclusively treasury operations), control and follow-up for Trust Companies.
- Counterparty quota allocation methodology (exclusively treasury operations), control and follow-up for Funds Management Companies.

The methodologies implemented to evaluate, rate, and to regularly control the different types of intermediaries, are based on:

- **Financial analysis and impairment likelihood:** Mathematical and statistical evaluation of the financial statements of intermediaries. For each type of intermediary, the SARC manual sets out the methodology and indicators that will be considered for this analysis.
- **Qualitative aspects, and on-site visits:** The purpose of this component is to make a qualitative analysis to a range of information sent by the intermediary, which aims at deepening the customer knowledge and having greater knowledge about its business model and strategy, corporate governance framework. Below are the aspects that will be evaluated:
    - Organization: It evaluates aspects such as the entity organizational structure, corporate governance and management.
    - Commercial aspects, business strategy: The entity’s commercial and strategic policies and its lines of business are evaluated.
    - Financial aspects: It seeks to look into issues related to the entity’s portfolio and its funding alternatives.
    - Operating performance aspects related to the granting and proper management of the credits are evaluated.
    - Risk management and control: Analysis of the various risk management systems implemented by the intermediary.

The Credit Risk Internal Committee (SARC committee) based on the financial analysis and the assessment of the qualitative aspects, will select the intermediaries that shall be subject to visits during the period.

All VME are approved solely by the Board of Directors of the Financiera.

Portfolio exposure:

	DEC-16	
	EXPOSURE	STAKE
SUPERVISED BY THE FINANCIAL SUPERINTENDENCE OF COLOMBIA	7,498,674,000	95.99%
NON-SUPERVISED	255,617,000	3.27%
FIRST-TIER	19,122,000	0.24%
EMPLOYEES	25,468,000	0.33%
FORMER EMPLOYEES	12,762,000	0.16%
TOTAL	7,811,733,000	100.00%

95.99% of the Financiera loan portfolio is in 27 entities supervised by the Financial Superintendence of Colombia. The following are included among the entities not supervised by the Superintendence: 7 Compensation Funds, 3 savings and credit cooperatives, 3 employee funds and 6 INFIS entities, for a total of 46 rediscount operations intermediaries.

Market risks

The market risk is the potential loss due to changes in the market risk factors that have an impact on the valuation or on the expected results of the assets, liabilities or causing contingent liabilities operations, such as interest rates, exchange rates, price indexes, among others.

The risk market derives from adverse changes of the relevant financial market variables. Therefore, the main market risks to which the entity is exposed can be classified in a generic manner by the exposure of its portfolios to changes of the different risk factors.

FINDETER uses the standard model of the Financial Superintendence of Colombia to measure its exposure to these risks, in this way we have:

- Interest rate risk It is the possibility for the entity to incur in losses due to changes in interest rates. The financial entities are exposed to the interest rate risk provided that there is a mismatch between the average maturity of assets and liabilities. This risk may be in legal tender, foreign currency, and in real value units (UVR by its acronym in Spanish).

  The following table shows the positions affected by this risk factor within the framework of the Financial superintendence of Colombia as treasury book:

ASSETS POSITONS (RIGHTS)	Dec-16	Dec-15
INVESTMENTS (WITHOUT FICS)	107,833,334	14,240,030
FOREIGN CURRENCY ASSET POSITIONS (RIGHTS)		
FORWARD ASSETS	821,347,719	810,271,956
LIABILITIES POSITIONS (OBLIGATIONS)		
FORWARD LIABILITIES	836,829,719	821,243,434

Positions in the treasury book exposed to the rate risk.

- Exchange rate or foreign currency risk. It is the possibility of the entity to incur in losses due to fluctuations in exchange rates of the different currencies with which the entity makes its operations or has funds invested.

Below is Findeter exposure to this risk, according to the type of operation that originates it:

	Dec-16	Dec-15
CREDITS IN DOLLARS	499,774,837	268,187,553
FORWARD HEDGE	821,347,719	810,271,956
AVAILABLE IN USD	264,839,794	251,726,780
OTHER ASSETS AND ACCOUNTS RECEIVABLE	2,106,960	1,061,217
	1,588,069,310	**1,331,247,506**
	Dec-16	**Dec-15**
MULT BANKING DEBT	1,583,475,738	1,326,120,950
OTHER LIABILITIES AND ACCOUNTS PAYABLE	16,598,515	4,797,746
	1,600,074,253	**1,330,918,696**

ABS DIFFERENCE	**12,004,943**	**328,810**
VaR Exchange Rate (T.C in Spanish)	**660,272**	**18,085**

Assets and liabilities positions that determine the risk in exchange rate.

- Stock risk. It results from holding open positions (buying or selling) with shares, indexes, or share-based instruments. This creates an exposure to the change in the market price of the linked-to-indexes shares or share-based instruments.

  Findeter is exposed to this risk by having a stake in the National Guarantee Fund. Findeter also participates in Collective Investment Funds (FIC by its acronym in Spanish) as shown below.

	Dec-16	Dec-15
SHARES	27,615,085	37,788,868
FICs	53,399,888	33,946,446

Positions exposed to stock risk and by FIC positions

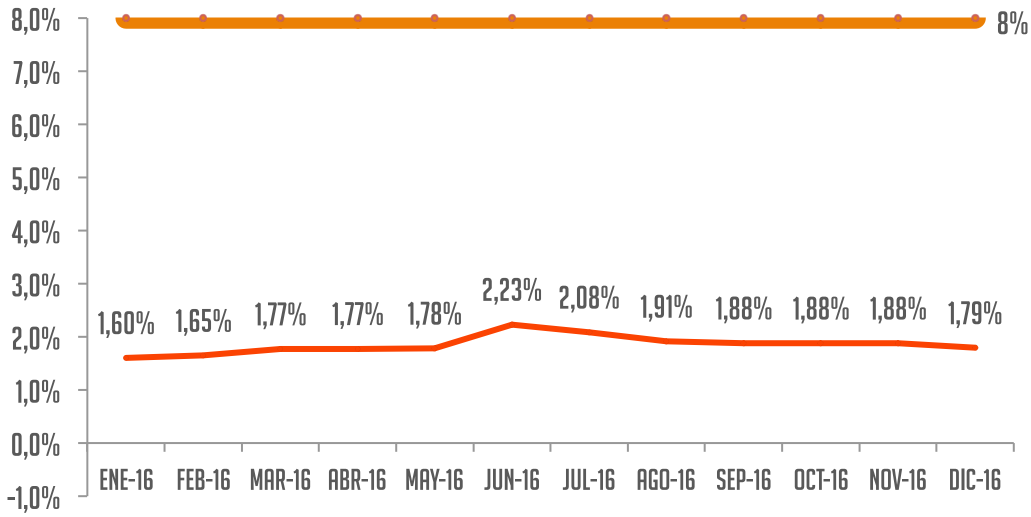
The table below shows the risk value by modules:

MONTH	Dec-16	Dec-15
INTEREST RATE	4,853,894	2,593,274
EXCHANGE RATE	660,272	18,085
SHARE PRICE	4,059,418	5,554,964
COLLECTIVE INVESTMENT FUNDS	7,849,784	4,990,128
VALUE AT RISK	**17,423,367**	**13,156,450**
TECHNICAL NET WORTH	971,597,401	905,166,113
GLOBAL VaR	**1.793%**	**1.453%**

Value at risk by module based on the SFC model.

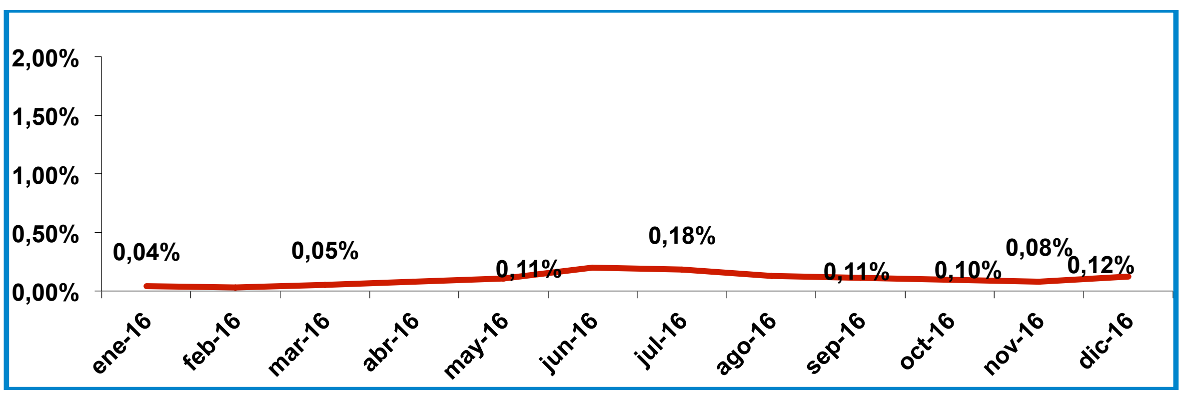
The purpose of the Market Risk Management System (SARM) is to identify, measure, control and monitor the market risk to which the entity is exposed in the development of its authorized operations, including treasury, in line with its structure and size.

The Board of Directors, through agreement No. 005 of August 31 2009, amends, and includes the policies and limits for the treasury operations management. The Risk Committee and the Board of Directors will review the VME every six months for treasury operations relating to interbank, investments and derivative instruments, in accordance with the calculation methodologies set forth in the Manual of the Credit Risk Management System (SARC).



Graph 1. Use of the value at risk compared with the approved limit.

With regard to the risk due to fluctuations in the exchange rate of the peso against other currencies to which FINDETER can be exposed, the Board of Directors adopted the policy of maintaining the global foreign exchange position hedged in a percentage higher than 95%. In addition, the foreign currency VaR is obtained from the positions in these currencies for the VaR calculation of the standard model, this VaR must not exceed 2% of Findeter foreign currency liability positions.



Graph 2. Value at risk in foreign currency with the approved limit.

The following table gathers the reports and monitoring actions taken by Findeter to manage this risk:

REPORT	FREQUENCY	DESCRIPTION
Report to the Risk Committee	Monthly	Global VaR Portfolio VaR Foreign currency VaR Reports on the use of VME Rates report
Daily report of market risks	Daily	VaR by modules Diversified portfolio VaR, individual VaR by securities and contracts
Reports to the Financial Superintendence	Daily and monthly	Formats 381 to 386

Exposure to interest rate risk:

Below is a comparison of the exposure to interest rate risk with December 2016 as closing date of FINDETER balance sheet, the durations, the VaR level caused by the variation of the risk factors in a one-year time window, as well as the weighted average interest rate under the forecasted amounts.

	TOTAL			
	BALANCE	DUR	VaR	RATE
ASSET	**9,480,105,040**	**2.96**	**704,196,670**	**7.800%**
PORTFOLIO	7,772,018, 960	3.60	690,622,810	8.217%
INVESTMENTS	188,848,310	2.27	10,020,490	7.321%
SWAP	-	-	-	0.000%
FORWARD	822,494,610	0.17	3,553,360	7.050%
ACCOUNT	696,743,160	-	-	4.094%
LIABILITY	**7,702,739,240**	**2.57**	**300,763,840**	**7.141%**
TERM DEPOSIT CERTIFICATE	5,173,088,500	1.02	149,465,960	8.453%
BOND	946,175,000	5.85	92,268,180	7.875%
DEBT	1,583,475,740	5.66	59,029,700	2.415%
DIFFERENCE	**1,777,365,800**	**0.40**	**403,432,820**	**0.659%**

Exposure to the exchange rate risk:

In compliance with the provisions set forth in the External Regulatory Circular DODM 285 of the Central Bank, in the sense of hedging the foreign exchange exposure of the entity and with the provisions of the External Circular No. 041 of the Financial Superintendence of Colombia in relation to the transmission of the global foreign exchange position, FINDETER has been hedging the foreign exchange exposure of its liabilities in foreign currency.

Therefore, the Financiera adopted the financial hedge policy of its foreign currency liabilities prior to the issuance of regulations in 2005 given the strict compliance of the Board of Directors with the provisions of the External Circular 014 of 1998 issued by the Financial Superintendence of Colombia as recorded in the minutes of Board Meeting No. 131 of 23 January 2003.

As part of its strategy to reduce its foreign exchange risk during 2016, FINDETER carried out Forward operations and disbursements in dollars were made as natural hedge for foreign currency liabilities up to USD $274,100,000 and $166,552,194 respectively on December closing. The hedge program of the Financiera liabilities closed 2016 with a currency hedging of 99.90%.

The following table shows the forwards value established by entity and the stake by entity for the end of 2016.

ENTITY	Operations by entity in USD	Stake
BBVA bank	39,000,000	14%
BANCOLOMBIA	10,500,000	4%
BANCO DE BOGOTA	55,500,000	20%
BANCO DE OCCIDENTE	43,000,000	16%
CORFICOLOMBIANA	30,000,000	11%
DAVIVIENDA	68,000,000	25%
JP MORGAN CHASE	28,100,000	10%
TOTAL	**274,100,000**	

The global currency position as of the closing of December showed a -USD$545,468 value, being situated within the permitted limits of 20% and -5% compared to the technical net worth:

GLOBAL FOREIGN EXCHANGE POSITION CALCULATION AS OF31 DECEMBER 2016		
	REPRESENTATIVE MARKET RATE Dec. 31	3,000.71
RIGHTS		Value USD$
Banks	-	88,259,043
Forward	-	274,100,000
USD credits	-	166,552,194
Accounts receivable	-	702,154
TOTAL DUTIES	**-**	**529,613,392**
OBLIGATIONS	**Value $**	**Value USD$**
TOTAL OBLIGATIONS	**-**	**530,158,860**
Global currency position (USD)		-545.468
LIMITS ESTABLISHED		
	Thousands $	**Millions USD**
Technical net worth in October	969,350,000	**314.15**
20%	193,870.000	62.83
-5%	-48,468,000	-15.71

a) Liquidity risk

The liquidity risk is the contingency that might be experienced by an entity that incurs in excessive losses that lead it to sell part or all of its assets and to perform other operations that allow it to achieve the necessary liquidity in order to comply with its obligations.

The liquidity risk results from adverse variations of the relevant financial market variables. The main liquidity risks to which the entity is exposed can be classified according to the different risk factors to which its portfolios are exposed. Therefore, we have:

- Inadequate management of assets and liabilities: It refers to a mismanagement of funds, either by the quality or composition of the asset, or by the way of leveraging its activity.

- Mismatch of term and rates: It is the risk that occurs when the terms or interest rates of assets do not coincide with those of the liabilities.

- Volatility of the funds collected: Variability in the stability of the full-term funds collected. Estimating volatility allows building different scenarios of liquidity, evaluating the deposit rates against the market and setting tolerance limits.

- Concentration of deposits: It results in a liquidity risk when the concentration of deposits and the concentration of maturities occur simultaneously.

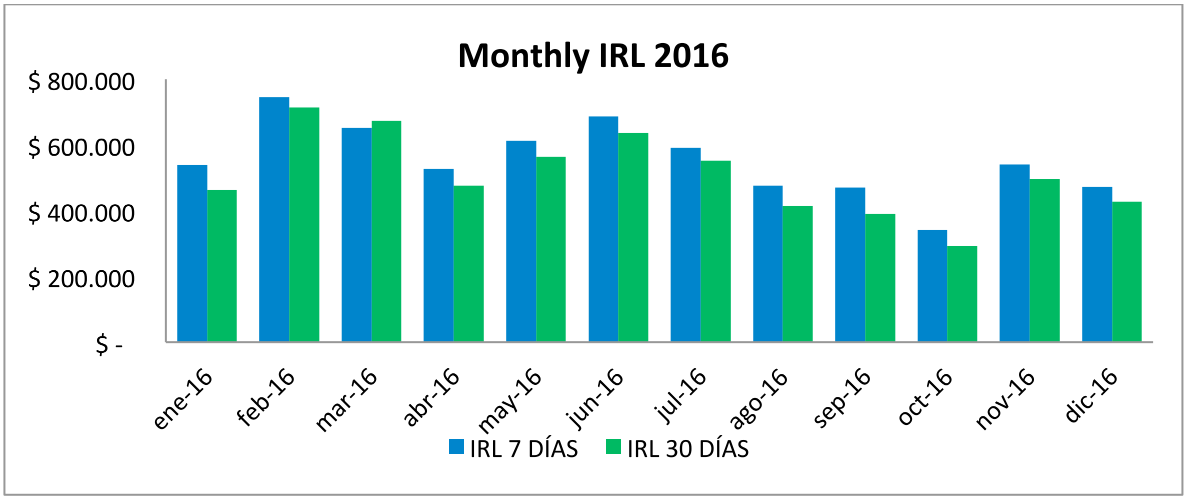
➢ **Variables external to the entity that can lead to a systemic crisis**:

- Adverse variations in interest rates.
- Deterioration in the economic sectors that are served.
- Rumors (financial panic).

The SARL should allow the entity to measure and quantify the minimum level of liquid assets, in legal tender and foreign currency, needed to be maintained to prevent any materialization of the liquidity risk, that is, having the ability to pay for its payables in both a typical and a crisis scenario on due time and in a timely manner. In order to measure its exposure to the liquidity risk, Findeter uses the standard methodology suggested by the Financial Superintendence of Colombia.

Month	IRL 7 DAYS	IRL 30 DAYS
Jan-16	539,557	463,219
Feb-16	745,061	714,550
Mar-16	651,928	674,130
Apr-16	526,247	475,897
May-16	612,880	563,619
Jun-16	686,823	636,874
Jul-16	591,364	553,179
Aug-16	476,096	415,135
Sep -16	469,991	390,020
Oct-16	341,415	293,103
Nov-16	541,328	495,113
Dec-16	473,611	428,668

IRL calculated values at 7 and 30 days during 2016



Graph 3. IRL 2016

The internal model for the calculation of the liquidity risk is based on the standard model of the Financial Superintendence of Colombia, extended to other time ranges. Based on the nature of FINDETER operations, it is important to see the cash flow projections to terms longer than 30 days.

The Liquidity Risk Indicator (IRL by its acronym in Spanish) shall be determined as follows:

IRL = ALM - RLN where:
ALM: Liquid assets adjusted by market liquidity, exchange risk and cash position required.
RLN: The estimated net liquidity requirement for the time range.

The composition of the ALM and RLN is carried out in accordance with the provisions of Chapter VI, Exhibit 1 of the Basic Accounting and Financial Circular Letter of the Financial Superintendence.
The degree of exposure to the liquidity risk, the positions with contractual maturities on predefined dates, is estimated by the analysis of the mismatch of cash flows of its assets, liabilities and off-balance sheet positions.

Internal model liquidity risk calculation - December 2015

Thousands of $	DAYS							
DESCRIPTION	**BALANCE**	**1 to 7**	**1 to 30**	**31-60**	**61-90**	**91 to 180**	**181 to 360**	**360 or more**
AVAILABLE	541,238,414							
LIQUID ASSETS INVESTMENTS	11,392,024							
NET LIQUID ASSETS	552,630,438							
LOAN PORTFOLIO		8,973,094	42,139,599	101,557,385	96,040,163	268,412,344	590,315,949	8,035,777,752
TERM DEPOSIT CERTIFICATES		3,109,939	193,286,939	319,459,025	226,651,784	781,146,969	1,462,663,307	1,815,038,999
FINANCIAL LIABILITIES WITH CONTRACTUAL MATURITIES		**0**	**9,440,999**	**14,459,897**	**4,942,001**	**48,142,341**	**61,484,878**	**2,535,061,600**
NET LIQUIDITY REQUIREMENT		**-777.485**	**-50,681,985**	**-225,646,767**	**-57,812,566**	**-207,322,328**	**-932,146,239**	**3,737,727,655**
LIQUIDITY RISK INDICATOR		**551,852,953**	**501,948,454**	**276,301,687**	**218,489,121**	**11,166,793**	**-920,979,446**	**2,816,748,209**
INIDCATOR OF RELATIVE LIQUIDITY RISK		**71079%**	**1090.4%**	**222.4%**	**477.9%**	**105.4%**	**1.2%**	**24.6%**

Liquidity risk indicator for different closing ranges December 2016.

Internal model liquidity risk calculation - December 2016

Thousands of $	DAYS							
DESCRIPTION	**BALANCE**	**1 to 7**	**1 to 30**	**31-60**	**61-90**	**91 to 180**	**181 to 360**	**360 or more**
AVAILABLE	504,883,375							
LIQUID ASSETS INVESTMENTS	13,378,065							
NET LIQUID ASSETS	518,261,440							
LOAN PORTFOLIO		13,097,146	109,627,724	107,297,947	125,041,701	326,505,738	685,292,276	9,041,909,111
TERM DEPOSIT CERTIFICATES		162,004,664	337,896,430	296,292,467	296,721,801	693,184,183	1,276,218,086	2,268,362,094
FINANCIAL LIABILITIES WITH CONTRACTUAL MATURITIES		16,598,515	20,478,772	379,888,309	302,730,253	44,210,336	67,589,217	4,010,161,524
NET LIQUIDITY REQUIREMENT		**-44,650,795**	**-89,593,800**	**-250,452,880**	**-140,249,408**	**-410,281,048**	**-657,041,928**	**2,798,336,312**
LIQUIDITY		**473,610,646**	**428,667,640**	**178,214,760**	**37,965,352**	**-**	**-**	**1,768,978,687**

RISK INDICATOR						**372,315,696**	**1,029,357,625**	
INIDCATOR OF RELATIVE LIQUIDITY RISK		**1161%**	**578.5%**	**171.2%**	**127.1%**	**9.3%**	**-56.7%**	**36.8%**

Liquidity risk indicator for different closing ranges December 2015.

With regard to the liquidity risk, Findeter has put in place policies towards the concentration of its obligations and to measure and monitor its indicators:

Liquidity risk index:

The entity liquidity risk indicators for the 7 and 30 calendar days forecast must always be equal to or greater than zero.

Policies of concentration:

The Risk Committee sets the concentration limits that the entity needs to keep about:

- Disbursements of loans: If the disbursements made during the month reach the budgeted value of the financial plan, additional disbursements shall be approved by the Risk and GAP Committee.
- The Risk and GAP Committee will set the concentration limit of maturities for fund-raising operations.
- Liquidity contingency Plan: It is considered that the entity may be having a significant exposure to the liquidity risk, when in a given weekly report the IRL to 7 or 30 days is negative. To prevent and deal with this event, it sets the Liquidity Contingency Plan.

Sensitivity to the liquidity risk

Findeter identified two liquidity stress scenarios related to the portfolio collection, assuming that there are defaults that lower it to 75% and 50% of the contractual cash flows.

Stress - Internal model liquidity risk calculation - December 2016								
Millions of $	**DAYS**							
DESCRIPTION	**BALANCE**	**1 to 7**	**1 to 30**	**31-60**	**61-90**	**91 to 180**	**181 to 360**	**360 or more**
AVAILABLE	504,883,375							
LIQUID ASSETS INVESTMENTS	13,378,065							
NET LIQUID ASSETS	518,261,440							
LOAN PORTFOLIO		9,822,859	82,220,793	80,473,460	93,781,276	244,879,304	513,969,207	6,781,431,833
TERM DEPOSIT CERTIFICATES		162,004,664	337,896,430	296,292,467	296,721,801	693,184,183	1,276,218,086	2,268,362,094
FINANCIAL		16,598,515	20,478,772	379,888,309	302,730,253	44,210,336	67,589,217	4,010,161,524

LIABILITIES WITH CONTRACTUAL MATURITIES								
NET LIQUIDITY REQUIREMENT		**-44,650,795**	**-89,593,800**	**-277,223,718**	**-171,447,312**	**-491,744,230**	**-828,022,351**	**2,798,336,312**
LIQUIDITY RISK INDICATOR		**473,610,646**	**428,667,640**	**151,443,922**	**-20,003,390**	**-511,747,620**	**-1,339,769,972**	**1,458,566,341**
INIDCATOR OF RELATIVE LIQUIDITY RISK		**1161%**	**578.5%**	**154.6%**	**88.3%**	**-4.1%**	**-61.8%**	**47.9%**

Liquidity risk indicator stressing income by 25% for different ranges, December 2016 closing.

Stress - internal model liquidity risk calculation - December 2016								
Millions of $	**DAYS**							
DESCRIPTION	**BALANCE**	**1 to 7**	**1 to 30**	**31-60**	**61-90**	**91 to 180**	**181 to 360**	**360 or more**
AVAILABLE	504,883,375							
LIQUID ASSETS INVESTMENTS	13,378,065							
NET LIQUID ASSETS	518,261,440							
LOAN PORTFOLIO		6,548,573	54,813,862	53,648,973	62,520,851	163,252,869	342,646,138	4,520,954,555
TERM DEPOSIT CERTIFICATES		162,004,664	337,896,430	296,292,467	296,721,801	693,184,183	1,276,218,086	2,268,362,094
FINANCIAL LIABILITIES WITH CONTRACTUAL MATURITIES		16,598,515	20,478,772	379,888,309	302,730,253	44,210,336	67,589,217	4,010,161,524
NET LIQUIDITY REQUIREMENT		**-44,650,795**	**-89,593,800**	**-304,048,204**	**-202,707,738**	**-573,370,665**	**-999,345,420**	**2,798,336,312**
LIQUIDITY RISK INDICATOR		**473,610,646**	**428,667,640**	**124,619,435**	**-78,088,302**	**-651,458,967**	**-1,650,804,387**	**1,147,531,925**
INIDCATOR OF RELATIVE LIQUIDITY RISK		**1161%**	**578.5%**	**141.0%**	**61.5%**	**-13.6%**	**-65.2%**	**59.0%**

Liquidity risk indicator stressing income by 50% for different ranges, December 2016 closing.

The following table gathers reports and monitoring actions taken by Findeter to manage this risk:

REPORT	FREQUENCY	DESCRIPTION
Report to the Risk Committee	Monthly	Weekly IRL report for 1-7 and 1-30 days.
Internal model of liquidity risk	Monthly	IRL for the ranges established. Stressed IRL for 50% and 75% of the collection.

IRL projection	Weekly	Projection of the indicator calculation at 7 and 30 days.
Reports to the Financial Superintendence	Weekly and monthly	458 weekly and monthly formats. 472 main customers monthly.

Operational risk

FINDETER has implemented the Operational Risk Management System to identify, measure, control, monitor and communicate the Financiera own operational risks, thus complying with the provisions of Chapter XIII of the Basic Accounting and Financial Circular Letter 100 of 1995 issued by the Financial Superintendence Colombia. In line with the provisions of this standard, the Financiera has the Unit of Operational Risk - URO (by its acronym in Spanish), led by the Vice Presidency of Credit and Risk.

The Financiera identifies its operational risks based on the processes, which are valued and controlled in order to obtain the residual risk. The entity risk profile is obtained from the consolidation of the residual risk. Each of the stages of the SARO has its own policies and methodologies that contribute to their management. These are included in the Manual of the System Policies, which has been duly approved by the Board of Directors, and the Audit Committee and the Risk and Assets and Liabilities Management - GAP (by its acronym in Spanish) Committee have been informed.

In addition, the system has the procedures needed to develop the operational risk management, which are included in the Integrated Management System. Also, the system has the record of operational risk events, an essential risk management tool that favors the strengthening of the processes by identifying their shortcomings and correcting them, thus generating greater control and operational efficiency by reducing errors, creating a framework conducive to the development of the operation, as well as of its different products and operational lines.

According to the outcomes of the last monitoring carried out at December 31 2016 closing, FINDETER residual risk profile focuses on MODERATE, which derives from the application of the methodologies defined in the Manual for the risk management and controls associated with the processes that the Financiera has defined for its operation.

For the same time period, there were no economic losses recorded resulting from the materialization of operational risk events. As of December 31 2016, there are provisions recorded for judicial proceedings in the amount of 2,608.881,516.00.

The SARO contains the Business Continuity Plan - PCN (by its acronym in Spanish), which includes the Emergency Response Plan, whose main purpose is to respond to interruption situations of the operation, in such a way that the critical processes continue to operate until it returns to normality. To that effect, the Financiera has been defined, through the analysis of business impact, its critical processes that are subject to different types of tests every year, in order to ensure its operation in this type of situations.

Each test is duly documented in order to identify activities that need to be strengthened during the crisis. These gaps generate action plans that are monitored by the Risk and GAP Committee, which is responsible for ensuring compliance with the PCN.

Risk of Money Laundering and Terrorism Financing

The Money Laundering and Terrorism Financing Risk Management System, SARLAFT, has been implemented. It includes policies, procedures and organizational infrastructure, in accordance with the provisions of the Basic Legal Circular Letter of the Financial Superintendence of Colombia.

Periodic reports are submitted to the Board of Directors on the activities carried out by the Compliance Officer, as well as transmissions of the Suspicious Operations Report (ROS by its acronym in Spanish), and the Products Report to the Unit of Financial Analysis Research - UIAF (by its acronym in Spanish).

The entity officials are trained and evaluated on the SARLAFT every year, covering 97% that corresponds to 394 collaborators by 2016.

In accordance with the provisions of the Legal Basic Circular Letter, the SARLAFT is monitored, through the assessment of its elements, reaching an optimal result, thus seeking to adequately shield the entity against this risk.

Legal risk

The Legal Division supports the legal risk management work in the financial operations carried out by the Financiera. Particularly, it defines and lays down the procedures needed to adequately control the legal risk of operations, ensuring that they comply with the legal rules, which are documented and analyses and draws up contracts that support the operations carried out by different business units.

The Financiera, in line with the instructions provided by the controlling body, evaluated the claims of proceedings against it based on the analysis and opinions of the lawyers in charge and constituted the necessary provisions to hedge the likelihood of loss. In note 21 to the financial statements, proceedings against the Financiera, different from those labeled as remote probability, are detailed.

Customer assistance information system

It is a Citizen Assistance Information System (SAC by its acronym in Spanish), created to protect and respect the financial consumer, while at the same time ensuring truthful, clear and timely information that allows it to achieve optimal results. The SAC allows quality improvement of citizens' assistance, facilitating queries, access to up-to-date information, control and follow-up to the suggestions, requests, complaints and claims to provide greater citizen satisfaction.

In compliance with Law 1328, the main structures of the SAC regime were established, as supervised entities, which must promote certain activities by involving FINDETER to:

- Provide information
- Assist and protect financial consumers

10. Note (10) Cash and cash equivalents

The composition of the cash on hand as of December 31, 2016 and 2015 was as follows:

Legal tender		2016	2015	Jan-01-2015
Cash flow		40,678	35,895	
Local Currency	Central Bank (2)	14,060,609	9,553,945	3,713,031
	Other Banks (1)	251,102,075	303,871,733	366,604,740
Interbank (1)		166,700,000	119,790,000	173,200,000
Foreign Currency	Banco Davivienda Miami (1)	85,809,816	36,297,527	151,260,308
	Bancolombia Panama (1)	179,029,978	215,429,253	218,256,207

Total	696,743,156	684,978,353	913,034,286

(1) As of December 31 2016, interbank funds were classified as cash equivalents, in the amount of 166,700,000

(1) There is no restriction on their availability.

Out of the 265,162,684 of the cash on hand in local currency, the Treasury Department had funds in the amount of 248,241,710 in savings accounts that, as of December 31 2016, generated an average return of 7.40% (E.A. or Effective Annual Rate of 5.42% at December), as detailed below:

ENTITY	EFFECTIVE ANUAL RATE	BALANCE	RATING
BBVA	8.15%	710,997	AAA
BANCOLOMBIA	7.50%	4,795,504	AAA
COLPATRIA	5.00%	886	AAA
DAVIVIENDA	5.45%	1,619,437	AAA
GNB SUDAMERIS	8.50%	81,645,889	AA+
HELM BANK	7.75%	234,617	AAA
POPULAR	8.50%	107,069,167	AAA
BOGOTA	8.40%	52,143,425	AAA
PICHINCHA	7.40%	21,788	AA
TOTAL		**248,241,710**	
AVERAGE RATE AS OF DEC 31 2016	**7.40%**		

The Foreign Currency Available cash, corresponds to deposits in US dollars in interest-bearing accounts as detailed below:

SAVINGS ACCOUNT	BALANCE	EFFECTIVE ANNUAL RATE

BANCOLOMBIA PANAMA USD	179,029,977	0.55%
DAVIVIENDA MIAMI USD	85,809,816	0.25%

As of December 31 2016, FINDETER bank reconciliation showed the following items:
8 (eight) receivable checks drawn in the amount of 21,162

(2) See Note 30 Commitments and contingencies - Counter guarantees

11. Note (11) Financial investment assets

- **Marketable securities**

As of December 31, the balance of these investments is comprised of:

	2016	2015	Jan-01-15
Term Deposit Certificates	61,182,249	52,530,150	134,541,007
Debt securities in Colombian pesos issued or guaranteed by the Colombian Government	36,596,787	37,503,880	19,986,856
Equity security	53,420,742	41,866,446	179,765,389
Total marketable securities	**151,199,778**	**131,900,476**	**334,293,252**

- **Investments to be held to maturity**

As of December 31, the balance of these investments is comprised of:

	2016	2015	Jan-01-15
Term Deposit Certificates	12,679,279	11,606,851	453,000

Debt securities in Colombian pesos issued or guaranteed by other financial institutions	34,670,270	-	4,623,000
Debt securities in Colombian pesos issued or guaranteed by the Colombian Government	4,886,035	8,122,231	
Total investments to maturity	**52,235,584**	**19,729,082**	**5,076,000**

- **Investments available for sale in equity securities**

As of December 31, the balance of these investments is comprised of:

	2016	2015	Jan-01-15
Shares with changes in the OCI	**27,615,185**	**37,788,968**	**38,213,035**
National Guarantee Fund - FNG (by its acronym in Spanish)	27,614,885	37,788,668	38,212,735
Other	300	300	300
Rights in Trust	**18,961,075**	**16,584,992**	**12,317,219**
Fiduciaria Alianza - Water bonds	1,000	1,000	1,000
Fiduciaria BBVA - BDU	1,101	689	362
National Guarantee Fund - FNG	7,131,277	5,405,150	-
Fiduciaria Bogota - Technical Assistance	11,827,697	11,178,153	12,315,857
Total investments available for sale in equity securities	**46,576,260**	**54,373,960**	**50,530,254**

The variation in 2016 compared to the previous period, 2015, is mainly due to the investment in subordinated bonds worth $29,522,862. As subordinated securities and as provided in the prospectus of the security issuance, the dates of payment for both interests and capital will be subject to the type-A security and shall be informed by the security issuer.

- **Time ranges of investments**

Below is a summary of the financial assets by maturity dates:

2016

Marketable securities	Up to a month	Longer than one month and not longer than three months	Longer than three months and not longer than one year	Longer than a year	Total
Term deposit certificates			5,049,600		5,049,600
FNG Investments				106,381,262	106,381,262
Shares				27,615,184	27,615,184
Rights in Trusts				18,961,075	18,961,075
Equity securities				49,802,360	49,802,360
Term deposit certificates	1,514,247	11,165,032			12,679,279
Debt instruments				29,522,862	29,522,862
Total	**1,514,247**	**11,165,032**	**5,049,600**	**232,282,743**	**250,011,622**

2015

	Up to a month	Longer than one month and not longer than three months	Longer than a year	Total
Marketable securities				
Term deposit certificates	5,063,150			5,063,150
FNG Investments			91,836,331	91,836,331
Shares			37,788,868	37,788,868
Rights in Trusts			16,584,992	16,584,992
Debt instruments			9,176,880	9,176,880
Equity securities			33,946,446	33,946,446
Term deposit certificates	7,585,290	4,021,561		11,606,851
Total	**12,648,440**	**4,021,561**	**189,333,517**	**206,003,518**

- **Investment counterparty rating**

Counterparty	Type security	Rating
TITUCOL	TER	BBB+
FINDETER	TERM DEPOSIT CERTIFICATE	AAA
GMAC	TERM DEPOSIT CERTIFICATE	AA+
F.C.P. ASHMORE	FCP	NA
Ecopetrol	SHARES	NA
Enertolima	SHARES	NA
Cajanal	SHARES	NA
National Guarantee Fund	SHARES	NA
Republic of Colombia	TES/BONDS	NA
Bancolombia	TERM DEPOSIT CERTIFICATES /BONDS	AAA
FONVAL	COLLECTIVE INVESTMENT FUND	AAA
Banco Corpbanca Colombia S.A.	TERM DEPOSIT CERTIFICATES /BONDS	AAA
Bancoldex	TERM DEPOSIT CERTIFICATES /BONDS	AAA
TUYA Financing company	TERM DEPOSIT CERTIFICATE	AAA
Davivienda	TERM DEPOSIT CERTIFICATE	AAA
BANCO GNB SUDAMERIS S.A.	TERM DEPOSIT CERTIFICATE	AA+
Citibank	TERM DEPOSIT CERTIFICATE	AAA
Banco De Occidente	TERM DEPOSIT CERTIFICATES /BONDS	AAA
Banco Colpatria Red Multibanca	TERM DEPOSIT CERTIFICATE	AAA
Banco Falabella	TERM DEPOSIT CERTIFICATE	AAA
BBVA Colombia	TERM DEPOSIT CERTIFICATE	AAA
Banco Popular	TERM DEPOSIT CERTIFICATE	AAA
Leasing Corficolombiana S.A.	TERM DEPOSIT CERTIFICATE	AA+
Banco De Bogotá	TERM DEPOSIT CERTIFICATE	AAA
ISA Interconexión Eléctrica	BONDS	AAA
Corficolombiana	TERM DEPOSIT	AAA

	CERTIFICATE	
Fiduciaria Corficolombiana - Valor Plus	COLLECTIVE INVESTMENT FUND	AAA
Leasing Bancoldex	TERM DEPOSIT CERTIFICATE	AAA

- **Derivative financial instruments**

Derivative financial instruments for trading

The following table shows the fair values at the end of the period of exchange rates forward contracts, in which the Financiera is involved.

	December 31, 2016		December 31, 2015	
	Notional amount	Fair value	Notional amount	Fair value
Derivative assets				
Forward contracts				
Purchase of foreign currency	77,000	1,318,620	130,750	4,474,446
Total derivative assets	77,000	1,318,620	130,750	4,474,446
Derivative liabilities				
Forward contracts				
Purchase of foreign currency	(197,100)	(16,802,920)	126,606	(15,814,189)
Total derivative liabilities	(197,100)	(16,802,920)	126,606	(15,814,189)
Net position	(120,100)	(15,484,300)	4,144	(10,991,090)

The main variation of the trading portfolios is vested exclusively in the strategic management of the portfolio due to the market trading conditions in the variations and high fluctuations of the Representative Market Rate (TRM by its acronym in Spanish).

Derivative financial instruments contracted by the Financiera are traded on the OTC (over the counter) market with local and international counterparties. The fair value of the derivative instruments has positive or negative variations caused by fluctuations in the foreign currency exchange rates.

As of December 31 2016, and 2015, The Financiera had spot market obligations of foreign currency transactions for 15,484,300 and 10,991,090, respectively.

12. Note (12) Loan portfolio and financial leasing operations

The financial assets account from loan portfolio in the balance sheet is classified by commercial, consumer and home loan portfolio, bearing in mind that this is the classification adopted by the Financial Superintendence in the new Unique Catalog of Financial Information (CUIF by its acronym in Spanish), all the note tables are shown according with the following classification information:

Category	2016	2015	Jan-01-2015
Commercial	7,773,502,489	6,835,506,829	6,005,364,583
Consumer	3,013,593	2,826,266	3,976,569
Home	35,216,650	37,783,939	37,474,078
Total portfolio	**7,811,732,732**	**6,876,117,034**	**6,046,815,230**

below is the detail of the loan portfolio and financial leasing operations (portfolio) per category:

	2016	2015	Jan-01-2015
Ordinary loans	7,773,502,489	6,835,506,829	6,005,364,583
Home mortgage portfolio	35,216,650	37,783,938	37,474,077
Employee loans	2,510,229	2,272,218	2,720,596
Former employees’ loans	503,364	554,049	1,255,973
Subtotal	**7,811,732,732**	**6,876,117,034**	**6,046,815,230**
Provision	65,413,078	63,712,130	64,228,287

Total	**7,746,319,654**	**6,812,404,904**	**5,982,586,943**

Below is the portfolio by rating:

	December 31, 2016				
			Provision		
	Capital	Interests and financial component	Capital	Interests and financial component	Other headings
Commercial					
A - Normal	7,763,879,727	53,947,307	54,329,437	1,075	-
B - Acceptable	938,140	4,815	47,676	245	-
C - Perceptible	88,181	6,187	12,644	841	-
D - Significant	-	-	-	-	-
E - Uncollectible	8,596,441	1,038,116	9,175,313	1,038,117	-
Subtotal	7,773,502,489	54,996,425	63,565,071	1,040,277	-
Consumer					
A - Normal	2,835,031	1,492	55,482	24	1
B - Acceptable	-	-	-	-	-
C - Perceptible	-	-	-	-	-
D - Significant	69,364	270	33,588	569	19
E - Uncollectible	109,197	1,764	89,851	109,718	11,391
Subtotal	3,013,592	3,525	178,920	110,311	11,411
Home					
A - Normal	33,690,865	31,254	673,817	-	-
B - Acceptable	563,815	17,236	23,680	172	-
C - Perceptible	-	-	-	-	-
D - Significant	-	-	-	-	-
E - Uncollectible	961,970	17,725	971,590	17,725	-
Subtotal	35,216,650	66,215	1,669,087	17,897	-
Total	**7,811,732,731**	**55,066,164**	**65,413,078**	**1,168,485**	**11,411**

	Ideal guarantee				
	December 31, 2015				
			Provision		
	Capital	Interests and financial component	Capital	Interests and financial component	Other headings
Commercial					
A - Normal	6,822,655,497	32,148,265	50,417,616	-	-
B - Acceptable	987,649	-	34,331	-	-
C - Perceptible	-	-	-	-	-
D - Significant	9,424,167	-	9,424,167	-	-
E - Uncollectible	2,439,516	21,817	2,439,516	21,817	-
Subtotal	6,835,506,829	32,170,082	62,315,630	21,817	-

Consumer					
A - Normal	2,705,394	972	53,287	16	1
B - Acceptable	22,846	92	518	2	2
C - Perceptible	1,564	252	351	59	129
D - Significant			-	-	-
E - Uncollectible	96,462	1,473	82,925	92,520	8,023
Subtotal	2,826,266	2,790	137,082	92,598	8,154
Home					
A - Normal	36,402,841	18,089	632,624	-	-
B - Acceptable	619,744	9,186	19,832	92	-
C - Perceptible	171,545	2,829	17,154	2,829	-
D - Significant			-	-	-
E - Uncollectible	589,808	11,343	589,808	11,343	-
Subtotal	37,783,938	41,447	1,259,419	14,263	-
Total	**6,876,117,034**	**32,214,319**	**63,712,130**	**128,678**	**8,154**

- **Portfolio by economic sector**

Below is the detail of the loan portfolio by economic sector:

	2016				
Economic sectors	**Commercial**	**Consumer**	**Home**	**Total**	**% Share**
Supply of electricity, gas, steam and air conditioning	2,085,954,056	-	-	2,085,954,056	27
Transport and storage	2,095,689,849	-	-	2,095,689,849	27

Teaching	2,580,529,421	-	-	2,580,529,421	33
Other service activities	1,011,329,163	-	-	1,011,329,163	13
Wage earners (Employees and former employees)		3,013,593	35,216,650	38,230,243	0
Total	**7,773,502,489**	**3,013,593**	**35,216,650**	**7,811,732,732**	**100**

	2015				
	Commercial	**Consumer**	**Home**	**Total**	**% Share**
Economic sectors					
Supply of electricity, gas, steam and air conditioning	1,952,865,083	-	-	1,952,865,083	28
Transport and storage	1,928,916,710	-	-	1,928,916,710	28
Teaching	1,778,515,076	-	-	1,778,515,076	26
Other service activities	1,175,209,960	-	-	1,175,209,960	17
Wage earners (employees and former employees)	-	2,826,267	37,783,938	40,610,205	1
Total	**6,835,506,829**	**2,826,267**	**37,783,938**	**6,876,117,034**	**100**

- **Portfolio by geographic area**

Below is the detail of the loan portfolio by geographic area:

	Ideal guarantee 2016	
	Capital	**Interests**
Commercial		
Amazon region	122,700,741	853,258
Andean region	2,500,188,401	23,221,807
Caribbean region	3,120,449,358	15,832,991
Orinoco region	975,011,265	7,798,033
Pacific region	1,055,152,724	7,290,336

Subtotal	7,773,502,489	54,996,425
Consumer		
Andean region	3,013,593	3,525
Subtotal	3,013,593	3,525
Home		
Andean region	35,216,650	66,215
Subtotal	35,216,650	66,215
Total	**7,811,732,732**	**55,066,165**

	Ideal guarantee 2015	
	Capital	**Interests**
Commercial		
Amazon region	114,179,016	966,361
Andean region	2,299,318,584	16,638,791
Caribbean region	2,618,420,595	5,991,620
Orinoco region	881,070,799	4,361,044
Pacific region	922,517,834	4,212,266
Subtotal	6,835,506,828	32,170,082
Consumer		
Andean region	2,826,267	2,790
Subtotal	2,826,267	2,790
Home		
Andean region	37,783,939	41,447
Subtotal	37,783,939	41,447
Total	**6,876,117,034**	**32,214,319**

- **Portfolio by currency unit**

Below is the detail of the loan portfolio by type of currency:

	2016			
Categories	**Legal Tender**	**Foreign Currency**	**UVR (Real Value unit)**	**Total**
Commercial	7,240,481,118	499,774,835	33,246,537	7,773,502,490
Consumer	3,013,592	-	-	3,013,592
Home	35,216,650	-	-	35,216,650
Total	**7,278,711,360**	**499,774,835**	**33,246,537**	**7,811,732,732**

	2015			
Categories	**Legal Tender**	**Foreign Currency**	**UVR (Real Value unit)**	**Total**
Commercial	6,502,362,743	268,187,554	64,956,532	6,835,506,829
Consumer	2,826,267	-	-	2,826,267
Home	37,783,938	-	-	37,783,938
Total	**6,542,972,948**	**268,187,554**	**64,956,532**	**6,876,117,034**

- **Portfolio by maturity period**
  Below is the detail of the loan portfolio by maturity period:

	2016					
	0 to 1 year	**1 to 3 years**	**3 to 5 years**	**5 to 10 years**	**Longer than 10 years**	**Total**
Commercial	96,249,839	450,923,195	1,010,665,922	4,113,512,688	2,102,150,845	**7,773,502,489**
Consumer	148,940	746,906	1,206,645	911,101	-	**3,013,592**
Home	90,123	-	20,356	780,332	34,325,840	**35,216,651**
Total	**96,488,902**	**451,670,101**	**1,011,892,923**	**4,115,204,121**	**2,136,476,685**	**7,811,732,732**

	2015					
	0 to 1 year	**1 to 3 years**	**3 to 5 years**	**5 to 10 years**	**Longer than 10 years**	**Total**
Commercial	136,992,643	520,614,447	606,304,790	3,261,203,819	2,310,391,130	6,835,506,829
Consumer	104,984	1,046,317	1,073,031	601,934	-	2,826,266
Home	74,292	46,245	42,049	490,228	37,131,125	37,783,939
Total	**137,171,919**	**521,707,009**	**607,419,870**	**3,262,295,981**	**2,347,522,255**	**6,876,117,034**

- **Portfolio of restructured loans**

  Below is the detail of the portfolio of restructured loans:

	2016			
			Provision	
Commercial	**Capital**	**Interests**	**Capital**	**Interests**
Law 550	146,374	769	88,410	461
Law 617	2,301,761	41,914	1,972,564	25,338
Ordinary	6,807,945	79,640	95,588	-
Subtotal	9,256,080	122,323	2,156,562	25,799

Consumer				
Ordinary	112,283	1,355	77,553	54,395
Subtotal	112,283	1,355	77,553	54,395
Home				
Ordinary	1,476,415	19,076	898,436	14,206
Subtotal	1,476,415	19,076	898,436	14,206
Total				
Law 550	146,374	769	88,410	461
Law 617	2,301,761	41,914	1,972,564	25,338
Ordinary	8,396,643	100,071	1,071,578	68,601
Total	**10,844,778**	**142,754**	**3,132,552**	**94,400**

	2015			
			Provision	
Commercial	**Capital**	**Interests**	**Capital**	**Interests**
Law 617	146,374		88,410	-
Ordinary	3,890,189	36,091	2,367,077	21,817
Subtotal	4,036,563	36,091	2,455,487	21,817
Consumer				
Ordinary	154,723	1,096	72,009	40,695
Subtotal	154,723	1,096	72,009	40,695
Home				
Ordinary	1,553,878	13,885	546,309	10,653
Subtotal	1,553,878	13,885	546,309	10,653
Total				
Law 617	146,374	-	88,410	-
Ordinary	5,598,790	51,072	2,985,395	73,165
Total	**5,745,164**	**51,072**	**3,073,805**	**73,165**

- **Restructuring, agreements and concordats portfolio by its risk rating**

Below is the detail of the restructured loan portfolio by rating:

	Ideal guarantee 2016					
				Provision		
Risk category	**No. of credits**	**Capital**	**Interests**	**Capital**	**Interests**	**Other**
Commercial						
A - Normal	3	964,605	16,884	13,406	-	-
E - Uncollectible	3	1,483,530	25,799	2,047,568	25,799	-

Subtotal	6	2,448,135	42,683	2,060,974	25,799	-
Consumer						
A - Normal	3	15,772	79	387	2	0.25
D - Significant		-	-	-	-	10,147
E - Uncollectible	4	96,512	1,276	77,166	54,393	
Subtotal	7	112,283	1,355	77,553	54,395	10,148
Home						
A - Normal	3	497,240	3,254	4,972	-	-
B - Acceptable	1	88,545	1,632	2,833	16	-
E - Uncollectible	5	890,630	14,189	890,630	14,189	-
Subtotal	9	1,476,415	19,076	898,436	14,206	-
Total restructured	**22**	**4,036,833**	**63,114**	**3,036,963**	**94,399**	**10,148**

Ideal guarantee
2015

Risk category	**No. of credits**	**Capital**	**Interests**	**Provision** Capital	**Provision** Interests	**Provision** Others
Commercial						
A - Normal		1,597,047	14,273	15,970	-	-
E - Uncollectible		2,439,516	21,817	2,439,516	21,817	-
Subtotal	0	4,036,563	36,090	2,455,486	21,817	-
Consumer						
A - Normal	3	48,102	18	1,251	0	0
B - Acceptable	1	22,844	92	518	2	2
E - Uncollectible	4	83,777	985	70,240	40,692	6,656

Subtotal	8	154,723	1,096	72,009	40,695	6,658
Home						
A - Normal	3	536,423	281	5,364	-	-
B - Acceptable	1	93,062	1,666	2,978	17	-
C - Perceptible	1	171,545	2,829	17,154	2,829	-
E - Uncollectible	4	752,849	9,108	520,812	7,808	-
Subtotal	9	1,553,878	13,885	546,309	10,653	-
Total R.	**17**	**5,745,165**	**51,071**	**3,073,804**	**73,165**	-

- **Restructured loans, agreements and concordats by economic sector**

Below is the detail of the restructured loan portfolio by economic sector:

	2016				
	Commercial	**Consumer**	**Home**	**Total**	**% Share**
Economic sectors					
Other service activities	2,448,135	-	-	2,448,135	61
Wage earners		112,283	1,476,415	1,588,698	39
Total	**2,448,135**	**112,283**	**1,476,415**	**4,036,833**	**100**

	2015				
	Commercial	**Consumer**	**Home**	**Total**	**% Share**
Economic sectors					
Other service activities	4,036,563	-	-	4,036,563	70
Wage earners		154,723	1,553,878	1,708,602	30
Total	**4,036,563**	**154,723**	**1,553,878**	**5,745,165**	**100**

- **Restructured loans, agreements and concordats by geographic area**

Below is the detail of the restructured loan portfolio by geographic area:

Ideal guarantee
2016

			Provision		
	Capital	**Interests**	**Capital**	**Interests**	**Other headings**
Commercial					
Caribbean	2,448,135	42,683	2,060,974	25,799	-

region					
Subtotal	2,448,135	42,683	2,060,974	25,799	-
Consumer					
Andean region	112,283	1,355	77,553	54,395	10,148
Subtotal	112,283	1,355	77,553	54,395	10,148
Home					
Andean region	1,476,415	19,076	898,436	14,206	-
Subtotal	1,476,415	19,076	898,436	14,206	-
Total	**4,036,833**	**63,114**	**3,036,963**	**94,399**	**10,148**

	Ideal guarantee 2015				
			Provision		
	Capital	**Interests**	**Capital**	**Interests**	**Other headings**
Commercial					
Caribbean region	4,036,563	36,090	2,455,486	21,817	-
Subtotal	4,036,563	36,090	2,455,486	21,817	-
Consumer					
Andean region	154,723	1,096	72,009	40,695	6,658
Subtotal	154,723	1,096	72,009	40,695	6,658
Home					
Andean region	1,553,878	13,885	546,309	10,653	-
Subtotal	1,553,878	13,885	546,309	10,653	-
Total	**5,745,165**	**51,071**	**3,073,804**	**73,165**	**6,658**

- **Provision for the loan portfolio**

Below is the detail of the provision for loan portfolio:

	Opening balance 2015	**Recoveries**	**Charges**	**Closing balance 2015**
Former employees' loans				

	595,305	295,965	514,524	813,864
Rediscount - First-tier	2,850,000	325,060	59,790,690	62,315,630
General provision	60,153,321	60,153,321	-	-
Employee portfolio provision	629,662	47,026	-	582,636
Total	**64,228,288**	**60,821,372**	**60,305,214**	**63,712,130**

	Opening balance 2016	Recoveries	Charges	Closing balance 2016
Former employees' loans	813,864	73,567	16,532	756,829
Rediscount - First-tier	62,315,630	21,487,631	22,703,414	63,531,413
General provision	-	62,860	198,406	135,546
Employee portfolio provision	582,636	103,768	510,422	989,290
Total	**63,712,130**	**21,727,826**	**23,428,774**	**65,413,078**

Interests	183,237	109,913	1,152,976	**1,226,300**
Total G&L		**21,837,739**	**24,581,751**	

TITULARIZADORA COLOMBIANA

The Financiera de Desarrollo Territorial - FINDETER, in order to secure funds for new funding aimed at the sustainable development of the regions, decided to work jointly with the Titularizadora Colombiana to perform a securitization of rediscount loans.

To do this, the Financiera sold portfolio to the Titularizadora worth 233,900.740, which served to restructure an issuance that allowed offering TER CPI R-1 securities to the market, comprised of two series:

Securities A for 204,663,100 and securities B for 29,237,640.

This funding mechanism allows releasing space from the portfolio and improving the solvency levels, without increasing the entity's liabilities.

At operation carried out in May of 2016, there were securities granted for 233,900.700, as shown below:

CLASSES	TERM (MONTHS)	AMOUNT AWARDED (COP)	FINAL RATE % (E.A)	Share (%)
TER IPC A R-1	144	204,663,100	Consumer price Index (IPC by its acronym in Spanish) + 3.65%	87.50%
TER IPC B R-1	180	29,237,640	Consumer price Index (IPC by its acronym in Spanish) + +4%	12.50%
	TOTAL	**233,900,740**		**100.00%**

This operation allows Findeter to have the Titularizadora Colombiana as a partner for the procurement of funds in the capital market in order to meet the financing needs of the public and private sector companies.

13. Note (13) Other accounts receivable

Below is the detail of other accounts receivable:

	2016	2015	Jan-01-15
Portfolio Interests (1)	54,996,425	32,170,082	29,578,782
Employees and former employees' portfolio interests	69,739	44,237	29,238

Interbank interests	317,890	179,263	86,387
Security interests in the securitized portfolio (2)	1,801,562	-	-
Trust businesses	12,861	3,149	2,572
Offset rate accounts receivable (3)	44,495,422	41,116,054	-
Commissions and fees (agreements) (4)	20,520,971	13,189,572	9,569,212
Securitization accounts receivable	32,697,151	56,009,475	55,174,956
Leasing	10,451	16,916	-
Personnel advance payments	94,341	73,489	-
Taxes receivable	1,094,350	648,179	423,837
Portfolio (commissions) (5)	1,070,926	141,926	-
Miscellaneous	267,747	275,730	550,978
Subtotal	**157,449,836**	**143,868,072**	**95,415,962**
Provision of other accounts receivable (6)	(1,226,299)	(183,237)	(132,427)
Total	**156,223,537**	**143,684,835**	**95,283,535**

(1) As of December 31 2016, the portfolio interests, amounted to $22,826,241 derived from the placement of credits and the loan rates increase.

(2) During 2016, a portfolio securitization was carried out where some supporting securities which, at the end of the year, generated some interest receivable worth $1,801,562 million.

(3) It corresponds to the balance of the interest receivable derived from the offset rate agreements (Ministry of Finance, Ministry of Education and the departments).

(4) It corresponds to the accounts receivable for the technical assistance services provided by Findeter.

(5) During 2016, the Financiera generated commissions from commitments on approved and non-disbursed loans that generated an increase in the portfolio account receivable at the closing for 929,000.

(6) Provisions of exhibit 6 of the Basic Circular Letter 100 of 1993 were applied on the calculation of other accounts receivable provisions.

Below is the detail of the provision movement as of December 31 2016 and 2015:

	2016	2015
Opening balance	183,237	132,427
Provision	1,948,005	447,412
Reimbursements	-904,943	-396,602
Closing balance	**1,226,300**	**183,237**

14. Note (14) Non-current assets held for sale

Non-current held for sale assets mainly correspond to property received in lieu of payment from loan portfolio debtors. Therefore, the Financiera purpose is to sell this property in accordance with the property received in payment policy as stipulated in chapter III of the Basic Circular 100 of 1993; To this end, it has put into place a sale procedure, either in cash or awarding funding to potential buyers under normal market conditions and therefore, its realization is expected to take place in a period of 24 months after its classification as property held for sale. The Note 7 of the credit risk brings information about properties received as payment. During the years ended on December 31, 2016 and 2015, there have been no changes in the sale plans of non-current assets held for sale.

As of December 31 2016, the Financiera has received 1 property in lieu of payment that corresponds to 1 real estate property (apartment).

Below is the detail of property assets received in lieu of payment:

	2016			
	Cost	Provision	%	Total
Real estate property different from home property	220,100	0	0	220,100
Total	**220,100**	**-**	**-**	**220,100**

Marketing plan

For the marketing of properties received in lieu of payment, the Financiera takes the appropriate steps to sell them. As initial procedure, it offered the real estate property to the

Financiera employees who have the first purchase option based on the value appraised by the expert appraiser; and is expecting to receive bids during the first half of 2017 and to make the sale.

15. Note (15) Property, plant and equipment

Below is the detail of the property, plant and equipment:

	2016	2015	Jan-01-15
Lands (reappraised)	9,364,146	8,745,000	4,125,000
Buildings and constructions (reappraised)	18,997,822	19,878,556	24,655,416
Furniture, fixtures and office equipment	4,329,824	4,016,513	3,389,775
Computer equipment	1,746,898	1,689,387	1,657,810
Net assets	**34,438,690**	**34,329,456**	**33,828,000**
Accumulated depreciation	(5,099,105)	(4,498,816)	(3,829,640)
Total assets	**29,339,585**	**29,830,640**	**29,998,361**

	2016		
	Cost	Accumulated depreciation	Net
Lands (reappraised)	9,364,146	-	9,364,146
Buildings and constructions (reappraised)	18,997,822	536,672	18,461,150
Furniture, fixtures and office equipment	4,329,824	2,885,871	1,443,953
Computer equipment	1,746,898	1,676,562	70,336
Total assets	**34,438,690**	**5,099,105**	**29,339,585**

	2015		
	Cost	Accumulated depreciation	Net

Lands (reappraised)	8,745,000	-	8,745,000
Buildings and constructions (reappraised)	19,878,556	308,193	19,570,363
Furniture, fixtures and office equipment	4,016,513	2,541,976	1,474,537
Computer equipment	1,689,387	1,648,647	40,740
Total property, plant and equipment	**34,329,456**	**4,498,816**	**29,830,640**

Below is the movement of the cost of property, plant and equipment:

	2015	Additions	Removals	Adjustment Reappraised Cost (1)	2016
Lands (reappraised) (1)	8,745,000	-	-	619,146	9,364,146
Buildings and Constructions (reappraised) (1)	19,878,556	-	-	-880,734	18,997,822
Furniture, fixtures and office equipment	4,016,513	313,311	-	-	4,329,824
Computer equipment	1,689,387	57,511	-	-	1,746,898
Total assets	**34,329,456**	**370,822**	**-**	**-(261,588)**	**34,438,690**

	2014	Additions	Reappraised adjustment cost (1)	2015
Lands (reappraised) (1)	4,125,000	-	4,620,000	8,745,000
Buildings and Constructions (reappraised) (1)	24,655,415	-	-4,776,859	19,878,556
Furniture, fixtures and office equipment	3,389,775	626,738	-	4,016,513
Computer equipment	1,657,810	31,577	-	1,689,387
Total assets	**33,828,000**	**658,315**	**-156,859**	**34,329,456**

(1) As of December 31 2016, adjustments of the reappraised cost of the Land and Buildings were made, resulting in a cost adjustment of -880,734 for the buildings and 619,146 for the lands, adjusting the costs allocated by 7.08% in 2015.

(2) Comparison or Market Method: It is the appraising technique aimed at setting the commercial value of the property, based on the review of recent offers or transactions, of properties similar and comparable to the one being appraised. These offers or transactions must be classified, analyzed and interpreted to be able to estimate the commercial value.

Below is the depreciation movement of property, plant and equipment:

	Buildings	**Computer Equipment**	**Furniture and Fixtures**	**Total**
Balances as of December 31, 2015	308,193	1,648,647	2,541,977	4,498,817
Depreciation	228,480	27,916	343,894	600,290
Balances as of December 31, 2016	536,673	1,676,563	2,885,871	5,099,107

	Buildings	**Computer equipment**	**Furniture and fixtures**	**Total**
Balances as of January 1, 2015	-	1,577,562	2,252,078	3,829,640
Depreciation	308,193	71,085	289,899	669,177
Balances as of December 31, 2015	308,193	1,648,647	2,541,977	4,498,817

(1) The Financiera carries out the depreciation of fixed assets through the straight-line method, useful lives, with 80 years for buildings, 6 years for furniture and fixtures and 3 years for computer equipment.

16. Note (16) Investment properties

Below is the detail of investment properties:

	2016	**2015**	**Jan-01-15**

	Buildings	Buildings	Buildings
Cost (1)	606,994	566,860	410,000
Total	**606,994**	**566,860**	**410,000**

(1) The investment property corresponds to the office that it owns in the city of Neiva that is leased, generating revenues.

Below is the movement of investment properties cost:

	Buildings	Total
Balances as of December 31, 2015	566,860	566,860
Measurement changes by fair value (1)	40,134	40,134
Balances as of December 31, 2016	606,994	606,994

(1) The investment property was adjusted at fair value at the closing of 2016.

Below is the detail of figures included in the income statement for the period:

	2016	2015
Rental income earned from the investment properties	72,898	69,798
Total	**72,898**	**69,798**

- There were no contractual obligations during the aforementioned periods for the acquisition of investment properties.
- There are no restrictions for the recognition of investment properties.
- Value level 2 is determined in order to measure the fair value of the property. The observable inputs were: Location of the building in a sector of multiple economic activities, specific location of the building, very near or next to main roads, the recognition, facade and visualization conditions of the building, the building characteristics, in terms of equipment, infrastructure and provision of services, the quality of the offices decorative finishes and internal enhancement, the urban rules and land uses, the market of real estate properties with similar characteristics in the sector, the remaining useful life assigned to the property and correspondence of the calculated fair value to the property market value.

17. Note (17) Intangible assets

Movement of intangible assets

Below is the movement of the intangible assets cost other than surplus value:

	Jan-1-15	Acquisition/additions	Amortization charged against the expense	2015	Acquisition/additions	Amortization charged against the expense	2016
Software and IT applications	1,269,052	334,483	762,342	841,193	1,413,583	1,241,206	1,013,570
Total	**1,269,052**	**334,483**	**762,342**	**841,193**	**1,413,583**	**1,241,206**	**1,013,570**

Intangible assets are comprised of software licenses purchased for the entity's use, which do not show signs of deterioration and are amortized over a period of 2 years, in accordance with the provisions of the entity's accounting procedures manual.

18. Note (18) Income tax

i. Deferred tax by type of asset-liability temporary difference.

The differences between the book value of the assets and liabilities and their tax bases, give rise to the following temporary differences that generate deferred tax, calculated and recorded on the periods ended December 31 2016-2015, based on the effective tax rates as reference for the years in which those temporary differences will be reversed.

	January 1 2015 Balance	2015 Moveme nt	Balance as of December 31, 2015	Credited (charge against) income	Balance as of December 31 2016
Deferred tax assets					
Rights in trust	4,890,284	-871,592	4,018,692	3,843,733	7,862,425
Asset provisions	-	116,527	116,527	44,173	160,700
Deferred charges and intangible assets	351,315	370,147	721,462	-145,313	576,149
Placement of securities	-	5,164,928	5,164,928	-601,452	4,563,476
Valuation of derivatives	-	6,325,676	6,325,676	395,492	6,721,168
Liabilities provisions	344,252	2,150,816	2,495,068	4,485,242	6,980,310
Others	19,206	532,583	551,789	-551,789	-
Excesses of presumptive revenues	-	4,934,872	4,934,872	-4,934,872	-
Employee benefits	-	739,997	739,997	10,769	750,766
Subtotal	**5,605,057**	**19,463,954**	**25,069,011**	**2,545,983**	**27,614,994**
Deferred tax liabilities	-	1,909,778	1,909,778	-1,382,330	527,448
Valuation of derivatives					
Cost of property, plant and equipment	4,503,350	88,203	4,591,553	-666,084	3,925,469
Others	-	289,734	289,734	16,889	306,623
Investment valuation	-	262,592	262,592	684,292	946,884
Outstanding securities	3,177,910	2,577,097	5,755,007	50,252	5,805,259
Subtotal	**7,681,260**	**5,127,404**	**12,808,664**	**-1,296,981**	**11,511,683**
Total	**-2,076,203**	**14,336,550**	**12,260,347**	**3,842,964**	**16,103,311**

ii. Tax assessment:

The following are the basic effective parameters of income taxation in Colombia:

- Tax revenues are taxed at the 25 per cent rate as income and ancillary taxes.

- From January 1 2013, the Law 1607 of December 2012 created the income tax for fairness - CREE as the contribution from companies, legal persons and related income and ancillary taxes filers as benefits to employees, employment generation and social investment. The income tax for fairness - CREE, for 2014, 2015 and subsequent years is 9%.

- From 2015, an additional surcharge of 5% of the CREE tax was created for 2015, and of 6% for 2016.
- The basis for determining the income tax and CREE cannot be less than 3% of its net worth on the last day of the immediately preceding taxable year.

Below is the detail of the reconciliation between the total income tax expense of the Financiera calculated at the tax rates currently in force and the tax expense actually recorded in the income statement of the period for the semesters ended on December 31, 2016 and 2015.

	2016	**2015**
Profit before income tax	**79,672,837**	**39,592,173**
Plus (or minus) taxes related to the following items:		
Non-deductible expenses	913,480,023	465,684,932
Net worth tax	9,853,250	11,498,306
Losses on the valuation of derivatives	(140,502,218)	(31,970,051)
Deductible provisions	(24,383,345)	(39,500,606)
Deductible expenses	(18,252,482)	(14,026,448)
Profit on the valuation of derivatives	53,850,854	138,322,560
Interests and other tax-exempt income	(783,540,923)	(550,214,501)
Other headings	16,486,274	-

Total tax base of the period	**106,664,270**	**19,386,365**
Base lower than 3%	991,921,447	1,002,896,156
3% tax	29,757,643	30,086,885
Income tax base	**106,664,270**	**30,086,885**
Income and ancillary taxes	26,666,068	7,524,778
CREE tax	9,599,784	2,707,820
CREE tax surcharge	6,399,856	1,507,401
Total provision	**42,665,708**	**11,740,000**

iii. Components of income tax expense:

The income tax expense of the semesters ended December 31 2016 and 2015 include the following:

	2016	**2015**
Provision for tax positions	42,665,708	11,740,000
Deferred taxes	(3,842,964)	(12,260,347)
Total income tax	**38,822,744**	**(520,347)**

	2016	**2015**
Earnings before taxes	80,316,916	43,260,100
Legal fee	40%	39%
Notional tax	32,126,766	16,871,439
Plus (or minus) taxes that increase (decrease) the notional tax:		
Levy on financial flows	1,522,152	1,544,217
Tax on wealth	3,941,300	4,484,339
Expenditures for employee benefits	195,960	150,751

Operational recovery income (1)	-	(25,647,296)
Other non-deductible expenses	1,072,981	-
Prior period adjustment	-	2,076,204
Others	(36,415)	-
Total tax expense for the period	**38,822,744**	**(520,346)**

(1) Lowest value of the tax generated by a non-taxable income for the recovery of the loan portfolio general provision in previous years, due to change in the provision calculation methodology regulated by the Financial Superintendence, which was not deductible for tax purposes in previous years.

In accordance with IAS 12, current and deferred taxes are recognized as income or expense in the income statement, except to the extent that they come from a transaction or event recognized outside of the profit or loss, as would be the comprehensive income, in the equity. Therefore, during the period ended December 31 2015, 2,038,700 were transferred to the equity Other Comprehensive Income, and 12,260,347 as the lowest value of the deferred tax expense, related to derivative operations, trusts, outstanding investment securities, and 3,842,964 were transferred for the year ended December 31 2016, as lowest value of deferred tax expense.

Consequently, during 2015 and 2016, the tax bases of the items included in the tax returns will continue unchanged and the determination of the current income tax liability and CREE tax, will be based on the effective tax rules, which in some cases are referred to the previous GAAP until December 31 2014 (Decree 2649 of 1993 and other supplementary provisions).The determination of the taxable base of the income and CREE taxes for the periods ended on December 31 2016 and 2015 was based on the applicable tax provisions of the decree.

19. Note (19) Other assets

Below is the detail of other assets:

	2016	2015	Jan-01-15
Prepaid expenses (1)	934,253	558,623	1,242,855
Others (Portfolio benefits) (2)	923,202	872,022	-
Total	**1,857,455**	**1,430,645**	**1,242,855**

(1) Prepaid expenses correspond to paid insurance policies that are being amortized during their coverage period, including the liability and the global banking management.
(2) The portfolio benefits result from the calculation carried out by the differential of the interest rate granted in employees' loans that are recognized at the time of disbursement as a deferred asset and amortized over the life of the loan.

20. Note (20) Deposits and current liabilities

Below is the detail of the long-term financial obligations:

	2016	2015	Average interest rate	Jan-01-15
Deposits and current liabilities				
Issued up to 6 months	309,000	66,160,000	7.37%	57,105,000
Issued equal to 6 months and up to 12 months	234,378,000	354,100,000	8.66%	91,241,000
Issued equal to 12 months and up to 18 months	879,393,000	858,081,000	9.23%	293,160,000
Issued equal or up to 18 months	3,641,252,000	3,228,527,000	9.61%	4,292,505,000
Total	**4,755,332,000**	**4,506,868,000**		**4,734,011,000**

Below is the detail of the maturities of deposits and current liabilities:

Year	TERM DEPOSIT CERTIFICATE
2017	2,675,479,000
2018	1,735,335,000
2019	145,747,000
After 2019	198,771,000

21. Note (21) Financial Obligations

Bank obligations	2016	2015	Jan-01-2015	Current interest rate	Maturity date
Entity					
SPDT 4345 loan	**-**	-	4,865,388	0.57%	5/15/2015
Inter-American Development Bank - IDB S.F. 977	1,616,444	5,089,736	6,443,936	5.74%	3/16/2017
Inter-American Development Bank - IDB SPDT-1066	11,334,353	17,844,380	18,073,714	5.74%	7/31/2018
Inter-American Development Bank - IDB 1967	87,520,708	104,982,333	89,717,250	2.14%	12/9/2023
Inter-American Development Bank - IDB 2314	210,049,700	236,210,250	179,434,500	2.14%	8/5/2030
Inter-American Development Bank - IDB 2768	225,053,250	236,210,250	179,434,500	2.14%	12/21/2037
Inter-American Development Bank - IDB 3392	57,999,727	44,427,662	-	2.14%	7/25/2035
Inter-American Development Bank - IDB 3596	13,485,523	-	-	2.14%	7/22/2041
French Development Agency-AFD101801K	526,309,530	602,619,590	179,434,500	3.29%	11/20/2027
KFW Bankengruppe-KFW 26770	300,071,000	78,736,750	-	4.25%	12/29/2024
Bco Centroamericano de Inte Económica-BCIE 2142 -178/16	30,007,100	-	-	3.47%	5/13/2023
Bco Centroamericano de Inte Económica-BCIE 2142-425/16	30,007,100	-	-	3.44%	9/30/2023
Bco Centroamericano de Inte Económica-BCIE 2142-486/16	90,021,300	-	-	3.49%	11/25/2023
Bank of Tokyo	248,206,500	-	-	8.31%	3/1/2019
CITI Bank	169,550,000	-	-	1.85%	2/11/2019

Total	**2,001,232,236**	**1,326,120,950**	**657,403,788**

The maturation ranges for short and long-term obligations can be found in the liquidity risk note.

Below is the detail of the financial obligations maturities:

Year	Financial obligations
2017	1,616,444
2018	11,334,353
2019	417,756,500
After 2019	1,570,524,939

22. Note (22) Outstanding investment securities - Bonds

Below is the detail of the outstanding investment securities:

2016

	Type of issue	Series	Amount of issue	Balance	Interest rate	Date of issue	Expiration date
2014 issue	Foreign ordinary bonds	Unique series (fixed rate)	928,587,505	928,587,505	7,875%	8/12/2014	8/12/2024

2015

	Type of issuance	Series	Amount of issue	Balance	Interest rate	Date of issue	Maturity date
2014 issue	Foreign ordinary	Unique series	928,740,690	928,740,690	7,875%	8/12/2014	8/12/2024

bonds	(fixed rate)

(1) Interests on the bonds issued in 2014 will be paid annually in arrears and the capital will be paid at the maturity date of the securities, these bonds have not been guaranteed. It should be noted that they were securities collected in dollars but denominated in pesos.

Below is the detail of the outstanding investment securities- bonds maturities:

Year	International bonds	Urban development bonds
2016	-	-
2017	-	-
2018	-	-
2019	-	-
After 2019	928,587,505	4,199

23. Note (23) Employee benefits

In line with the Colombian labor legislation and based on international labor conventions and collective covenants signed with employees, the Financiera employees have the right to short-term benefits, such as: wages, paid vacation, legal and extralegal bonuses, severance and interests on severance as provided by the labor law 50 of 1990; and long-term benefits such as: extra seniority bonuses and retirement benefits, such as: retirement and five-year periods bonuses.

Through its personnel benefit plans, the Financiera is exposed to a series of risks (interest rate and operational), and it seeks to minimize them through the application of risk management policies and procedures.

Below is the detail of the provisions balances for employee benefits as of December 31, 2016 and 2015:

	2016	2015	Jan-01-15
Short-term benefits	3,146,566	2,687,605	1,900,755
Long-term benefits	2,480,839	2,242,413	1,370,390
Total	**5,627,405**	**4,930,017**	**3,271,145**

Short-term benefits

The Financiera grants short-term benefits, such as: wages, paid vacation, vacation bonuses, legal and extra-legal bonuses, aids, payroll withholdings and severance, and interests on severance as provided by Labor Law 50 of 1990.

Other long-term benefits:

In regards to other long-term benefits granted by the entity to its employees, it includes the interest rate benefit in loan portfolio based on which, a loan amortization table is prepared fortnightly, including the conditions of approval: Interest rate effective on the date in which the loan is granted to the employee, the loan amount and term of the loan. Once the values of the bi-monthly flows of capital and interests are determined, these are taken to present value effective on the date of disbursement, using the discount rate (opportunity interest rate) for loans granted, which applies to loans granted on or after January 1, 2015; Finally, the calculation of the benefit, is obtained by deducting this present value from the loan amount.

Actuarial assumptions

The actuary used was based on the theory of insurance for contingencies of life. Accordingly, it is established that the likelihood of a future life time for a person with certain population characteristics, such likelihood is estimated on the basis of a life table with annual deaths published for each country or stakeholder. The tables of resolution number 1555 of 2010 are used in Colombia.

The variables used for the calculation of the projected obligation for the retirement benefits and other long-term benefits are shown below:

	2016	2015
Discount rate [1]	10.41%	7%
Inflation rate	3%	4%
Employee turnover rate [2]	6.73%	7.43%

Probabilities are established on the basis of the life tables of resolution 1555 of 2010, while the tenure (or turnover) likelihood was calculated based on Findeter retirement history from 2010 to 2015.

The number of years a person can expect to retire, is calculated on the assumption that men will retire at the age of 62 and women will do so at the age of 57.

The discount rate assigned to find the actuarial present value of benefits was the active rate estimated for FINDETER.

Sensitivity analysis

The sensitivity analysis of the liability for post-employment benefits of the different actuarial and financial variables is as follows, keeping the rest of the variables constant:

Present value without changes	**+1% discount rate**	**-1% discount rate**
1,557,637	1,471,308	1,656,004

24. Note (24) Provisions

Below is the movement of provisions:

	Legal proceedings, fines, penalties and compensation	**Other miscellaneous provisions (2)**	**Total**

	(1)		
Balance as of December 31, 2015	**4,444,403**	**20,790,372**	**25,234,775**
New provisions		31,090,366	31,090,366
Increase (decrease) in existing provisions	3,615,803	0	3,615,803
Reversed non-used provisions	-5,451,324	-6,261,104	-11,712,428
Balance as of December 31, 2016	**2,608,882**	**45,619,634**	**48,228,516**

	Legal proceedings, fines, penalties and indemnities (1)	**Other miscellaneous provisions (2)**	**Total**
Balance as of January 1, 2015	**2,368,486**	**16,641,542**	**19,010,028**
New provisions	0	6,496,063	**6,496,063**
Increase (decrease) in existing provisions	2,250,798	0	**2,250,798**
Reversed non-used provisions	-174,881	-2,347,233	**-2,522,114**
Balance as of Thursday, December 31, 2015	**4,444,403**	**20,790,372**	**25,234,774**

(1) The provisions for legal proceedings correspond to work proceedings for 2,608.882; it is not possible to determine a disbursement schedule for these provisions since there are several proceedings in different courts.

(2) The remaining provisions correspond to the values calculated to cover the expert estimate of the National Guarantee Fund for 23,825,530 and the provision on the water bonds guaranteed by the entity in the amount of 18,786.104. These provisions are calculated based on the expert estimate tables which details the assumptions and curves that determine the materialization of the risks associated with the guaranteed products. In addition to the accounts payable provisions for 2016 fiscal year. On the other hand, the accounts payable provision for $3,008.000 is recorded.

25. Note (25) Accounts payable and other liabilities

Below is the detail of the accounts payable and other liabilities:

	2016	2015	Jan-01-15
Suppliers and services	762,464	122,143	25,985
Fees payable	137,170	91,556	145,725
Commissions payable	1,244,140	513,399	162,432
Foreign currency loans interest	15,354,375	4,323,792	2,035,666
Term Deposit Certificates collection interests	45,850,897	34,814,311	30,669,303
Bonds collection interests	29,232,089	28,987,951	28,987,951
Other accounts payable	303,763	369,128	474,554
Third party collections accounts payable (1)	13,620,978	28,864,125	30,108,380
Deferred revenue	26,794	296,528	30,510,737
Withholding at source payable	1,713,487	3,664,603	1,707,711
Industry and commerce	1,952,239	1,431,191	1,266,004
Other taxes	571	9,076	48,232
Sales tax payable	2,592,185	2,121,280	1,809,095
Total	**112,791,152**	**105,609,083**	**127,951,775**

(1) It corresponds to the collections of principal, interests, and prepayments carried out by Findeter to be transferred to the Fiduciaria.

26. Note (26) Stockholders' equity

Share capital

The Financiera ordinary, authorized, issued and outstanding shares have a nominal value of 100,000 each, and they are represented as follows:

2016	2015	Jan-01-15

Number of authorized shares	8,874,801	8,586,368	8,222,854
Number of subscribed and paid-in shares			
Subscribed and paid-in capital	887,478,100	858,636,800	822,285,400

There are no preferred shares issued by the Financiera

Reserves

The following is the breakdown of the reserves during the year ended December 31:

	2016	2015	Jan-01-15
Legal reserves	49,247,875	46,462,657	43,062,121
Statutory and occasional reserves			
For investments protection	65,432	120,154	14,072
Others	11,612,371	15,333,157	21,186,337
Total	**60,925,678**	**61,915,968**	**64,262,530**

Legal reserve

As required by law, any credit institution must set up a legal reserve, appropriating ten-point zero percent (10.0%) of the net profits of each fiscal year up to fifty-point zero percent (50.0%) of the subscribed capital. The reserve may be reduced to less than fifty-point zero percent (50.0%) of the subscribed capital, when it is intended to cover losses in excess of unallocated earnings. The legal reserve must not be used to pay dividends or to cover expenses or losses during the time that the Financiera has unallocated earnings.

Statutory and occasional reserves

It recognizes the values taken as express mandate of the General Meeting of Shareholders from the net profits gained by the entity in prior years, to comply with the legal, statutory provisions or for specific purposes.

"Losses will be offset with the reserves specifically allocated for that purpose, otherwise, they will be offset with the legal reserve. Reserves intended to absorb certain losses cannot be used to cover other different losses, unless so decided by the meeting. "If the legal reserve is not enough to offset the capital shortfall, the social benefits of the following years will be used for this purpose."(Article 456 C. Co.).

OCCASIONAL RESERVES

	Reserve allocated after redeployment	Value committed after redeployment	Draft value	Balance to be disbursed
Net income for year 1998	19,447,889	17,260,451	17,256,340	4,111
Net income for year 2002	1,888,483	1,888,483	1,858,477	30,006
CUMULATIVE TOTAL				**34,117**

ACCOUNTING DATA	
Drafts made for:	
Fiscal consolidation offset rate	1,720,573
Education offset rate	13,133
Technical assistance	58,817
Funds available for	
Technical assistance	6,127,832
Promotion of education projects	2,193,379
Incentive for effective and efficient projects offset rate line	1,464,518
For investments protection	65,432
Occasional reserves balance	**11,677,803**

OTHER OCCASIONAL RESERVES	**2016**	**2015**	**Jan-01-15**

FOR INVESTMENTS PROTECTION	65,432	120,154	14,072
EDUCATION OFFSET RATE EARNINGS	2,206,512	2,327,220	2,690,367
OFFSET RATE EARNINGS FISCAL CONSOLIDATION	7,848,407	9,746,476	11,677,629
EARNINGS YEARS BEFORE 2013	34,117	34,117	34,117
TECHNICAL ASSISTANCE	1,523,335	3,225,344	6,784,224
Total other occasional reserves	**11,677,803**	**15,453,310**	**21,200,409**

27. Note (27) Income, commissions and other services expenses

The following are the income, commissions and other services expenses for the periods ended on December 31:

INTERESTS	2016	2015
Ordinary funds	305,621,645	265,111,407
KFW funds	-	5,694
IDB 2314 funds	1,170,741	3,035,423
IDB 1967 funds	246,610	523,635
IDB 2768 funds	5,945,766	6,521,728
RO - Automatic rediscount	3,496,946	683,753
RO VIS	3,617,590	4,850,857
Offset rate program	305,282,502	156,708,115

New line dollars (RDX)	600,808	649,176
Dollars REX line 2016	4,822,184	-
AFD 101801	38,951,006	22,721,332
Machinery and equipment special line	-	1,010
Counter-cyclical policy special line	1,381,074	1,323,191
Sustainable development special line	409,217	379,140
Counter-cyclical policy special line	1,396,472	1,305,926
KFW 26770	16,374,562	1,856,447
IDB 3392/ OC-CO	3,626,041	609,805
IDB 3596/OC	271,153	
Rediscount USD IDB 1967 (RDX)	455,873	582,947
USD IDB 2314 Rediscount (RDX)	3,506,860	1,187,843
USD IDB 2768 Rediscount (RDX)	3,823,799	3,158,951
Home employees	1,590,404	1,026,645
Home former employees	684,238	359,170
Consumer	182,546	136,200
Operational financial income	43,435,989	18,462,189
Commissions and fees	89,939,277	70,778,110
Profit on investments valuation	18,846,365	9,650,127
Profit on sale of investments	47,490	139,634
Profit on derivatives valuation	772,134,290	488,459,978
Dividends and shares	1,156,496	53
Exchange difference	145,262,926	254,887,278
TOTAL	**1,774,280,870**	**1,315,115,764**

	2016	**2015**
Term deposit Certificates interests	417,787,857	285,038,016
SPDT 4345 World Bank interests	-	13,420
Fiscal consolidation IDB interests	249,224	353,860
IDB SPDT 1066 Interests	809,297	1,022,855
IDB 1967/OC-CO interests	2,049,650	1,261,201
IDB 2314 interests	4,436,979	3,032,691
IDB 2768 interests	4,650,963	3,054,833
IDB 3392 interests	850,975	37,003
IDB 3596 /OC- CO IFRS interests	25,232	-
AFD 1018 01K interests	18,467,525	11,711,349
KFW 26770-IFRS	6,510,377	-

Citibank New York	13,543,695	-
Bank of Tokyo	17,532,066	-
BCIE 2142	1,142,766	-
B D U	5,221	6,280
International bonds	76,482,578	74,665,653
Other investment interests	2,778,105	12,118,650
Commissions and fees	13,891,924	14,735,527
Exchange difference	105,356,129	355,306,705
Valuation of derivatives	863,298,476	399,021,883
TOTAL	**1,549,869,039**	**1,161,379,926**

28. Note (28) Other income

Below is the other income during the years ended on December 31:

	2016	2015
Sale of property and equipment	1,228	97,480
Leasing	124,711	105,075
Miscellaneous	11,606,175	9,660,422
Impairment recovery	21,837,739	60,735,964
Total	**33,569,853**	**70,598,941**

29. Note (29) Other expenses

Below is the other income during the years ended on December 31:

	2016	2015
Property tax, registry and record, VAT and GMF (levy on Movements of Funds)	11,488,515	11,026,414
Property tax (see Note 17)	9,853,250	11,498,306
Tax on industries and businesses	10,696,467	7,154,271
Legal expenses	18,118	1,056
Law suits	1,796,267	3,007,304
Leasing	4,569,725	3,605,716
Contributions and memberships	3,857,509	2,871,888
Insurance	1,613,408	1,627,056
Maintenance and repairs	3,745,026	5,388,159

Electrical installations	571,662	632,132
Depreciation	600,290	669,177
Amortization	1,241,206	762,342
Cleaning and security services	986,836	820,742
Temporary services	27,285,373	20,839,749
Publicity and advertisement	733,062	837,192
Public relations	3,621	1,733
Utilities	767,344	512,997
Travel expenses	2,149,695	1,852,602
Transport	586,688	521,949
Stationary and office supplies	580,585	497,079
Promotion and dissemination	1,545,632	2,280,781
Expenses on programs profit - IRFS	1,792,523	3,720,786
Invoices provision for 2016	3,008,000	1,142,493
Other out-of-the pocket expenses	1,490,900	1,902,438
Employee benefits	37,263,269	31,534,279
Sale of property and equipment	2,272	98,574
Loss for casualties	43,342	-
Total	**128,290,584**	**114,807,215**

30. Note (30) Commitments and contingencies

The contingent accounts as of December 31 included:

Creditor:	2016	2015
For law suits stipulated (Claims) (4)	39,069,672	8,537,804
Private Capitalization Fund (3)	1,426,058	8,986,830
IDB loans pledging (1)	14,060,609	9,553,945
Approved and non-disbursed loans (5)	806,235,333	0
TOTAL	**860,791,672**	**27,078,579**

Debtor:		
Discontinued credits interests (2)	672,316	595,947

TOTAL	**672,316**	**595,947**

This account balances correspond to:

(1) Counter-guarantees

Findeter signed loan agreements with the IDB, loan 1967, 2314, 2768 and 3392, on which it concluded counter-guarantees in favor of the Nation, where revenues received by FINDETER are pledged for the collection of rediscount portfolio paid directly into the deposit account No.65812166 of the Central Bank. These revenues must cover at least 120% of the semi-annual debt service value of the borrowing contract. In addition to granting a blank promissory note with its respective letter of instruction.

Under IDB S.F. 977 and IBRD (WB) 4345 loan agreements, Findeter signed a fiduciary assignment No. 420010 and No.4006 with the Previsora trust company on February 21, 1997, and July 30, 1998 respectively, as counter-guarantee of 120% of the semiannual service of these loans debt, derived from the guarantee granted by the Nation.

(2) Suspended interests

They correspond to the interest on loans granted to former officials of the entity, which have not heeded the debt service obligations.

(3) They correspond to the balance of Ashmore Private Equity Fund.

(4) They correspond to claims from legal actions filed against the entity. Out of them, there are several types of ongoing proceedings such as labor and administrative ones.

(5) Commitments deriving from the approved and non-disbursed loans result from contracts with customers; therefore, it is determined that the outstanding balances of an unused loan, do not necessarily represent future cash requirements because these quotas can expire and will not be used fully or partially. However, they are recognized in the contingent accounts as potential capital requirements.

At the closing of 2016, there is a balance of approved, non-disbursed loans recognized worth $806,235.333, derived from the loan agreements granted to expand Barranquilla airport and for 4G contracts.

Leasing

Below is a list of the future minimum payments of non-cancellable operating leases for each of the following periods.

		A YEAR LATER	IN BETWEEN ONE AND FIVE YEARS	
CITY	**LESSOR**	**2017**	**2018**	**2019**
BOGOTA	ACORBE THIRD FLOOR	309,600	309,600	-
BOGOTA	ACORBE SIXTH FLOOR	352,512	323,136	-
BOGOTA	TOWER 104 PHASE II FIFTH FLOOR	296,794	296,794	296,794
BOGOTA	TOWER 104 SIXTH FLOOR PHASE II	345,278	258,958	-
BOGOTA	AUTOPISTAS DEL CAFE	140,160	23,360	-
NEIVA	EFICSERVICES	31,200	15,600	-
MANIZALES	Ma. PILAR JARAMILLO	7,400	-	-
B/VENTURA	INVERPACIFICO	34,452	-	-
SAN ANDRES	ARISAI	49,500	-	-
B/QUILLA	GIANCARLO	18,096	18,096	6,032
PASTO	ANTONIO BARBATO	27,600	20,700	-
CARTAGENA	MARITZA ORREGO VARGAS	39,984	39,984	3,332
		1,652,576	**1,306,228**	**306,158**

TOTAL IN ONE YEAR	**1,652,576**
TOTAL BETWEEN ONE AND FIVE YEARS	**1,612,387**

Approved and non-disbursed loans

The following list shows the value of the loans approved, granted to the various financial institutions, which have not been disbursed by Findeter yet. It is worth mentioning that these loans only originated in 2016:

BANKING INSTITUTION	VALUE
BANCO DE BOGOTA	21,712,000
BANCO DAVIVIENDA	36,639,000
BANCO DE OCCIDENTE	17,641,000
BANCOLOMBIA S.A.	730,243,333
TOTAL	**806,235,333**

31. Note (31) Related parties

As provided by IAS24, a related party is a person or institution related to the entity that prepares its financial statements, where the reporting entity could be controlled or jointly controlled; the reporting entity could have been influenced significantly; or it was considered a member of the key management personnel of the reporting entity or a controller of the reporting entity. The definition of related party includes: (a) persons and/or family members related to the entity, entities that are members of the same group (controller and subsidiary), associate or joint ventures of the entity or the group entities, post-employment benefit plans in favor of the reporting entity or related entity employees.

Related parties are considered:

1) An economic linked party: a person or entity related to any entity through transactions such as transfers of funds, services or obligations, regardless of whether or not a price is charged.

2) Shareholders who individually own more than 10% of the capital stock of the Financiera (the Nation).

3) Key management personnel: these are people having authority and responsibility for planning, directing and controlling the entity activities directly or indirectly, including any director or administrator (whether executive or otherwise) of the Financiera, including the President, Vice Presidents and members of the Board of Directors.

4) Subordinates: Companies controlled by the Financiera in accordance with the definition of control under the Commerce Code and consolidation from IFRS 10.

5) Partner institutions Companies where the Financiera has significant influence, which is generally considered when it holds between 20% and 50% of its share capital.

Operations with related parties:

The Financiera may conclude operations, agreements or contracts with related parties, on the understanding that any of these operations shall be carried out at fair values, taking account of the market conditions and rates.

The following are recognized between the Financiera and its related parties for the periods ended on December 31, 2016 and 2015:

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

During the years ended on December 31, 2016 and 2015, the members of the Board of Directors and committees received payment for 178 and 181, respectively, as fees for attending their corresponding meetings.

As of December 31 2016, and 2015, the Financiera recognizes loan portfolio balances and the Financiera key management key personnel compensation, as detailed below:

	2016	**2015**
Loans portfolio	2,117,235	2,815,342
Key management personnel compensation	8,361,865	7,088,233

All operations and disbursements were made at market prices.

- Findeter is an entity attached 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:

Accounts receivable for accounts to be applied at offset rates.

ENTITY	Item	2016	2015	1/1/2015
Ministry of Finance	Offset rates	41,321,830	40,012,587	-
Total		**41,321,830**	**40,012,587**	-

Accounts payable for funds received in advance for the interest rate offset, on loans disbursed at special rates, whose credit beneficiaries are Territorial Entities.

OFFSET RATES BALANCES TO BE OFFSET			
ENTITY	**2016**	**2015**	**1/1/2015**
Ministry of Education	29,110,190	32,969,034	14,934,953
Ministry of Health and Social Protection	129,849,650	138,847,878	-
Department of Huila	359.137	484.542	637.285
Tourism Institute of Villavicencio	117,146	134,483	153,775
Department of Norte de Santander	20,904	28,947	39,352
Department of Casanare	365,250	496,076	324,810
Department of Guainía	206,358	221,178	242,116
Tourism institute of Meta	84,865	120,867	155,372
Department of la Guajira	66,648	113,577	183,873
Municipality of Armenia	30,990	34,987	41,759
Medellin Institute of Housing and Habitat	-	2,431	2,707,774
Governor's Office of Caldas	496,736	500,000	-
TOTAL	**160,707,875**	**173,954,001**	**19,421,069**

32. Note (32) Adequate capital management

In terms of the sound management of its capital, the objectives of the Financiera aim at: a) complying with the capital requirements laid down by the Colombian Government for financial institutions and (b) keeping an adequate equity structure that would facilitate the generation of value for its shareholders.

The total solvency ratio, defined as the ratio between the technical reserves and assets weighted by risk level, cannot be less than zero-point nine percent (9.0%), and the basic solvency ratio, defined as the ratio between the basic ordinary equity and assets weighted by risk level, cannot be less than four-point five percent (4.5%), as provided by article

2.1.1.1.2 and 2.1.1.1.3 respectively, of Decree 2555 of 2010, amended by Decree 1771 of 2012 and Decree 1648 of 2014.

Compliance is verified every month as established by the Financial Superintendence of Colombia in chapter XIII - 14 of the Basic Accounting and Financial Circular Letter 100 of 1995.
The classification of risk assets in each category is carried out by applying the percentages determined by the Financial Superintendence of Colombia, for each of the balance sheet headings in line with the IFRS chart of accounts. In addition, the market risks are included as part of the risk-weighted assets for the solvency margin calculation.

To manage the capital from the economic point of view and the generation of value to its shareholders, the administration keeps a detailed follow-up of the profitability levels for each of its lines of business and on the capital needs in line with the growth expectations in each of the lines. In the same way, the economic capital management involves analyzing the effects of credit risks, market, liquidity and operating system to which the Financiera is subject in the development of its operations.

Below is the detail of the calculation of the minimum technical reserves required by the Financiera:

	2016	**2015**
Technical reserves		
Ordinary basic equity		
Subscribed and paid-in capital	887,478,100	858,636,800
Appropriation of net profits	49,247,875	46,462,657
Investments available for sale in equity securities	0	(25,000,300)
Deferred income tax	(16,103,311)	556,329
Year’s profit or loss	0	(27,852,173)
Unrealized gains or losses (OCI)	(25,107,942)	0
Additional equity		
Valuations of investments available for sale in equity securities (Public corporations)	0	12,788,668

Valuations of investments available for sale in equity securities (Public corporations)	0	(12,788,668)
Write-downs of investments available for sale in equity securities (Public corporations)	0	100,000
Write-downs of investments available for sale in equity securities (Public corporations)	0	(100,000)
General provision	401,750	0
Year's profit or loss	41,494,171	27,852,173
Total Technical Reserves	**937,410,643**	**880,655,487**
Assets weighted by risk level		
Category I (high-security assets weighted at 0%)	679,354,692	604,449,422
Category II (high-security assets weighted at 20%)	251,209,398	188,705,985
Category III (high-security and low-liquidity assets weighted at 50%)	33,899,557	96,697,389
Category IV (other assets at risk weighted at 100%) + special weights	8,878,509,627	7,050,737,687
Total risk-weighted assets	**9,842,973,274**	**7,940,590,483**
Market risk	**17,423,367**	**13,156,450**
Index of the total solvency risk	**10.84**	**12.08**
Index of basic solvency risk	**11.28**	**12.43**

33. Note (33) Legal Controls

Net Foreign Exchange Position: refers to the difference among all the foreign currency, on-balance sheet and off-balance sheet, realized or contingent rights and obligations. Findeter complies with the provisions issued by the Board of Directors of the Central Bank and the regulations issued by the Financial Superintendence of Colombia.

Technical reserves and solvency margin: Chapter XIII-13 of the SFC, notes the criteria and parameters that recipient entities must observe to comply with the adequate equity and minimum solvency ratios established in Title 1 of Book 1 of Part 2 of Decree 2555 of 2010. This with the aim of maintaining adequate levels of good quality capital that would enable entities to absorb unexpected losses resulting from the materialization of the risks to which they are exposed, thus maintaining public confidence in the financial system and its stability.

34. Note (34) Subsequent events

There are no economic events that occurred after the closing date (subsequent events), which are liable to have an effect on the financial position, Findeter prospects or which might cast doubt on its continuity.