

MANAGEMENT AND SUSTAINABILITY REPORT 2017



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ABOUT THE REPORT

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This Findeter Management and Sustainability report follows the principles and basic content established by the G4 Guidelines of the Global Reporting Initiative (GRI) for the preparation of sustainability reports, with a level of "Essential Conformity" and with the Financial Services sector supplement being applicable. Data published correspond to the period from January 1-December 31, 2017. We have conducted this transparency exercise since 2012 and, for the third time, we opted for an online format in order to inform our stakeholders about the most important economic, social and environmental impacts of our activity.

The scope of this report was defined based on the materiality analysis in 2016, taking as a basis the consultations to stakeholders and the GRI G4 aspects under which the materials will be presented.

Furthermore, this report complies with the provisions of paragraph 4 of Article 47 of Law 222 of 1995, as amended by Article 1 of Law 603 of 2000, and Article 87 Law 1676 of 2013.

REPORT OF THE BOARD OF DIRECTORS AND THE PRESIDENT TO THE GENERAL SHAREHOLDERS MEETING 2017

(G4-1)

Dear Shareholders:

In accordance with the legal and statutory provisions, we are pleased to present to you the annual management and sustainability report 2017, including the most important achievements and prospects for 2018.

Service to the Regions, is the vocation that defines the route in fulfilling our missionary work, making us as an instrument of national government in generating opportunities for the Colombian people, with quality products and services that have allowed us to be known as a "specialized development bank for the regions".

The achievement of this mission is supported by a robust corporate governance that in the past year incorporated into its structure the international standards recommended by organizations such as the Organization for Economic Co-operation and Development (OECD) and the Colombian Stock Exchange, the which are reflected in our new Code of Good Governance. Likewise, the Code of Ethics was approved that embodied principles and ethical commitments governing the performance of managers and workers facing the different stakeholders and the country in general.

As a result of effective strategic planning, we have put at the disposal of the market a portfolio of innovative products and services, that are entrepreneurial, ambitious and innovative with major importance at the territorial level, that facilitate our assistance of the Government in projects that improve the lives of thousands of Colombians through housing, water and sewer services, child development centers, schools and other high social impact works.

Today we are "the strategic partner of the regions" working to bring welfare to the citizens and so the territories are sustainable, competitive and have orderly planning. This is affirmed by national and international organizations who recognize that we are changing the reality of the territories and the way of thinking of the local authorities. Proof of this is the appointment of Findeter as a member of the Board of the Latin American Association of Financial Institutions for Development (ALIDE) and the special distinction we received from the Smart City Expo LATAM Congress, for being a benchmark in promoting regional development in Latin America.

This positioning is founded on a three-dimensional structured model: "Planning, Financing and Execution"; which we have been maturing together with local authorities and leaders, planning their regions, identifying needs and opportunities and creating solutions from the territories, resulting in the management of sustainable projects.

In the "Planning" dimension of Findeter continued to deploy, with the support of the Inter-American Development Bank (IDB), the "Sustainable and Competitive Cities", "Emblematic Cities" and "Diamond Caribbean and Santander" programs with which we have been advancing further in the strategy of Consulting to the Territorial Development of the Regions, whose main results were: Delivering action plans to the cities of Villavicencio, La Dorada, Aracataca and Barrancabermeja with an investment of \$ 3.9 billion; completion of the action plans of Cartagena, Neiva, Ibagué, La Calera, Villanueva and Chinchiná; and delivery of basic studies (GHG inventory, risk vulnerability and urban footprint) to the cities of Ibagué, Neiva, Popayán, Cartagena, Sincelejo-Corozal and Riohacha.

Also, it is noted that we have made progress in implementing processes of regional and sectoral planning, we have enabled the design and implementation of the strategies of territorial complementarity, local economic development and urban-rural planning, such as the "Competitiveness studies and Local Economic Development", the "Land of Opportunity" program, and initiatives such as "Creative Industries" and "Sustainable Mobility - CIUDAT" that are conducive to the implementation of sustainable projects towards leveraging medium and long-term development processes for the development and welfare of the inhabitants.

In the "Financing" dimension the commercial management of Findeter during 2017 achieved credit disbursements in the regions for \$ 2.07 billion to fund infrastructure projects in priority sectors, which include:

\$ 1.26 billion for Health, Housing and Urban Development and Transportation; \$ 711 billion in Education, Energy Development and Water Supply and Sanitation and \$ 102 billion in other sectors, with coverage in 66 municipalities in 24 departments.

In the operating model of Findeter as a development bank, it is essential to work funding projects together with the financial system, of which 97.8% of loans granted, equivalent to \$ 2.03 billion, were disbursed through commercial banks. Similarly, thanks to the active participation of the Ministry of Finance and Public Credit, credit lines were available as the compensated rate through which disbursements were achieved for \$ 592 billion, for the promotion of investment and the provision of essential public services.

In the "Execution" dimension technical assistance to the Government is contemplated in the implementation of flagship programs of the National Development Plan by the Ministries of Housing, City and Territory, Education, Culture, Interior and entities such as FONVIVIENDA, COLDEPORTES, DAPRE, DNP, ICBF, among others; providing support to projects from their pre-contractual management to their execution, for procurement of studies, designs, works, audits, and technical and social assistance.

Through this service, the evaluation, supervision and implementation of 839 projects in 291 municipalities and 29 departments of the country has been executed, with an investment of \$ 8.4 billion. Among the most important achievements is the overseeing of the construction of more than 120,000 homes, benefiting about 160,000 families in vulnerable situations, exposed to displacement and poverty. In Social infrastructure, we have directly benefited about 1 million Colombians by building more than 600 thousand square meters, mainly represented by 178 educational establishments, generating more than 48 thousand spaces, and 113 recreational spaces, including parks, libraries, cultural centers and improvements to public space.

In the area of water and sanitation, we have provided technical assistance for the installation of 1,154 kilometers of pipeline represented in water systems and sewage systems, 87 storage tanks of drinking water with a capacity of over 68,000 cubic meters of potable water and 54 water and wastewater treatment plants benefiting more than 9 million Colombians.

These important achievements in the terms of planning, financing and execution of projects enabled us to achieve very satisfactory financial results during the year 2017, that position us as a solid entity, ready to take on the challenges demanded by the different commitments set by the National Government. In 2017 equity increased by 5.2% from \$ 1.0 billion (Dec./2016) to \$ 1.1 billion (Dec./2017), accompanied by a level of expansion in the active growth of 5.9% from \$ 8.9 billion (Dec./2016) to \$ 9.4 billion (Dec./2017).

The main component of the assets are represented in the gross portfolio, which, thanks to the excellent performance of disbursements during 2017, showed an increase of 6.0% from \$ 7.8 billion (December/2016) to \$ 8.3 billion (Dec./2017). It is highlighted that this growth of the gross portfolio of Findeter is higher than the growth registered for this category in the financial sector which was about 2.6% for banks. Meanwhile, net income to December 2017 was \$ 52,146 million, while profit before tax for the same period was \$ 93,520 million.

These figures reflect our strength in the financial market, in addition to strengthening our sources of funding and capitalization. During 2017, \$ 3.27 billion resources were collected, of which \$3.06 billion was made through ratifying Term Deposits issues, ratifying Findeter as the eighth largest issuer of this financial instrument in the market; this, together with the first subordinated bonds in the local market for \$ 204 billion, which was oversubscribed by 2.4 times the initially offered amount.

Other sources of funds used in 2017 were the loans through multilateral banks for USD 82.4 million with the German Development Bank (KfW), the disbursing of external loans for USD 27.6 million and the management of non-refundable cooperation resource with international funds such as the UK Prosperity fund for £ 13 million and the Embassy of Japan for \$ 320,203, among others.

Risk management shows the confidence of the Colombian financial system in Findeter, with 18 consecutive years of Triple A (AAA) credit rating for long-term debt and F1 + for short-term debt, granted by Fitch Ratings Colombia S.A., which highlights our issues as having the highest credit quality.

In the last year we have strengthened our management system through the Social Responsibility Model as a cross-cutting strategy that allows us to be a leader in incorporating best practices in the value chain, in a transparent, efficient, accountable and sustainable way, coupled with the introduction of Knowledge Management models, Innovation Management; Measurement, verification and reporting of the contribution to the SDGs; and the measurement, verification and reporting of contribution to climate change and the

shared value strategy.

Another aspect to highlight is the recognition obtained by Findeter as one of the 20 best places to work in Colombia, according to the survey conducted by Great Place to Work, in the category of companies with more than 500 employees, thanks to the EFR model (Family Responsible Company), which allows us not only to strengthen the balance between work, family and staff employees, but also to create an environment conducive to achieving high standards of productivity and organizational excellence; the above is supported by the improvement in the work environment index (IAL) at 88.4, an increase of 3.8 points compared to 2016; and empowering our human capital formation with an average of 16 hours/man, with a 92% coverage of staff.

The tax audit executed by the Comptroller General of the Republic for the 2016 term resulted in a score of 95.93 points (out of 100), and a favorable opinion and clean audit of the Financial Statements and expiration of the account for that effect.

By 2018, we hope to consolidate the portfolio of products and services of the company, both internally and externally, providing credit resources for \$ 1.9 billion across the whole country, with an emphasis on supporting the management of municipalities prioritized by the national government in the post-conflict; To continue the deployment of the Consulting to Integrated Territorial Development -ADTI, accompanying the local authorities in their processes of local, regional and sectoral planning; and maintain the solidity and credibility of Findeter in the financial market with good administrative practices and being an example to follow in public administration.

We indicate that in strict compliance with the provisions of current regulations, the information related herein with respect to the financial statements, obeys the criteria of integrity, rights, obligations, valuation, presentation and disclosure, and is duly verified and obtained from the accounts of Fideters, processed under the rules and principles established in Colombia.

With regard to the provisions of paragraph 4 of Article 47 of Law 222 of 1995, as amended by Article 1 of Law 603 of 2000, we reported that Findeter meets all the rules on intellectual property and copyrights referred to in Colombian law.

We certify that during 2017 Findeter has performed and executed everything concerning the free movement of invoices issued by the vendors or suppliers with whom the Financial company has developed or maintained operations.

Finally, we underline that the achievements in this report are the result of teamwork that all the employees of the Bank have performed with commitment, rigor, dedication, professionalism and excellence, and thanks to the suitability and professional commitment of the Board of Directors. They have been accomplished in compliance with presidential policy in partnership with the various Government Ministries, the support and active participation of commercial and multilateral banks and other stakeholders, focused on offering comprehensive solutions with a high degree of social responsibility.

As an organization we are aware that we have a total and permanent commitment to the sustainable development of all the regions of Colombia, and we are respectful towards the realities of each territory, so we can provide solutions with dedication and passion, to those people that again need to believe in a dream called "the Nation".

Ana Lucia Villa Arcila
Chairman of the Board of Directors

Rodolfo Zea Navarro
President

1 SUMMARY OF 2017

1.1 FINDETER IN NUMBERS

(G4-9, G4-PR5)

ORGANIZATIONAL INDICATORS



566
employees



\$ 3.27 billion
resources gathered



\$ 93,520
million
pre-tax profits



\$ 9.4 billion
Active



\$ 8.4 billion
passive



\$ 1.1 billion
equity



\$ 2.07 billion
placement of loans



AAA
long term



BBB-
international bonds



120,000
supervised housing for
construction



3 million
beneficiaries of the
Water for Prosperity
Program 2017



127,000 m2
social infrastructure built



7
regional offices



61,008
Children benefit from
social investments



68%
loyal customers



Top 20
Best places to work in
Colombia

SUSTAINABILITY INDICATORS



325,488 kWh
energy consumption



3,004kg
Recycled material



1,336 m3
water consumption



efr
family responsible
company



ISO 9001
ISO 14001
17 processes certified



88.4
Great Place to Work
index



60%
women employees



16 hours
training per
employee/quarter

1.2 ACHIEVEMENTS AND RECOGNITIONS

1.2.1 ACHIEVEMENTS

(G4-2)

Here we summarize some of the major achievements and milestones for Findeter in 2017:

- During 2017 Findeter achieved its goal of disbursements by 109%, achieving placements for \$ 2.07 billion, above the \$ 1.9 billion established. Compliance with disbursements for the private sector was at 112% and for the public sector 103%, surpassing the outlined expectations. This contributed to the sustainable development of the country with disbursements in 66 municipalities and 24 departments. The leading sectors were Health, with 23% of total loans; Housing and Urban Development, with 21%; Transportation and education, each with 17%, and energy development, with 15%.
- In the month of December, a loan agreement was signed with the German Development Bank (KfW) for € 70 million, equivalent to USD 82.4 million, to finance projects and promote Energy Efficiency and Renewable Energy.
- Developing the strategy for integrated territorial development - DTI, with the focus on programs such as "Emblematic Cities", "Sustainable and Competitive Cities" and "Diamond Caribbean and Santanders", during 2017 we delivered four Action Plans, finishing 6 more and starting another 8, which are currently ongoing. This leaves a balance of 51 cities with territorial planning. In addition, this year we developed regional planning, covering 188 municipalities with initiatives such as the construction of 3 Territorial Development Visions, 6 competitiveness studies, formulation and structuring of 2 Land Management Plans, 1 Land of Opportunities and 1 Study of the Regional Urban Footprint.
- In a complementary way we manage the Forests of Peace projects in Chinchiná and Montes de Maria, where we planted 44,000 and 110,000 trees respectively. In addition, we implemented 17 sectoral planning projects, among which are: the Creative District of Manizales, Cultural Mapping, mobile libraries, social-sports schools and the Quibdo Symphony Orchestra, among others. Finally, we consolidated 3 Nationally Appropriate Mitigation Actions (NAMAs) and generated urban transformations through Mobility Plans, Public Space and Parking.
- As of 2017, Findeter has accompanied national government entities in the implementation of 839 projects, with presence in 291 municipalities, covering 29 departments. Therefore, the investment earmarked for these projects totaled \$ 8.44 billion under the following programs: 100,000 homes program (phase 1 and 2), Home Saver (VIPA), Water for Prosperity and Social Infrastructure.
- By implementing the Housing Programs of the National Government, we have overseen the construction of more than 120,000 homes, benefiting about 160,000 families in vulnerable situations facing displacement and poverty, and over recent years we have been able to positively impact the quantitative and qualitative housing deficit, improving living conditions.
- In 2017 Findeter continued implementation of the Strategic Plan 2015-2025, whose first stage is the Megaruta 2018, which contains six strategic perspectives (financial, customer/market efficiency, innovation, sustainability and strategic capital), to achieve our mission and vision, achieved through a set of 16 goals and 44 projects materialized in applying best practices of project management. At year end 17 projects were finished and the Megaruta 2018 execution reached 89%.
- Findeter was described by Great Place to Work as one of the 20 best places to work in Colombia, ranking 20th in the category of companies with more than 500 employees.
- Coverage was expanded with the opening of 6 offices strategically distributed in the country located in the cities of Mocoa, Cartagena, Cucuta, Santa Marta, Villavicencio and Bogotá Calle

104, with the appropriate infrastructure, cutting-edge technology and qualified human talent, which facilitates access, coverage, efficiency and quality in service delivery, consolidating our position as a strategic partner in regions that generate welfare for people.

1.2.2 INTERNATIONAL PRESENCE IN 2017

Findeter has consolidated its international position through participation in international events; missions and training by our international partners and hosting visits from different countries.

During 2017, we participated in several events such as: Velo-city in Holland; Innovate for the Climate in Spain; the 3rd International Dialogue on Improving Ambition (DIMA) through Climate Finance in Spain; National Development banks and Green Banks- institutions key to mobilizing financing and complying with Determined National Contributions and Sustainable Development Goals in Mexico; Smart City Expo Latam Conference in Mexico; ALIDE General Assembly in Chile; IDB Annual Meeting in Paraguay; 4th Financing Forum on Green Investment of the OECD in Paris; World Bank annual meeting in Washington; Climate Week in New York; Future Cities Conference CAF in Peru; Latin America Verde in Guayaquil; Regional Roundtable Sustainable Finance in Latin America and the Caribbean of UNEP FI in Argentina; SmartCity Barcelona; Financial Solutions Conference for Urban Resilience of the World Bank in Bangkok, among others.



Smart City Barcelona



UNEP FI



International Monetary Fund

The training 21 team Findeter member received in countries such as Korea, China, Switzerland, the United

States, Peru, Spain, Mexico and the Netherlands stand out.

It is noteworthy that during 2017 we received visits from foreign banks and governments with the aim of learning about the Findeter model. Some of these were the: French Development Agency (AFD); Members of the IDB Board; European Investment Bank (EIB); China Development Bank; KFW; USAID; Dutch Embassy; Commission of Senators of France; Basque government; World Bank; SECO; European Union; and IFC, among others.



KFW Bankengruppe



China Development Bank



European Investment Bank

1.2.3 ACKNOWLEDGMENTS

- Findeter president, Luis Fernando Arboleda, was appointed as Chairman of the Board of ALIDE (Latin American Association of Development Financing Institutions), based in Lima, Peru. May 31, 2017.



- Special distinction at the Smart City Expo LATAM Congress to Findeter, for being a benchmark and promoting regional development in Latin America. June 2017. Puebla, Mexico.



- Andesco Finalist Award for Corporate Social Responsibility 2017 (Under SDG), 30 June 2017. Cartagena



- Latin America Green Award finalist in the category "Energy" for the project led by Findeter and USAID called "Solar Energy for Vulnerable Populations, towards equity and environmental sustainability", in the Lorenzo Morales urbanization in the city of Valledupar. July 2017. Guayaquil, Ecuador.



- Findeter was chosen as representative of the Americas and the Caribbean before the Banking Committee of the United Nations Environment Program - Finance Initiative. Sample of the positioning Findeter has achieved in the international community as a sustainable entity. August 2017.



- Quality seal awarded by the District Department of Mobility FINDETER for good practices and excellent cycle parking service. August 2017 - Bogotá.



- ISOCARP 2017 Excellence Award, awarded to the "Diamond Caribbean and Santander" program, considering it to be an innovative and pioneering plan based on regional cooperation. The award was presented in The Hague (Netherlands) by the International Society of City and Regional Planners. September 2017.



- Findeter president, Rodolfo Zea Navarro was elected as a member of the Board of ALIDE (Latin American Association of Development Financing Institutions), based in Lima. October 2017.
- Award of Merit in the category Social Responsibility Large Company, awarded by the Universidad Simón Bolívar, for its contribution to improving the quality of life in regions evidenced by participation in public-private partnerships that generate social growth. Barranquilla. November 2017.
- The Administrative Department of Public Service, recognized Findeter for implementing the first phase of the policy of streamlining registration procedures and 100% of the procedures in the SUIT. Bogotá. November 2017.
- Findeter occupied the 20th position among the best companies to work for in Colombia, in the category "Companies with more than 500 workers" in the Great Place to Work ranking. November 2017.
- Findeter was recognized by the Ministry of Information Technologies and Communications with the Seal of Excellence of Open Government within the framework of the strategy for Digital Government. November 2017.



2018 GOALS

- 2018 will be a crucial year in the areas of international cooperation for Colombia for the post-conflict situation. Findeter will continue its search and management resources to leverage territorial development within the framework of peace and climate change; and the implementation of the resources obtained during 2017.

1.3 FINANCIAL AND ECONOMIC CONTEXT

1.3.1 ECONOMIC CONTEXT

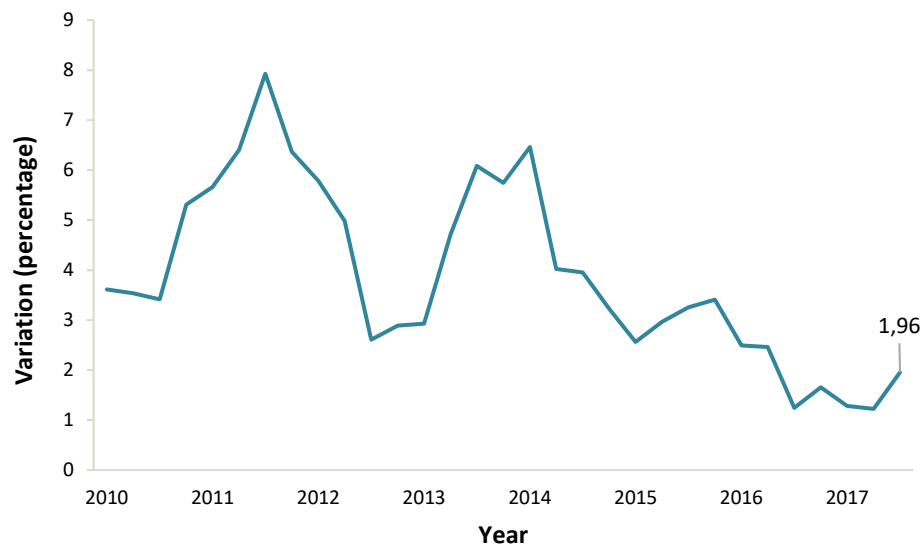
DOMESTIC SECTOR

Among the factors affecting the growth of the Colombian economy, which was decimated during the years 2014 and 2016 by various socio-economic impacts, we highlight the fall in oil prices, shutdowns related to the transportation sector and, finally, the consequences of the El Niño phenomenon, which impacted directly on price expectations for 2015 and 2016.

The impact of these shocks resulted in a slowdown of the Colombian economy during the years 2015 and 2016. Consequently, the Central Bank implemented new interest rate policies during 2016 to control inflation expectations. In 2017, rates issued by the Colombian Central Bank approximated values present during the years of 2012 and 2013, due to the slowdown in inflation, which will adjust to values of the target range of the Colombian Central Bank in the coming years (minimum 2 percent, up 4 percent) (Sergio Clavijo – Director ANIF, 2017).

In the absence of external factors that determined the Colombian economy in previous years, GDP during 2017 was characterized by overcoming the slowdown seen between 2014 and 2016 (see [Graph 1](#)). Faced with this context, an acceleration of GDP growth is expected over the next few years in accordance with the forecast changes in oil, generating a potential GDP in Colombia that is corrected from 4 to 3.3% (Sergio Clavijo - Manager Anif, 2017).

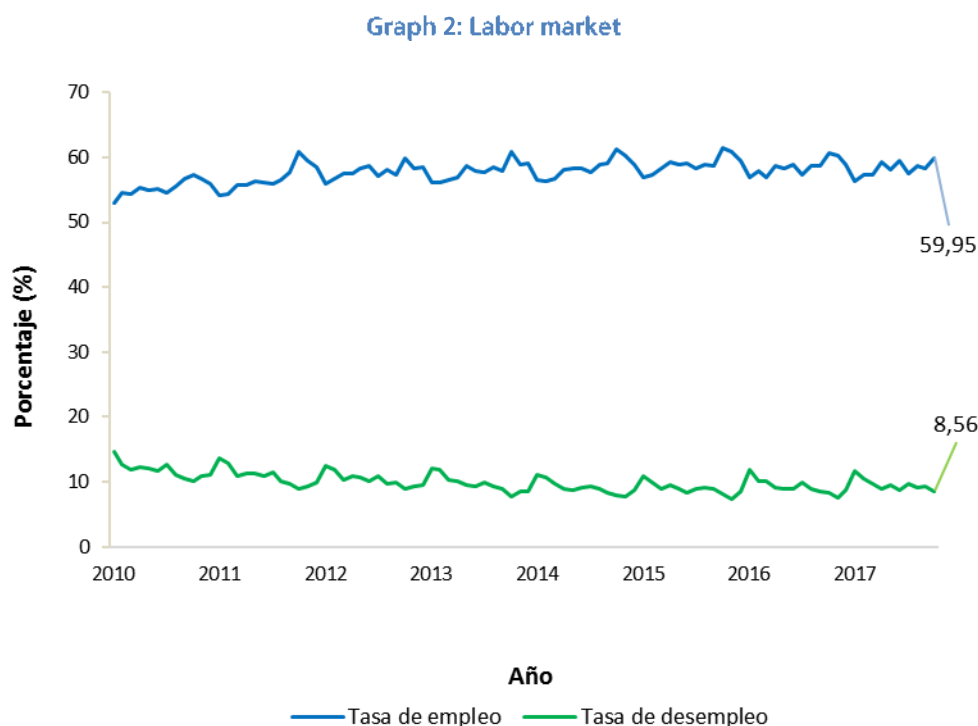
Graph 1: Quarterly change in GDP 2010-2017



Source: Prepared with data from DANE

Therefore, it is expected that in 2018 Colombia will grow more than in 2017. According to the World Bank (2017), it is predicted that the Colombian economy closed 2017¹ with growth of 1.8% and will grow 2.9% in 2018.

Despite the economic slowdown of recent years, this situation has not been substantially transferred to the labor market. This is reflected in the year to date² where the country had an average unemployment rate of 9.55%, with fluctuations of between 11.73 and 8.55% (see **Graph 2**).



Source: Prepared with data from DANE

In recent years major changes in labor market indicators have been seen, and just as in previous years, 2017 began with a two-digit unemployment rate, which decreased gradually over the months. Within this framework, the cities currently rebounding with low unemployment rates are: Santa Marta (8.2%); Bucaramanga (8.4%) and Barranquilla (8.4%). In contrast, the cities that have high unemployment rates are Quibdó (16.5%); Cúcuta (16.1%) and Armenia (14.4%).

Like the labor market, in recent years the prices of the national economy had significant increase as a result of external events such as El Niño and the strikes of various groups. However, the price level during 2017 was characterized by a marked downward trend compared to the same period in 2016. This was largely due

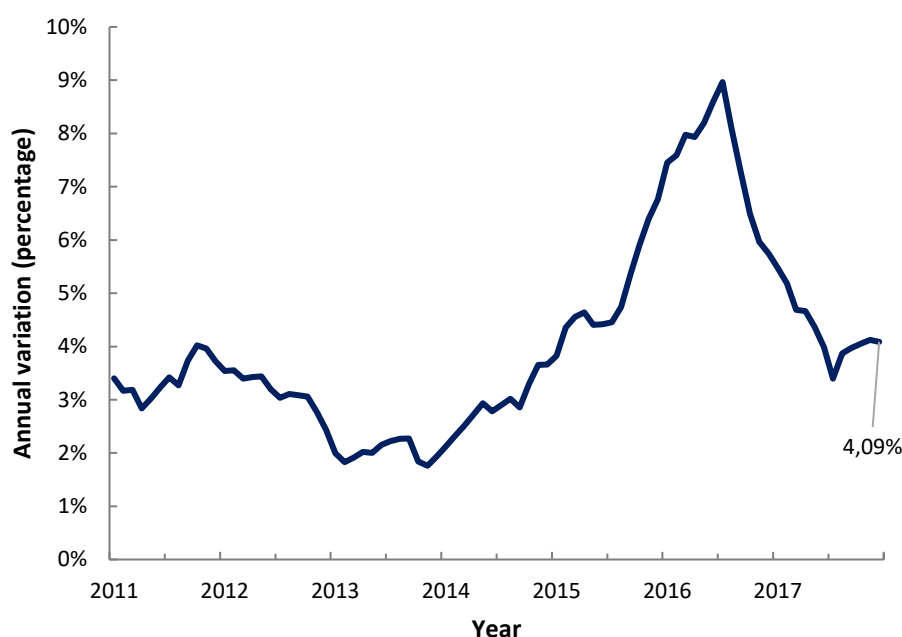
¹ This is because all the data for 2017 has not been released

² Ibid.

to a smaller increase in food prices, which rose from 7.22% in December 2016 to 1.92% in December 2017 (DANE, 2017)

In the most recent data, accumulated inflation of 2017 recorded a value of 4.09%, a decrease of 1.66 percentage points compared to 2016. The downward trend occurred in 2017 in relation to 2016 (see Graph 3: Inflation (Annual CPI change) resembling the price fluctuations seen between 2010 and 2013. Although some control over prices was achieved, inflation in 2017 exceeded the upper limit of the target range (4%) of the Colombian Central Bank.

Graph 3: Inflation (Annual CPI change)



Source: Prepared with data from DANE

Therefore, it is expected that over the coming months inflation will converge to within the target range (between 2 and 4%). Faced with the dissipation of external factors causing loss of purchasing power of the currency, the reduction of intervention rates would encourage consumption and investment in the coming months. This implies that the Central Bank will continue to reduce rates depending on the behavior of external variables, which affect the convergence of inflation within the target range, as well as the evolution of the country's productive capacity.

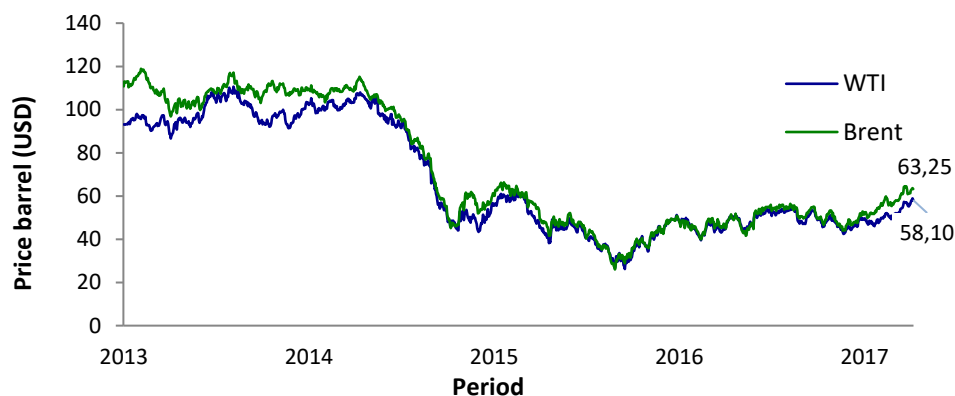
Over the next few years we are looking to continue the austerity policy both in operating expenses and investment under the principles of prudent use of resources, looking for a deficit of 3.6% of GDP for 2018 and 2.2 % for 2019. Accordingly, the fiscal deficit is forecast to be normalized by the year 2022.

EXTERNAL SECTOR

This section takes into account the analysis of external factors that directly affect the domestic economic situation in Colombia, among which oil prices, the exchange rate, foreign direct investment and trade balance stand out.

Oil is very important to the country due to its high share in exports and collection of resources by the government, which by 2013 amounted to 20% of its income. Similarly, the oil sector was able to generate exports of USD 27,600 million. All the above means that this activity has strong economic influence in the departments of Meta, Casanare, Arauca, Santander and Huila (MinVivienda, 2017). Analyzing the price of oil, based on the international benchmarks West Texas Intermediate (WTI) and Brent, following its decline during 2015, it has now stabilized fluctuating around USD 50 per barrel in 2017 (see Graph 4: Oil price).

Graph 4: Oil price



Source: from the US Energy Information Administration.

The above chart is complemented under the agreement between the members and non-participants of the Organization of Petroleum Exporting Countries (OPEC), which has cut oil production to a maximum of 1.7 million barrels per day (Sergio Clavijo - Director Anif, 2017). This agreement resulted in the increase in the price of this commodity, averaging 3.5% per day from late November, by which the trend that led to the oil price to reach USD 20 per barrel is reversed.

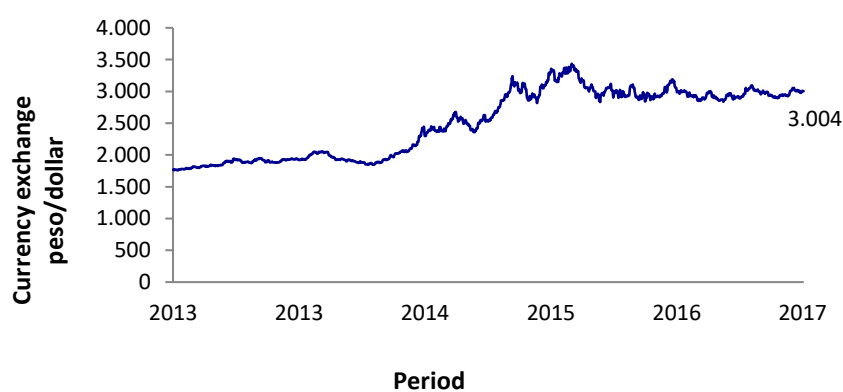
As a counterweight to the previously mentioned context, the price of oil will be on the downside, as the supply increase from countries with high production that are not part of the agreement promoted by OPEC. As a result, it is expected that the next few months oil prices will recover slightly, fluctuating around USD 60 per barrel (Langebaek Rueda, 2017).

Despite the decline in oil prices, its production in Colombia has not seen a directly proportional relationship. Before 2014, when a barrel of oil fluctuated around USD 100, Colombia produced about one million barrels a day on average. After 2014, when the monthly average price of a barrel of oil has not exceeded \$ 60, Colombia has managed to produce on average about 800,000 barrels of oil. The situation is the same in

2017, when the country produced an average of 852,661 barrels of oil per surface field³.

The behavior of commodity prices and oil prices impact the exchange rate of the Colombian peso against the dollar, affecting the country's economy in recent years. While oil prices have seen their lowest levels, the representative market rate of dollars compared to Colombian pesos stood at record levels (\$ 3,413 per USD 1). Between July 2014 and March 2015, the Colombian peso depreciated 39.4% against the dollar with the exchange rate moving from a monthly average value of \$ 1,858 to \$ 2,591 per USD 1. At the end of 2015 and early 2016 the Colombian peso depreciated by approximately 30% more (see graph).

Graph 5: Representative market rate



Source: Based on data from the Colombian Central Bank.

Since the middle of 2016 and during 2017, the dollar has stabilized at about \$ 3,000. Lately this trend has continued in part due to foreign investor confidence, which has spurred demand for Colombian pesos. However, this may be affected by the possibility that the Federal Reserve of the United States (Fed) increases interest rates for the dollar and the liquidity of the central banks of Europe, Japan and England (Brexit effect) which has fueled demand for this currency (Langebaek Rueda, 2017).

On the other hand, between January and October 2017, Colombia's trade deficit recorded a cumulative value of USD 6,643 million, which means a reduction of about 32 percent compared to 2016. Overall, this result is presented when faced with a much higher decrease in imports compared to the reduction in exports (4.23% vs. 14.33%).

Over the coming months non-traditional exports are expected to be stimulated and imports reduced due to the depreciation of the peso. However, it is clear that changes in the trade balance are subject to the possibility of protectionist policies being implemented in the United States as well as the behavior of emerging economies such as Brazil and China, on which capital inflows to the country depend. This becomes more important due to the fact that approximately 82% of the trade deficit in 2016 was concentrated in Brazil, China and the United States (Sergio Clavijo - ANIF director, 2017).

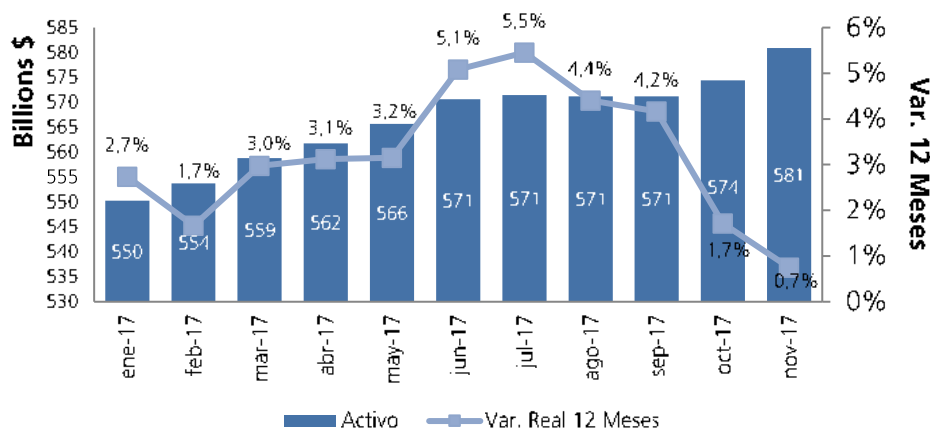
³ Information calculated using data from the National Agency of Hydrocarbons, available online at http://www.anh.gov.co/Operaciones-Regalias-y-Participaciones/Sistema-Integrado-de-Operaciones/Documents/Producción%20fiscalizada%20crudo%202017_22122017.xlsx

Therefore, it should be noted that the Colombian economy will continue to grow during 2018 and will be marked by the trend towards lower rates of intervention by the Central Bank and the restructuring of expenditure by the Central Government, adjusting to the new situation in the country presented by changes in the mining and energy sector. Consequently, the country is expected to strengthen sectors that stimulate development over the coming years, both with the production in monetary terms and the adjustment of the trade balance.

1.3.2 BEHAVIOR OF THE FINANCIAL SECTOR

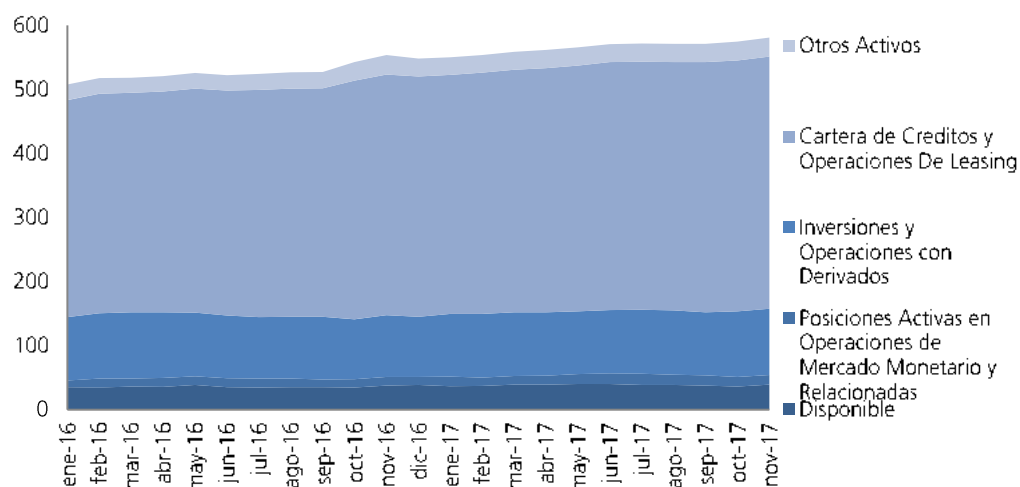
This note focuses solely on the analysis of the banks in the Colombian financial system, which, in November 2017, accounted for 95.4% of total assets of credit institutions. In November 2017, the total assets of banks in the system showed an increase. Total assets in that period were \$ 581 billion, increasing \$ 33bn against the balance observed at the end of 2016, which corresponds to a real growth up to November equivalent to 1.97%. Despite the increase in assets during the year, its real annual growth began to moderate in August until it reached 0.7% in November, a period in which its absolute variation was equivalent to \$ 27 billion.

Graph 6: Bank Assets November 2017



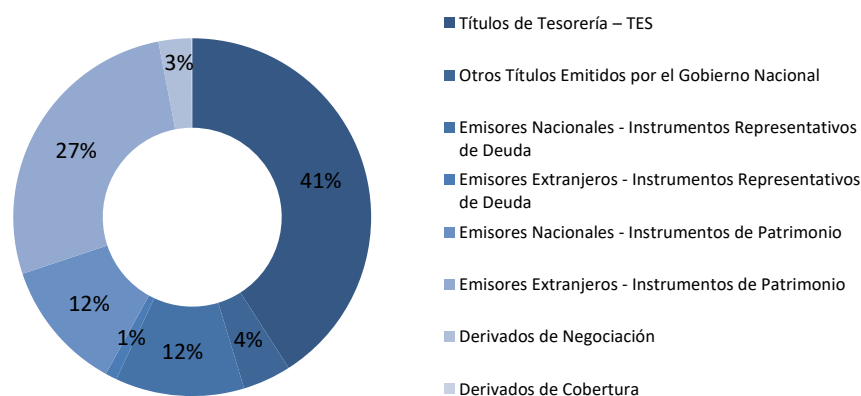
Within the assets of banks, the most important category is that of the loan portfolio and leasing operations, which maintained its share for the year to 68% in 2017. The second most important component of the asset is the investment and derivative transactions which represented 18% of total assets throughout the year. Available amounts represented 7% of assets showing that banks have sufficient resources to cover their needs for short-term liquidity. The growth experienced by banks in their active growth is mainly explained by the variation of the loan portfolio, which increased by \$ 18 billion in the last 12 months (Nov 2016 to Nov 2017), equivalent to a real growth of 0.59%.

Graph 7: Assets Composition Banks to November 2017



Investments and derivative transactions closed November with a balance of \$ 103 billion where participation by type of title was led by Treasury Securities (TES) which accounted for 41% of the total portfolio. Second was investments in equity instruments of foreign issuers (27%), followed by debt instruments of domestic issuers (12%) and equity instruments of domestic issuers (12%). Total investments and derivative transactions had a real annual growth of 2.92% in November 2017, which is partly explained by the increase in the balance of TES and representative equity instruments. The trading derivative transactions accounted for 3% of total investment category and derivatives for the month.

Graph 8: Derivative Investments and Operations November 2017

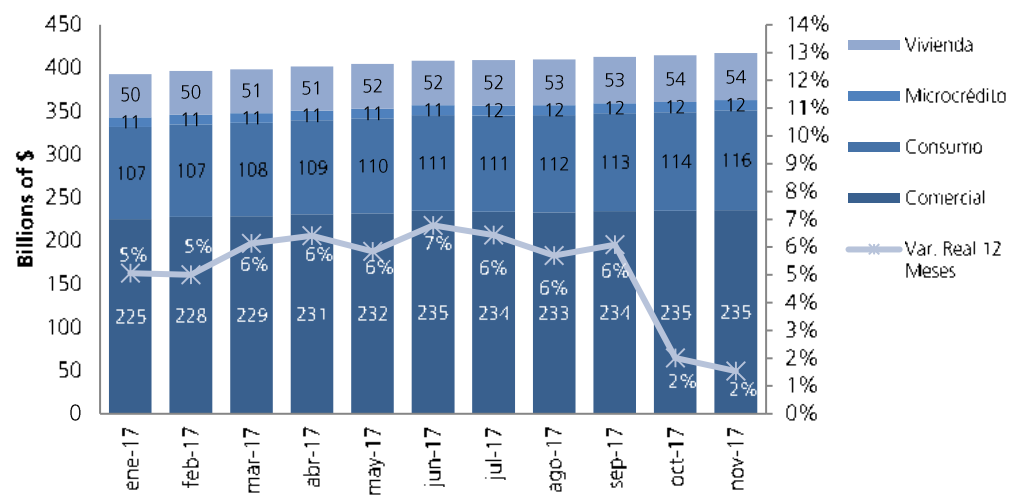


Regarding the loan portfolio and leasing operations, their performance so far during 2017 (Nov) has been aligned with the performance of the economy. At the end of November, the balance portfolio for banking institutions was \$ 417 billion where the portfolio stood out the most was the trade with a share of 56.4%, followed by consumer loans (27.7%), housing loans (13.0%) and microcredit (2.8%). With annual real growth of 5.5% in consumer loans it increased its share in the total portfolio compared to that observed in

November 2016, while commercial loans decreased participation and, over the previous year, showed a real decrease of 1.5%.

According to the latest report on the credit situation in Colombia published by the Colombian Central Bank, and based on the "Quarterly Survey on the credit situation in Colombia" up to December 2017, it is concluded that there is evidence of weakness on the demand and market supply of commercial credits explained by a weak economic activity and deteriorating balance positions of the system entities.

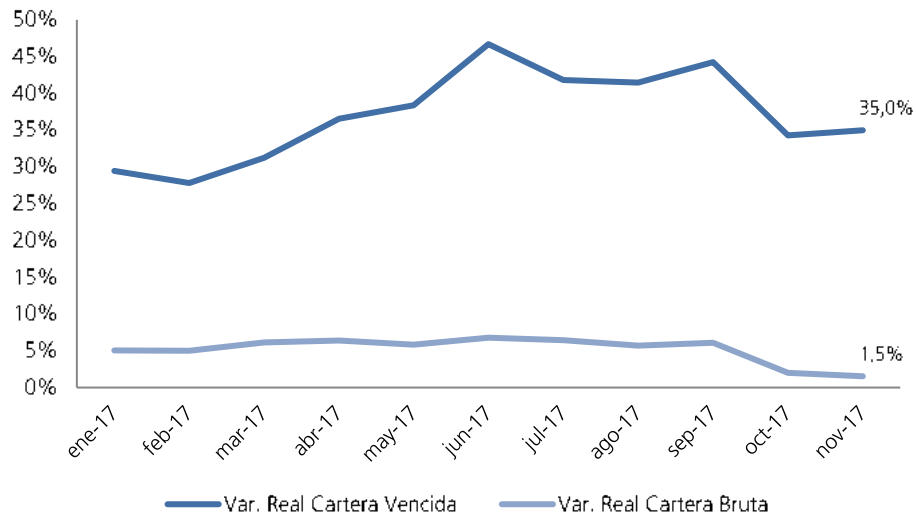
Graph 9: Portfolio and Bank Leasing, November 2017



During the first half of year, the real annual growth of NPLs of banks showed an increasing trend. However, this growth from the month of July began to decelerate to close November with NPLs of \$ 18.5 billion, representing a real annual growth of 34.9%. This variation, despite being lower than a year ago, was higher than the gross portfolio impacting the quality indicator portfolio, which grew from 3.34% in November 2016 to 4.44% in November 2017.

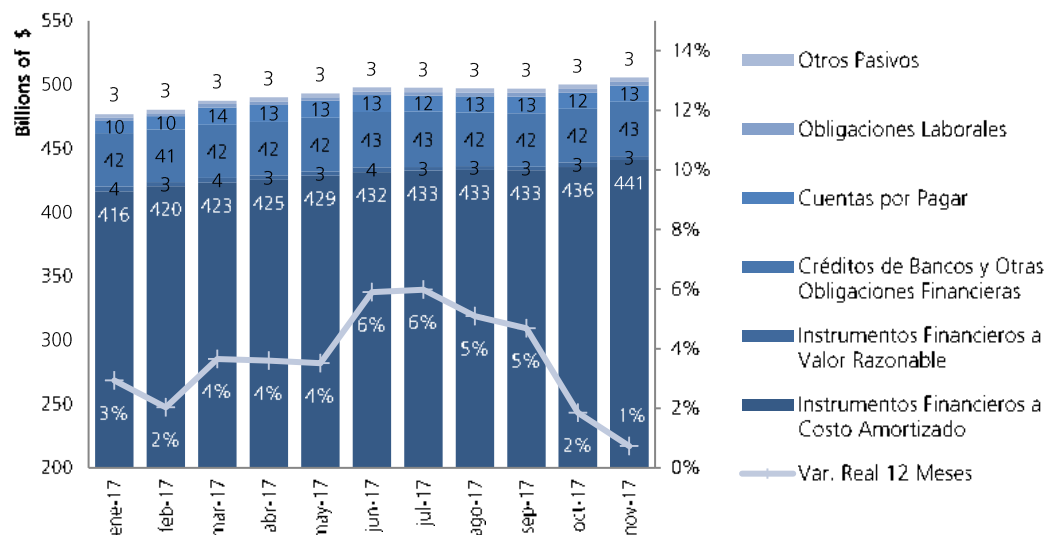
Given the context of economic slowdown and deterioration of credit indicators of the commercial portfolio, the credit institutions have said that if faced with a scenario of excess resources, these would be used to grant consumer loans or investments (government bonds) enabling them better returns without incurring greater risks.

Graph 10: Real Annual VaR nonperforming loans vs Gross Portfolio



Moreover, the liabilities of banking institutions showed an increasing trend during 2017. In the month of November total liabilities were \$ 506 billion corresponding to a real annual rate of 0.7%, equivalent to a variation of \$ 24 billion. The most representative item within liabilities was that of financial instruments at an amortized cost of \$ 441 billion (87%), followed by loans from banks and other financial obligations of \$ 43 billion (8%). Among those financial instruments at amortized cost include certificates of deposit and savings deposits with a share within that category equal to 62%.

Graph 11 Passive Composition Banks November 2017

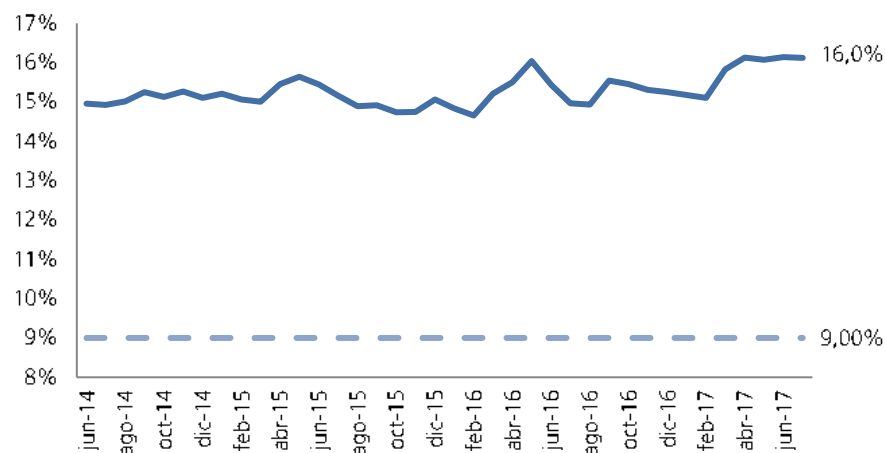


To November 2017 banking institutions accumulated profits of \$ 6.4 billion. The above value corresponds to

a reduction of \$ 4.0 billion compared to that reported in November 2016. The profitability of banks against assets (ROA) and equity (ROE) for the month of November was 1.2% and 9.3% respectively, which implies a reduction of 0.8 percentage points and 6.6 percentage points compared with the yields obtained in the same period of 2016.

The ratio of total bank solvency remained at levels above 15% during 2017, exceeding the minimum level of 9% established by Colombian regulation. At the close of the month of November, the financial capacity against the risks assumed by banking institutions (Solvency Total) reached a level of 16%, and the ratio of basic solvency capital from higher capacity to absorb losses, stood at 10.3 %.

Figure 12: Banks Solvency Ratio Index November 2017



1.4 RELEVANT EVENTS

1.4.1 SIGNIFICANT EVENTS DURING THE YEAR 2017

The Board of Directors at its meeting on 25 April 2017 and contained in Act No. 320 approved a modification to the structure of Findeter, to transfer the Management of Credit Analysis that was part of the Vice Presidency of Credit and Risks to the Vice Presidency of Operations and to modify its name to that of Portfolio Origination. Additionally, it changed the name of the Vice Presidency of Credit and Risks to the Vice-presidency of Risks.

In 2017 the Bank expanded its coverage by opening 6 offices, meanwhile the operation of the offices of Manizales and Buenaventura will be served from the Coffee Zone and Pacific Regional offices, respectively.

1.4.2 EVENTS OCCURRING AFTER THE FINANCIAL YEAR

There have been no important economic events after the financial year.

2 FINDER

2.1 ABOUT FINDER

(G4-7)

(G4-5) (G4-6) (G4-8)

We are the Development Bank that offers integral solutions for the development of sustainable territories by means of planning, structuring, financing and technically assisting infrastructure projects, improving the life quality of Colombians.

We were established by authorization of Act 57 of 1989, and Decree-Act 4167 of 2011, incorporated as a national mixed economy corporation, organized as a credit institution, subject to a private law regime, linked to the Ministry of Finance and Public Credit and supervised by the Superintendence of Finance of Colombia.

Our headquarters are located in Bogotá and we have nationwide presence to conduct our operations through five regional divisions, two zones and different satellite offices. We have an organizational structure adapted to our technical assistance, structuring and financing competencies. For this, we have 17 processes certified by ISO standards, such as ISO9001, ISO14001 and NTCGP1000, and we are certified as a Family Responsible Company (FRC). In addition, we promote the application of Corporate Governance, and Social and Environmental Responsibility best practices.

In 2011 we started an institutional transformation that has enabled us to consolidate our position as a strategic partner in the regions generating welfare for people, providing comprehensive and sustainable project development solutions, through a set of financial and non-financial products; the latter called, -DTI Integrated Territorial Development.

2.1.1 FINANCIAL STRENGTH

With the purpose of maintaining our financial strength and respond to the development expectations of the regions, as well as raising funds through certificate deposits (CDs), we have developed new funding sources such as portfolio securitization, issuance of local and international bonds, and external loans with multilateral banks and international commercial banks.

In 2017, notwithstanding that the ratings agency Standard & Poor's (S & P) downgraded the country's credit rating from "BBB" to "BBB-" and that these reductions in the country's rating immediately transferred to this type of entities, the agency Fitch ratings continues to view Finder as a major player in the State with regards to the financing of projects prioritized by the Government in the National Development Plan, which is why Finder received the rating 'AAA (col)' and 'F1 + (col)', with a stable outlook.

In addition, the Colombian Stock Exchange reaffirmed our "IR - Issuer" recognition, due to our best practices in the disclosure of information to the market and relationship with investors.

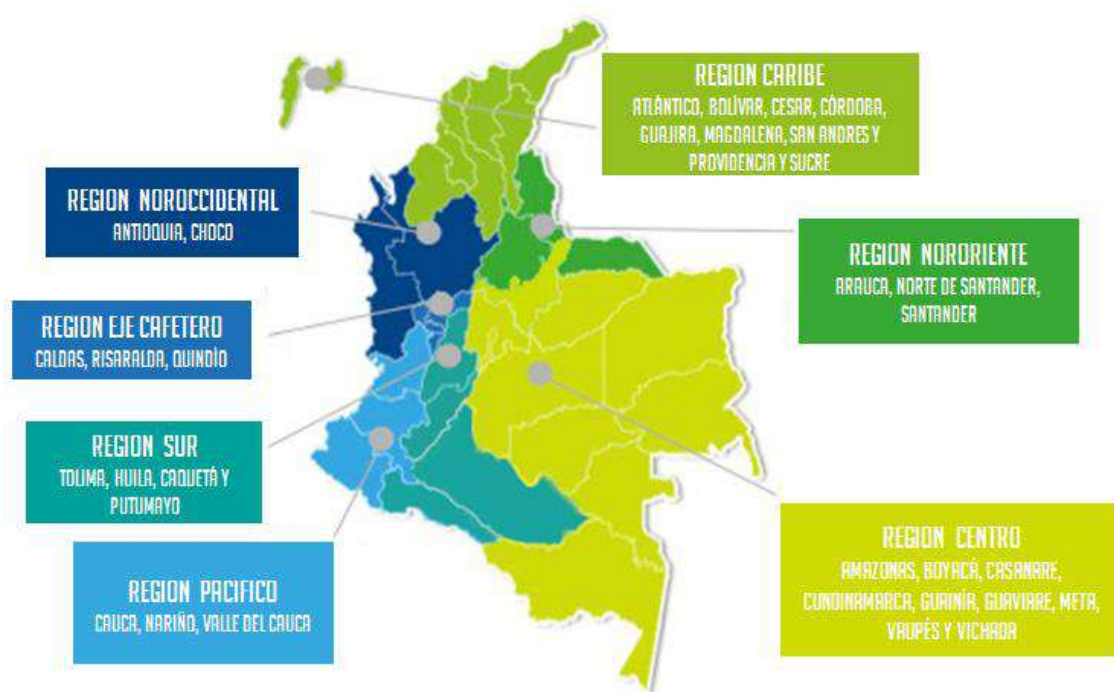
IN SUMMARY, WHAT ACTIVITIES DO WE DEVELOP?

- We provide on-loans to public entities and private standalone funds for infrastructure and environment projects.
- We capture domestic savings by issuing securities and underwriting documents, and we enter into domestic credit contracts.
- We receive deposits from public entities, at a fixed-term or immediately available, and recognize returns or special considerations.
- We enter into foreign credit operations.

- We administer security issues and enter into contracts of trusts, guarantees, agency, or payment, and we enter into trust contract to manage resources transferred by other public entities.
- We provide technical assistance, project structuring, and technical and financial consulting.
- We manage third-party securities.
- We issue guarantees and warranties.

Note: We are not in a subordination relationship, and we do not have a parent or controlling companies or have subsidiaries or subsidiary companies.

2.1.2 LOCATION OF THE MAIN HEADQUARTERS



Main headquarters

Calle 103 #19-20
Bogotá
Colombia

Office

Calle 104 No. 18A-52, Pisos 3, 5 and 6
Bogotá

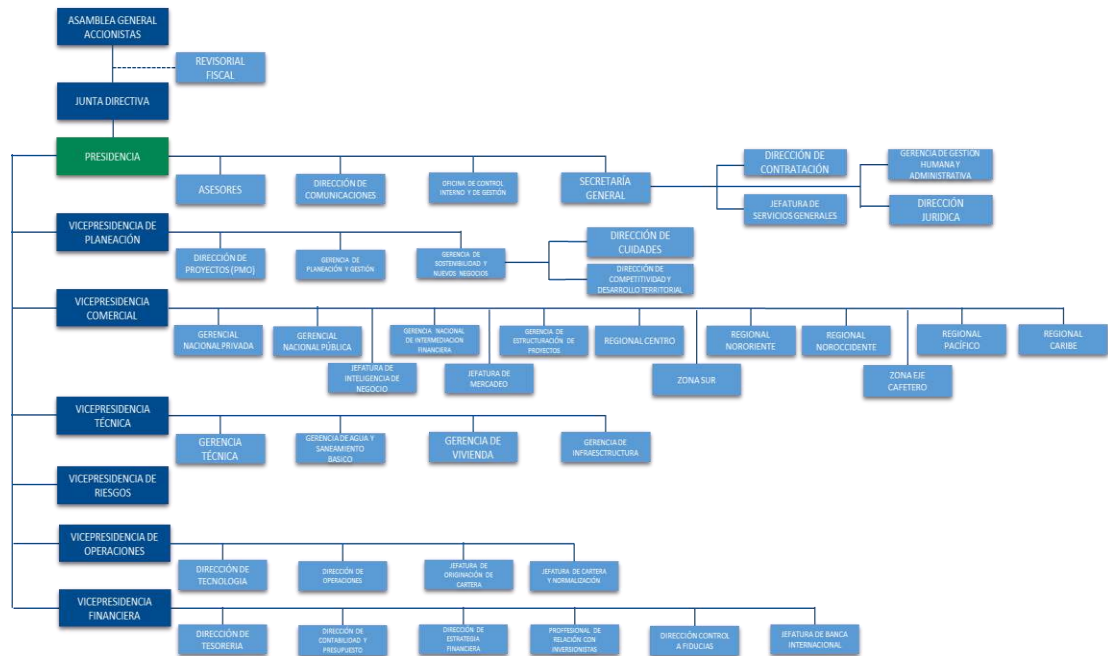
Table 1: Customer Service Points - Findeter in Colombia

| Type Headquarters | Name Headquarters | City | Coverage | Address | Tel. | Email | Services | Schedule |
|---------------------|---------------------|--------------|--|--|--|--|--|--|
| Directorate General | Directorate General | Bogotá | Bogotá Colombia | Calle 103 No. 19-20 | (1) 6230311/88 - 3905575 Fax (1) 6230360 | findeter@findeter.gov.co | Personalized attention about Findeter products and services in Business Management Services inherent in all administrative processes, filing of correspondence | Monday through Thursday from 8:00 am to 5:00 pm and Fridays from 7:00 am to 3:00 pm Continuously open |
| Regional | Center | Bogotá | Bogotá, Amazonas, Boyacá, Casanare, Cundinamarca, Guainía, Guaviare, Meta, Vichada and Vaupés. | Calle 26 No. 59-41 Office Building 705 Colombia Chamber of Infrastructure | (1) 6230311/88 Ext. 2101 and 2102 Direct 6,230,370 | Regional.bogota@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Regional | Caribbean | Barranquilla | Atlántico, Bolívar, Cesar, Guajira, Magdalena, San Andres & Providencia and Sucre | Carrera 52 No. 76 - 167 Office 510 | (5) 3587970 Fax (5) 3580425 | Regional.barranquilla@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Regional | Northwest | Medellin | Antioquia and Choco | Carrera 43B # 16-95 Building Colombia Chamber of Infrastructure - Office. 1113 | (4) 6046570-6046571-6046946-6046948-6949 | Regional.medellin@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 1:00 pm to 5:00 pm and Fridays from 7:00 am to 3:00 pm |
| Regional | Northeast | Bucaramanga | Arauca, North Santander, Santander and south Cesar | Calle 35 No. 19 - 41 Of Torre Sur 411 | (7) 6302043 - 6526569 | Regional.bucaramanga@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Regional | Pacific | Cali | Cauca, Nariño, Putumayo and Valle del Cauca | Carrera 100 No. 11-90 Office 412 | (2) 3321899 - 3321900 Fax (2) 3322041 | Regional.cali@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |

| Type Headquarters | Name Headquarters | City | Coverage | Address | Tel. | Email | Services | Schedule |
|-------------------|-------------------|------------|---|--|-----------------------------------|--|--|--|
| Zone | Coffee zone | Pereira | Caldas, Quindío, Risaralda and north Valle, Municipalities of north Valle | Carrera 13 No. 13-40 Office 404B | (6) 3358701 - 3358703 | regional.pereira@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 1:00 pm to 5:00 pm and Fridays from 7:00 am to 3:00 pm |
| Zone | South | Neiva | Huila, Tolima and Caquetá | Carrera 5 No. 10-49 Shop 102-103 - Centro Comercial building, Plaza Real | (8) 8714123 - 8717768 | regional.neiva@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Cartagena | Cartagena | Cartagena | Chambacú neighborhood, Intelligent Building Office. 625 | 3580425 30136395 41 - 31073060 22 | findeter.cartagena@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Cucuta | Cucuta | Cucuta | Av. 5 # 13-82 office 310 Centro Neighborhood, Centro de Negocios building, 5 Avenida | 30056549 35 | findeter.cucuta@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Monteria | Monteria | Monteria | Calle 31 No. 4-47 office. 603 – Los Ejecutivos Building | (1) 7816480 Cell: 321-2499199 | findeter.monteria@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Pasto | Pasto | Pasto | Carrera 33ª # 19-75 Piso 2. Floor: 2. Av. de los Estudiantes | 30137619 18 | findeter.pasto@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | San Andrés | San Andrés | San Andrés | Carrera 2 No. 4-61 (In front of Yamaha) | 31577024 03 Cellphone (5) 3585019 | findeter.sanandres@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays |

| Type Headquarters | Name Headquarters | City | Coverage | Address | Tel. | Email | Services | Schedule |
|-------------------|-------------------|---------------|---------------|--|-----------------------------------|--|--|--|
| | | | | | | | | from 7:00 am to 3:00 pm |
| Satellite office | Santa Marta | Santa Marta | Santa Marta | Calle 24 # 3-95 Banco de Bogotá Building 807 | 3004446375 -cell phone 3006186721 | findeter.santamarta@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Sincedejo | Sincedejo | Sincedejo | Carrera 20 No. 27-87 Piso 3 - Chamber of Commerce Building | 3202287574-3106022320 | findeter.sincedejo@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |
| Satellite office | Villavicencio | Villavicencio | Villavicencio | Primavera Urbana Mall Calle 15 # 40-101 Lobby 2 office 612 | 3176569787 | findeter.villavicencio@findeter.gov.co | Personalized attention about products and services through commercial financial professionals. | Monday through Thursday from 8:00 am to 12:00 pm and from 2:00 pm to 6:00 pm and Fridays from 7:00 am to 3:00 pm |

2.2 ORGANIZATIONAL STRUCTURE



2.3 MISSION, VISION AND CORPORATE VALUES

(G4-56)

(G4-DMA - indirect economic consequences)

Mission: We are the strategic partner in the region, generating welfare for people

Vision: Being the leading development banks to transform regions into sustainable territories

Value Promise: comprehensive and sustainable solutions for development projects

Corporate values:



Aspects of strategic direction set out in the Code of Good Governance and the Strategic Plan 2015 - 2025, approved by the Board Directors at its meeting on 15 December 2015.

2.4 PRODUCTS AND PROGRAMS

The Presentation of the Products and Services Portfolio in an organized and hierarchical way aims to consolidate and unify a comprehensive offering for our customers, delivering on the Findeter promise of value.

The hierarchical organization of products is the classification that ranges from basic needs to the specific items that satisfy said needs, for which in 2017, the directors of the Bank approved the following organization of the portfolio:

Table 2: Findeter Products and Programs

| Product Family | Product | Product line | Depth Line |
|----------------|---------|--------------|------------|
|----------------|---------|--------------|------------|

| | | | |
|--|--|--|---|
| Integrated Territorial Development | Territorial planning | Regional planning | Diamond |
| | | | Land Use Plans |
| | | | Land of Opportunities (Economic Regeneration or Complementarity) |
| | | Local planning | Sustainable cities |
| | | | Emblematic cities |
| | | Sectoral planning | Sectoral action plans |
| | Technical Assistance Project Management | Formulation and Structuring | Forests of Peace |
| | | Viability and/or Validation Project | Agropolis |
| | | | |
| | | | |
| | | | |
| | | | |
| Financial | On-Loan | On-loans Ordinary Resources | Published rate (COP) |
| | | | Published rates (USD) |
| | | | Customer Service Number |
| | | Compensated On-loan Rate | National |
| | | | Departmental and/or municipal |
| | Investment Alternatives | Portfolio Purchase | Securitization |
| | | Emissions in the Public Market | Term Deposits |
| | | | Others |
| | Administration and Resource Management | Direct Management Resources | |
| | | Outsourced Management Resources | |

2.4.1 FINANCIAL PRODUCTS AND COMPENSATED ON-LOAN RATE

(G4-4)

We finance credit operations and leasing both in pesos and dollars for investment, working capital and debt replacement, for all beneficiaries and projects that are in sectors financed by the Organization. These resources reach end customers through financial intermediaries authorized by Findeter.

Within the On-loan product we have two product lines:

- First, our regular resources where the portfolio rates are both in pesos and dollars.
- The second are our soft rates, in which Special Lines are found, which are developed by Findeter with its own resources and where its goal is to promote a specific sector, by common agreement and in coordination with the provisions of the National Government.

Additionally, we use Compensated Rates and joint initiatives between Findeter and the National Government seeking to strengthen a particular sector. These resources come from the Ministry of Finance or another National or Territorial entity (municipality, department, etc.), the use of these rates has an amount and a specific use, and the feasibility of the project order is issued by the Entity where the resources are from.

SUPPLY CHAIN STRUCTURE

(G4-12, G4-24)



The supply of the on-loan product starts when the Sales Team sets out its strategy and defines a work plan to ensure the fulfillment of the goals. To do this, the management performed through the sales force of Findeter in regions is taken into account, through the support that is provided to clients and beneficiaries nationwide, using commercial tools to meet the goals, notably, in addition to others, the “Sowing Business” and Prospecto databases of customers, which are used for the tracking and identification of potential business.

Once the commercial offer is presented to customers and if there is a need for investment, we get to know all the information about the client and the project in order to provide advice on the best way to move forward to our future customers. Once the project is defined and structured, it is presented to financial intermediaries, so they can evaluate these customers according to the standards defined in the Colombian financial system and in accordance with the requirements of each. If the customer credit application is not approved, the process stops. If the project is approved by the Financial Intermediary, the accompaniment is performed in the process On-loan request.

2.4.2 INTEGRATED TERRITORIAL DEVELOPMENT - DTI

SPATIAL PLANNING

- We promote the development of the country from regions with comprehensive solutions in the short, medium and long term, in strategic programs such as: **Sustainable and Competitive Cities** which is a platform led by the Inter-American Development Bank (IDB) and Findeter to promote strategic projects aimed at transforming intermediate cities through orderly planning, improving the

quality of life of its inhabitants.

- The **Emblematic Cities** program aims to close the gaps of inequality and support the processes of planning and development of cities with strategic importance for the country, located in areas of vulnerability, principally in four dimensions: environmental, fiscal, urban, economic and social .
- The **Regional Planning** line enables the design and implementation of programs and/or strategies of territorial complementarity, local economic development and urban-rural planning, among others.

TECHNICAL ASSISTANCE PROJECT MANAGEMENT

Findeter provides the technical support, evaluation and monitoring of high-impact projects in the areas of housing, water and sanitation and social infrastructure. Through this service we support the National Government and other government agencies, conducting pre-contractual and contractual processes and through monitoring the implementation of programs of social infrastructure, such as 100,000 Free Houses, VIPA, Water for Prosperity, Citizen Integration Centers, Zero to Forever, and other programs of impact and national interest.

We perform technical, financial and methodological assistance to infrastructure projects in sectors such as health, transport and water, under the General Adjusted Methodology (MGA) or to the profile level with basic information in order to assess the feasibility of its implementation.

In more advanced stages of structuring we hire through the pre-investment fund, pre-feasibility or feasibility studies, in order to meet the needs of public entities customers who require technical assistance for this purpose. These studies include the technical, legal and financial aspects.

Findeter, in its role of promoting the development of infrastructure in the country, has as one of its objectives to support public entities in the technical, legal and financial validation of public private partnership projects (PPP) assessment. In addition, the public entity client is given support with the Ministry of Finance and Public Credit (MHCP) for the assessment and approval of contingent liabilities, as well as with the National Planning Department (DNP) or Secretary of Planning for the approval of its implementation through the PPP scheme.

IN SHORT, WHAT ACTIVITIES WE DEVELOP?

(G4-4)

- We provide on-loans to public entities and private entities and pension trusts for infrastructure and environment projects.
- We capture domestic savings by issuing securities and subscription documents and enter into domestic credit contracts.
- We receive deposits of public entities, whether fixed-term or immediate availability, and recognize them returns or special consideration.
- We receive deposits from public entities, at a fixed-term or immediately available, and recognize returns or special considerations.
- We enter into foreign credit operations.
- We administer security issues and enter into contracts of trusts, guarantees, agency, or payment, and we enter into trust contract to manage resources transferred by other public entities.
- We provide technical assistance, project structuring, and technical and financial consulting.
- We manage third-party securities.
- We issue guarantees and warranties.

Note: We are not in a subordination relationship, and we do not have a parent or controlling companies or have subsidiaries or subsidiary companies.

2.5 ALLIANCES AND PARTNERSHIPS

2.5.1 ASSOCIATIONS

(G4-16)

During 2017, Findeter held several workshops with the Asobancaria Sustainability Committee and Secretary of Transparency of the Presidency of the Republic, in order to conclude a Protocol Transparency for the financial sector. This Protocol, which is intended to be subscribed in 2018, takes into account the recommendations of the Active Anticorruption Companies (EAA) model, which has to do with sponsorships, donations and contributions, gifts and invitations for employees and industry association directors, political campaign finance and civic participation; transparency in the management of public resources and conflicts of interest.

Currently Findeter is part of the following associations:

- Asobancaria
- ALIDE (Latin American Association of Development Banks)
- World Energy Council - WEC Colombia



2.5.2 PARTNERSHIPS

(G4-15)

Findeter currently maintains the following partnerships and is linked to various initiatives such as:

Table 3: Partnership and Commitments

| Partnerships | Description |
|--|---|
| Green Protocol | Agreement signed on June 7, 2012 between the government and the financial sector, to facilitate the convergence of efforts to incorporate and implement environmentally responsible policies and practices and to facilitate sustainable development that meets the needs of present generations without compromising the possibilities of the future. |
| Climate finance committee - Sisclima | The National Environmental System - SISCLIMA - aims to coordinate, articulate, formulate, monitor and evaluate policies, rules, strategies, plans, programs, projects, actions and measurements on adapting to climate change and the mitigation of greenhouse gases. Findeter is part of the 12 institutions that carry out this work throughout the national territory. |
| Andesco - UPME (energy efficiency award) | National Association of Public Utilities and Communications. |
| FAO | Findeter signed a letter of intent with FAO to carry out joint actions related to the work areas of the Country Program Framework and Findeter sectors that can be financed, within four years. |
| EUROPEAN UNION | The European Union supports Findeter and all regions of the country through pre-investment technical assistance; institutional strengthening of government institutions; and dissemination of best practices. |
| AFD | The French Development Agency supports programs and projects in development financing. |
| BID | The Inter-American Development Bank supports the mission of Findeter through loans and technical cooperation and the Program for Sustainable and Competitive Cities. |
| USAID | A Memorandum of Understanding was signed in order to join efforts to support Colombian cities to achieve a resilient and low carbon development. |
| KfW | The German Development Bank (Kreditanstalt für Wiederaufbau) granted a credit line to support projects that promote sustainable urban development. |
| Kingdom of the Netherlands | In 2015 a Memorandum of Understanding was signed with the Colombian Embassy in the Netherlands with the aim of promoting cooperation in the fields of water and wastewater, solid waste, sustainable energy, development of mobility programs and sustainable cities. |
| United Kingdom | The UK Embassy in Colombia has been a strategic partner for strengthening sustainability programs and the international positioning of Findeter, supporting cooperation funds through various mobility plans. |
| SPRI (Spain) | Findeter signed an agreement with the Basque Government - SPRI (Society for Competitive Transformation) which aims to support and promote, through its aid and services, the economic growth of Basque companies. |
| COFIDES (Spain) | Memorandum of Understanding was signed with COFIDES with the aim of facilitating medium and long-term funding to viable private investment projects abroad in which there is Spanish interest. |
| WRI | Memorandum of Understanding with the World Resource Institute in order to establish a framework for collaboration in the development of projects and activities that focus on how to accelerate the implementation of sustainable urban solutions in cities was signed. |

Colombian Council for Sustainable Construction

The CCCS is an association working to raise the level of sustainability of all uses of new and existing buildings, and cities in general

2.5.3 INITIATIVES AND VOLUNTARY COMMITMENTS

- Global Compact Colombia and Global Network of the Global Compact
- UNEP Finance Initiative.



2.6 STRATEGY

2.6.1 STRATEGIC PLAN 2015-2018

(G4-56)

ACHIEVEMENTS AND HIGHLIGHTS

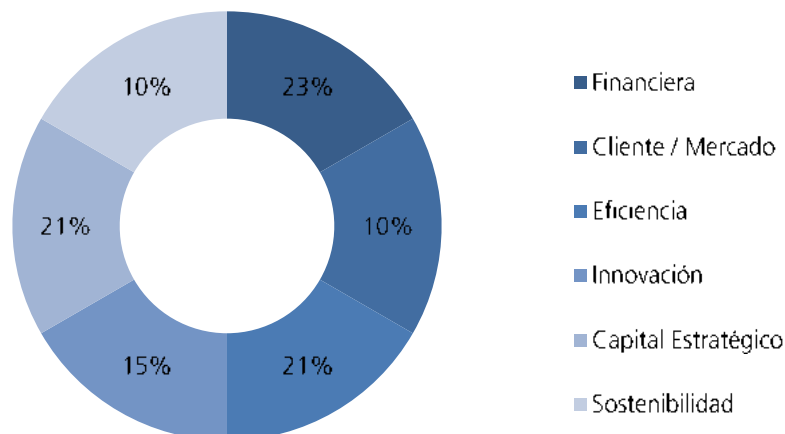
With the implementation of the Megaruta 2018, there are significant achievements in each of prospects, within which the following are highlighted:

- Structuring and placement in the Colombian market for \$ 203,700 million of subordinated bonds and structuring of the portfolio sale to the company Titularizadora Colombiana for \$ 233 billion, as strategies to improve the capital structure.
- Definition of the portfolio of products and services as input for the fulfillment of the promise of value.
- Macroprocess design and implementation of the Integrated Territorial Development Advisory where best practices for project management are incorporated by strengthening the planning stages, verification and control and flexibility to absorb new agreements, contracts and/or projects.
- Improving the commercial macroprocess with the aim of achieving integrated products and services for sale, as well as improving management processes for active operations, the management of liability operations and contractual management.
- Implementation of an Integrated System for Non-Financial Risks to manage under the same model and methodology the following risks: operational, information security, business continuity, suppliers and money laundering and terrorist financing.
- Design of models for Knowledge Management and Innovation, to apply knowledge and innovation in finding new and better solutions applied in processes, technology, products and experiences.
- Implementation of a plan of organizational culture aligned to corporate strategy, which generated improvements in measuring culture over the last year.
- Implementation of a new management tool development for workers by integrating new aspects such as organizational culture and climate, skills and potential
- Design of the model of social responsibility and shared value strategy.
- Development of the Measurement, Reporting and Verification of finance System for SDGs and Climate Change for the on-loan credit product, the first financial institution in the country to

During 2015, Findeter advanced its strategic planning exercise which resulted in the approval by the Board of the Strategic Plan 2015-2025.

The consolidated projects initiatives and the persons responsible for their execution in the period 2015-2018 were defined, also each of the perspectives and objectives within the Strategic Plan were weighted, as follows:

Graph 13: Weight per perspective



From these strategic guidelines, in 2017 we continued with the implementation of the Strategic Plan 2015-2025, whose first stage is the Megaruta 2018, which contains the set of objectives and projects for each of the six strategic prospects for achieving our vision.

During April 2017, the management team held a day of monitoring and reviewing the implementation of the Plan, in which the information in the macroeconomic environment and sector, benchmarking of development banks at local and international levels was analyzed, the consolidated SWOT matrix (Strengths, Weaknesses, Opportunities and Threats) and the status of implementation of the Plan. Based on this, the strategic perspectives were reviewed and different initiatives that were later analyzed and refined by each leader of perspective were proposed. This review resulted in the incorporation of 10 new projects and the cancellation of 1 project, bringing the total of Megaruta 2018 projects to 44, as shown below:

Illustration 1: Perspectives, objectives and strategic projects



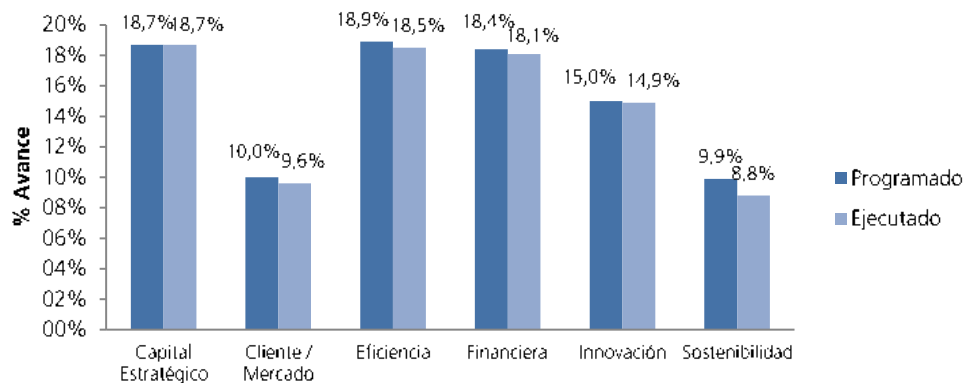
2.6.2 STRATEGIC FOLLOW UP

(G4-56)

The strategic objectives are developed through 44 projects. For the control and monitoring of the implementation thereof, best practices in project management PMI (Project Management Institute) are being applied and the project management information system of the entity is being used which allows the administration of projects with online data, with updated corporate information available in web environments with high levels of security, also with centralized information with historical records of projects that allow the corporate records to be kept up to date and to find out the status of projects in less time.

The progress of the Strategic Plan 2015-2018 to December 2017 is 89%, where the advance per perspective is as follows:

Graph 12: Strategic Plan Progress to December 2017



The projects defined to fulfill the objectives and progress for each of the perspectives are:

Financial perspective: It is expected to achieve sustainable profitability based on income diversification, optimization of capital structure and the precise control of costs.

Table 4: Financial Perspective

| objective | Objective advance to Dec / 2017 | Projects |
|--|---------------------------------|---|
| O1. Optimize capital structure to leverage the sustainable growth of the Company | 89% | VF-EF- Portfolio Securitization |
| | | VF-DT-Subordinate Bonds |
| O2. Search profitability that allows the sustainable growth of the Company | 60% | VR- Prepayments Policy |
| | | VF-EF New Credit Lines |
| | | VT- Non-Financial Product Pricing Methodology VPT |
| O3. Diversifying sources of income for Findeter | 100% | VC-EP-design of the Pricing methodology * |
| | | VF-DT- Private equity funds |
| | | VF-DT-Mutual Funds |

* Pricing: methodology for defining the prices of products offered by the Bank.

Outlook Client / Market: Develop new solutions through a promise of full value and excellent service.

Table 5: Client / Market Outlook

| objective | Objective advance to Dec / 2017 | Projects |
|--|---------------------------------|---|
| O1. Refine and articulate the range of products and services of Findeter. | 92% | VC-ME- Portfolio of Products and Services |
| O2. Bring to market an excellent level of service, supported by the development of an internal organizational culture, built for the customer. | 99% | VC-ME-Develop customer service competency |

Efficiency perspective: Manage project and process management in an integral manner.

Table 6: Efficiency Perspective

| objective | Objective advance to Dec / 2017 | Draft |
|--|---------------------------------|---|
| O1. Prioritize institutional activity based on the mission, vision and promise of value. | 98% | VC-EP-Methodology for prioritizing and developing products and services |
| | | VR-Risk Non-financial products |
| O2. Optimize the processes and procedures of the products of the Entity transversely | 97% | VT-improvement process Implementation Technical Assistance |
| | | VP-GP-CA-Improvement mission financial procedures |
| | | VC-EP-Create process PPP |
| | | VO-DT-use and appropriation of BI |
| | | VP-Government Phase I Data |
| O3. Monitor and control profitability by business line | 50% | VF-DC-Costs by line and Project |
| | | VF-DC-Control spending |

Innovation perspective: Achieve the efficient and effective management of knowledge and develop a culture of innovation.

Table 7: Innovation Perspective

| Objective | Objective advance to Dec / 2017 | Draft |
|---|---------------------------------|---|
| O1. Implementing the Innovation and Knowledge Center - IKC. | 99% | GP-IN-Design and structuring of the Center for Innovation and Knowledge |
| | | GP-IN-Implementation of innovation management |

| | | |
|--|--|--|
| | | GP-IN-Implementation of Knowledge Management |
|--|--|--|

Strategic Capital Perspective: Align the team with the strategy, developing a culture of customer service, innovation and sustainability.

Table 8: Strategic Capital Perspective

| objective | Objective advance to Dec / 2017 | Draft |
|---|---------------------------------|---|
| O1. Ensure that all the collaborators know, contribute and take ownership of the integrated management of the entity | 100% | DC-Communication for integrity |
| O2. Having a training plan according to the skills development needs of collaborators | 67% | GH- Development and training program |
| | | GH-High-potential talent plan TAP |
| | | GH-Monitoring System Development and Training Plans |
| O3. Design a performance management tool to measure the contribution and performance of each role in the organization and establishing development plans. | 100% | GH-Performance management tool |
| | | GH-Pay Equity and External Competitiveness |
| O4. Create a culture aligned to the new Strategic Plan | 100% | GH-New plan for organizational culture |

Sustainability perspective: Involve the concept of shared value in the projects to generate win-win relationships with our stakeholders.

Table 9: Sustainability Perspective

| Objective | Objective advance to Dec / 2016 | Draft |
|--|---------------------------------|---------------------------------|
| O1. Be the benchmark for Sustainable Development Banking | 84% | PS- Social Responsibility Model |
| O2. Create a culture of sustainability within the organization | | |
| O3. Support or include in specific projects the creation of shared value chains. | 93% | PS-Shared Value Model |

2018 GOALS

- Within the outlook for 2018 is the completion of the Megaruta 2018, including the finishing of the projects that continued implementation beyond 2017, as well as those planned to start in this term, and which are expected to continue strengthening integrity in the products and services offered, completing the cycle of planning, financing and execution. Given the above, in 2018 there are plans to conduct a new strategic planning exercise, which in the context of the mission and long-term vision, create a new roadmap with the initiatives to be developed in the coming years in harmony with the new National Development Plan.

2.7 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

OUTSTANDING ACHIEVEMENTS AND EVENTS

- **Latin America Green Award**

We were one of three finalists in Latin America Green Awards in the energy category energy, with the **Vulnerable Populations Solar Energy Project, Towards Equity and Environmental Sustainability** (Design and installation of the photovoltaic solar system in the priority interest Lorenzo Morales housing development in Valledupar).

- We designed the **Corporate Social Responsibility Model**, a cross-sectional tool that incorporates strategies to be the leading organization in best management practices in its value chain, in a transparent, efficient, responsible and sustainable manner. It includes among other items the construction of 157 indicators of Social Responsibility for the Organization and its action plan for the period 2018-2020.
- We design and implement the **Model for Measurement, Verification and Reporting - MVR** of the on-loan resources supporting the management of Sustainable Development Goals and climate change, the contribution of the Entity to the commitments the country made at the Global Agenda 2030 and the United Nations Conference on Climate Change 2016 -COP21.
- **We define the strategy and concept of shared value of Findeter** and identification of projects containing these characteristics, socially inclusive, environmentally sustainable and governmentally prioritized investments.
- We manage the non-refundable cooperation grant program for USD310,002 of the **Preparation of the Green Climate Fund for the readiness of the NAMA Municipal Solid Waste** for Colombia, with Findeter as Implementing Agency.
- Members of the Advisory Committee of the Building Energy Efficiency Accelerator (BEA) Program Policy for Bogotá that began in 2017, in which the Colombian Council of Sustainable Construction, the District Department of Planning and the World Resources Institute-WRI participated.
- Findeter was elected as Chairman of the Sustainability Committee of Asobancaria.

2.7.1 SUSTAINABILITY MANAGEMENT

(G4-2)

As a Development Bank, our actions are governed by sustainability principles embodied in our mission, vision, values and strategic objectives which have as their goal to manage best practices from the inside, out, and permeating the business value chain and therefore, the relationship with our stakeholders.

In this sense, we have a Good Governance Code which was revised in 2017 in order to strengthen it by incorporating guidelines on best corporate practices such as promoting human rights, updating stakeholders and the creation of a Code of Ethics to translate principles and ethical commitments that govern the actions of managers and workers facing the different stakeholders and the country in general. Similarly, we have a policy of Sustainability, Social Responsibility and Environmental Responsibility, which also constitute part of decisive action within the work of the Organization.

Under these assumptions, we understand that we have an important role as corporate citizens, which leads us to be aware of our contribution to development and to incorporate continuous improvement in our management; to act with transparency and criteria of economic benefit and value creation, without neglecting the labor, environmental and social environment; to participate in the formulation and implementation of public policies contributing to raising the quality of life of our stakeholders and territories of influence.

We have created a Social Responsibility Model which is a transversal strategy of Findeter to be the leading organization in incorporating best management practices in its value chain, in a transparent, efficient, responsible and sustainable manner; a Measurement, Verification and Reporting model that defined the criteria and procedures to track the credit resources mobilized by Findeter on Climate Change and Sustainable Development Goals as well as a strategy of Shared Value that promotes project management or win-win practices with which it aims to fulfill a dual purpose: to generate benefits for the organization, while at the same time creating better social and environmental conditions for the company and/or population where it operates by identifying social problems as business opportunities.

Consequently, these strategies also point to the contribution of the international development agenda gathered in Sustainable Development Goals - SDGs, since as part of the direct or indirect relationship with various stakeholders, they aim to help close social and economic gaps. It is also in line with the new priorities of the global agenda, as has been evidenced in the International Conferences on the Environment, especially the last cop21 where priority is given to funding related to climate change, vulnerability and adaptation of territories to mitigate the negative impacts of global warming.

Therefore, the institutional sustainability management consists of:

- The Corporate Social Responsibility Model
- Our Code of Corporate Governance
- Our Code of Ethics
- Our policies of sustainability, social responsibility and environmental responsibility
- The Environmental Management System for eco-operational efficiency and the consolidation of internal culture.
- Financial and non-financial products and services, that are socially beneficial and environmentally responsible.
- Best practices incorporated into credit analysis processes that support the goal of sustainable finance through the application of the System Analysis of Environmental and Social Risks.

With the active participation in different stages of public policy such as the Financial Management Committee of the National Climate Change System (SISCLIMA), the World Energy Council Colombia (WEC) and the Building Energy Efficiency Accelerator Bogotá program (BEA), among others.

The Social Responsibility Action Plan 2018-2020, is the internal route sheet to strengthen the various areas of Social Responsibility (Customers, Employees, Suppliers, Government and Society, Corporate Governance, Environment)

For us and our stakeholders:

We develop a set of models that will strengthen social responsibility in different areas of governance, as

follows:

- **Social Responsibility Model**, consisting of the framework document on social responsibility in the financial sector, as a starting point to build the Findeter Social Responsibility model. Stakeholders of the company were updated and the diagnosis on best practices for each of them was performed. Based on the result of this diagnosis an action plan was developed to be executed run in the short, medium and long term from 2018.
- **Measurement, Verification and Reporting Model (MVR)**: the MVR was designed and put into operation for SDG and Climate Change, which aims to identify capital flows that Findeter mobilizes with its on-loan financial product to finance programs and projects that contribute the achievement of the SDG.
- **Shared Value Strategy**: we characterize the shared value actions that are carried out in Findeter demonstrating responsible investment and generating value for stakeholders. This strategy aims to highlight the positive impact of the actions of Findeter and its cooperating partners in the territories of Colombia.

With communities:

In December 2016 the shared value project "Design and installation of photovoltaic solar system in the housing development of priority interest in Valledupar Lorenzo Morales" was delivered, whose impact was assessed in the first quarter of 2017. It showed a reduction of 49% of the electricity invoice value for the joint-ownership property, allowing the administration to allocate the freed resources to repay the debt with the service provider, Electricaribe, and invest in the maintenance of the joint ownership property or reduce the payments to 520 resident families, among others. In environmental terms it is estimated that thanks to the operation of the photovoltaic system approximately 133 tons of CO2 will not be emitted over the 25 year life of the project.

Continuing the strategy of carrying out projects of shared value that promote the use of non-conventional clean energy in vulnerable communities, in December 2017 the implementation of the "Energizing Solar Photovoltaics in the Lorenzo Morales Child Development Center" project started in Valledupar, which is projected to be delivered in the first quarter of 2018; this is a demonstrative case in a public building, which will provide an institutional service that aims to ensure early childhood education, care and nutrition of 300 children under 5 years.

For us and for the country:

The formulation of the Green Growth Strategy began that articulates the territorial planning and responsible finance with the Green Growth initiative of the country with Vision 2030, in order to i) promote economic competitiveness, ii) protect and ensure the sustainable use of the natural capital and ecosystem services iii) to promote economic growth resilient to disasters and climate change and iv) ensure social inclusion and welfare

With our institutional peers:

We renewed our adhesion to the Green Protocol for five years, where the "Pilot Financial Innovation" project continues to be executed (in addition to others) to design financial mechanisms that stimulate the financing of projects that contribute to combating climate change, in which Findeter is leading the water and energy tables. In 2017 Phase II-Selection of the Mechanism and Phase III-Design were completed, in which mechanisms including Green Bonds and Energy Efficiency were used.

2.7.2 CONSIDERATION OF ENVIRONMENTAL AND SOCIAL RISKS

(G4-DMA local communities)

The System of Analysis of Environmental Risks and Social Findeter (SARAS) has as its main objective to establish a set of policies, mechanisms, tools and procedures for the timely identification, measurement, control and monitoring of the environmental and social commitments generated for the beneficiaries in financing their projects, minimizing the chances of Findeter to assume the costs transferred by these risks in their role as "second floor" bank.

Therefore, Findeter ensures that the system works and improves properly and continuously, given its dynamism, and progressively strengthened through its accumulated experience.

For further details of the System of Environmental and Social Risk - SARAS of Findeter and considerations,

refer to Chapter 4.4 Risk Management - 4.4.3 Integrated System of Non-Financial Risks - ENVIRONMENTAL AND SOCIAL RISKS MANAGEMENT SYSTEM - SARAS.

(G4-2)

2018 GOALS

- Incorporate best corporate governance practices through the implementation of the Action Plan 2018-2020 of the Social Responsibility Model.
- Contract and begin implementation of the technical and financial components for the readiness of the NAMA Municipal Solid Waste, which obtained resources from the Green Climate Fund.
- Consolidating the Measurement, Verification and Finance Report model of SDGs for the Onloan product.
- Managing sustainable urban development projects based on green growth initiatives, positive impact and value generation shared in the country.
- Formulate a Shared Value project from the Vice Presidency of Planning.

3 CORPORATE GOVERNANCE

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Updating of the Code of Good Governance under international corporate governance standards such as the OECD and the anti-corruption policy of the United States, among others, and following the recommendations of the Colombia Stock Exchange and the College of Higher Education Administration CESA.
- The comprehensive review in 2017 of the Code of Good Governance of Findeter focused on greater inclusion and disclosure practices of good corporate governance and investor relations.
- Creation of the Code of Ethics which contains the ethical principles and commitments that govern the actions of management and employees of the entity for the various stakeholders and the country in general.

3.1 COMPOSITION AND GOVERNING BODIES

(G4-34, G4-38, G4-LA12)

In accordance with Article 6 of Decree Law 4167 of 2011, the legal regime of the Financiera de Desarrollo Territorial SA, Findeter, is private law and in any case will be submitted to the regime of mixed economy companies not assimilated to that of the industrial and commercial enterprises of the State, regardless of the participation of public capital in its equity.

The various governing bodies of Findeter and their composition are described below:

3.1.1 GENERAL MEETING OF SHAREHOLDERS

The shareholder structure of the company as of 31 December 2017 was as follows:

Table 10: Composition of shareholders 31 December 2017

| Shareholders | Percentage % |
|--------------|--------------|
| Nation | 92.5477 |
| Departments | 7.2036 |
| IFINORTE | 0.2487 |

3.1.2 BOARD OF DIRECTORS

The Findeter Board consists of the following members:

Principal:

Two representatives of the Ministry of Finance and Public Credit

One Governor

One representative of the National Planning Department

One Independent Member

Alternates:

One representative of the National Planning Department

One representative of the Ministry of Housing, City and Territory

One Governor

Two independent members

* The principal and alternate representatives are elected by the Shareholders' Meeting, for a period of two years.

Conformation of the Board of Directors as of December 31, 2017, which was chaired by Dr. Ana Lucia Villa Arcila.

Table 11: Conformation of the Board of Directors on December 31, 2017

| Principal | Alternate |
|--|--|
| Dr. Ana Lucia Villa Arcila Director General of Fiscal Support MHCP | Dr. José Mauricio Cuestas Gómez Director of Investment and Public Finance DNP |
| Lina Quiroga Vergara Chief Counsel Legal Office MHCP | José Raul Daza Lacouture Secretary General Ministry of Housing, City and Territory |
| Dr. Eduardo Verano de la Rosa Governor of the Atlántico department | Dr. Carlos Eduardo Osorio Buritica Governor of the Quindío department |
| Dr. Cesar Negret Mosquera Independent member | Dr. Francisco Estupiñán Heredia Independent member |
| Dr. Juan Felipe Quintero Villa Deputy Director of Territory and Public Investment DNP | Dr. Alvaro Rodríguez Pérez Independent member |
| <p>* José Mauricio Cuestas (First Rung Alternate) - resigned as Director of Finance and Public Investment DNP from August 23, 2017.</p> <p>* Lina Quiroga Vergara (Second Rung Principal) - resigned as Chief Counsel Office of the Ministry of Finance and Public Credit from October 23, 2017.</p> <p>* Juan Felipe Quintero Villa (Fifth Rung Principal) - Deputy Director of Territory and Public Investment - DNP, his office before the Financial Superintendence of Colombia was authorized from 31 August 2017 as Senior Member of Board Fifth Rung.</p> <p>* Raul Daza Jose Lacouture (Second Rung Alternate) - Secretary General of the Ministry of Housing, City and Territory, resigned from November 7, 2017.</p> | |

3.1.3 MANAGEMENT TEAM

Table 12: Management Team at December 31, 2017

| |
|-----------------------------|
| Rodolfo Enrique Zea Navarro |
|-----------------------------|

| President | |
|--|---|
| Fabian Elias Paternina Martínez Secretary General | |
| Laura Patricia Román Pavajeau Commercial Vice President | Alejandro Callejas Technical Vice President |
| Richard Orlando Martínez Hurtado Financial Vice President | Ramiro Corzo Augusto Forero Vice President Risk |
| Hilda Cristina Martínez Álzate Vice President of Operations | Ana Maria Palau Alvargonzalez Vice President of Planning |
| Rubiela Hernández Velasco Chief Office of Internal Control Management | KPMG Tax inspection |

3.1.4 GOVERNMENT ACTIVITIES

MEETINGS

(G4-34, G4-36, G4-38, G4-39, G4-40, G4-42, G4-49, G4-52)

In 2017 twelve ordinary Board meetings were held, with the decisions contained in the respective records that are kept by the General Secretary of Findeter. The attendance of each of the members of Board of Directors is published below:

Table 13: Attendance by Board Member

| Principal | Sessions attendance | Alternate | Sessions attendance |
|--|---------------------|---|---------------------|
| Dr. Ana Lucia Villa Arcila Director General of Fiscal Support Ministry of Finance and Public Credit | 12 | Dr. José Mauricio Cuestas Gómez Director of Finance and Public Investment National Planning Department | 6 |
| Dr. Lina Vergara Quiroga Chief Counsel Legal Office Ministry of Finance and Public Credit | 9 | Dr. Raul Daza Jose Lacouture General secretary Ministry of Housing, City and Territory | 6 |
| Dr. Eduardo Verano de la Rosa Governor of Atlántico | 9 | Dr. Carlos Eduardo Osorio Buritica Governor of Quindio | 10 |
| Dr. Cesar Negret Mosquera Independent member | 12 | Dr. Francisco Estupiñán Heredia Independent member | 12 |
| * Dr. Juan Felipe Quintero Villa | 4 | Dr. Alvaro Rodríguez Pérez | eleven |

| Deputy Territorial Public Investment and National Planning Department | | Independent member | |
|--|--|--------------------|--|
| <p>* José Mauricio Cuestas (First Rung Alternate) - resigned as Director of Finance and Public Investment DNP from August 23, 2017.</p> <p>* Lina Quiroga Vergara (Second Rung Principal) - resigned as Chief Counsel Office of the Ministry of Finance and Public Credit from October 23, 2017.</p> <p>* Juan Felipe Quintero Villa (Fifth Rung Principal) - Deputy Director of Territory and Public Investment - DNP, his office before the Financial Superintendence of Colombia was authorized from 31 August 2017 as Senior Member of Board Fifth Rung.</p> <p>* Raul Daza Jose Lacouture (Second Rung Alternate) - Secretary General of the Ministry of Housing, City and Territory, resigned from November 7, 2017.</p> | | | |

The remuneration of the Board is established in Resolution No. 1130 of April 30, 2012 issued by the Ministry of Finance and Public Credit, and equivalent to three (3) Monthly Minimum Wages, per session.

No conflicts of interest arose during the term 2017, however, the procedures relating to this aspect were included in the Code of Ethics approved by the Board in November 2017, which are described in more detail in the section on the "Prevention of fraud and corruption".

CORPORATE GOVERNANCE ACTIVITIES

Board of Directors. (Statutory Functions)

Sets general policies for managing Findeter

Approves and conducts follow-up strategic planning for Findeter

Ensures effective enforcement mechanisms to guarantee the rights of shareholders and other investors in the securities of Findeter in accordance with the provisions of the Code of Good Governance

Directs and establishes Corporate Governance and Internal Control policies and ensures their updating

Ensures that interest rates reflect the cost of resources received from third parties as well as the cost of equity within the on-loan policy

Authorizes the issuance of securities whose purpose is fundraising

Approves and regulates credit lines with the compensated rate

Authorizes capital investments in accordance with the laws.

President (Statutory Functions)

Present an annual report to the Board on corporate governance and strategic planning of the company and plans and programs for their implementation and monitor implementation.

Implement strategies and policies approved by the Board related to internal control, corporate governance and risk management and ensures compliance.

3.1.5 SUPPORT COMMITTEES OF THE BOARD AND INTERNAL CONTROL MECHANISMS

To fulfill its functions the Board has the support of four (4) committees:

CORPORATE GOVERNANCE SUPPORT COMMITTEE

Recently the Board of Directors approved the updating and amending the Code of Good Governance at a meeting held in November 2017. The main changes include the conformation of the Corporate Governance Committee, a support organ for the Board regarding the Good Governance in Findeter.

Given its recent creation the Corporate Governance Committee has not yet had members appointed to it. However, it is already stipulated that it will consist of three (3) Board members, at least two (2) shall be considered independent and it will be chaired by one of them.

The Corporate Governance Committee shall meet three (3) times a year.

AUDIT COMMITTEE OF THE BOARD

The Board Audit Committee of Directors is composed of four (4) Board members, three (3) of whom are independent. Its members are as follows:

Table 14: Audit Committee Board of Directors

| Members | Sessions attendance |
|---|---------------------|
| Dr. Alvaro Rodríguez Pérez Independent member President | 6 |
| Dr. Lina Vergara Quiroga Head of the Legal Office of the Ministry of Finance and Public Credit | 5 |
| Dr. Cesar Negret Mosquera Independent Member | 7 |
| Dr. Francisco Estupiñán Heredia | 7 |
| <p>* Dr. Lina Vergara Quiroga resigns as Head of the Legal Office of the Ministry of Finance from October 23, 2017.</p> <p>** On the occasion of the resignation as Head of the Legal Office of the Ministry of Finance and Public Credit by Dr. Lina Quiroga Vergara (Principal Second Rung), the appointment by of new member by the collegial body is pending.</p> | |

The Board Audit Committee meets at least every three (3) months or more frequently when the results of evaluations of internal control system so warrant or when deficiencies in the SCI that require evaluation and urgent corrective measures or when there are significant changes in the policies of the entity or the regulations governing its operations.

RISK COMMITTEE AND ASSET LIABILITY MANAGEMENT

Its primary objective is to support the Board and President of the Bank, on the definition, monitoring, control and implementation of policies, procedures and mechanisms for management and risk management and administration.

It comprises the President, who presides, and in his absence, it is presided over by one of the legal representatives of the financial company, by the Secretary General, Chief Financial Officer, Vice President of Operations, Commercial Vice President, Technical Vice President, Vice President of Planning, Vice President of Risk and the Head of the Internal Control Management, the latter with voice but no vote.

The Committee meets when convened by the Chairman or the Board of Directors and meets at least once a month.

SARLAFT COMMITTEE

Its primary objective is to support and advise the Board of Directors, President of Findeter and the Compliance Officer in defining policies for the prevention of money laundering and terrorist financing in the activities carried out by the Financial company and the establishment of mechanisms for monitoring, control and prevention.

It is composed of the President, who presides, and in his absence is presided over by one of the legal representatives of the financial company, the Secretary-General, the Financial Vice President, Commercial Vice President, Vice President of Risk, Compliance Officer, Technical Vice President and Head of the Office of Internal Control, the latter with voice but no vote. The Committee meets quarterly.

3.2 GOOD GOVERNANCE, ETHICS, INTEGRITY AND TRANSPARENCY

3.2.1 ETHICS AND GOOD GOVERNANCE

(G4-56)

During 2017, the Bank worked to strengthen corporate governance conducting a major change which was subject to approval at the meeting of the Board of Directors in November 2017 and contained in Act No. 330. This reform introduced recommendations of the Colombian Stock Exchange and the College of Higher Administration Studies CESA, as well as international corporate governance standards such as the OECD and anti-corruption policy of the United States, among others.

The comprehensive review in 2017 of the Code of Good Governance Findeter is focused on greater inclusion and disclosure of practices of good corporate governance and investor relations, with adjustments of structure, form and substance.

The main included or updated issues are concerned with the following:

- a) The Corporate Governance Committee was created and regulated.
- b) The profile, remuneration policies and assessment of Board members, the President and his Management Team included.
- c) Provisions relating to the appointment and requirements of the statutory auditor were included.
- d) A chapter for handling transactions with related parties (TPRs) was created.
- e) Stakeholders and the relationship with them updated.
- f) The risk management system incorporated and defined in the glossary, with the newly added risks.
- g) Chapter added on Information Security and Data Protection.
- h) Public Communication Policy was updated.

HUMAN RIGHTS IN THE ORGANIZATION

The Code of Good Governance Findeter notes that "As part of its policy of Corporate Social Responsibility - CSR, Findeter is committed to ensuring the promotion and respect of human rights (HR) in all its activities and with all its stakeholders, contributing to the sustainable, fair and equitable development of Colombian society.

To achieve this will ensure compliance with the following principles in their respective processes:

1. Guarantee, respect and promotion of human rights with all stakeholders.
2. No discrimination based on race, sex, sexual orientation and political affiliation.
3. Sustainable Environmental Management without compromising the resources of future generations with our present activities.

4. Respect for communities, especially minority groups.

3.2.2 PREVENTION OF FRAUD AND CORRUPTION

(G4-41, G4-56, G4-57, G4-58, G4-DMA fight against corruption, G4-SO5)

Similarly, the Board of Finance in the same session in November 2017 and contained in Act 330, approved the Code of Ethics within the entity as a separate document to the Code of Good Governance. The Code of Ethics is a vital tool for Findeter. In the Code principles and ethical commitments are written that govern the actions of managers and employees of the entity when faced with stakeholders and the country in general. In addition, it aims to create transparency, trust, confidence, sense of belonging, respect, among other values and also, this behavior allows us to require from citizens and, in particular, from our stakeholders, the implementation of actions in accordance with our rules of conduct when they intend to interact with Findeter.

Issues entered into this code are: Conflicts of Interest, the procedure for gifts and invitations, sponsorships and donations, the ban on the participation in political and campaign finance, equity control, obligation to report illegal or suspicious activities, and handling of illegal or suspicious actions and sanctions among others.

On the other hand, in the month of September 2017, the Colombian Stock Exchange -BVSC- renewed for the second consecutive year the "Investor Relations- IR Issuer" certification by which the implementation within Findeter of the best market disclosure practices and relationship with our investors was certified, as the only public bank with said recognition, which means we are at the forefront of best practice in this area, and places us in the list of the most transparent issuers in the market.

Additionally, it is important to note that, based on studies conducted by CESA in alliance with the BVC, out of the 31 issuers that are IR recognized, Findeter was included in the ranking of the five issuers with the greatest evolution in meeting standards of disclosure and investor relations with respect to 2016.

Among the tasks performed to meet the stock market IR requirements, the quarterly results presentation to investors is highlighted. In these presentations the financial, commercial and technical parts of the entity are covered, and questions that different investors may have regarding our management are resolved. Online events were conducted in English on the following dates: June 14 (1Q); September 5 (2Q); and 13 December (3Q). Each presentation had important numbers of investors attending and other members of Findeter stakeholders interested in learning about the management of the company.

Therefore, the above achievements are a recognition that we have maintained the standards required by the BVC for three consecutive years, which positions Findeter as one of issuers with the best practices in their relationships increasing the confidence of local and foreign investors in the financial company, demonstrating that the Bank has managed to create, administer and manage channels of optimal communication with investors, providing timely and comprehensive information that facilitates the behavior of the financial market and decision-making in the same.

3.2.3 UNFAIR COMPETITION

(G4-DMA unfair competition, G4-SO7)

UNFAIR COMPETITION POLICY

Article 333 of the Constitution enshrines the right to free competition as a right of every citizen, however economic activity and private initiative are free, within the limits established by law. Free competition is a right of all responsibilities involved. The company, as a basis of development, has a social function that implies obligations. The State and rule of law prevent the obstruction or restriction of economic freedom and the prevention or control of any abuse that persons or businesses make of their dominant position in the domestic market.

The exercise of economic freedom implies free competition, free enterprise, the freedom of private initiative and freedom to contract. All rights and freedoms within the framework of the rule of law is not absolute, it is limited by the rights of others and prevalence of general interest, which imposes limits on the common good, for the sake of safeguarding the social interest, the environment and cultural heritage of the nation.

That is why traders are not entitled to act arbitrarily in the market but must respect the rules established in order to protect free competition.

Now, as a result of competition policy, customers and users must have the possibility to obtain diverse

alternative markets for investment or consumption, as stated in paragraph 1 of Article 97 of the Organic Statute of the Financial System (EOS) in accordance with Article 3 of law 1328 of 2009, so that they can access financial products or services in a context of absolute transparency, using elements of clear judgment and objectives, enabling them to choose the best options in the market and to make informed decisions. Law 1328 of 2009 and Article 7 paragraph e) states that supervised institutions must refrain from abusing their dominant position.

The Financial Superintendence of Colombia must ensure that the entities under their supervision do not engage in restrictive trade practices of the free market and carry out their activities subject to the rules and practices of commercial good faith, defining the following obligations such as: publishing comparative rates charged by each of the financial institutions and insurance companies for services and products offered and has been endowed with jurisdictional powers to resolve complaints.

In Law 1340 of 2009, the Superintendence of Industry and Commerce SIC was defined as single competition authority, responsible for conducting investigations and imposing penalties for violations of the provisions on protection of competition, having the same faculty under law 256 of 1996 and other prohibitive additional provisions of the acts or actions contrary to commercial good faith that tend to establish unfair competition for participants in the financial system.

Findeter is classified as an entity with special status and under special surveillance by the Financial Superintendence of Colombia, the entity that regulates the issue of financial consumer protection. When faced with the issue of unfair competition it is important to note that Findeter customers are financial institutions, who know the parameters established and authorized to access the operations carried out by the Entity. Due to this point, the issue of unfair competition is mute as the customers would be the banks, since as mentioned above, there is equality in the conditions to access Findeter products. It must also be noted that these are not end consumers.

On the other hand, if we analyze the issue comparing the other entities in the same chapter of entities with the same special regime as Findeter, it is evident that it would also not be unfair competition, since each of these develop their activities according to their own corporate purpose, which have also been approved by law, such as Finagro and Bancóldex, among others. It is impossible to talk about unfair competition because each of these entities develop different activities according to their corporate purpose and therefore would not be taken to be competitors.

However, it is important to note that there are some acts of unfair competition that Findeter must be fully observant about when it performs in the development of its corporate purpose, to avoid committing such acts, these are:

- **Acts of customer deviation:** This is to allow companies to win customers from rivals and all acts of competition by definition have a competing element, this is unfair when customers are obtained by using unethical means.
- **Acts of disorganization:** Any conduct which has the purpose or object to internally disorganize another company. Acts of disruption can be materialized by competitors including "coaxing" competitor's employees, especially those with sensitive or secret information or also causing the bankruptcy of competitor.
- **Acts of confusion:** Confusion is related to the signs of corporate identification or those of the product (or service) so that the acquirer assumes that it comes directly from a specific source (direct confusion) or at least that its origin is related to that other source (indirect confusion).
- **Acts of deception:** The dissemination or omission of information likely to mislead recipients and that is relevant to the formation of the purchase decision.
- **Act of discrediting:** When the claims made about the competitor or another company (determined or determinable) are not true and are objectively likely to harm the prestige or reputation of the injured party.
- **Acts of comparison:** The public comparing of the activity or performance or another establishment with that of a third party when they are not comparing similar, relevant and testable concerns is unfair competition.
- **Acts of imitation:** Imitation punishable by law is that which creates confusion, or which entails taking unfair advantage of the reputation of others.
- **Exploitation of another's reputation:** An objective for which who says another is taking advantage of its reputation must show that effectively has no concept.

- **Violation of secrets:** When who had legitimate access to such information is disseminated without permission from its owner or when the secret information is procured by industrial espionage.
- **Inducement to breach of contract:** The first case is direct interference so that workers, suppliers or others who have contracts with the competitor are encouraged to not comply with their duties. Another case is when a competitor induces the contractor of their rival to end the contractual relationship, or if they use the termination of a contractual relationship for their own benefit or that of a third party.
- **Violation of rules:** It is considered unfair to offer a competitive advantage in the market that is gained due to breaking laws as the advantage is significant.

Unfair exclusivity agreements: It is considered unfair to agree exclusivity clauses in supply contracts where such clauses have as their object or effect, to restricting the access of competitors to the market, or monopolizing the distribution of products or services, except liquor industries when they are owned by local authorities. For an act to be qualified as unfair competition it must comply with the following:

1. The act or activity are effective competition, which means that the offender and the victim are in a truly competitive rivalry, exercising commercial activity.
2. That the act or activity is improper.
3. That the act is likely to cause damage.

3.2.4 EXERCISE OF INTERNAL CONTROL

The internal control system is designed and organized so that its exercise is intrinsic to the development of the functions of all existing positions at the Institution, and in particular the functions assigned to managerial positions. Notwithstanding the above, there are 4 bodies that help in the implementation, development and monitoring of internal control, namely:

- Office of Internal Control Management,
- Audit Committee,
- Coordination Committee of the Internal Control System and
- Tax inspection.

OFFICE OF INTERNAL CONTROL MANAGEMENT

The Internal Control Management Office is responsible for conducting the systematic evaluation of the Entity, identifying successes and deviations, and it also evaluates existing controls verifying that they are sufficient and adequate. The outcome of the evaluations and verifications are issued recommendations aimed at strengthening the internal control system of Findeter.

The Head of the Internal Control Management Office is a public employee, appointed by the President of the Republic to whom he/she answers directly. To fulfill his/her functions he/she has a multidisciplinary group of professionals, duly established procedures and methodologies. The findings and reports resulting from the audits are reported to the Presidency and General Secretariat of the Organization; Likewise, the Head of the Internal Control Management Office will prepare the necessary reports as requested by the Board of Directors and control and monitoring bodies, that verify the development of his/her function.

AUDIT COMMITTEE

The financial company has an Audit Committee which provides support to the Board in making decisions pertaining to the control and improvement of internal control system. The Audit Committee is responsible for defining the structure and supervision of the operation of the Internal Control Findeter systems, so that it can be established whether the procedures designed reasonably protect the assets of the entity, ensuring the transparency of financial information and its proper use and will act in accordance with the provisions of External Circular Letter 029 of 2014 issued by the Financial Superintendence of Colombia, and other provisions that modify or replace it.

The committee is composed of four (4) members of the Board of Directors, three (3) of which shall be considered independent. The head of the Internal Control Management Office will act as technical secretary of the committee, who will be responsible for the citation, compilation and custody of the records and to

track the evolution of the tasks assigned therein.

The Committee shall meet at least every three (3) months, or more frequently when the results of the Internal Control System Assessments I so warrant, or when deficiencies are detected that require urgent evaluation and corrective measures or when there are significant changes detected in the policies of the entity or the regulations governing the operations thereof. When situations that are of significant importance are detected, it shall submit a special report to the Board and the Legal Representative.

The Board shall submit a report to the General Assembly of Shareholders at the close of the financial year on the work done by this committee.

INTERNAL CONTROL COORDINATION COMMITTEE

The aim of the Internal Control Coordination Committee is to order the necessary actions to ensure articulated, efficient and effective operation of the Internal Control System as established by Law 87 of 1993, Decree 648 of 2017 and other provisions which amend, add to or replace them.

This committee meets quarterly and is composed of the President, the Secretary General, the Financial Vice President, Commercial Vice President, the Vice President of Operations, Technical Vice President, Vice President of Risk, Vice President of Planning and the Manager of Planning and Management. Any worker may attend as a guest if the President or the Committee deem it to be necessary. The Committee is chaired by the President, and in his absence, is presided over by one of the legal representatives of the entity, according to the order provided for said purpose in the Statute. The Technical Secretary of the Committee is the Head of the Internal Control Management Office.

Its basic functions are assessing the status of the Internal Control System according to the characteristics of each agency or entity and approve the modifications, updates and actions to strengthen the system in accordance with the current regulations, the reports submitted by the Head of the Internal Control Office or the person acting on their behalf, watchdogs and recommendations of the MECI (Standard Internal Control Model) team. It also checks the information contained in the financial statements of the Company and makes the recommendations as applicable and submits for the approval of the Legal Representative the policy on risk management and monitors it, especially with respect to the prevention and detection of fraud and misconduct.

STATUTORY AUDITOR

The Financial company has a Statutory Auditor, appointed by the General Assembly of Shareholders for a period of two (2) years and he/she may be reappointed for a period more or be removed at any time. They will have an alternate, appointed for the same period. The Auditor shall fulfill the legal and statutory functions and those which, being compatible with previous functions, are requested by the General Assembly of Shareholders or the Board.

The Statutory Auditor in Findeter supports, reviews and attests to all accounting and financial transactions or acts of the entity that are adjusted to the legal and statutory requirements and decisions of the General Assembly of Shareholders and the Board of Directors. They must have full knowledge of all the transactions or actions of the Bank without reservation; they undertake to ensure the confidentiality of the information that is provided to them, and said information may only be communicated or reported in the form and in cases where the rules so indicate.

The Statutory Auditor shall render the preset reports on the defined dates to the General Assembly of Shareholders, the Board of Directors, the Presidency and the control and monitoring bodies.

The Board and the President of Findeter will be informed of the findings and reports with recommendations that are to be presented to them by the Statutory Auditor and they will act accordingly to give a timely response.

3.2.5 TRANSPARENCY AND DISCLOSURE OF INFORMATION

In Findeter we promote best practices in information disclosure and our investor relationships. Said management has been recognized by the Colombian Stock Exchange with the distinctive "Committed BVC Issuer".

With the aim of providing specialized care and in order to transmit relevant, pertinent and updated information:

We have a bilingual responsible professional with sufficient technical and commercial capabilities to handle inquiries from investors, analysts and creditors in both Spanish and English.

We perform quarterly results events for investors, analysts, multilateral banks and international banks. These events present the relevant financial, commercial and technical information for the period.

We publish the quarterly financial statements under IFRS standards (International Financial Reporting Standards) on our website.

We keep our website updated in Spanish and English with the most important financial and corporate information of the Company.

Findeter also uses the following channels for citizen services: National toll-free line 01-8000-116622, Findeter website (www.findeter.gov.co), Chat service, institutional email findeter@findeter.gov.co and also operates in the following social networks:



Findeter makes available to Shareholders and Stakeholders the year-end financial information, a publication that has been published since 2011 on its [Web page \[http://www.findeter.gov.co/documentos.php?id=111\]](http://www.findeter.gov.co/documentos.php?id=111)

Another way to connect directly with the entity is through the [Investor Relations](#) section on the website, where the following information can be found: financial, corporate, emissions, risk ratings, relevant information, financial results, among others, and the direct contact details.

[\[link http://www.findeter.gov.co/publicaciones/relacion_con_inversionistas_new_pub\]](http://www.findeter.gov.co/publicaciones/relacion_con_inversionistas_new_pub)

ACCOUNTABILITY

On 30 November 2017, the Bank held its [accountability event](#) in order to respond publicly to the citizens for the mission management carried out during the period from September 2016 to September 2017. This event was held in the form of streaming via the website (www.findeter.gov.co) and social networks (Facebook: findetercol and Youtube: findeterweb) through interviews between the President of Findeter, its top executives and validator representatives of stakeholders.

These results are published on the following link:

https://www.findeter.gov.co/publicaciones/participacion_ciudadana_pub

4 FINANCIAL SUSTAINABILITY

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Based on studies conducted by CESA in alliance with the Colombia Stock Exchange -BVC, in the group of 31 issuers that are IR recognized, Findeter was included in the ranking of the five issuers with the most progress in the compliance with the standards on disclosure and investor relations with respect to 2016.

4.1 ECONOMIC RESULTS AND FINANCIAL MANAGEMENT

4.1.1 LEADING INDICATORS

(G4-DMA Economic performance, G4-EC 1)

The overall profitability indicators showed improvement during 2017. The "Gross Financial Margin (MFB) / Initial Equity" indicator, grew from 25.7% to 26.7%. This result is explained by the positive change experienced by the gross financial margin which increased by 8.47% last year. This growth occurred mainly by reducing the different financial expenses other than interest where the fall of the net effect on derivatives by 16.2% stands out. As for the return on assets, this was stable at a level of 1.0%. Equity profitability, meanwhile, showed a positive trend from 4.2% to 5.0% in 2017. This behavior is explained by the growth of net income in the financial year which had a variation of \$ 10,652 million (25.7%) being located at \$ 52,146 million by the end of 2017. Furthermore, the variation of initial equity was 4.6%.

Table 15: Performance Indicators

| Cost effectiveness | Dec-16 | Dec-17 |
|---|--------|--------|
| Gross financial margin / initial assets | 25.7% | 26.7% |
| Pretax profit/ average total assets (Pre-tax ROA) | 1.0% | 1.0% |
| net / initial equity income (ROE) | 4.2% | 5.0% |

Efficiency indicators, in general, showed improvement during 2017. In the case of the indicator "Operating Expenses / Average Total Assets", decreased from 20.5% in 2016 to 14.5% in 2017. This variation is mainly explained by the reduction in operating income resulting from lower interest rates in the system (DTF, IPC, IBR) and a lower valuation of trading derivatives explained by lower devaluations. Additionally, the increase in the total average assets (9.0%) also influenced the previous reduction.

The "Administrative Expenditure / Average Total Assets" indicator also displayed a reduction despite the increase in administrative costs. This indicator was at 1.60% in December 2017 showing an improvement of 0.2% compared to the previous period. Operational Expenditure against Average Total Assets represented 14.5% which shows a higher efficiency of the entity in the management of assets compared to the previous period, in which the indicator was 20.5%.

Table 16: Indicators of Efficiency

| Efficiency | Dec-16 | Dec-17 |
|---|--------|--------|
| Operating expenses / Average Total Assets | 20.5% | 14.5% |

| | | |
|--|-------|-------|
| Operating expenses / Revenue Operations | 95.6% | 93.4% |
| Administrative / Average Total Assets Expenses | 1.7% | 1.6% |

Regarding capital adequacy indicators, they showed significant improvement in the last year. At the start of 2017, the solvency margin was at 11.3%, a level that restricted the growth of the entity due to the Colombian financial regulations which require that solvency is not below 9%. For this reason, Findeter decided to perform a subordinated bond issue in April that would increase said indicator. After the issuance of Subordinated Bonds solvency of the Bank increased from 10.7% in March to 12.5% in April, leaving a greater space to continue disbursing credit resources. Another milestone that allowed the solvency of Findeter, at the year close, to be 23.6% was the issuance of Decree 1333/2017 by which the form of weighting the on-loan operations of entities such as Findeter by credit risk level changed. Previously, the portfolio of the Financial company was weighted by 100% and under the new decree this weighting was reduced to 50% for on-loans made to entities supervised by the Financial Superintendence of Colombia.

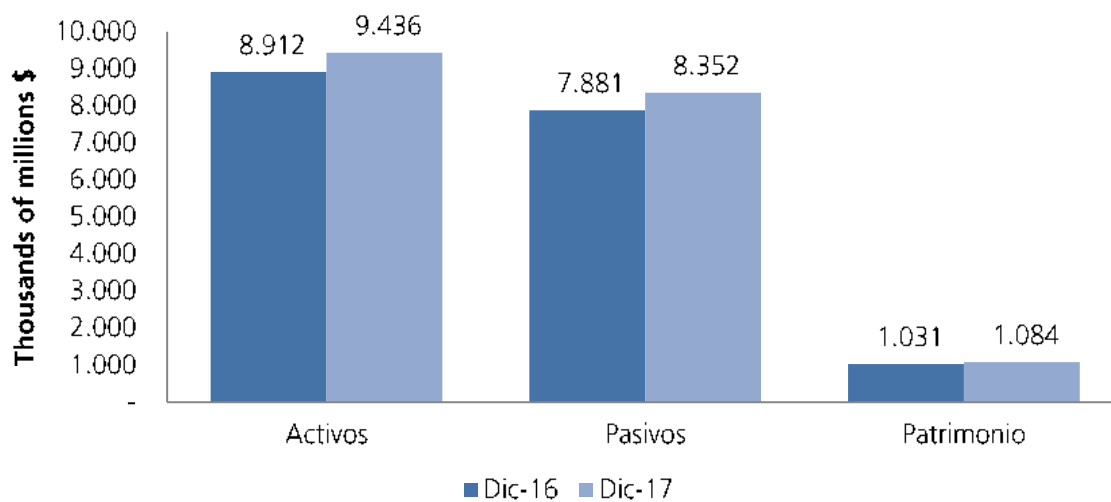
Table 17: Indicators of Equity Sufficiency

| Equity Sufficiency | Dec-16 | Dec-17 |
|------------------------------|--------|--------|
| Basic Solvency ratio | 10.8% | 18.5% |
| Total capital adequacy ratio | 11.3% | 23.6% |

4.1.2 BALANCE SHEET ANALYSIS

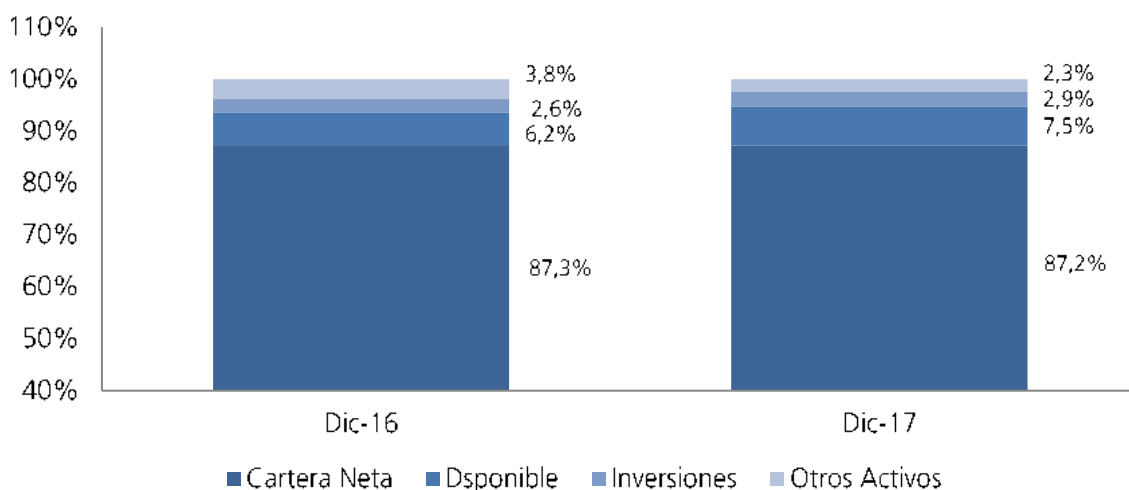
During 2017, the main balance sheet accounts grew compared to 2016. The total assets of the Bank stood at \$ 9.4 billion growing 5.9% over the previous year, liabilities meanwhile showed an annual growth of 6, 0% ending the year at \$ 8.4 billion and equity increased by 5.2% to reach \$ 1.1 billion.

Graph 13: Balance sheet



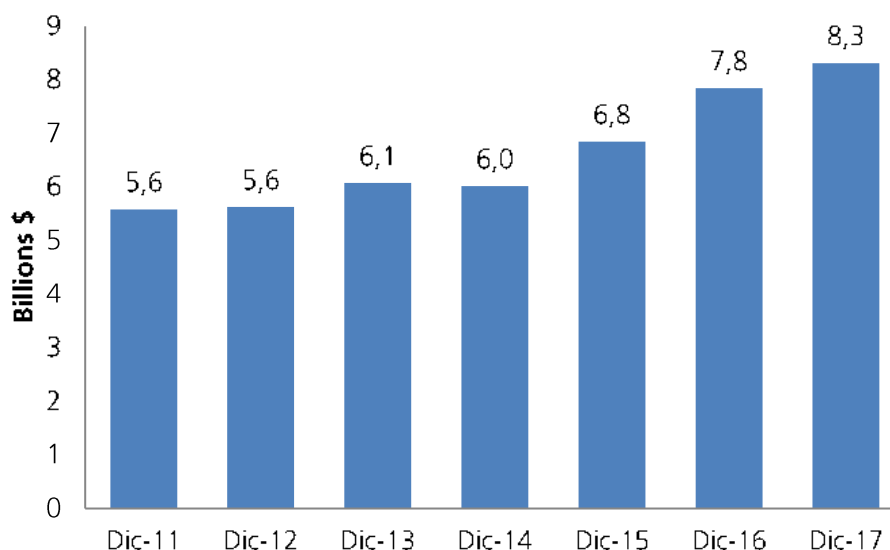
In the case of assets, the most important items maintained their participation in 2017, where the portfolio corresponded to 87%, available assets at 7% and investment at 3% of total assets. The available assets had an annual growth of 27% and closed the year at \$ 706,803 million, meeting the liquidity indicator regulated by the Financial Superintendence of Colombia. Investments grew 17% and ended the year at a level equal to \$ 274,878 million. During the year, the investment portfolio maintained a conservative liquidity profile in favor of the Bank. Among the investments of the Bank are: the private equity fund Ashmore; the IPC B TER title, product of the securitization portfolio in 2016; the Findeter Securitization Trust securities corresponding to the subseries A72 months of securitization carried out in 2012; a short-term title issued by GM Financial Colombia; short-term Term Deposits repurchased by the Financial company to improve the maturity profile; and investments in the National Guarantee Fund.

Graph 14: Assets Structure



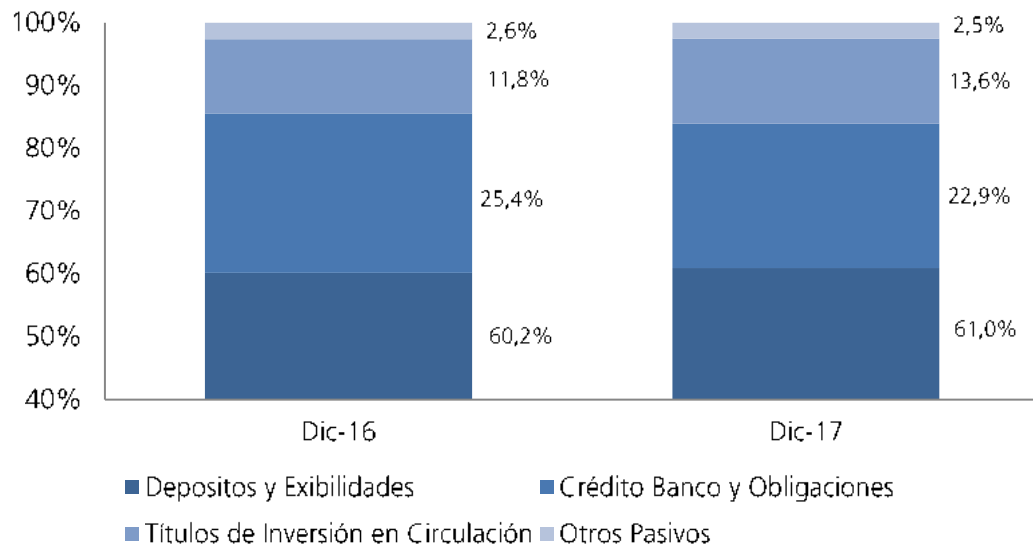
Moreover, the Findeter portfolio grew 6% in the last year reaching \$ 8.3 billion at the end of December. This growth occurred due to the on-loan amount during the year, which was higher than that budgeted. Resources for \$ 2.07 billion were disbursed, surpassing the commercial target by \$ 1.9 billion. Portfolio prepayments (cancellations and advances), despite having doubled compared to 2016, were lower than the average of the last 3 years, reaching a level equal to \$ 736,646 million.

Graph 15: Gross Portfolio



Regarding capital structure, liabilities represented 89% and Equity at 11% at the end of 2017. Within the liabilities category the most representative line was deposits and current liabilities with a share of 61% (\$ 5.1 billion). Its growth during the year was 7% and was led by Term Deposits emissions made by the treasury, which totaled \$ 3.1 billion. In second place in the share of total liabilities was bank loans and other obligations which accounted for 23% (\$ 1.9 billion). Highlighted in this item are the funds disbursed by the IDB to Findeter, which in 2017 was \$ 27.6 million. Another important item within liabilities that gained share over the previous period corresponded to outstanding investment securities which accounted for 14%. It increased \$ 928,588 million to \$ 1,134,033 million, explained considering the issuing of subordinated bonds performed in April by the Financial company in the local fixed income market. It is highlighted that it was the first bond issue by Findeter in the domestic market and its acceptance by investors was very positive, which was evidenced by the demand for securities at 2.4 times the initial amount offered. This bond issue not only contributed to the diversification of sources of funding but also obtained long-term resources for \$ 203,680 million. Additionally, thanks to this issuance, the Entity's solvency ratio was improved, which increased from 10.7% in March 2017 to 12.5% in April 2017.

Graph 16: Structure of liabilities



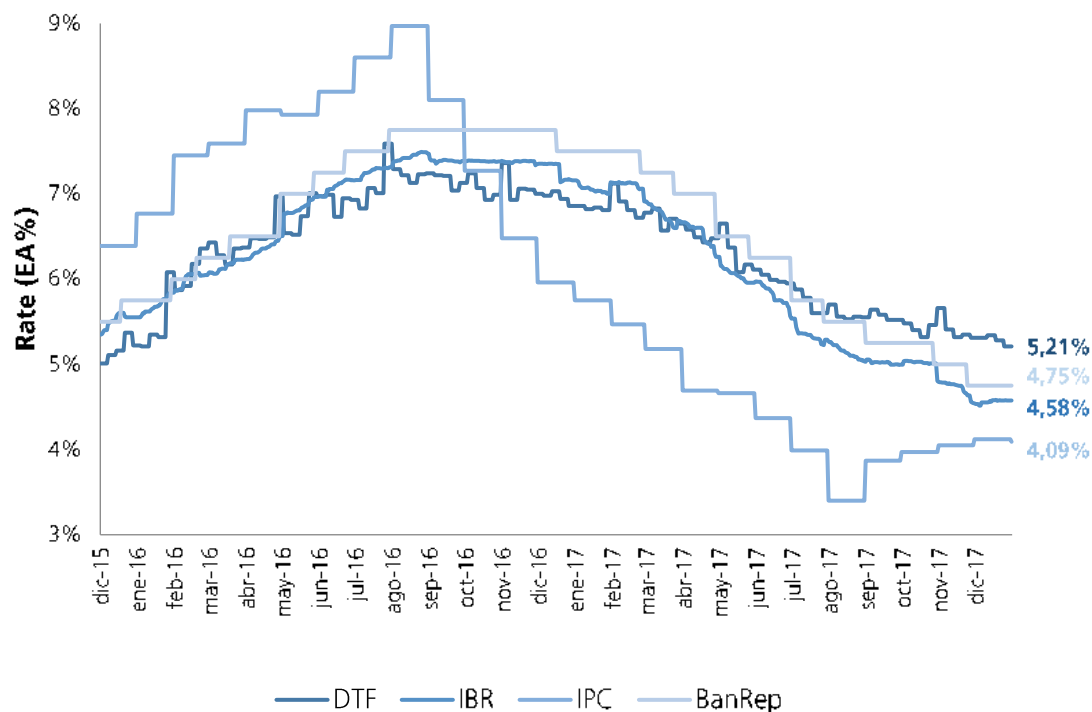
As for the Equity of 2017, it had an annual growth of 5% (\$ 53,084 million) which is mainly due to net income for the year.

4.1.3 STATEMENT OF INCOME

Findeter operating revenues for 2017 decreased 21% compared to 2016. This reduction is mainly due to falling revenues generated by the valuation of trading derivatives whose annual variation was -47.5%. The above variation is partly explained by the downward trend of devaluations during 2017 in Findeter, which decreased from 6.5% to 2.8%.

Within the operating income, the financial income portfolio was reduced by 2.3%. This reduction is explained by the adjustment of the reference rate of the Colombian Central Bank and by reductions in on-loan rates in the months of February, May and July made by the Financial company. As for the reference rate of the Colombian Central Bank, it was reduced considerably during 2017 from 7.50% at the beginning of the year to 4.75% in December. These reductions were made seeking to boost economic growth and mitigate the risk of an excessive deceleration in the economy. Such variations were transmitted to other system rates such as the DTF, the CPI and IBR, which adjusted downward in response to the monetary policy decisions taken by the Colombian Central Bank.

Graph 19: Fees Financial System



Given that most of Findeter portfolio is tied to different system rates, the income from portfolio interest were affected by the rate reductions mentioned above. Below is the composition of the on-loan portfolio (excluding portfolio and former employees) as classified by type of rate. It can be seen how its composition varied in 2017 by subtracting participation in the DTF portfolio and increasing the amount of resources tied to the IBR and the IPC. Similarly, it is observed that about 93% of the Bank's portfolio is impacted by the movements of local rates and around 70% are tied to the DTF and IBR that are indicators are impacted rapidly by decisions of monetary politics.

Table 18: Composition of the On-loan Portfolio Rate

| Index | Balance 2017 \$ million | % | Balance 2016 \$ million | % |
|--------------|-------------------------------|-----|-------------------------------|-----|
| DTF | 4,388,922 | 53% | 5,055,667 | 65% |
| IPC | 1,830,660 | 22% | 1,453,951 | 19% |
| IBR 1 Month | 888,545 | 11% | 301,612 | 4% |
| IBR 3 Months | 519,209 | 6% | 341,676 | 4% |
| FIXED | 91,488 | 1% | 104,249 | 1% |

| Index | Balance 2017 \$ million | % | Balance 2016 \$ million | % |
|----------------------|-------------------------------|-------------|-------------------------------|-------------|
| UVR | 19,838 | 0% | 33,238 | 0% |
| Libor 1 Month | 21,971 | 0% | 64,022 | 1% |
| Libor 3 Months | 273,744 | 3% | 329,273 | 4% |
| Libor 6 Months | 203,606 | 2% | 120,619 | 2% |
| Total balance | 8,237,983 | 100% | 7,804,306 | 100% |

Figures in millions of \$

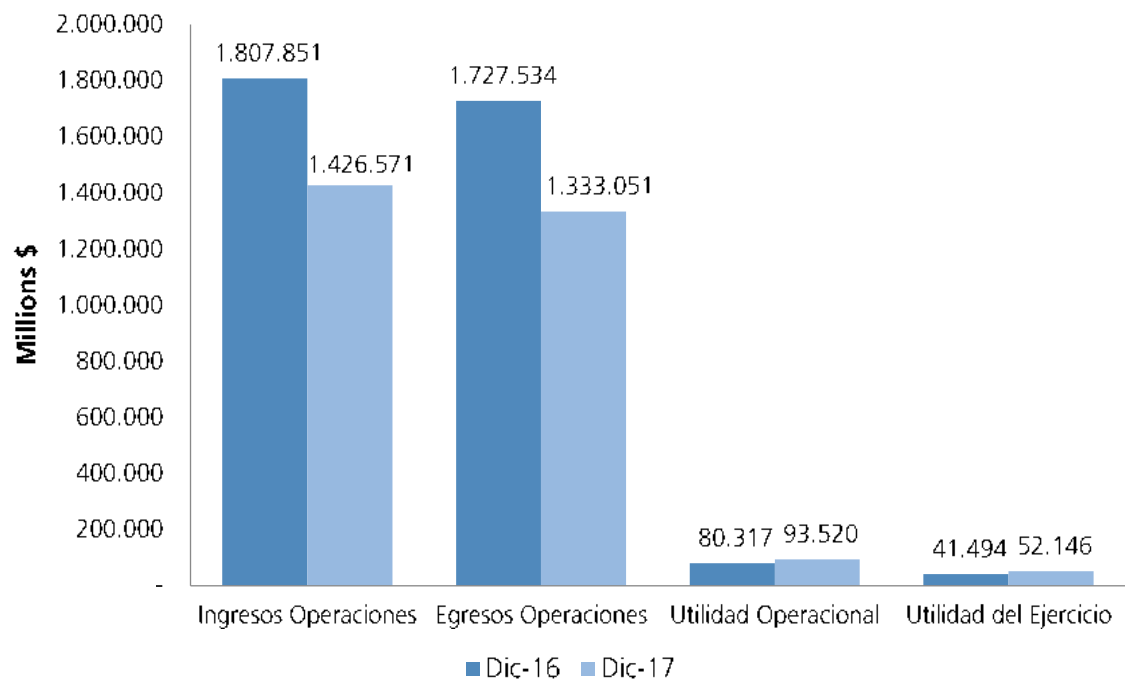
Within operating income, the item of commissions and fees grew by 38% during 2017, reaching \$ 174,073 million at the end of the year of which 75% was attributable to revenue generated by the programs of Integrated Territorial Development developed by Findeter. This demonstrates the importance acquired by revenues from non-financial products within the income structure of the Financial company.

Moreover, in 2017 the operating expenses were reduced by 23%. This reduction is largely explained by the expenses generated by the valuation of derivatives trading which decreased by 47.5% due to the fall of devaluations during the year. Importantly, the negative impact of net effect on derivatives in 2017 was reduced compared to 2016, from \$ 51,247 to \$ 42,935 million respectively, representing an annual change of -16.2%, explained as already stated by the downward trend of the forward market devaluations.

With respect to the expenses generated by the funding sources of the Bank, it is seen that the accrued interest of Term Deposits decreased 10.6% during the year, which is explained by the fall in the interest rates of the system which are tied these titles, as well as reducing the spreads required by investors. Moreover, the interests of banks and other financial obligations increased by 15.2%, a situation that is explained considering that in 2016 the average balance of dollar debt was USD66.6 million lower compared to that observed in 2017. Additionally, given the increased rates of the FED, which increased from 0.5% at the start of 2017 to 1.5% at year-end, 3-month and 6-month LIBOR rates increased by 0.7% and 0.2%, respectively, impacting the interest caused by the Inter-American Development Bank (IDB) and the Central American Bank for Economic Integration (BCIE) debt. With regard to the expenses of interest on the bonds, these rose by 13.5% during the year, equivalent to an absolute variation of \$ 10,336 million. This variation was presented due to the issue of subordinated bonds in April 2017 for \$ 203,680 million at a term of 7 years and a rate of 3.57% CPI + EAR equivalent to an absolute variation of \$ 10,336 million. This variation was due to the subordinated bonds issue in April 2017 for \$ 203,680 million at a 7-year term and a rate of 3.57% CPI + EAR equivalent to an absolute variation of \$ 10,336 million. This variation was due to the subordinated bonds in April 2017 for a \$ 203,680 million a term of 7 years and a rate of 3.57% CPI + EA

Operating profit increased by 16% during the year reaching \$ 93,520 million in the month of December. The operating income of the Bank allowed the income for the year at the end of the year to reach a level of \$ 52,146 million, which resulted in an annual increase of \$ 10,652 million compared to 2016, equivalent to growth of 26.7%.

Graph 20: Statement of income



4.1.4 RISK RATING

STANDARD & POOR'S

In December 2017, the rating agency S & P downgraded the country's credit rating from "BBB" to "BBB-". According to the reasons given by the agency, the downgrade is due to the country's lower than expected growth during the year and the partial reliance on extraordinary revenues to reduce the government deficit to allow compliance with the fiscal regulations of the country. Despite the downgrade, the country's outlook changed to stable from negative as the agency expects political institutions to promote economic stability in Colombia after the legislative and presidential elections in 2018.⁴

Findeter's rating is in accordance with the country's rating. For this reason, downgrades in Colombia's rating are immediately transferred to such entities. Given the above, Standard & Poor's affirmed the rating of "BBB-" with a stable outlook for both the Bank and for international bonds issued in 2014.

FITCH RATINGS

In 2017 Fitch Ratings ratified Colombia's rating to "BBB" with a stable outlook. According to the agency, this rating is the result of a credible record of long-term macroeconomic policies and history of

⁴Source: "S & P downgrades credit rating of Colombia to "BBB-", outlook improves to stable." Reuters. <https://lta.reuters.com/article/topNews/idLTAKBN1E52TB-OUSLT>

macroeconomic and financial stability.⁵

Findeter's rating is aligned with the sovereign rating, reflecting the willingness and ability of the Colombian government to support the Financial company if necessary. In addition, Fitch considers Findeter as an important player of the State to finance part of the National Development Plan with respect to regional and urban infrastructure.⁶

Given the above, Fitch affirmed Findeter's rating in 'AAA (col)' and 'F1 + (col)'; Outlook Stable. (January 19, 2017):

- National long-term rating affirmed at 'AAA (col)'; stable outlook
- National short-term rating affirmed at 'F1 + (col)';

SECURITIZATION RATING WITH HELM

Fitch Ratings affirmed the sub series ratings of the Findeter Securitization Trust in "AAA (col)"; Stable Outlook (May 10, 2017):

- Fitch has affirmed the sub series ratings that comprise the credit Titles issued by the "Findeter Securitization Trust (TIF)" for \$ 289,650 million.
 - Findeter Securitization Trust Sub series A2 - 48 months up to \$ 91,500 million. Paid in full
 - Findeter Securitization Trust SuB series A3 - 72 months up to \$ 98,500 million. 'AAA (col)' rating affirmed; Outlook Stable.
- The result of the ratings is explained by: 1) Strong credit support mechanisms; 2) Adequate portfolio characteristics; 3) Good structural protection; 4) The satisfactory Operational and Administrative capacity of Findeter and 5) Solid legal framework.

MULTI-ASSET SECURITIZATION RISKS RATING

In 2017 Fitch Ratings affirmed the ratings of the series that make up the credit titles issued by TER IPC R-1 for \$ 233,900 Million:

Table 19: Ratings of Multi-Asset Titles

| Series | Rating | Outlook |
|-----------|-------------|---------|
| TER IPC A | AAA (Col) | Stable |
| TER IPC B | BBB + (Col) | Stable |

⁵Source: "Fitch affirms the sovereign rating of Colombia at "BBB"; stable outlook". Fitch Ratings <https://www.fitchratings.com/site/pr/10109408>

⁶Source: Rating Report. Fitch Ratings. January 19, 2017.

The ratings ratified by Fitch are based on the quality of the securitized portfolio, credit and coverage enhancement mechanisms, Findeter's operational and management capacity and the legal and financial structure of the transaction.

RATING OF SUBORDINATED BONDS

Fitch assigned an "AA + (col)" long-term rating to the subordinated bonds issues of up to \$ 400,000 million performed by Findeter. This rating is lower than that of the Bank reflecting its subordinated nature and the potential of a minor recovery with respect to senior liabilities in the case of default by Findeter or the liquidation thereof.

4.2 BUDGET AND FUNDING SOURCES

4.2.1 BUDGET

The final budget of the Bank's funding sources for the term 2017 reached \$ 978,183 million.

Table 20: Execution of Sources

Figures in millions \$

| Sources | Current Budget (1) | Initial Goal (2) | Income Year (3) | Difference of execution (4) = (1) - (3) | % Fulfillment (5) = (3) / (1) |
|-----------------------------------|-----------------------|---------------------|--------------------|--|-------------------------------------|
| Financial income | 891,854 | 891,854 | 749,726 | 142,128 | 84% |
| Agreements and/or Programs income | 67,907 | 67,907 | 76,716 | 8,809 | 113% |
| Other operating income | 18,046 | 18,046 | 22,191 | 4,145 | 123% |
| Other Non-Operating Income | 376 | 376 | 717 | -341 | 191% |
| Total Sources | 978,183 | 978,183 | 849.35 | 12,8833 | 87% |

The execution of sources recorded a value of \$ 849,350 million, equivalent to 87% of the current budget. From these sources, financial income stands out with an execution of 84%, which is mainly originated by the collection of interest from active portfolio whose value was \$ 558,136 million. Similarly, the Other Operating Income stands out with 123% operational execution, generated by income from Trust Commissions of \$ 9,480 and Commitment for \$ 12,099.

Table 21: Execution of Applications

Figures in millions \$

| Applications | Current Budget (1) | Initial Goal (2) | Accumulated liabilities (3) | Uncommitted value (4) = (1) - (3) | Current v / s Commitments (5) = (3) / (1) |
|---|-----------------------|---------------------|--------------------------------|--------------------------------------|--|
| Financial expenses | 775,786 | 776,452 | 619,187 | 156,599 | 80% |
| Tax Expense and Contributions | 75,099 | 77,339 | 36,724 | 38,375 | 49% |
| Operating and General Administrative Expenses | 72,899 | 66,802 | 63,974 | 8,926 | 88% |
| Agreements and/or Programs Operating Expenses | 52,625 | 56,002 | 47,367 | 5,258 | 90% |
| Asset Acquisition | 1,774 | 1,588 | 1,441 | 333 | 81% |
| Total Applications | 978,183 | 978,183 | 768,693 | 209,491 | 79% |

As for the final execution of applications, this amounted to a total of \$ 768,693 million, equivalent to 79% compliance with the current budget.

Within applications, it is observed that financial expenses have an 80% execution. These expenses correspond to the payment of interest and commissions for obligations, expenditures for derivatives and other financial expenses amounted to \$ 619,187 million. Another item corresponds to the execution fulfillment of 90% of conventions and/or programs administered by Findeter for \$ 52,625 where the Technical Vice Presidency, IDB-San Andrés Agreements and LAIF are found.

4.2.2 RESOURCES CATCHMENT

(G4-EC1)

OUTSTANDING ACHIEVEMENTS AND EVENTS

- The first bond issue in the local market was performed, for \$ 203,680 million subordinated bonds at 7 years; the issue was oversubscribed by 2.4 times, for \$ 491,580 million, which shows the interest of investors in the Financial company's securities. These resources allowed us to diversify funding sources, improve the maturity profile of regulatory capital and thus continue to leverage the financing sustainable projects in the regions.
- Resources were collected through emissions of Term Deposits for \$ 3.06 billion ratifying Findeter as the eighth largest issuer of this financial instrument in the market. It is important to note that in terms of assets Findeter occupies the 16th place in banking institutions, reflecting the strong appetite of local investors to our debt.
- Term Deposits maturities renewal was performed at 56.7%, exceeding the projected goal by 6.7 percentage points, resulting in an additional Financial Movement Tax savings for the Bank of \$ 727 million for a total savings of \$ 6,180 million; It also allowed us to promote the permanence of resources by investors, improving the maturity profiles and the use of surplus liquidity.

During 2017 Findeter obtained resources for \$ 3.27 billion through two mechanisms, Term Deposits for \$ 3.06 billion and bonds for \$ 0.20 billion, maintaining the levels of the previous year with variations in terms of composition.

Direct issues performed by Findeter totaled \$ 2.20 billion; first we issued bonds in the local market for \$ 203 billion through a Dutch auction in the Colombian Stock Exchange; renewals of securities totaled \$ 0.86 billion and we did not perform fundraising through Term Deposits by auction.

Table 22: Comparative Fundraising by Findeter 2016 -2017

| Kind | 2016 | % | 2017 | % | var% |
|--------------------------------|------------------|-------------|------------------|-------------|-----------|
| Primary issuance Term Deposits | 1,735,380 | 54% | 220,6176 | 67% | 27% |
| Term Deposits Renewal | 1,182,809 | 37% | 860,191 | 26% | -27% |
| Bonds | 0 | 0% | 203,680 | 6% | 100% |
| Term Deposits auction | 317,083 | 10% | 0 | 0% | -100% |
| Grand Total | 3,235,272 | 100% | 3,270,047 | 100% | 1% |

Figures in millions \$

In terms of distribution by type of indicator the issues of 2017 they were led by the DTF with a share of 47%, followed by the second the Fixed Rate with 24%, the IBR in 22% and finally the IPC at 6% .

Table 23: Fundraising by Indicator Findeter 2016 -2017

| Indicator | 2016 | % | 2017 | % | var% |
|--------------|------------------|-------------|------------------|-------------|-----------|
| DTF | 1,198,867 | 37% | 1,549,110 | 47% | 29% |
| Fixed rate | 504,204 | 16% | 782,729 | 24% | 55% |
| IBR | 1,421,844 | 44% | 729,053 | 22% | -49% |
| IPC | 110,357 | 3% | 209,155 | 6% | 90% |
| Total | 3,235,272 | 100% | 3,270,047 | 100% | 1% |

Figures in millions \$

LIQUIDITY MANAGEMENT

We manage liquidity resources necessary for business operations and to be able to achieve compliance with the disbursement goals, to honor debt obligations and administrative expenses of the Entity in a timely manner, in this way an average of \$ 500 billion a day were handled that allowed the liquidity requirements imposed by supervisory bodies to be met.

HEDGE MANAGEMENT

Throughout 2017 we maintained coverage close to 100% for foreign currency liabilities monetized through the creation of forward and natural hedging which has mitigated the risk of exchange rate in a scenario where the local economy is vulnerable to external shocks that may arise from commodity prices and the impact on global liquidity as a result of the change in monetary policy in the major developed countries.

GOALS FOR 2018

- We seek resources for \$ 3.13 billion through bond issues on the local market and we are attentive to the behavior of foreign markets in order to take advantage of opportunities to diversify both sources of funding as well as investors. Furthermore, we will explore alternative investment products such as private equity funds.

4.2.3 INVESTMENT PORTFOLIO

In 2017, the investment portfolio maintained a conservative profile, reporting low volatility in yields and favoring liquidity, considering that this surplus is temporary. The most recurrent investment has been concentrated in short-term Term Deposits (less than one year) mainly through repurchasing that promote the retention of resources by investors, improving the maturity profile and taking advantage of excess liquidity.

Participation in the Ashmore Private Equity Fund continues, which had a return in the year of 7.417%; as well as the TER B IPC titles that are a product of the on-loan portfolio securitization.

Investments have not been carried out in TES due to current levels of risk/return ratio where no significant opportunities have been presented.

Table 24: Key Organizational Indicators (financial)

| Indicator | Dec-16 | Dec-17 | Variation |
|---------------------------------|------------|--------|-----------|
| Total Assets (Billions) | 8.9 | 9.4 | 5.9% |
| Total liabilities (Billions) | 7.9 | 8.4 | 6.0% |
| Total Net (Billions) | 1.0 | 1.1 | 5.1% |
| Total Income (Millions) | 41,494 | 52,146 | 25.7% |
| Fundraising (Billions) | 3.2 | 3.3 | 1.1% |
| Rating Long Term National Bonds | AA + (Col) | | |
| Rating International Bonds | BBB- | | |

4.3 INTERNATIONAL BANKING

4.3.1 RESOURCES WITH INTERNATIONAL ENTITIES: NON-REIMBURSABLE CREDIT AND COOPERATION:

FUNDING THROUGH CREDIT WITH INTERNATIONAL ENTITIES

In the month of December, a loan agreement for €70 million, equivalent to USD 82.4 million, was signed with the German Development Bank (KfW) to finance projects and promote Energy Efficiency and Renewable Energy.

We are in the process of negotiating a new loan with the French Development Agency (AFD) focused on post-conflict regions, the potential amount of this credit is \$ 150 million. The goal is for these resources to be accompanied by resources from international cooperation grants.

In addition, we are in negotiating a new loan with the German Development Bank (KfW), focused on the sector of drinking water and basic sanitation to promote projects that mitigate climate change in Colombia worth € 90 million.

During 2017, disbursements of foreign loans for \$ 27.6 million were made.

INTERNATIONAL COOPERATION GRANT

the following non-reimbursable cooperation resources were obtained with international funds:

- In Cartagena, under the framework of the CCI, the British Embassy and Findeter signed a Memorandum of Understanding amounting to £13 million, by which Findeter is the implementer of 3 of the 5 components of the Prosperity Fund in Colombia. These are urban and railway development and institutional strengthening.



- Embassy of Japan: Under contract 068 of 2016 signed by President of the Republic, the Ministry of Culture and Findeter, on March 28, 2018 Findeter signed three grant agreements with the Embassy of Japan for the development of the following projects: construction of Child Development Centers in Leticia, Apartadó and Thessaly totaling USD 320,203. Currently, it is negotiating an additional contribution of the Embassy of Japan for the construction of other Child Development Centers in Montanita, Anapoima, Tierralta and Yotoco.



Tierralta - Córdoba Montaña - Caqueta

- The German Development Bank (KfW) gave technical cooperation to strengthen the Environmental and Social Risks Management System - SARAS of Findeter.
- The renewal of the cooperation agreement between SPRI and Findeter was signed, focused on assistance in structured service in the Basque Country, in the field of the programs of Sustainable and Iconic Cities, as well as sharing experiences in technical assistance in possible diagnoses, action plans, etc.

Nonrefundable international cooperation resources were successfully executed as follows:

- Investment Facility for Latin America (LAIF) - European Union/AFD: € 5 Million equivalent to \$ 16,405

million, in order to perform consulting services for the three cooperation components: (i) Capacity building and technical assistance, (ii) Identification of projects and methodological structuring and (iii) Dissemination of knowledge. In April the last disbursement was received for € 498,990 and the resources that had been disbursed before were executed.

- In 2017, governance, rural, urban, electrical and hydraulic consultants were hired, among others. In addition, surveys, publications, training, master plans for mobility and public space for Pereira and Ibagué were carried out, together with a pilot study for river transport in Montería, a multipurpose irrigation district for municipalities in Magdalena, competitiveness studies for Sincelejo, Popayan, Neiva and Ibagué, Forests of Peace in Chinchiná, Ibagué and Carmen de Bolívar, cultural mapping for the Atlántico and Caldas departments, creative Industries in Manizales, a study for the strategy of creative industries, reconstruction studies for the Hacienda Cañas Gordas, an infrastructure study cycle in Villavicencio and Popayan and a tax study in Chinchiná were also performed.
- IDB Cooperation: USD 500,000 equivalent to \$ 1,486 million. In 2017 delivery was made of: (i) the River Pasto Riverside Park and (ii) the Bio-Health River Cauca Park in the city of Popayan. The funds received in disbursements requested in previous years were executed and the finalization of the Convention was held on October 31, 2017.
- Low Carbon Resilient Development Program LCRD / USAID: revenue from taxes of US citizens were executed for contracting the design, supply, installation and commissioning of a photovoltaic solar generation system on the roofs of the Lorenzo Morales Urbanization in Valledupar. 76 panels benefiting 520 low-income families were installed to reduce emissions of greenhouse gases (GHG) and to alleviate the energy bills for public areas.



Lorenzo Morales Urbanization - Valledupar

The following non-refundable international cooperation advances were obtained:

- NAMA Facility approved approximately € 14.7 million in non-reimbursable cooperation funds. Both the technical and finance component began implementation during 2017. For the development of the technical component two disbursements by the CCAP for US \$ 214,178.77 were received for the first contracting.
- In the Financial Component, on October 24, 2017 the separate agreement to the financial agreement was signed between KfW and Findeter was signed, and on October 26, 2017 the Exchange of Letters of the "Colombian NAMA on Oriented Development Sustainable Transport (TOD)" was concluded which given authorization to the implementation phase of the project.
- The sum of USD 438,000 was received within the framework of the implementation of the GEF "Financing Mechanisms for the Investment in Energy Efficiency (EE) in Public Lighting, Promoting the Replacing of Low Efficiency Lights with LED Lights of Greater Efficiency", in order to contract a consulting firm to define a methodology of technical, legal and financial structuring of public lighting projects in Colombia.
- Through the resources provided by the French Fund for Global Environment (FFEM) in March 2017 the JHER-DYGT-TTMA Consortium was hired in order to carry out studies on creating and capturing value for projects as a source of funding for DOTS projects for a total value of € 350,000.
- Low Carbon Resilient Development Program LCRD/USAID: We are progressing in the contracting of

the design, supply, installation and commissioning of a photovoltaic solar generation system for the roof of the Lorenzo Morales Child Development Center (CDI), with delivery in February 2018 worth \$ 105 million, as part of the replicability of the successful pilot project in the Lorenzo Morales urbanization in Valledupar.

4.4 RISK MANAGEMENT

4.4.1 RISK MANAGEMENT APPROACH

(G4-14)

In Findeter we are convinced that risk management is an essential tool for achieving our goals and for building and maintaining relationships based on trust with our stakeholders.

We are an entity that is part of the financial system and, as such, we have implemented various risk systems that the Financial Superintendence of Colombia requires for the sector entities. Therefore, in compliance with both the External Basic Accounting and Financial Circular Letter 100 of 1995 and the Basic Legal External Circular Letter 029 of 2014, we defined the following risk systems:

Financial Risk Systems:

- Credit Risk Management System - SARC.
- Market Risk Management System - SARM.
- Liquidity Risk Management System - SARL.

As for non-financial risks we have implemented:

- Operational Risk Management System - SARO. This system includes business continuity.
- Risk Management System of Money Laundering and Financing of Terrorism - SARLAFT.
- Risk Management System of Information Security - SARSI. For the Financial Superintendence of Colombia this system is an extension of SARO; however, information security is a concern of the Government and it promotes and regulates it through the Online Government Initiative - GEL, so that this system is based on the regulation defined by these two entities.

Seeking to apply best practices we have decided to implement other systems that we consider strengthen the transparent and sustainable management of Findeter:

- Environmental and Social Risks Management System - SARAS.
- Risk management for projects.
- Antifraud and corruption program.

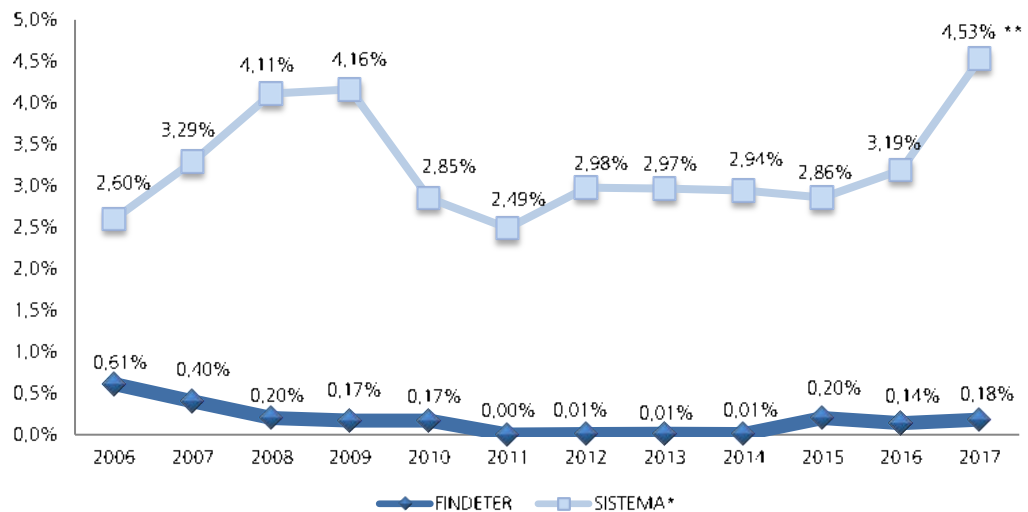
4.4.2 FINANCIAL RISK INTEGRATED SYSTEM

CREDIT RISK MANAGEMENT SYSTEM - SARC

During 2017, in order to strengthen its internal methodology, we implemented the qualitative assessment for entities supervised by the Financial Superintendence of Colombia, which consists of analyzing corporate governance, risk management and operational entities, among other aspects. The result of these analyzes influences the calculation of the Value of Maximum Exposure - VME - of each intermediary and the level of individual provisions of the Financial company. Similarly, we standardized the methodology for calculating the consideration limit for treasury operations, which allowed new types of customers to be included: the general insurance companies, life insurance and capitalization companies. Another relevant aspect is the consolidation of the SARC Committee, created at the end of 2016, by which the monitoring and analysis of the different aspects related to credit risk are strengthened,

In 2017, we maintained the credit risk indicators at levels that place the Bank among the best in the financial system, a situation shown in the following graphics:

Graph 21: Portfolio Quality (Expired portfolio/ Gross Portfolio)

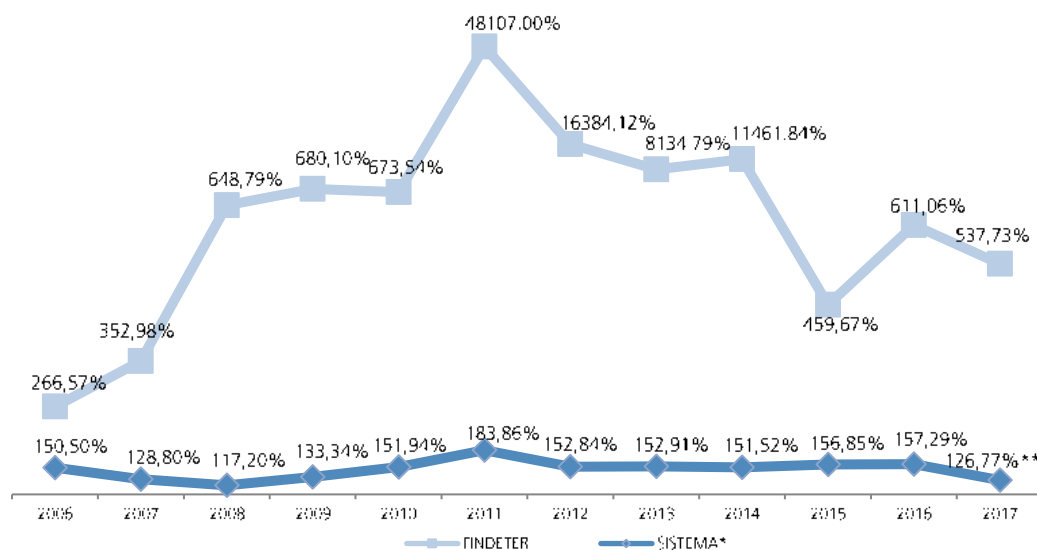


* Source: Financial Superintendence of Colombia.

** Figures as of December 2017

By December 2017 the portfolio quality indicator increased compared to December 2016, reaching a level of 0.18% as a result of a deterioration in the portfolio that the Entity manages directly and that it assumed when the Financiera Internacional Compañía de Financiamiento was intervened. It is important to note that the former employees portfolio is included in the total portfolio.

Graph 22: Coverage (Provisions / PDL)



* Source: Financial Superintendence of Colombia.

** Figures as of December 2017

The coverage indicator as of June 2017 was 537.73%, lower than reported in December 2016, mainly due to the effect presented in the portfolio quality graphic.

The distribution of the total portfolio of the Bank by risk rating is as follows:

Table 25: Distribution of the Bank's portfolio by risk rating

| Category | Portfolio Balance | Figures in millions \$ |
|-----------------------------------|-------------------|------------------------|
| | | % Participation |
| Category A "Normal Risk" | 8296475 | 99.82% |
| Category B "Acceptable Risk" | 1,572 | 0.02% |
| Category C "Appreciable Risk" | 905 | 0.01% |
| Category D "Significant Risk" | 4,183 | 0.05% |
| Category E "Unrecoverable" | 8,708 | 0.10% |
| Total Gross Loan Portfolio | 8311843 | 100.0% |

Source: Vice Presidency of Risk

As can be seen, 99.82% of the total portfolio of the entity is in category A. The portfolio classified in E is part of the portfolio that the Financial company received for the direct collection as a result of the liquidation of the Financiera Internacional (International Financial) portfolio and portfolio received from the BCH, it is important to mention that this portfolio is 100% provisioned.

Distribution on-loan portfolio by type of intermediary is as follows:

Table 26: Distribution of the On-loan Portfolio by Type of Intermediary

| Segment | Number of Intermediaries | Balance Million \$ | Participation |
|------------------------|--------------------------|--------------------|---------------|
| Banks | 16 | 7,902,003 | 95.9% |
| Infis | 5 | 183,925 | 2.2% |
| Financial cooperatives | 4 | 68,343 | 0.8% |
| Financing companies | 5 | 68,750 | 0.8% |
| Compensation Funds | 6 | 7,208 | 0.1% |
| Cooperatives | 3 | 7,454 | 0.1% |
| Employee Funds | 3 | 301 | 0.0% |
| Total | 42 | 8,237,983 | 100.0% |

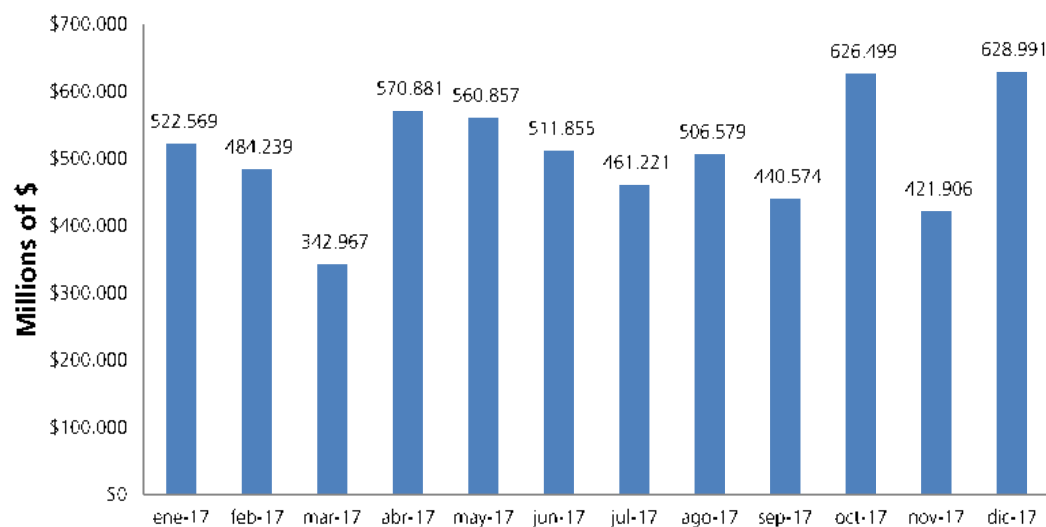
95.92% of Findeter's on-loan portfolio is placed in 16 banks; the rest is distributed among the other types of intermediaries. It is important to clarify that INFIS, family compensation funds, credit unions and employee funds are not authorized to perform new operations with Findeter.

LIQUIDITY RISK MANAGEMENT SYSTEM (SARL)

The main benchmark used for monitoring in this system is the Liquidity Risk Index (IRL), according to the provisions defined by the External Circular Letter 042 of 2009 of the Financial Superintendence of Colombia.

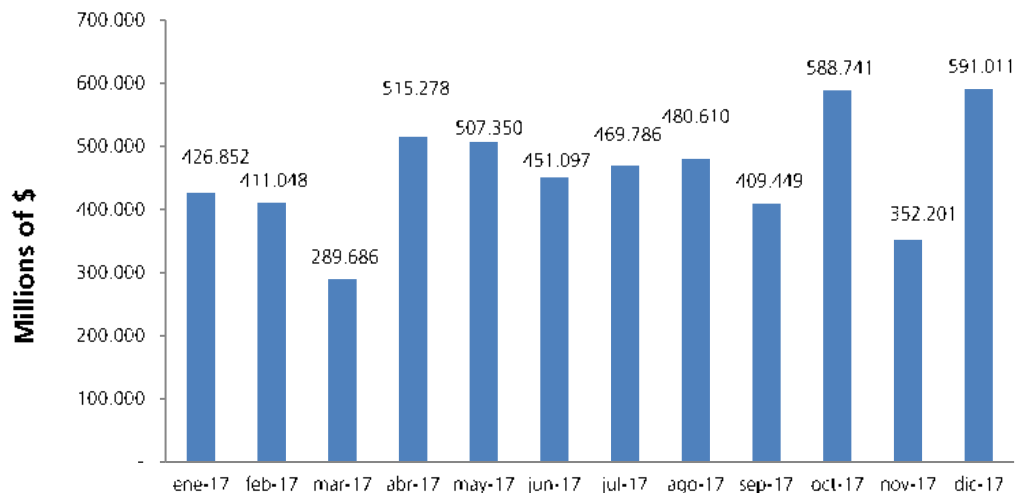
During 2017, we continued with the weekly management monitoring activities as well as projecting the IRL liquidity indicator up to 60 days once a week, in order to anticipate changes and know the impact that the daily dynamics disbursement or deposits have in the Bank's liquidity.

Below we look at the liquidity levels according to the IRL for the monthly closes for the 7 and 30-day bands and we show that the result is positive:

Graph 23: 7-Day IRL

Source: Vice Presidency of Risk

Graph 24: 30-Day IRL



Source: Vice Presidency of Risk

At the end of December 2017, the IRL was \$ 628,991 million for the 1 to 7-day band and \$ 591,011 million for the 1 to 30-day band, reflecting that we maintain an adequate level of resources to meet our obligations and activities.

Therefore, in coordination with the Financial Vice Presidency we can properly program the collection of resources necessary for the payment of contractual obligations.

In 2017, we implemented a new procedure that aims to instrumentalize the access of Findeter to temporary liquidity support from the Colombian Central Bank as part of the activities described in the Liquidity Contingency Plan established in the system manual. For this work, we test its operation with the areas involved in treasury activities in conjunction with the Colombian Central Bank.

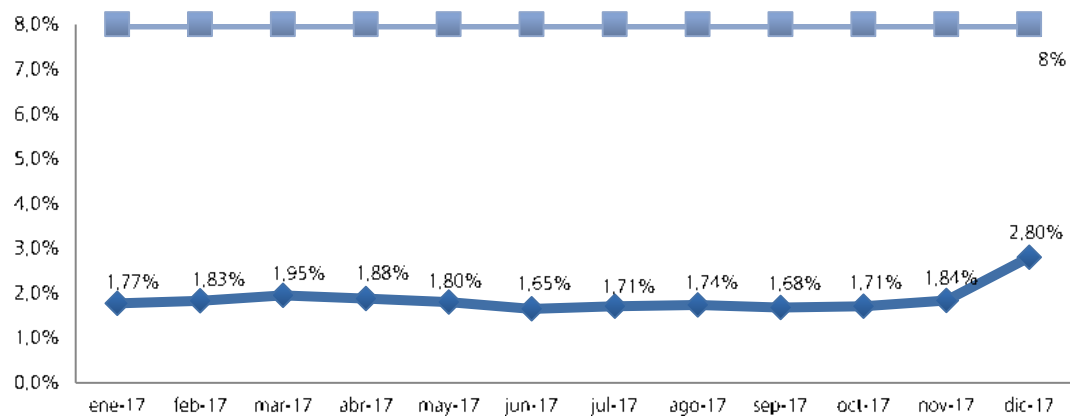
MARKET RISK MANAGEMENT SYSTEM - SARM

During 2017, we carried out the activities identified in the SARM Manual, including the monitoring of the valuation of investments and compliance with the limits defined by the Board, the calculation of market risk of treasury book is counted and the exposure in derivatives, which affect the solvency of the entity.

The Findeter market risk value is estimated using the methodology suggested by the Financial Superintendence of Colombia. The result of the at-risk value (VaR) at the end of December 2017 was \$ 33,751 million, representing 2.8% of the value of Findeter's technical assets (\$ 1,188 billion in December) falling below the limit set by the board which is 8.0%.

In December 2017 we implemented changes to the model of the Financial Superintendence of Colombia in accordance with External Circular Letter 027 of 2017. The following graph shows the behavior of VaR, which remained below the limit set by the Board of Directors.

Graph 25: VaR



Source: Vice Presidency of Risk

During 2017 we reviewed the current limit of VaR, which was ratified by the Board. Additionally, we updated the action framework for Findeter treasury operations which was incorporated into the system manual.

CURRENCY RISK

As part of our strategy to reduce currency risk we perform operations with derivative financial instruments and we make payments in dollars as a hedge for foreign currency liabilities in accordance with the regulations of the Central Bank and the Financial Superintendence of Colombia. As of December 2017, we had USD 283,500,000 in forward contracts and USD167,333,002 in on-loan credits. Additionally, we monitor our foreign exchange positions by tracking risk value in foreign currency, which has remained at acceptable levels with respect to the board defined limit.

The liabilities cover program of the Financial company in December 2017 provided an exchange cover of 99.94%.

4.4.3 INTEGRATED SYSTEM OF NON-FINANCIAL RISKS

During 2017 we continued to work on implementing the Integrated System of non-financial risks, which aims to manage under one model and methodology the operational risks, information security, business continuity and prevention of money laundering and terrorist financing, taking as a reference the processes defined in its Integrated Financial Management System.

A fundamental part of this implementation and work is to have the support of everyone in the organization. It is for this reason that the annual training in relevant aspects of these systems reach a coverage level of 98% of workers in the financial company, exceeding the required minimum of 80%.

Here are the relevant aspects for each system.

RISK MANAGEMENT SYSTEM FOR THE PREVENTION OF MONEY LAUNDERING AND FINANCING OF TERRORISM - SARLAFT

During the period we have been perfecting the new policies, activities, tools, and detailed information capture forms in order to shield the processes exposed to this risk.

The Compliance Officer presented the quarterly reports to the Board on the activities performed, risk profiles,

compliance with obligations and compliance by employees with the SARLAFT Manual.

Likewise, in strict compliance we performed the transmissions of the following reports to the Research Unit of Financial Analysis (FIAU): suspicious transactions, products, political campaigns, cash transactions and exonerated customers.

We monitor the consolidated risk profile of the entity based on the classification of the likelihood and impact of the identified risks, which resulted in a "low" residual risk profile, remaining stable when compared to the previous periods. Equally, we monitored the SARLAFT by evaluating its elements, to adequately shield the Bank against this risk, with an excellent result thereof.

We attended the recommendations of the reports submitted by the internal audit and statutory audit, complying with the action plans, implementing opportunities for improvement and seeking to optimize the system.

In the months of April and May we had the visit of a committee of the Financial Superintendence of Colombia, which raised a number of recommendations for strengthening the system, from which we developed work plans as follows:

- We modified the segmentation methodology of the ML/TF risk factors, obtaining as a result a tool to carry out the separation of elements, considering the risk factors according to certain variables, and ensuring recognition of significant differences in its characteristics.
- We established activities aimed at strengthening due diligence for cases related to the final beneficiaries of resources applied in "direct customers" cases.
- We designed forms to strengthen mechanisms for enhanced due diligence that must be executed for customers and related parties (workers, members of Board of Directors, suppliers and contractors).
- We have the necessary mechanisms for the implementation of identification and expanded knowledge of Publicly Exposed Persons (PEPs).

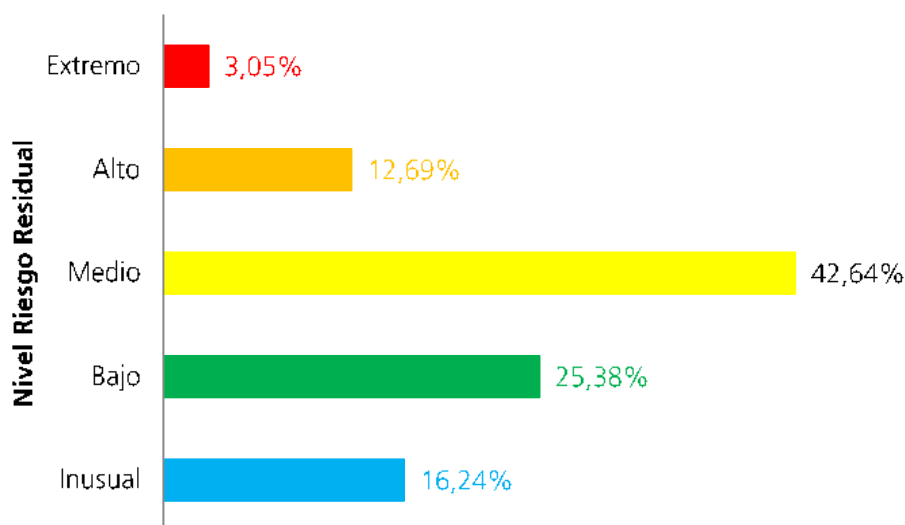
For topics discussed above, we have maintained close ties with the areas involved in new activities accompanied by the training and implementation of the forms specified in SARLAFT Manual.

In order to strengthen the technological component for the prevention of ML/TF risks, we acquired the "Compliance" tool, which has a complete and modern infrastructure and advanced computer architecture, fueled by official databases of the various judicial bodies and information centers, which allows via online processes to access multiple lists, integrating a vast number of national and international information. During the period no match was found when crossing our databases with the restrictive lists.

OPERATIONAL RISK MANAGEMENT SYSTEM - SARO

In the search for continuous improvement we migrated the Integrated Management System processes, to both the new methodology and the new Wynyard Risk Management application -WRM. Therefore, we have identified risks for each previously stated system progressing in the consolidation of Findeter's risk profile. Thanks to the management carried out by the leaders of the processes, we have managed to maintain the risk profile by concentrating on "moderate". For risks that require more effort in their handling, we are working to identify and implement appropriate controls and apply the necessary processes.

Graph 26: Residual Risk Profile



Source: Vice Presidency of Risk

It is important to mention at this point that the risks that we have identified are not representative in terms of their economic impact. The representative impact corresponds to operations, mainly associated with rework and information assurance.

We also work to maintain business continuity and for us it is a premise that the operation should not be stopped. In this regard, tests are done constantly to business continuity planning (BCP). During the 2017 tests on the processes of Financial Operations, Passive Operations and Portfolio Management we performed, as well as to various technology platform services. The tests were successful and generated enough information to advance in the testing of new scenarios.

BUSINESS CONTINUITY PLAN - BCP

During the year the Integrated Management System processes were migrated, to both the new methodology and the new Wynyard Risk Management -WRM application.

We continue to work to ensure continuity executing permanent BCP tests, thus preparing efficient and timely responses to a possible financial crisis. We executed five (5) tests which contemplated the Emergency Plan and Financial and Passive Operations processes. The performance of these tests has been satisfactory. Training has also been carried out in the technology area in order to strengthen the concepts of business continuity and as a result it has strengthened the service of this area toward the tests as well as requests for critical processes.

PROJECT RISK

Within Findeter we worked on the structuring of base methodologies for the identification, measurement, control, monitoring, communication and event logging of projects. Similarly, we began the construction of standardized risk matrices, which serve as a knowledge base so that the sponsor and project manager can manage their risks, always with the support of the risk area.

ANTI-FRAUD AND CORRUPTION PROGRAM

This program defines the scope of the policy, and actions that are considered to be fraud are detailed, as well as mechanisms to prevent the misuse of privileged or confidential information.

The Bank has a reporting system and a method by which Findeter employees, customers, suppliers or third parties may make known to the administration of Findeter of any fraudulent conduct and mechanisms to prevent misuse of insider or confidential information.

During 2017 the methodology for the identification, measurement, control and monitoring of risks of fraud

and corruption, as well as the risk profile of the associated matrix, was reviewed and no evidence has been presented of any event or presumed event involving senior management or employees. Additionally, adjustments have been made to the risk matrix associated with these events, by which the processes of the Entity were disseminated. Similarly, we conducted the evaluation of the elements of the Anti-Fraud and Corruption Program, as well as the risk profile of the entity, obtaining optimum results.

INFORMATION SECURITY MANAGEMENT SYSTEM - ISMS

During 2017 the Bank implemented the managed security services that were contracted with a company specializing in enterprise security, which allowed the strengthening of the management of security events and incidents and management of technological vulnerabilities.

Similarly, we performed a series of Ethical Hacking and Social Engineering tests with the aim of determining the level of risk and exposure of the organization to internal or external attackers that can compromise critical assets of the entity and verify aspects related to internal security protocols of the entity, the level of awareness of employees of the Bank about the security of information, knowledge and/or compliance with security policies and privacy of information of the Entity, and the exposure of information published online by the Entity and by its employees.

A series of campaigns and training were performed in order to strengthen the culture, risk management and information security for workers of the Entity, and a set of information security policies was disseminated so that employees can understand the safety guidelines governing the entity.

In 2018 we will continue with the implementation of the security and privacy model of the Digital Government strategy that the Institution must fulfill, and the safety campaigns. The implementation of controls and measures to strengthen the security of the entity's information will continue.

ENVIRONMENTAL AND SOCIAL RISKS MANAGEMENT SYSTEM - SARAS

In 2012, we signed up to the "Green Protocol", a voluntary agreement with the Government, in order to implement policies and practices that are precursors, multipliers and demonstrative in terms of environmental and social responsibility in harmony with sustainable development.

Based on the above, we designed our Findeter Environmental and Social Risk Management System (SARAS) whose main objective is to manage the potential environmental and social risks in projects associated with on-loan operations and specifically for investment use.

The SARAS, like all Findeter managed systems, is subject to feedback and, therefore, to continuous improvement. We want to highlight the most important achievements during the year 2017:

- We restructured the internal organizational chart of Findeter, specifying roles and responsibilities of the stakeholders in the SARAS, as required by the Financial Superintendence of Colombia.
- We implemented a worktable in the Commercial Vice Presidency, the Vice Presidency of Risks and Head of Portfolio Origination where environmental and social commitments of those projects that require it were defined together with their respective dates of compliance.
- We strengthened the SARAS management with the hiring of a Master in Environmental Management Vice Presidency of Risk.

Our SARAS uses two (2) forms for the identification and analysis of environmental risks. These were strengthened in order to align the system performance standards of the International Finance Corporation (IFC in English):

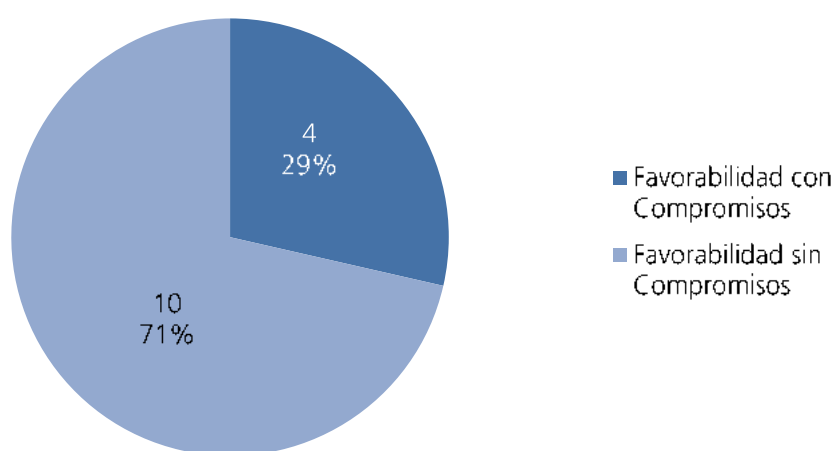
- We included nineteen (19) areas of environmental and social importance; we strengthened the identification of environmental and social legislation; we included thirty (30) potential impacts on the abiotic, biotic and socioeconomic environment that are common in the development of a project.
- We included eighteen (18) key aspects for identifying risks in terms of employment and working conditions.

- We strengthened the identification of efficient use of natural resources and pollution prevention: inputs used, solid and liquid waste, CO2 emissions and control measures and prevention of generated impacts.
- We included twelve (12) aspects for identifying risks against the health and safety of the community.
- We complement the identification of areas of indigenous, Afro-Colombian, palenqueras, raizales or Gypsy communities, considering Convention 169 of the International Labor Organization (ILO), the associated impacts and the consultation process.
- The identification of four (4) areas of archaeological, historical, cultural, institutional and/or social value, and associated impacts.

SARAS Management Indicators

During 2017 fourteen (14) credit applications were evaluated according to SARAS methodology: ten (10) were "favorable without commitments" (71%), four (4) were "favorable with commitments" (29%), and none were "not favorable".

Graph 17: Favorability and Project Commitments

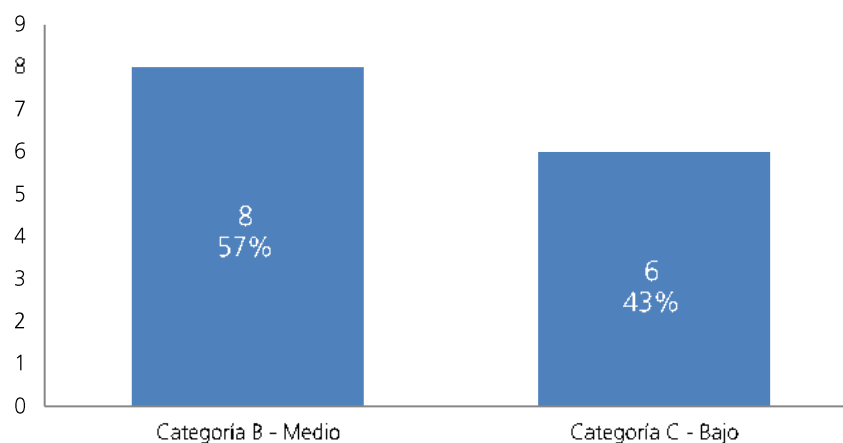


Source: Vice Presidency of Risk

It is important to mention that we do tracking and monitoring through the compliance with established commitments in order to verify the proper environmental and social management of a project funded by Findeter.

Of the fourteen (14) SARAS evaluations, eight (8) were categorized with B-medium risk (57%) and six (6) were categorized with low-risk C (43%). No project was classified as A-high risk.

Graph 18: Categorization of Projects



Source: Vice Presidency of Risk

Table 27: Disbursements to projects evaluated according to the SARAS methodology in 2017

| Concept | Number of projects |
|--|--------------------|
| Projects evaluated in 2017 without payment | 11 |
| Projects evaluated in 2017 disbursed | 3 |
| Total projects evaluated in 2017 | 14 |

Source: Vice Presidency of Risk

In Findeter we have established a program of sustainable practices for 2017, in order to generate actions with environmental and social commitment which will promote best practices to stakeholders and integrate actions on climate change, responsibility and environmental and social risk management.

Given the guidelines of this program and based on integrating sustainable practices and concrete actions both inside and outside the institution, the implementation of SARAS dissemination and training was established in Findeter.

Throughout 2017 we have held three SARAS training sessions for eight (8) internal persons and twelve (12) persons outside the entity:

- Banco de Bogotá.
- Regional offices of Findeter.
- Vice Presidency of Risk - Findeter.

We also received training related to SARAS by the Colombian Financial Trade Association (Asobancaria):

- Capacity development for environmentally sound management and disposal of polychlorinated biphenyls (PCB) - generalities, legislation and investment.
- Early Warning Information System (Tremarctos Colombia 3.0).
- Third Communication on Climate Change (CC).
- Prior consultation on development projects.
- Risk management and impact assessment (tools for sustainability in the financial sector).
- Decree 926 of 2017 - by which the procedure for the Causation Number of the National Carbon Tax is established.

4.5 FINANCIAL STATEMENTS AND AUDITOR'S OPINION

(G4-17)



See full information on the Financial Statements and the Opinion of the Statutory Auditor in Annex 1.

5 INTERNAL CONTROL

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Compliance with the audit plan defined
- Generation of recommendations that led to the strengthening of the Internal Control System (ICS) in different control elements such as the control environment, risk management, control activities, information and communication, monitoring and accounting management and implemented a permanent monitoring of the compliance of action plans by the process owners.
- Monitoring of the implementation of the action plans defined in the various audits that allow the strengthening of the internal control system defined in aspects such as the prevention of risks of fraud and corruption, the leakage of information, awareness about the registration of fraud event, management of the different systems of risk management, among others.
- Strengthening controls for the different applications or tools that Findeter uses, such as insurance mechanisms for platforms (eg Databases, Communications, WEB, etc.), the authentication scheme of the web platforms, the password policies and monitoring of activities on the network, the databases and folders where the information is stored.
- Campaigns aimed at raising awareness and empowering the Findeter employees who are responsible for assessing and analyzing their own responsibilities and controls that contribute to continuous improvement in fulfilling the institutional mission were created.
- Improvement of the process of closing the action plans defined by the process owners and increasingly, areas are aware of the importance of implementing them in strengthening the ICS.

5.1 INTERNAL CONTROL MANAGEMENT APPROACH

Internal audits were conducted with a focus on structured and comprehensive work, based on risk, leveraged on a methodology that allows the following components to be evaluated in each process: control environment, risk management, control activities, information, communication and monitoring, as well as the controls related to accounting transactions and general technology controls. These assessments have allowed possible situations of risk or issues that may impact business operations and its control environment to be identified.

Figure 2: Diagram of strengthening the Internal Control System



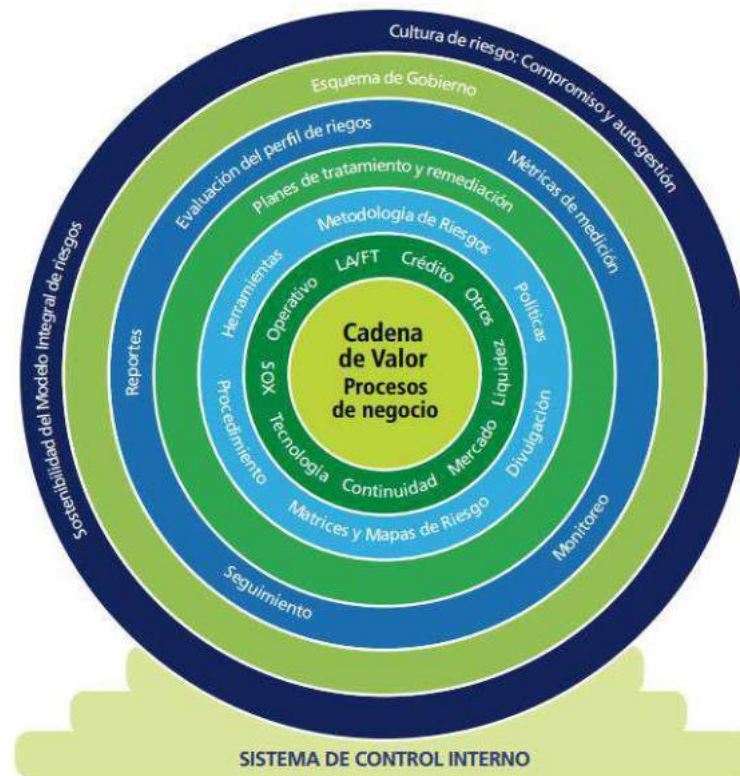
5.1.1 INTERNAL CONTROL SYSTEM (ICS)

The Internal Control System of Findeter aims its sustainability and the strengthening of leading practices and applying the guidelines established in the current regulations related to the review and adaptation of the Internal Control System, which has allowed the institution to have management systems oriented on leveraging compliance targets based on their business model.

Evaluation of the Internal Control System was conducted in accordance with:

- Decree 943 of May 21, 2014, by which the Standard Model of Internal Control (METI) is updated, regarding the two modules, 6 components, 13 elements and a transverse axis.
- Each of the elements defined in Part I, Title I, Chapter IV of External Circular Letter 029 of 2014 issued by the Financial Superintendence of Colombia, including Technology Management and Accounting Management.

Figure 3: Conceptual framework of the Internal Control System

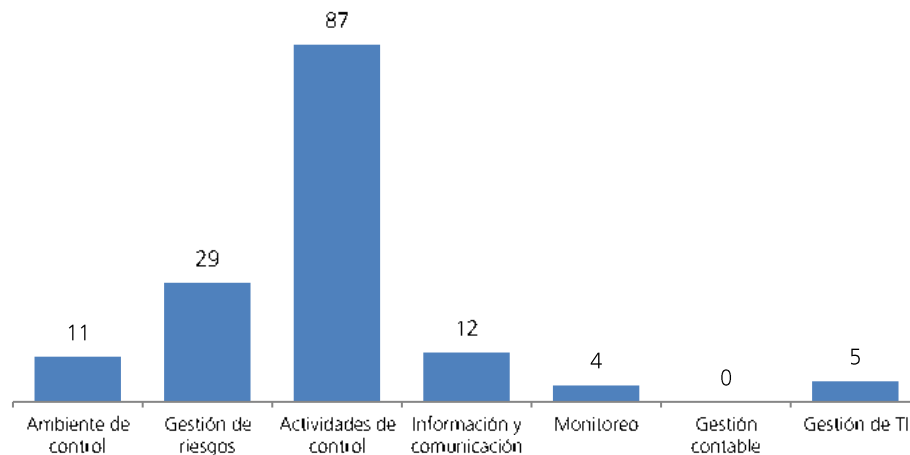


- An approach based on risk assessment.

In addition, the Office of Internal Oversight performs its function of assurance, evaluating 100% of the processes of the Entity, the regional offices, different Risk Management Systems and contributes to strengthening the Integrated Management System (IMS). Additionally, it performs special audits in order to identify opportunities for improvement and proactively supports the strengthening of the processes.

Here are the results of observations or opportunities for improvement identified by control element during the year aimed at strengthening the processes and the Integral Management System of Findeter:

Graph 19: Control Elements



According to the above graph recommendations were made for each of these elements, which are aimed at strengthening the design and effectiveness of the controls implemented by the various process owners to mitigate the risks affecting the achievement of the objectives of the organization. As a result of our evaluations, recommendations were issued to each area, related to the identification of new controls and the implementation and improvement of the efficiency of existing controls and the prevention of risks:

- **Control Environment:** This was strengthened through the definition and documentation of policies and procedures applicable to the new areas and programs or projects administered by the Financial company, as well as updating the existing documentation such as the code of ethics, organizational structure, the map of processes and activities of each area.
- **Risk management:** Recommendations were generated at the various stages and elements of the management systems of operational risk, money laundering and terrorist financing, market credit and liquidity. Moreover, recommendations for strengthening awareness campaigns on event reports of operational risk, fraud prevention, data leakage and monitoring of action plans for mitigation were generated.

With respect to this element of the system, we note that the Vice Presidency of Risk is in the process of documentation and migration of the risk matrices and controls of the 17 processes under the new SARO, SARLAFT, Business Continuity and Fraud Prevention methodology, which will integrate the systems of non-financial risks into a single scheme. These risks will be documented in the WRM tool, which was acquired for this purpose.

In the Anti-fraud and corruption program specific follow-up checks were defined on the different mechanisms (email, telephone, nexura) for the receipt of research requests; likewise, the training program was documented.

- **Control activities:** The different processes of the value chain have implemented preventive monitoring controls to strengthen the integrated management system in order to seek the fulfillment of the goals during a period of time. The different processes have also been redefined, simplified and automated without losing sight of control, in order to be more effective and efficient in the different support, mission and strategic tasks.
- **Information and communication:** Improvement opportunities were generated to strengthen the management and control of information assets with respect to security (confidentiality, integrity and availability), quality (effectiveness, efficiency and reliability) and compliance with the generated information.
- **Monitoring** Recommendations on the definition of management indicators for new areas to measure the performance and management of its activities were generated. Likewise, the Planning Department conducted training campaigns in the different areas in order to guide them as to how to identify, formulate and monitor indicators.

Permanent monitoring was conducted from the ISOLUCIÓN tool to the process leaders in order to validate the implementation of the action plans defined for them in the various internal management audits. In order to close these plans, the evidence presented by the process owners and effectiveness of the implemented actions were analyzed.

- **Accounting management:** Controls have been defined to ensure the accrual of monthly operations through the definition and monitoring of figures at the close; reconciliations are also generated with different areas of information providers such as human talent, portfolio management and operations.
- **IT Management:** The Financial company has a technology platform to support business operations and has implemented processes to manage and control them in accordance with legal requirements aligned with leading practices. During 2017 recommendations were made aimed at strengthening technology general controls in the areas of strategy, operations, security and continuity.

Vulnerability exercises have been defined and have been conducting through a third party contracted for this purpose, in order to analyze security weaknesses and mitigate them through improvement plans.

Finally, we note that the recommendations made in internal audits through their reports are implemented by the areas to improve processes contributing to the continuous improvement of the Integrated Management

System.

To address the recommendations, the process owners developed action plans aimed at strengthening and improving the system of internal control of the financial company which have been implemented in accordance with the dates defined in the audit reports and special assessments.

Findeter has implemented and developed the guidelines issued by the Administrative Department of Public Service - MECI and the guidelines of the Financial Superintendence of Colombia in the organization. The commitment and management of the managers at all levels of the Institution towards the continuous improvement of processes and the identification and implementation of best practices Internal Control System is observed.

Therefore, it is concluded that the financial company has a defined and documented control environment, it has risk management systems identified and monitored, it has implemented control activities in its processes, it has information systems and transversal communication and a monitoring scheme for compliance with its objectives allowing sustainability and strengthening of the internal control system.

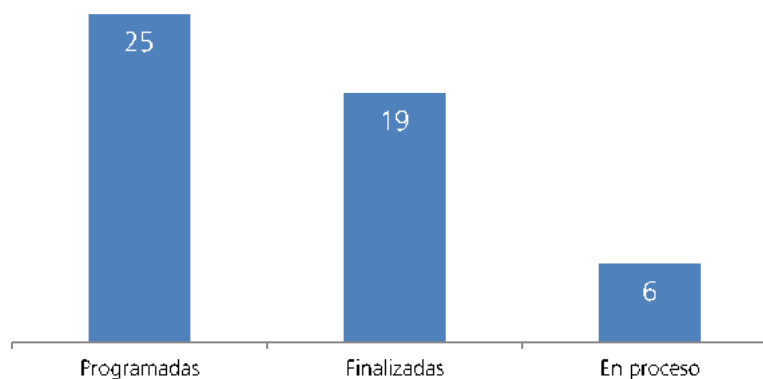
Management should continue to implement action plans designed towards the continuous improvement and sustainability of the Internal Control System and further strengthen its controls associated to the process of procurement of goods and services and in the programs run by the Technical Vice Presidency such as Water for Prosperity, Free Housing and Infrastructure, to minimize the reputational, legal and economic risks of the Financial company. Similarly, it is important to continue assessing and managing the financial and non-financial risks of the Financial company according to new activities or products and services offered to the community.

5.2 AUDITS

5.2.1 AUDIT PLAN

According to the Audit Plan 2017-2018 which was approved by the Audit Committee of the Board of Directors at its meeting on November 29, 2016. As of December 31, 2017, nineteen (19) internal management audits have been executed and six (6) audits are nearing the completion and validation stages with the process owner.

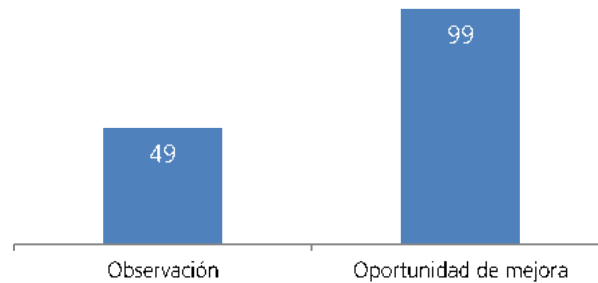
Graph 200: Audit Plan 2017



5.2.2 AUDIT RESULTS

Result of evaluations conducted to December 31, 2017, a total of 148 observations and opportunities for improvement were generated, on which action plans aimed at strengthening compliance with the objectives of the financial company and different control elements were established as defined in Part I, Title I, Chapter IV of External Circular Letter 029 of the Financial Superintendence of Colombia.

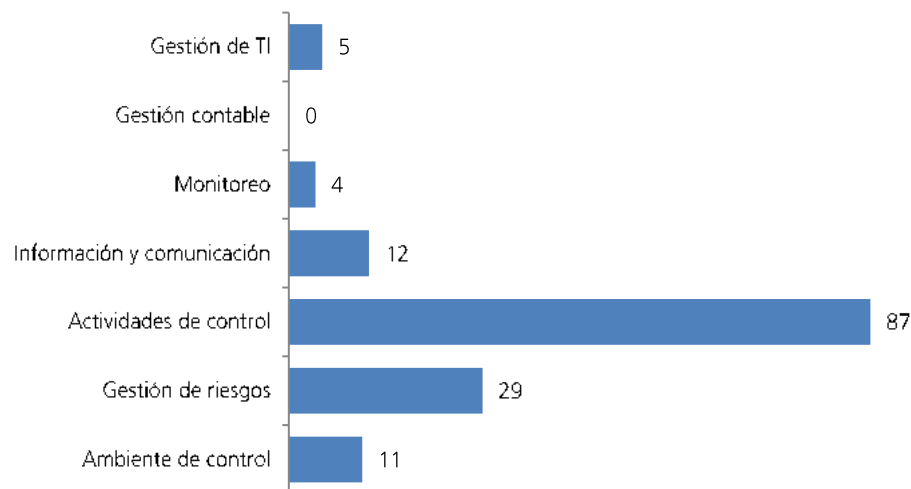
Graph 21: Audit Results 2017



From the above graph, we report the behavior of the observations and opportunities for improvement generated by the control elements documented in External Circular 029 of 2014 issued by the Financial Superintendence of Colombia in Part I, Title I, Chapter IV:

As a result of the execution of the internal audits, situations were identified that allowed the Financial company to continue strengthening its Internal Control System in each of the processes defined in the current value chain.

Graph 32: Control Elements 2017



Also, according to the request of the Audit Committee of the Board of Directors, a specific assessment was performed on the processes of Procurement of Goods and Services and Technical Assistance. Here is the conclusion of these audits:

TECHNICAL ASSISTANCE:

Conclusion: According to the assessment of key process controls and Technical Assistance for the selected sample (27 calls), we note that it is aligned with the defined objective and is executed in accordance with the scope and documented procedures.

Moreover, we identified that the Technical Vice Presidency defined and executed controls that seek to mitigate the risks that the Entity is exposed to and are focused on continuous improvement.

Notwithstanding the foregoing, aspects related to improvement were identified:

- Compliance with the publication date of documents in calls for technical assistance.
- Technical Committee approval of the addenda to the terms of reference.
- The opportunity to formalize the minutes of the Technical and Trustee committees.
- Strengthening of the controls related to document management for integrity, traceability and availability of the supporting documentation at all stages of the process.

According to the above, the Office of Internal Oversight made the following recommendations for continuous improvement of the process:

- Define the administrative activities and techniques aimed at the processing, management and organization of the pre-contractual management support documentation, such as the:
 - Viability of water and basic sanitation projects.
 - Comments received about the terms of reference (TR).
 - TR approvals and its addenda.
 - Proposals received.
 - Technical, financial and legal assessments signed and approved, with their supports.
 - Comments about the report on enabling requirements.
 - Rectification of observations.
 - Selection documents.

In addition, define the documents that are the support for the project monitoring, in order to ensure that they are with the corresponding program (water and social infrastructure).

- Define and document classification guidelines for the status of projects (i.e. traffic lights based on advancing, media exposure, accidents, etc.) and provisions for its report, including the conditions and frequencies for its submission to the Board.
- Report to the Vice Presidency of Risk the claims related to the Technical Assistance projects, according to the internal SARO manual. We observe a non-reported claim.

ACQUISITION OF GOODS AND SERVICES:

Conclusion: According to the assessment of key controls of the Procurement of Goods and Services process and the selected sample, we note that it is aligned with the defined objective and is executed in accordance with the scope and documented procedures.

Moreover, we note that controls are defined and implemented in the process that seek to mitigate the risks to which the entity is exposed and are focused on continuous improvement.

Notwithstanding the foregoing, aspects related to improvement were identified:

- Strengthening of controls related to the comprehensive document management, traceability and availability of supporting documentation at all stages of the procedure.
- The review and updating of the risk matrix and fraud and corruption controls to which the Company may be exposed to in the procurement of goods and services.

5.2.3 SPECIAL AUDITS

Here are some of the actions taken by the management as a result of the recommendations made by the Office of Internal Control:

SECURITY OF THE INFORMATION

In the evaluation of key controls of the procedures established in CE 029 of 2014 of the Financial Superintendence of Colombia Part I, Title I, Chapter IV, paragraph 5.2.1.13. Security systems, and in Part I, Title II, Chapter I, paragraph 2. Safety and Quality, we note the following:

- Encryption was added to the devices for the use of removable media and the safety guidelines established for the use of mobile equipment were implemented.
- The periodicity for review by the Vice Presidency of Risk about the blocking applied to the use of external storage devices in the Entity was defined. For the 91 users identified as not having this control, the respective locking technology was requested by means of an "ASSISTA A" to the Technology Management.
- The third parties allowed for information exchange were identified. The security and information privacy manual was updated in Policy "14.2.1 The safe handling, transfer or exchange of information" which states that the vice-presidency of risks will regularly verify that third parties or recipients to whom information is exchanged are duly authorized by the owner of the information.
- The documentation of generic user accounts along with their purpose and person responsible is observed in the KeePass tool. Likewise, the creation of specific users on the McAfee management console for administration officials was evident.
- The need to strengthen the password for guests on the WIFI network was presented to the Risk Committee. The Committee accepted the request and established a series of policies to strengthen the connection control by defining intervals for changing the password and the use of strong passwords, among others.
- The delegation of responsibility and activity was performed to verify that the versions of the production environment software correspond to versions of cataloged source programs. A first report on the review of versioning of programs was presented and access to production data in the backup infrastructure was restricted to users.
- The measurement of the effectiveness of the training program on Information Security given to workers is performed together with the annual SARO and SARLAFT training.
- The Manual of Security Policies and Privacy Information was published and a schedule of activities for its dissemination was created.

FRAUD AND CORRUPTION PROGRAM FOLLOW-UP

- The sensitization and awareness plan for employees regarding the corruption and anti-fraud program was formalized. Additionally, awareness campaigns such as "DIC" and "DEBORA PLATA" were launched for all employees, raising awareness about data protection and information leakage. Safety tips are also published on the visual Findeter billboards.
- A control was included where it was indicated that a daily monitoring will be performed to the operation of email operation, and on a weekly basis to the customer service line defined by the Bank for receiving reports of incidents or events of fraud and corruption.
- The Vice Presidency of Risk began the process of re-addressing the complaints received in the NEXURA tool to the corresponding areas. They are under investigation.

TRANSPARENCY LAW

- A new directive was issued in the Company Communications Plan, for the construction of a new Findeter web portal that comprehensively meets the requirements established by the Transparency Act and the policies of the Government Online program.
- The schedule of each Findeter headquarters was updated on the website.
- According to the information provided and the revision made to the website of the Company, we note that the information assets were published, maintaining the information security policies. In this documentation assets are not named, but the functionality is, in order to prevent this information from being used by others. We also note that the document management program v2 update was made on the website.

RISK MANAGEMENT

According to the validation performed on the different risk management systems administered by the Financial company and as a result of the audits, we note that these are aligned as defined by the Superintendence of Colombia regarding the stages and elements thereof. Notwithstanding the foregoing, recommendations were generated that allow it to be strengthened in the following aspects:

OPERATIONAL RISK MANAGEMENT SYSTEM (SARO)

- A validation control of the information contained in the Board of Directors Proceedings was defined corroborating compliance with all the functions described in the C.E. 100 1995, paragraph 3.2.4.1, for each report submitted by the Legal Representative regarding SARO.
- The anonymous method for recording risk events entered into operation, with which an increase in registration thereof is expected, together with an additional input for the evaluation of the operational risk process.
- All the processes were migrated to the new SARO methodology and WRM tool where non-financial risks will be managed.

RISK MANAGEMENT SYSTEM AGAINST MONEY LAUNDERING AND TERRORIST FINANCING (SARLAFT)

- On July 7, 2017, the Financial Superintendence of Colombia authorized the possession of the principal compliance officer of Findeter.
- The Vice Presidency of Risk performed the SARLAFT monitoring for the first half of 2017.
- A tracking control was implemented in which the sending of the application of the SARLAFT certificates to all intermediaries was verified. In addition, a shared folder with all the updated certifications was created.
- An analysis on implementing a policy for Publicly Exposed Persons (PEP) is being performed.
- The SARLAFT Manual was updated regarding the application of the methodology in the WRM tool in the following areas: estimating the impact of risks, the risk map (colorimetry) the control rating parameters, classification of risks and others the administration deemed necessary.
- The minutes of Board of Directors where the quarterly reports of the Compliance Officer were presented are being reviewed, so that they leave record of the individual and consolidated evolution of the risk profiles of the risk factors and adopted controls, as well as the associated risks, in compliance with current regulations.
- The unique form for linking natural persons was updated, including the spaces to gather information from potential customers as defined by the External Circular Letter 029 of 2014.

MARKET (SARM) AND LIQUIDITY (SARL) RISK MANAGEMENT SYSTEM

- The Vice Presidency of Risk implemented the sending of the daily report, including information about the market and liquidity risk. It also is sending relevant available information on a daily basis concerning market risk and liquidity, complementing the daily report sent by the Directorate of Operations.
- The risk matrix was updated where three new risks and their respective controls were identified.

CREDIT RISK MANAGEMENT SYSTEM (SARC)

- The SARC manual was updated clarifying the accounting period to use for the monitoring and allocation of the VME, additionally it was clarified that the securitized portfolio will not be taken for the VME allocation will be taken, provided it is not owned by Findeter.
- The Financial company is in the process of gathering information with the financial intermediaries and the application of the results within the different methodologies of the SARC.
- Policies are being defined, and the actions to be considered when the debtor registers sanctioned obligations in the financial system, according to information from credit bureaus or any other source, are being documented.

- Contingent rights, their exposure and impact for the portfolio that applies are being identified.

5.3 INTEGRATED MANAGEMENT SYSTEM AUDITS

The SGI Tenth Cycle of Internal Audits is scheduled in the first half of 2018, considering the transition from Findeter to ISO 9001: 2015 and ISO 14001: 2015.

5.3.1 TRACKING OF INTEGRATED MANAGEMENT SYSTEM AUDITS

During 2017, quarterly monitoring was performed to the compliance with the action plans of the SGI ninth cycle of internal audits (quality and environmental). The following was obtained as a result of this: As of December 31, 2017, all the action plans defined by the process owners for the ninth cycle were closed.

5.4 AUDIT OF THE INTERNAL ACCOUNTING CONTROL SYSTEM

Based on the development of audit procedures 2017, it is established that the system of internal accounting control of the Financial Company was in accordance with the legal and technical accounting standards.

FINDETER has the procedures and controls that allow it to manage the financial and accounting information and apply the International Financial Reporting Standards adopted by the Board, and the accounting principles for institutions monitored by the Financial Superintendence of Colombia.

In the audit processes of the Financial company, the observations and identified opportunities for improvement were managed by those responsible for the process, which signed action plans aimed at strengthening management accounting.

5.5 MONITORING AND IMPLEMENTATION OF THE ACTION PLANS

The Internal Control Management Office (OCI) performs monthly follow-up action plans that the process owners implement as a result of the recommendations, for which a check is made in the tool provided by the Bank (ISOLUCIÓN), verifying the timely implementation of activities through the corresponding supports.

As a result of the monitoring conducted by the OCI to one hundred and forty-eight (148) action plans generated for the term 2017, it was observed that one hundred and twelve (112) action plans are closed and thirty-six (36) are in the implementation process.

5.6 INTERNAL AND EXTERNAL CONTROL MANAGEMENT REPORTS

The Internal Control Management Office performs the role of "Relations with external entities" and as a dynamic component of the Internal Control System, during 2017, in addition to others, the following reports and requirements of Control Bodies have been generated: Report on Internal Accounting Control, Improvement Plan Report CGR, Monitoring Certifications of the Unique Litigious System of Information of the Ekogui State, the Integrated Planning and Management Model, Monitoring the Anti-Corruption and Customer Service Plan, Monitoring of the Archive Improvement Plan AGN, Detailed report of the State of the Internal Control - Law 1474 of 2011, Follow-up to Petition Rights. The preparation of these reports is regulated by the existing rules for that purpose, as well as their periodicity: monthly, bimonthly, quarterly,

5.7 IMPROVEMENT PLAN OF THE COMPTROLLER GENERAL OF THE REPUBLIC

The Comptroller General of the Republic, based on the powers conferred by Article 267 of the Constitution, audited Findeter for the term 2016, through the assessment of the principles of fiscal management: efficiency, effectiveness and economy with which it administered the resources at its disposal and the management results in the areas, activities or processes, examination of the balance sheet as of December 31, 2016 and the income statement for the year ended on that date. These financial statements were examined and compared with the previous year.

The evaluation of the management and results received a score of 95.93 points, equivalent to a FAVORABLE opinion and based on the evaluation of management control components, results, legality, financial and internal control, which contemplate the variables that were verified and ranked by the audit team, using as a tool the guidelines established in the CGR Audit Guide.

On completion of the accounts for 2016, the results obtained for the evaluated components are shown below

Table 28: Results of the Improvement Plan of the General Comptroller of the Republic

| Components | Score |
|---------------------|--------------|
| Management control | 96 |
| Results Control | 95.3 |
| Control of Legality | 93 |
| Financial Control | 100 |
| Internal control | 88.35 |
| Final score | 95.93 |

Findeter prepared and signed the Improvement Plan for 2016 corresponding to the 2016 term through the Electronic Accountability System of Accounts and Reports (SIRECI). (7) action plans are implemented in this plan through (21) activities, (14) activities to be fulfilled in the term 2017 and (7) in 2018.

As of December 31, 2017, the activities were performed as scheduled.

Another part was transmitted through the SIRECI, monitoring the Improvement Plan for the term 2015 of the Entity.

5.8 INTERNAL CONTROL COMMITTEES

5.8.1 AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

For purposes of determining the general guidelines for supervision, monitoring and improving the system of internal control-SCI, as well as the process used to review the effectiveness of SCI, and aspects related to risk management, the Audit Committee he met seven (7) times during the period, in the months of January, February, April, June, August, September and November 2017, of which the corresponding minutes were drawn up.

The Management of the Audit Committee was conducted through the ongoing and active monitoring of the functions and activities of the Office of Internal Control, in order to maintain adequate independence in relation to the activities audited and ensuring the means and conditions necessary to meet the audit plan approved for the term.

5.8.2 INTERNAL CONTROL COORDINATION COMMITTEE

The Coordination Committee of the Internal Control System of Findeter, as a collegial body of management support, and in accordance with the provisions of applicable regulations, is responsible for ordering the necessary actions to ensure the articulated, efficient and effective operation of the Internal Control System and SGI.

The Internal Control Management Office exercises the Technical Secretariat of this Committee, responsible for the development, compilation and custody of the respective minutes. During this term, the Committee met on two (2) opportunities: January and September 2017.

In the meetings held by the Committee, the Internal Control Management Office presented the assessments made to the management models available to Findeter, the follow-up of the action plans generated during audits, as well as the activities aimed at encouraging the culture of control and the relationship with external entities.

5.9 PROMOTING THE CULTURE OF CONTROL

The Internal Control Office in the application of its role for "Promoting the Culture of Control", developed a Self-Control campaign, aimed at raising awareness and to empower employees of Findeter who are responsible for assessing and analyzing their own responsibilities and controls that contribute to continuous improvement in fulfilling the institutional mission.

As a result of this activity it was identified that Findeter has an organizational culture focused on strengthening the internal control system and continuous improvement.

5.10 CORPORATE ASSESSMENT OF THE INTERNAL CONTROL SYSTEM (ICS)

Findeter has implemented and developed MECI elements within the organization, as well as elements defined in Part I, Title I, Chapter IV of External Circular Letter 029 of 2014 issued by the Financial Superintendence of Colombia, including Technology Management and Accounting Management. Senior Management and in general all levels of the Company, are committed to strengthening the internal control system and actively participate in efforts to promote self-control. Notwithstanding the foregoing, it is necessary to continue working on the actions defined in the action plans signed with the responsible areas in order to implement the process improvement and strengthening and sustainability of the Internal Control System.

Therefore, it is concluded that the Financial company has a documented SCI that is defined and in operation. Likewise, it presents a monitoring scheme that allows the monitoring of compliance with its objectives seeking continuous improvement, sustainability and the strengthening of the system.

2018 GOALS

The Internal Control Management Office in accordance with the roles defined by applicable regulations, proposes the following outlook for 2018 in order to strengthen the internal control system and improving the outcomes of the FINDETER management processes model:

- Evaluation and delivering results that generate added value for improving management processes by aligning the audit approach to the strategic objectives defined by FINDETER.
- Generate recommendations that they consider to be preventive aspects for achieving the objectives and institutional purposes.
- Carry out comprehensive audits to identify opportunities for improvement based on leading practices and business knowledge to improve the effectiveness, efficiency and effectiveness of the controls and processes in FINDETER to achieve the objectives of the organization. The above is done through directing assessments to key process controls and considering, in addition to others: key personnel, information systems, accounting and interaction with other processes and third parties involved.
- The Internal Control Office will perform the internal audits based on industry leading practices, taking into account the emerging risks and will update its methodology based on the standards and reference models that may be issued during the term.

Continue encouraging employees of the Financial company to strengthen and promote the culture of control, as long as self-control, self-regulation and self-management are principles and pillars of the MECI.

6 COMMITMENT TO THE SUSTAINABILITY OF THE REGIONS

OUTSTANDING ACHIEVEMENTS AND EVENTS

- In 2017 the Bank financed 221 projects, with a total of \$ 2.07 billion disbursed in 24 departments and 66 municipalities. This year more resources were allocated to the following sectors: Health, Transport, Urban Development and Housing.

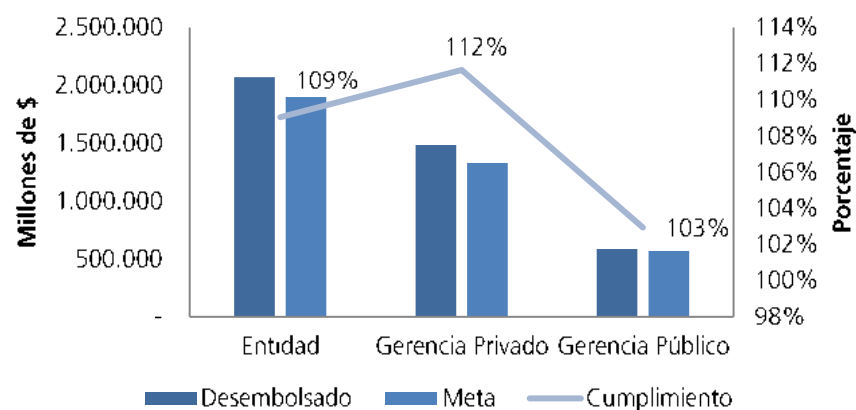
6.1 ON-LOAN CREDIT

6.1.1 ON-LOAN MANAGEMENT

2017 had a goal of \$ 1.9 billion for placing on-loan credits, \$ 1.33 billion allocated to the National Private Management and \$ 570 billion for the National Public Management, which was fulfilled satisfactorily. The Bank reached 109% compliance with a surplus of \$ 172 billion, compliance in the private sector was 112% and the public sector was 103%, surpassing the outlined expectations. During this year we contribute to sustainable development of the country with disbursements in 66 municipalities and 24 departments.

In 2017 we completed a total portfolio balance of \$ 8.24 billion growing by 6% compared with the same period last year, this demonstrates the commitment that Findeter has every day to be driving development throughout the country, making Colombia a more sustainable country.

Graph 22: Budget achievement vs Disbursements



Source: Financianet.

Some important achievements and/or public-sector disbursements that support the sustainable development of the regions stand out:

1. The National Government approved Findeter \$ 1 billion to leverage new projects with a Compensated Rate of Sustainable Infrastructure.
 - 100% commitment of resources for this line in 2017, with the management and support of the Minister of Finance and Public Credit.
 - In the public sector \$ 313,196 million were committed.

2. Compliance with the overall on-loan goal for public sector projects by 103%, corresponding to disbursements for \$ 586,746 million, in 44 projects.
 - Featured projects:
 - District of Barranquilla: \$ 87,150 Million for the "Financing of projects under the Development Plan 2016-2019 Barranquilla Capital of Life"
 - Rionegro: \$ 50,000 million in the project "Complement the Road Financing Plan and Sanitation Plan of Rionegro. Development Plan "Rionegro everyone's job"
 - Valle del Cauca Department: \$ 40.000 million for the "Reorganization, Redesign and Modernization of the Social Networks of State Enterprises"
3. Implementation and 100% compliance with the royalty strategy with the municipalities and departments prioritized for such activity.
 - Events held in 11 cities. We went to 86 municipalities with strategic representatives from each entity, achieving an attendance of over 270 people.
 - Identification of priority projects within the execution of the target for year 2017, potential business for 2018 and we train local authorities on issues of key financing through royalties.
 - Execution of the Sustainable, Emblematic and Diamond Caribbean Cities at 78%. This means that we are able to cover the needs of entities that are part of these programs and have prioritized projects thereunder for \$ 157,336 million. We also committed the resources that were not executed to be disbursed in 2018.

In the private sector resources were disbursed for \$ 1.5 billion during 2017, represented in 133 projects nationwide, mainly in the Health Sector, Urban Development, Education, Energy and Transport, which accounted for 96% of private expenditure, with the recipients being 23 departments throughout the national territory, mainly in Antioquia, the Capital District, Valle del Cauca, Cundinamarca and Bolívar.

The main cities where went with private resources were: The Capital District, Medellín, Cali, Barranquilla and Cartagena.

Through financial intermediation, the following distribution of disbursements by Financial Intermediary was achieved:

Table 29: Disbursements by Type of Financial Intermediary 2017

| Type of beneficiary | disbursements | Part% |
|-----------------------|---------------|-------|
| Bank | \$ 2,025,866 | 97.8% |
| Finance company | \$ 34,857 | 1.7% |
| Financial cooperative | \$ 10,993 | 0.5% |
| Grand Total | \$ 2,071,716 | 100% |

Source: Financianet - Figures in millions of \$

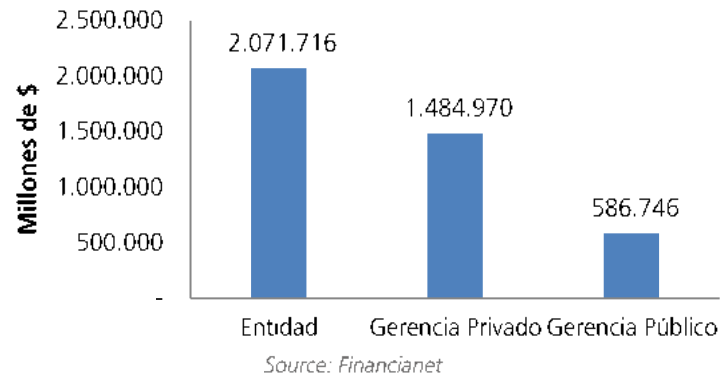
As shown in 2017, 97.8% of credits granted were through banks for a total of \$ 2.03 billion, 2.2% was split between disbursements by Financial Companies and Financial Cooperatives. Banks are once again our big strategic partners for making placements of on-loan credits as a Second Tier Bank, this thanks to the work relationship and implementation of joint strategies with all the financial intermediaries among which are:

- Events with Financial Intermediaries in various cities such as Bogotá, Pasto, Valledupar, Cucuta, Cali, Barranquilla, among others.
- Both commercial and operational training to financial intermediaries nationwide, to disseminate the different lines, sectors, deadlines, opportunities, operational aspects and in general all issues related to on-loans.

6.1.2 DESCRIPTION OF DISBURSEMENTS 2017

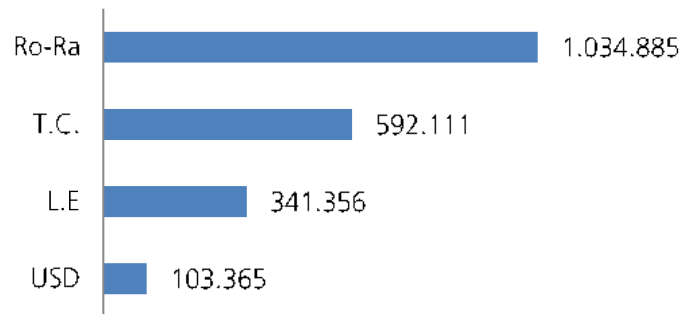
(G4-EC7, G4-EC8, G4-F57, F58-G4)

Graph 23: Total Disbursements by Channel 2017



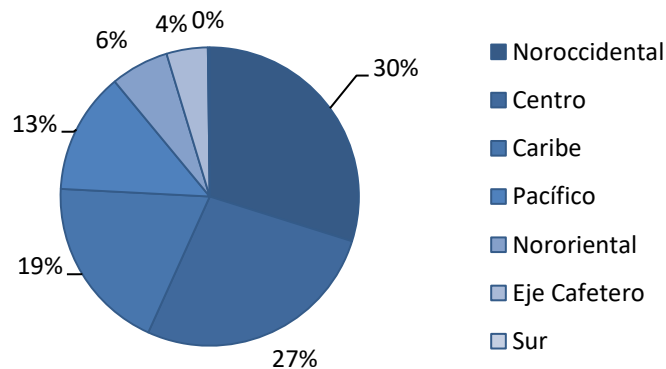
During 2017, 72 of every \$ 100 we disburse were destined for private beneficiaries, it should be noted that both the private and the public-sector targets were executed with 112% and 103% compliance respectively.

Graph 35: Disbursements by Type of Line 2017



About half of the on-loan credits we placed during 2017 were performed using regular resources, Compensated Rate disbursements accounted for 29% of the total, the remaining 21% was divided between special lines (16%) and dollars (5%).

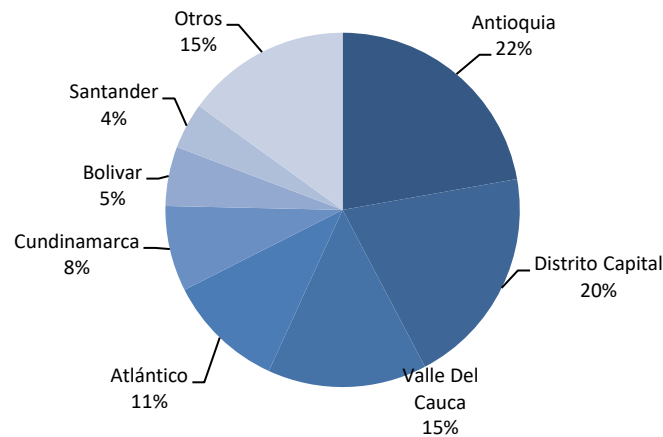
Graph 36: Disbursements by Regional Office 2017



* The Regional Center includes disbursements from the Southern Zone

In the Northwest Region we present the best performance during 2017, with a weight of 30% (\$ 618,313 Million) in the total disbursements of the year. About 89% of the loans granted were administered in the Northwest, Central, Caribbean and Pacific Regions.

Graph 37: Disbursements by Department 2017



Source: Financianet

Disbursements by Department follow the Disbursements by Regional line. The Department of Antioquia is the area where we placed the most credits in 2017, followed by the Capital District and Valle del Cauca. In total there were 24 departments where we provided on-loan credits, supporting the premise of the Entity to bring sustainable development to the regions.

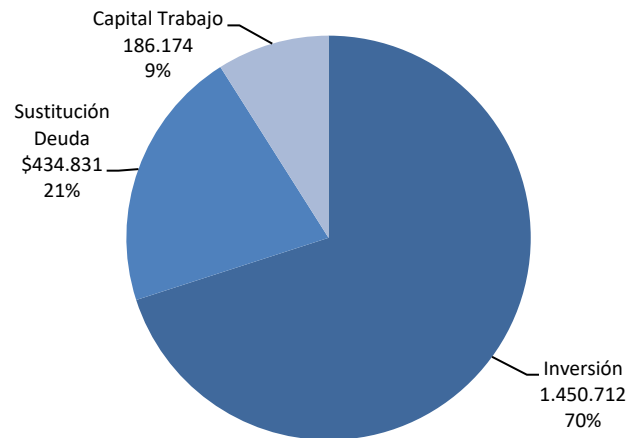
Table 30: Disbursements by Sector

| Sector | Disbursements | Part. % |
|-------------------------------------|------------------|-------------|
| Health | 469,321 | 23% |
| Urban Development | 430,173 | 21% |
| Transport | 358,684 | 17% |
| Education | 342,895 | 17% |
| Energy Development | 302,258 | 15% |
| Drinking water and Basic Sanitation | 66,256 | 3% |
| Tourism | 53,592 | 3% |
| Sports, Recreation and Culture | 29,109 | 1% |
| Environment | 18,123 | 1% |
| Tic's | 1,304 | 0.1% |
| General total | 2,071,716 | 100% |

Source: Financianet

77% of our disbursements (\$ 1.6 billion) were concentrated among the following sectors: Health, Urban Development, Transportation and Education, with the Health Sector being highlighted, which represented 23% of the total disbursements equivalent to \$ 469,321 Million.

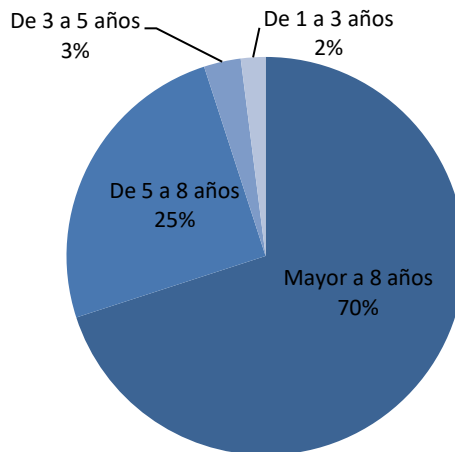
Graph 38: Disbursements by the Use of Resources 2017



Source: Financianet - Figures in Millions of \$

During 2017, the most predominant use of resources was investment with a weight of 70% of the total disbursements for the year. Thanks to businesses including the District of Barranquilla for \$ 93,999 Million, \$ 73,329 Million for the Department of Valle del Cauca or the Municipality of Bogotá for \$ 60,000 Million. The businesses financed for Debt Substitution and Working Capital, had a participation of 21% and 9%, respectively.

Graph 39: Disbursements by Term 2017



Source: Financianet

With respect to terms, we can see that 95% of the total disbursements are for terms of 5 years or more. With 25% at 5 to 8 years and 70% at 8 years or more. We can demonstrate how this type of credit, in the long term, is the focus of the Entity.

Table 31: Disbursements by Type of Operation 2017

| Type of operation | # Operations | Part% # Ops | Disbursement (Millions) | Part% Disbursements |
|-------------------|--------------|-------------|-------------------------|---------------------|
| Credit | 260 | 49% | \$ 1.733.694 | 84% |
| CrediLeasing | 132 | 25% | \$ 273.534 | 13% |

| | | | | |
|---------------|-----|------|--------------|------|
| Leasing | 73 | 14% | \$ 52.284 | 3% |
| VIS | 62 | 12% | \$ 12.205 | 1% |
| Total general | 527 | 100% | \$ 2.071.716 | 100% |

During 2017 a total of 527 operations were carried out, 84% of the disbursements were made through a credit operation, represented by 260 operations for a total value of \$ 1.74 billion.

2018 GOALS

By 2018 our goal is to place \$ 1.9 billion across the country, we hope to achieve placement for private beneficiaries \$ 1.3 billion, and public beneficiaries \$ 0.6 billion.

The Central Region has the largest share of the budget for next year, with 33% of the target, followed by the Caribbean Region and Northwest Region with 21% and 17% respectively, which means that 71% of the total on-loan goal is concentrated in the 3 main regions.

National Public Management

- We focus on supporting the fiscal management of the municipalities prioritized by the national government within the post-conflict, thus creating an opportunity for national coverage, and as such Findeter will be recognized as a strategic ally.
- We generate potential business through technical support on topics of funding and fiscal capacity.
- We see an opportunity to boost investment in the culture sector, taking into account all the new policies of the Orange Economy and Creative Industries.
- New resources for achieving a Sustainable Infrastructure Compensated Rate in order to cover new business opportunities with strategic departments and municipalities.
- Consolidation of the Group of Fiscal Territorial Support across the entire organization.

National Private Management

- We will focus on projects with resources for the Sustainable Infrastructure Compensated Rate committed by the national government with a focus on the education sector in the departments of Antioquia, Valle del Cauca, Bolívar and the Capital District.
- According to the economic growth projections for 2018, we expect a revival of the economy and we will be able to support private beneficiaries in their investment projects that promote the economic development of the country.

Marketing

Implementation and execution of the results of the two Strategic Management projects:

- The consolidation of the portfolio of Products and Services of the Entity: the great challenge in 2018 is to disseminate this portfolio both within Findeter (employees) and externally (customers), so that Findeter can be recognized as the Development Bank that offers comprehensive and sustainable solutions.
- The development of Customer Service Skills: Where we seek to increase awareness of the importance of Customer Service in the Entity, not only to strengthen this area inside the Market, but also working hand in hand with the different areas through the Service Managers and with the monitoring and control of the Service Level Agreements developed in the different processes.

6.2 INTEGRATED TERRITORIAL DEVELOPMENT

6.2.1 SPATIAL PLANNING

(G4-4) (G4-SO1)

Our Bank has focused its actions towards the aspects of development banks, to highlight the importance of accompanying local, regional, and sectoral planning and territorial development. Therefore, we have implemented the strategy of **Integrated Territorial Development - DTI**, which aims to accompany local authorities in their territorial planning processes with a long-term vision through different programs to improve investment efficiency in accordance with the vocations of the territory.

Our planning programs at the local level are focused on closing social and economic gaps through a diagnostic methodology, prioritization and identification of strategic projects which define a roadmap for cities; these are the programs of Sustainable and Competitive Cities (15 cities) and Emblematic Cities (28 cities). Regionally, we have the Diamond Caribbean and Santanders program, which aims to improve the country's competitiveness and its share in the global market.

At a supra-municipal level, we have developed initiatives to support municipalities with the methodologies of urban planning with an expanded and adjusted version for supra-municipal territories such as Sincelejo-Corozal (Sucre) and Cúcuta with its Metropolitan Area (Norte de Santander) adding 8 cities under this methodology of adjusted Sustainable and Competitive Cities. Similarly, the Territory Opportunities program encourages development for territorial complementarity and the definition of a strategy of regional economic development, while the Agrópolis initiative promotes territorial development focused on the competitiveness of the agro-economy and support in the formulation of Department Planning Plans (POD), an instrument that promotes the articulation and harmonization of both national and municipal initiatives.

LOCAL PLANNING

OUTSTANDING ACHIEVEMENTS AND EVENTS

- We deliver four plans of action in the cities of Villavicencio, La Dorada, Aracataca, Barrancabermeja with an identified investment of approximately \$ 3.9 billion.
- We finished six action plans: Cartagena, Neiva, Ibagué, La Calera, Villanueva and Chinchiná.
- We perform and deliver six basic studies (GHG inventory, vulnerability to risk and urban footprint) in the cities of Ibagué, Neiva, Popayán, Cartagena, Sincelejo-Corozal and Riohacha.

Our program of Sustainable and Competitive Cities (CSC) aims to generate a planning tool for the short, medium and long term, enabling the prioritization of relevant actions in sustainability for intermediate cities throughout the country due to its contribution to the development of Colombia. Also, through this program we aim to be an articulator of national policies on issues of land use, housing, water, education, mobility, environment, governance, competitiveness and income generation; among others, as well as the Program Emblematic Cities (CE) through which we seek to reduce social gaps in order to potentiate the territory according to their vocations.

Sustainable and competitive cities - CSC

This program consists of three stages -Planning, Prioritization and Execution- covering four major dimensions (environmental, urban, economic and social and fiscal governance) and it aims to be an articulator of national policies on housing, water, education, mobility, environmental issues, governance, among others. At the end of the initial stages of the methodology, as a result an action plan is delivered framed within the studied dimensions in order to promote the sustainable development of cities and increase the competitiveness of

the region. Therefore, issues of land management, urban and regional planning and institutional momentum for urban development, planning and provision of potable water and basic sanitation, have been identified as being essential to providing assistance in the execution of specific projects, all in virtue of the diagnoses that are developed in the cities.

To date, we have fifteen (15) cities participating at the local⁶ scale: Barranquilla, Bucaramanga, Manizales, Pereira, Montería, Pasto, Santa Marta, Valledupar, Villavicencio, Cartagena, Neiva, Ibagué, Popayán, Riohacha and Rionegro.

Table 32: Indicators of the Competitive and Sustainable Cities coverage

| Dirección | Programa | Cobertura | N° Planes de acción finalizados en 2017 |
|-----------|----------------------|-----------|---|
| Ciudades | Ciudades Sostenibles | 15 | 3 |

The Action Plans of the cities of Cartagena, Neiva and Ibagué were completed in 2017.

Emblematic cities -CE

The mission of the CE program focuses on closing gaps of inequality and supporting their planning and development processes. The methodology focuses on four (4) dimensions of sustainability: i) Environmental ii) Urban iii) Socio-economic iv) Fiscal and Governance, which are broken down into different topics relevant to each of the dimensions. The existing planning instruments in cities and the available information produced by different territorial and national entities are taken into account.

To date, we have twenty-eight (28) participating cities at the urban scale: Galapa, San Gil, Tumaco, Buenaventura, Sabana Centro (11 municipalities⁷), Magangué, La Dorada, Aracataca, Barrancabermeja, Santa Cruz de Lorica, La Calera, Chinchiná, Villanueva, San Bernardo del Viento, Anapoima, Villa de Leyva, San Andrés.

⁷ Gachancipá, Chia, Cajicá, Cogua, Cota, Nemocón Sopo, Tabio, Tenjo, Tocancipá and Zipaquirá.

REGIONAL PLANNING

OUTSTANDING ACHIEVEMENTS AND EVENTS

- We completed five studies of territorial competitiveness and local economic development in five cities: Popayan, Neiva, Ibagué, Sincelejo-Corozal and Montería.
- We deliver the diagnostic document for the development of the Sabana Agrópolis characterizing the current situation by addressing three dimensions of analysis: human capital, productivity and competitiveness.
- We participate as the main axis and we prepare the Technical Support Document for establishing the Caribbean Planning Administrative Region (RAP).
- We were able to close the Diamond Caribbean and Santanderes project and we fully complied with the goals and products approved by the Collegial Body of Management and Decision (OCAD). The following participated in the implementation of the activities: Metrópoli Foundation, Universidad Industrial of Santander, Universidad del Norte Foundation and Findeter.
- In partnership with the ProBarranquilla Foundation and the Chamber of Commerce of Barranquilla we fund research studies and territorial analyzes for the urban strategy and architectural proposal at the design level of the District 4.0 in Barranquilla.

In addition, we run supra-municipal planning processes (clusters, associations of municipalities, departments and regions) for the design and implementation of programs and/or strategies of territorial complementarity, local economic development and urban-rural planning. The goal is for each program or project to have a dialogue with regional actors (public sector, academia, the productive sector and civil society), enabling the leverage of ambitious medium and long-term processes for the development and welfare of the inhabitants, with a vision country-city and city-region. The programs and strategies fall under three main pillars: territorial competitiveness, territorial complementarity and land use planning.

Territorial competitiveness

The pillar of Territorial Competitiveness can be defined as the ability of local actors to act together and create links between sectors, integrating economic, social and environmental components in the territory, which will maintain on site the maximum added value, enhance the environment, build relationships efficient and show advantages over the rest of the world. Under this pillar the Studies of Competitiveness and Local Economic Development and the Land of Opportunities program (which is also part of the pillar of Territorial Complementarity).

The objective of the studies on Competitiveness and Local Economic Development has been to identify specific strategies to achieve improved competitiveness and local economic development of the city under study and to support the generation of productive employment. In the construction of all the studies a participatory methodology has been applied with concurrence of the key players in the country, the private sector, academia and the public sector.

Given our efforts to support the consolidation of more sustainable and competitive territories and derived from the experience of our organization to implement programs of urban planning and regional planning, during the first half of 2017 we launched the "Land of Opportunity" which aims to build a Strategy for Local Economic Development (LED) for a territory consisting of two or more municipalities, from the recognition of their potential synergies and complementarity.

The goal is for us to manage to generate joint planning and regional governance, aimed at creating greater territorial cohesion and prosperity. In this framework implemented in 2017 the Land of Opportunities Energy Valle with the Prodeco Group, a conglomerate of mining companies in Colombia developing activities of

exploration, production, transport and shipping of thermal and metallurgical coal destined for markets in Europe, America and Asia.

Agrópolis

In Findeter, as a development bank of Colombia, we recognize the importance of promoting interventions that result in increased competitiveness of the country's regions, through actions aimed at enhancing local production initiatives and urban-rural synergies when faced by new challenges imposed by the national and global context. This is how we aim to be one of the actors who contribute to planning the necessary measures to promote competitiveness and territorial development strategies focused on enhancing productivity and urban-rural relationship in the long-term actions. Therefore, we developed the Agrópolis initiative to build a Balanced Territorial Economic Development Strategy (DET) involving local actors to identify and prioritize local development opportunities to strengthen the agricultural and agribusiness competitiveness of the territory and promote and revitalize urban-rural synergies. In this context our organization has been developing Agrópolis de la Sabana and Agrópolis of the Sinu.

Territorial complementarity

The pillar of Territorial Complementarity refers to the recognition and use of the particular characteristics of each city within a broader framework of regional relations, wherein lies the opportunity to address common challenges in managing resources, building the critical mass of population and generate economies of scale through linkages and institutional arrangements to ensure coordinated and sustainable use of the common goods. Under this pillar, we are working on the supra-municipal projects of Urban Development programs (Sincelejo-Corozal and Cúcuta Metropolitan Area), supra-municipal studies (Urban Footprint Bogotá-Cundinamarca) and the Land of Opportunity program (which is also part of the Territorial Competitiveness pillar).

Land Management

Law 1454 of 2011 defines land use planning as a tool for planning and management of local authorities and as a collective construction process that occurs gradually and flexibly with fiscal responsibility, "aimed at achieving an appropriate political administration organization of the State in the territory to facilitate institutional development, strengthening of cultural identity and territorial development ". Under this pillar we are working on the structuring and technical assistance of the Departmental Land Use Plans of Santander and the Atlántico.

Diamond Caribbean and the Santanders

The Diamond program, with its pilot "Diamond Caribbean and Santanders of Colombia", has as its main objective to determine the key factors of competitiveness of the Colombian Caribbean region and the departments of Santander and Norte de Santander in order to design a model of territorial and urban development inspired by the concept of an intelligent territory. Through the study of physical infrastructure and digital platforms in the region and their integration it aims to increase the scientific capacity, technological innovation and competitiveness, through the identification of functional profiles for each of the towns, but they can be complementary to the entire region.

SECTORAL PLANNING

For the design and implementation of sustainable development projects and technical assistance in planning territories, at Findeter we have regional programs that address cross-thematic programs in different sectors such as creative and environmental industries, transportation. From here initiatives like Creative and Cultural Industries; Sustainable mobility and CIUDAT and Green Growth, are born, in order to achieve greater integration and diversity in the demands of the territories.

Creative and Cultural Industries

Creative and cultural industries (CCIs) comprise goods and services traditionally associated with cultural policies, creative services and sports (IDB, 2007). They are classified into three categories: cultural economy, conventional cultural industries and creative industries (Duque, Buitrago, 2013). The cultural and creative economy is the set of activities that allow ideas to be transformed into cultural goods and services whose value is determined by its intellectual property content.

By carrying out prospective development plans within the framework of the Sustainable and Competitive Cities; Emblematic Cities and the Diamond Caribbean and Santanders programs, we have identified the potential of cultural and creative industries as the main axis of autonomous and integral development of the

territories; and the importance of starting from the recognition of their identity and culture for initiating development and sustainable infrastructure projects. The Colombian context is so rich in creativity, diverse in cultural events and these are so deeply rooted in the territory, that it would be impossible to thinking about sustainable development without taking this component into account.

OUTSTANDING ACHIEVEMENTS AND EVENTS

- We established important alliances with Orange Wave and the Fair Saturday Foundation, participating in events and strengthening our position as a partner in the national orange economy strategy.
- Delivered Mobile Libraries to the municipalities of Chinchiná and Aracataca for the purpose of providing recreational services to the population, to build relationships and encourage reading to children, the youth and adults and facilitating the access of mayors to the farthest places of the municipality to promote greater equal opportunities and increased school performance.
- We conducted the studies and architectural and landscape designs of the Creative Arts District in Manizales will be an icon of creation, an articulating axis and a multifunctional space for cultural and artistic expressions.
- We conducted the studies and architectural and technical designs as well as the museological design for the renovation of the Hacienda Cañas-Gordas in Cali, a property of cultural interest at the State level.
- We carry out the design and methodological transfer for mapping the creative and cultural sector and the development of the respective master plans of the sector that recognize in their implementations the territorial specificities and local capacity for development, and subsequent updates, revisions and contributions from the local capacities installed in the departments of Atlántico, Caldas and Santander.
- In partnership with the *Tras la Perla* Foundation, we print 2,500 versions of Magic book Pombo 2 with an introductory infographic of "what is a sustainable city". The books are being distributed in the following cities: Yopal, Neiva, Atlántico, Caldas, Medellín, Montería, Manizales, Buenaventura, Chinchiná, Neiva, Lórica, Tumaco, Aracataca, Lórica, Cali, Villamaría and La Dorada.
- We finance the Rafael Pombo Corporation for the instrumental complementation of the School of Cuerdas Pulsadas School, which benefits more than one hundred children from the city of Manizales. This project is supported by the Typical-Philharmonic Orchestra of the Department of Caldas.
- In agreement with the National Batuta Foundation, since 2013 we have benefited approximately 200 children, young people and their families in Quibdó in the largest process of collective artistic practice in the city.
- Together with the Mayor's Offices of Montería and Aracataca we delivered 250 bicycles to encourage sport and sustainable mobility in children and youth.
- We signed an agreement with INDEPORTES to strengthen the collective processes of cultural appropriation towards territorial sustainability and social development through sporting and recreational activity of surfing.
- We structure our vision and role to play in the field of the cultural and creative economy in Colombia "To be the benchmark entity in Colombia, and one of the expert bodies at the international level in the field of Creative and Cultural Industries, especially in the knowledge of the industry, the development funding programs and projects in support of creative and cultural entrepreneurship with social impact."

City - Sustainable Mobility

ACHIEVEMENTS AND EVENTS

CITY

- We consolidated the CIUDAT program through the NAMA Facility entity that approved a cooperation funding of € 14.7 million to support Colombia TOD-NAMA.
- We implemented the NAMA TAnDem, making us one of the main implementing entities of NAMAs in the country.
- We defined the methodology through value capture instruments, promoting the implementation of development projects aimed at sustainable transport -DOTS- in Colombian cities.

Colombia TOD-NAMAs:

- We were able to disburse the first resources of the technical cooperation component for a total of USD 214,178
- We signed a specific agreement with KfW for € 11.7 million for the implementation of the financial component of the NAMA TOD Colombia.
- We signed the memorandum with WRI which aims to support CIUDAT in the review of the value capture project and to support together with CIUDAT the structuring of the pilot program in the city of Cali.

Nama TAnDem:

- The steering committee chose Pereira and Ibagué as pilot projects of the CIUDAT program.
- We held 3 seminars and 4 webinars for the dissemination and training for municipalities and multipliers on issues of non-motorized transport.
- We support the cities of Ibagué and Pereira with theoretical and practical workshops on strengthening, technical assistance, implementation of measures regarding parking management and non-motorized transport.

ACHIEVEMENTS AND HIGHLIGHTED EVENTS

SUSTAINABLE MOBILITY

- We support the development of the strategic plan to promote the use of bicycles as urban transportation in Cartagena, with funding from the Embassy of the Kingdom of the Netherlands.
- We execute the project for the identification of the cycle infrastructure needs by collecting and analyzing data in the municipalities of Chinchiná and Villavicencio for \$ 168 million.
- We deliver studies and designs for river River Pasto Park project in the city of Pasto for \$ 558 million.
- We conducted studies and designs for the Park project and the Biohealth corridor of the River Cauca in Popayan for \$ 330 million.
- We formulated the Master Mobility Plan of Manizales and we conducted pre-feasibility studies for two overhead cable lines for \$ 1,585 million.
- We structured the river transport of passengers system on the Sinu River in the city of Monteria for \$ 905 million.

Based on our mission as an entity charged with fostering the development, planning, intergovernmental collaboration and financing of local infrastructure, we created the Center for Urban Interventions of Advanced Development to Transport (CIUDAT). One of its aims is to create a space where national policies are aligned in different fields around the projects of Sustainable Transport Oriented Development - DOTS. Additionally, CIUDAT leads the development of National Appropriate Mitigation Actions (NAMA) which were agreed in the framework of the United Nations as a voluntary mitigation option for developing countries. Currently, through CIUDAT, the national government runs two NAMA for urban development and sustainable mobility. The TOD-NAMAs Colombia, whose main objective is to transform the current urban development model to one Transport Oriented Development (TOD). On the other hand, the TANDEM NAMA (NAMA Active Transport and Demand Management) aims to incentivize non-motorized transport modes (active mode) and discourage the use of private vehicles.

Green Growth - Forests of Peace: Contribution to the peace process and the post-conflict

OUTSTANDING ACHIEVEMENTS AND EVENTS

- A Forests of Peace pilot project was carried out in Carmen de Bolívar. With resources of \$ 64 million and with the participation of important partners such as the Government of Bolívar, the Mayor of Carmen de Bolívar, the Grow in Peace Foundation, the Semana Foundation and Argos Foundation and together with the community, we planted 110,000 tropical dry forest native trees.
- In the Chinchiná River Basin resources for \$ 290 million were executed in planting 79,000 native trees in about 60 hectares of submooreland, thereby compensate Findeter's carbon footprint for the years 2015 and 2016.

(G4-EC7, G4-EC8, G4-SO1)

In this aspect we are building the Green Growth Strategy (CV) for our organization, which is aligned with the mission of Green Growth of the Nation, which today is in its second phase of structuring and ending with

the adoption of National Green Growth in late May 2018.

Although economic growth of the last two centuries has led to improving the welfare of the world's population, population growth and some of the human activities affecting ecosystems degrade natural capital if not done in accordance with environmental needs.

For Colombia, four (4) key milestones marked the way for greater coordination of economic and environmental policy and for green growth to become the country's priority:

- 1) The effects of La Niña in 2010 and 2011;
- 2) The inclusion of contents alluding to environmental sustainability in the last two National Development Plans (2010-2014 and 2014-2018);
- 3) Adherence to the Green Growth Declaration of the Organization for Economic Co-operation and Development (OECD);
- 4) The commitments made at the Paris Conference COP21.

Based on the above and considering the mission, vision and promise of value of our company, in our Sustainable and Competitive Cities (CSC) and Emblematic Cities (CE) programs we aim to bring sustainable development and green growth to the territories. Therefore, today we have 13 cities in Colombia with base studies involving the inventory of greenhouse gases (GHGs), analysis of the vulnerability and risk to climate change and urban sprawl (urban footprint) study, and today the studies for Rionegro and the Metropolitan area of Cúcuta are underway.

The Forests of Peace strategy is also an initiative that aims to combine environmental conservation and reconciliation, as a contribution to the historical memory of the termination of the conflict and peacebuilding. Therefore, the activities surrounding the recovery, rehabilitation and conservation of natural forests, achieve not only environmental revenues, but a social mobilization around productive projects, conservation, reconciliation and peaceful resolution of conflicts, contributing to a stable and durable peace.

As a tribute to the victims of armed conflict and displacement in Colombia, Findeter together with the Ministry of Environment, Housing and Territorial Development (MADS) promotes the Forests of Peace initiative. Resources to be applied to the program are based on the projects of compensation for environmental licenses pending to be fulfilled in different regions of the country, for projects in the sectors of mining, infrastructure, hydrocarbons, among others, based on the ANLA, and license holders should be engaged in the program. It also has the motivation to give back to the community that has historically been affected by the armed conflict, through the sustainable development of their territories where environmental conservation, community involvement and environmental education is included.

6.2.2 PROJECT STRUCTURING

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Since its inception the Pre-investment Fund has established itself as an agile and transparent tool that adapts to the structuring needs of public entities.
- Through this fund Findeter has been contributing to the development of the country, generating the development of studies and designs at the pre-feasibility and feasibility stages, with high quality and efficient processes, that help to close technical gaps in the regions and facilitating the financial closure of investment projects in the territories.
- During 2017 we managed projects worth \$ 9,057 million in the sectors of health, transport and environment, generating revenues of Technical Assistance for more than 400 million, respectively.

(G4-4)

Giving continuity to the Findeter Pre-investment Fund, an instrument created in 2012 with resources of \$ 14,000 million for the management and financing of pre-feasibility and structuring projects with emphasis on the sectors of infrastructure, water and housing, the following projects are currently being executed:

PRE-INVESTMENT FUND

Social Responsibility Account:

In December 2017, we continue with the implementation of the socio-economic study in Phase 2 of the Coffee Airport in the town of Palestina, which commits resources from this account of \$ 440 million and has a total study value of \$ 1,260 million.

Table 33: Projects Financed by the Social Responsibility Account 2017

| Do not | Projects Financed by the Social Responsibility Account 2017 | Value (\$ millions) | Actual state |
|--------------|--|---------------------|--------------|
| 1 | Socioeconomic feasibility studies Coffee Airport - Phase II Palestina Caldas and its impact on regional development. | 1,260 | Development |
| Total | | 1,260 | |

Pre-Strategic Investment account:

During 2017, we developed studies and designs for 4 projects worth \$ 7,797 million, in the fields of transport, urban development and health, which are shown below:

Table 34: Projects Financed by the Pre-Investment Strategy Account 2017

| Do not | Projects Financed by the Pre-Investment Strategy Account 2017 | Value (\$ millions) | Actual state |
|--------------|---|---------------------|--------------|
| 1 | Environmental Studies, Urban Footprint in Neiva and Ibagué | 600 | Delivered |
| 2 | Studies and Designs for Phase 3 of the Departmental Hospital of Santa Sofía in Manizales | 3,028 | Development |
| 3 | Mobility Master Plan for Pereira | 899 | Development |
| 4 | Mobility and Public Space Master Plan, Studies and Design Calle 103 and Cra. 13 in Ibagué | 3,270 | Development |
| Total | | 7,797 | |

PUBLIC PRIVATE PARTNERSHIPS - PPPs

During 2017, we conducted the financial validation of the PPP for the construction, operation and maintenance of the transfer station of the Strategic Public Transportation System of Sincelejo, and also validation agreements for 3 PPP projects under development by the Mayor's Office of Bogotá as follows:

Table 35: Validations PPP 2017

| Do not | PPP validations 2017 | Value (\$ millions) | Actual state |
|--------|---|---------------------|--------------|
| 1 | Financial PPP validation for the construction, operation and maintenance of the transfer station SETP of Sincelejo | 123 | Finished |
| 2 | Technical validation of the PPP for the construction, operation and maintenance of the HUB 100 and HUB 136 projects in Bogotá | 397 | Development |

| | | | |
|--------------|--|--------------|-------------|
| 3 | Technical, Legal and Financial validation of a PPP project of public space to be defined by the DADEP | 610 | Development |
| 4 | Technical, legal and financial validation of a PPP project for the construction, operation and maintenance of 3 CAPs in Bogotá | 650 | Development |
| Total | | 1,780 | |

Similarly, we signed an agreement with the mayor of Ibagué in order to be the official validator of the projects developed in the municipality.

TECHNICAL ASSISTANCE

Structuring projects CTEI

In December 2016, we signed an agreement with DNP, Colciencias and Route N in order to structure projects of Science, Technology and Innovation for Territorial Entities, under the General System of Royalties. This agreement has a value of \$ 4,800 million and has an implementation period until June 2018.

In 2017, Findeter together with the DNP, Colciencias and Route N have advanced in the operational schemes for the project implementation and the identification of the projects to be developed under the alliance.

Accompanying Territorial Entities - Formulation of the Project Profiles and Business Cases

In 2017, we have been supporting territorial development through the formulation of project profiles, which are intended to give local authorities the justification for the project to be undertaken, the cost and time required to advance in the stages of pre-feasibility and feasibility, and whether it can be developed through a scheme linking private capital, type PPP, or through the traditional scheme of Public Works.

To date, the following projects have been formulated:

- Tourist Boulevard of Pozos Colorados in Santa Marta. Ministry of Commerce, Industry and Tourism
- PPP La Esmeralda Market Square. Mayor of Popayan.
- Multi-Purpose Center. Mayor of Ibagué.

Projects in the process of formulation:

- Creative Industries project in Barranquilla.
- Coffee Axis Logistics Center. Governor's office Risaralda.

For the La Esmeralda Market Square in Popayan and the Tourist Boulevard of Pozos Colorados in Santa Marta the project was presented to potential investors and internationally via ProColombia.

Additionally, we have been supporting the technical and financial development of different projects, that are both public and private. The following stand out:

- Technical supervision of the study for the modernization of public lighting systems in Colombia with the IDB-GEF and the Head of International Banking.
- Support in the design of the KFW Energy Credit Line with the Head of International Banking.
- Support in the design of the proposal for International Cooperation between the British Embassy and Findeter.
- Support in the design of the proposal for International Cooperation between AFD and Findeter for Post-Conflict projects in municipalities.
- Support in the design of the proposal for international cooperation between GCF and Findeter for projects of utilization of solid waste.
- Assistance in the formulation of two large-scale solar projects in the Atlántico with a CAPEX of USD 30 million.

- Support and Profiling of the National Cacao Park Project in San Vicente de Chucuri, promoted by the government of Santander.
- Monitoring and Analysis of the financial and technical feasibility of expanding power generation from biogas in the Doña Juana landfill.
- Analysis of technical and social viability of the project connecting the escarpments of Bucaramanga.
- Monitoring and analysis of financial and technical feasibility of the Energy and Urban Development Projects in Ibagué, where the Modernization of Public Lighting System of the Municipality, a Large Scale solar park, the lighting of the Manuel Murillo Toro stadium and modernization of major market places of the municipality stand out.
- Financial analysis of the company Colombia Líder, proposing a strategic short- and medium-term plan.

6.2.3 TECHNICAL ASSISTANCE FOR PROJECT IMPLEMENTATION

(G4-4, G4-EC7, G4-EC8)

Findeter Technical Vice-Presidency in the framework of its corporate strategy, through its business lines, provides the service of Technical Assistance for the development of programs and projects of the National Government, contributing to the mission and vision of Findeter. Therefore, as through the managements of Housing and Urban Development, Water and Basic Sanitation and Infrastructure and the coordination of San Andrés and the ICT, we have been able to position ourselves nationally thanks to the knowledge and experience gained, equally, we have a dynamic and flexible work team that has allowed us to achieve the stated goals with quality and efficiency, which has resulted in the good reputation that today characterizes us.

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Support the implementation of 321 projects, finish 110 projects and increase by 155 the number of projects, out of the 839 projects we have managed throughout the entirety of our operation, with an increase of 16% compared to 2016.
- We closed 2017 with revenues of \$ 92 billion.

By implementing the National Government Housing Programs, we have overseen the construction of more than 120,000 homes, benefiting about 160,000 families in vulnerable situations of displacement or poverty, and over recent years we have been able to positively impact the quantitative and qualitative housing deficit, improving living conditions.

Aligned with the initiatives of the National Government in its National Development Plan, in the social infrastructure programs we have directly benefited about 1,000,000 Colombians by building more than 600 thousand square meters, mainly represented by 178 educational establishments, of which 15 are new schools, generating more than 48,000 spaces, 113 recreational areas, including parks, libraries, cultural centers and improvements to public space.

In addition to the above and as a contribution to meeting the goals of the national government, we have provided the service of Technical Assistance for the installation of 1,154 kilometers of pipeline represented by water systems and sewage systems, 87 storage tanks for potable water with a capacity of more than 68 thousand cubic meters of water and 54 water and wastewater handling plants, benefiting more than 9 million Colombians.

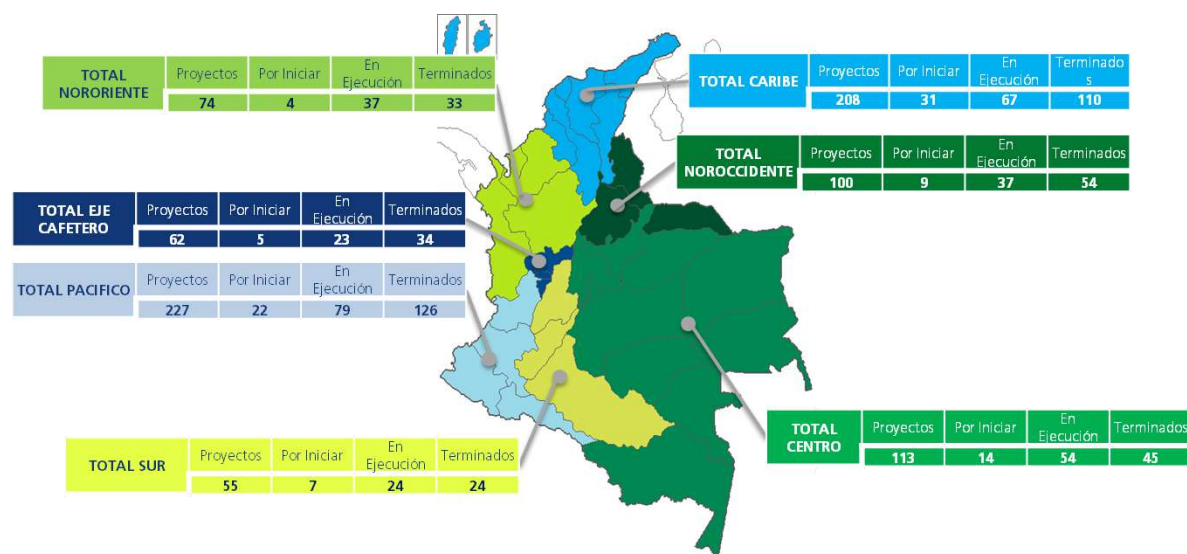
Accordingly, we estimate that by 2018, we will continue to provide the technical support through our business lines, to more than 340 projects implemented with public resources amounting to \$ 3.5 billion in 221 municipalities in 28 departments. These are reflected in 97 projects representing more than 40 thousand homes, 135 projects Water and Sanitation projects with 436km pipelines, 158km in water and 278km for sewers; 23 treatment plants, 18 for potable water and 5 for wastewater storage, and 41 water storage tanks with a total capacity of 62,000 cubic meters.

Regarding infrastructure, we have 111 projects representing more than 130 thousand square meters of built area distributed in 112 educational establishments and 28 recreational spaces, benefiting nearly 30 thousand

children and 72 thousand people respectively. Educational establishments correspond to 16 new schools, 36 new Child Development Centers and 60 operated schools, and for the leisure spaces there are 24 sports recreation parks, 3 libraries and 1 Museum of Modern Art.

We provide the projects financed by the public budget, supporting them from the pre-contractual management to their execution, for the contracting of studies, design, construction, supervision, technical and social support, among others. An example is the more than thirty-five (35) inter-administrative contracts with entities such as the Ministries of Housing, City and Territory, Education, Interior, Culture, Information Technology and Communications; COLDEPORTES; DNP; DAPRE; and the ICBF, among others, with whom the development policy is driven through the Technical Assistance of strategic projects at the country level.

Figure 4: Projects by Regional Office



Also, on issues related to Information Technology and Communications we have developed programs to implement the national MySME Live Digital strategy of the ICT Ministry, which has the objective of the massification of connectivity and transformation of production processes in Colombian SMEs from the use and appropriation of ICT products and services.

The Technical Vice-presidency closed 2017 with the provision of technical assistance to a total of 839 projects between five (5) business lines, specified by line of business as follows: 241 Housing Management, 267 Water Management and Basic sanitation, 313 Management Infrastructure, 10 San Andrés Coordination and 8 ICT Coordination projects. Of this total, 426 clarifies that projects are completed, 321 are underway and there is a total of 92 projects to start.

Table 36: Projects by Business Line

| Business line | No. Projects | % |
|---|--------------|-----|
| Management of Water and Sanitation | 267 | 32% |
| Management of Housing and Urban Development | 241 | 29% |
| Infrastructure Management | 313 | 37% |
| San Andrés Coordination | 10 | 1% |
| ICT Coordination | 8 | 1% |

| | | |
|-----------------------|------------|-------------|
| Total Projects | 839 | 100% |
|-----------------------|------------|-------------|

Analyzing developments in relation to 2016, we have increased by 16% the projects which provide the service of technical assistance, from 724 to 839 projects. This increase is reflected by prioritizing projects that have different customers, and secondly, by overseeing the Coordination projects of San Andres and ICT.

As for revenues, the Technical Vice-Presidency, during 2017, showed the most significant developments in financial terms, as it ended the year with a total of \$ 92 billion among its different business lines. More specifically, it appears that the Management of Housing presented revenues totaling \$ 35 billion, water management and basic sanitation a total of \$ 28.5 billion, Infrastructure Management \$ 24.4 billion, and the coordination programs in San Andrés and ICT had revenues of \$ 2.3 billion and \$ 1.7 billion respectively. This is an increase of 47% compared to 2016.

Table 37: Revenues by Business Line

| Business line | Income (\$ Millions) | % |
|---|---------------------------------|-------------|
| Management of Water and Sanitation | 28,579 | 31% |
| Management of Housing and Urban Development | 35,780 | 39% |
| Infrastructure Management | 24,419 | 26% |
| San Andrés Coordination | 2,312 | 2% |
| ICT Coordination | 1,703 | 2% |
| Total revenue | 92,793 | 100% |

HOUSING AND URBAN DEVELOPMENT

(G4-FS7)

With the commitment to contribute to a greater number of Colombians having access to better living conditions, thanks to our efforts to evaluate and monitor the housing projects contemplated in the programs led by the national government, our experience since 2002 in evaluating plans of urban social interest housing, has allowed us to be part of the new public policy for the development priority interest housing that has been reformulated by the National Government since 2011.

It is for this reason that the dynamics of the construction of priority interest housing has been in development, consolidating our position as the tool of the National Government to fulfill the goals of the housing programs, promoting better living conditions in Colombian households.

Thus, through the Management of Housing and Urban Development, in the development of free housing programs, first and second phase (PVG I and PVG II), and the Priority Interest Housing for Savers (VIPA) program, we have participated in the evaluation of public land presented by local authorities, in the evaluation of calls for the selection of private projects, builders and project monitoring.

In the year, we achieved:

- Started 31 projects for 5,668 homes. (\$ 297,207 Million)
 - 31 Priority Interest Housing for Savers Projects
- Finished 28 projects for 10,816 homes. (\$ 522,510 Million)
 - 2 PVG II Projects (161 Properties)
 - 26 Priority Interest Housing for Savers Projects (10,655 Properties)
- Continue the execution during 2018 of 45 Projects for 9,838 properties. (\$ 493,895 Million)
 - 23 PVG II Projects (4,175 Properties)

- 22 Priority Interest Housing for Savers Projects (5,668 Properties)

Free Housing Program

During 2017, the following activities related to the evaluation and monitoring of projects are highlighted:

Supervision of Free Housing Program projects- Phase 1 (100k Free VIP)

Evaluation of **778** properties with a potential of **268,562** properties

- **337** apt plots with an offer of **133,049** properties
- **441** not apt plots with a potential of **135,513** properties

Evaluation of **118** Calls

- **303** proposals evaluates with an offer of **120,418** properties.
- **208** enabled with an offer of **76,945** properties.
- **95** Not enabled with an offer of **43,473** properties

Follow up of projects

- **51,147** properties with certificates of existence issued.

Evaluation of the Public Call of the Free Housing Program - Phase II

Evaluation of the Public Call

- **921** Projects evaluated with a potential of **140,865** properties

Evaluation of the Calls

- **22** calls private scheme – **122** projects for a potential of **23,597** properties
- **55** calls public scheme for the selection of **53** bidders

Project monitoring

- **31** projects being monitored that contemplate the execution of **5.668** properties

Priority Interest Housing (VIP) - Salgar, Antioquia

Also, during the first half of 2017, 17 social housing projects were filed in Findeter with an offer of 1,368 homes for assessing their legal and financial technicalities. In this same period five housing schemes aspiring to subsidy resources from the Family Compensation Funds and the National Housing Fund - FONVIVIENDA were declared as eligible.

Priority Interest Housing for Savers (VIPA)

As part of this program an offer of approximately 62,000 priority interest housing was generated.

Selected Projects Monitoring VIPA

67 Calls evaluated– 276 Bidders

- **395** proposals evaluated with an offer of **137,159** properties.
- **243** enabled with an offer of **99,552** properties.
- **152** Number enabled with an offer of **37,607** properties

Monitoring of projects

- **138** projects selected - **136** have monitoring activities started.
- **70** are completely certified.

Table 38: Scheme of Projects

| Scheme Projects | No. Projects | Amount |
|--------------------------------|--------------|--------------|
| Private scheme | 99 | 46,967 |
| Public scheme | 39 | 14,550 |
| Total Selected Projects | 138 | 61517 |

Table 39: Eligibility of Social Interest Housing Project (VIS)

| State | No. Projects | No. Houses | % Participation |
|------------------|--------------|--------------|-----------------|
| Under evaluation | 10 | 638 | 59% |
| Eligible | 5 | 462 | 29% |
| Ineligible | 2 | 268 | 12% |
| Total | 17 | 1,368 | 100% |

Findeter in development of the National Policy for Social Housing in urban areas, during the last 7 years has issued certificates of eligibility for 68,098 homes in 535 projects.

Table 40: Project Status (August 2010 - December 2017)

| State | No. Projects | No. Houses | % Participation |
|------------------|--------------|---------------|-----------------|
| Under evaluation | 10 | 638 | 1.3% |
| Eligible | 535 | 68,098 | 70% |
| Ineligible | 215 | 24,839 | 28.3% |
| Total | 760 | 93,575 | 100% |

Housing Projects



Parques de Bolívar, Santa Marta, Magdalena



1,310 homes

Antonia Santos Savers
Tunja, Boyaca
800 certified homes

Urbanization La Gloria
Monteria, Cordoba
1,660 certified homes



Chilacoa Ciudadela
Armenia, Quindio
740 certified homes



Portals De Alicante
Cartagena, Bolivar
1,764 certified homes

WATER AND BASIC SANITATION

(G4-FS8)

Management of Water and Sanitation has its beginnings supporting the "Water for Prosperity" program of the Ministry of Housing, City and Territory. We currently provide Technical Assistance and Resource Management to 4 clients through 10 inter-administrative contracts. The contracts signed and in effect are:

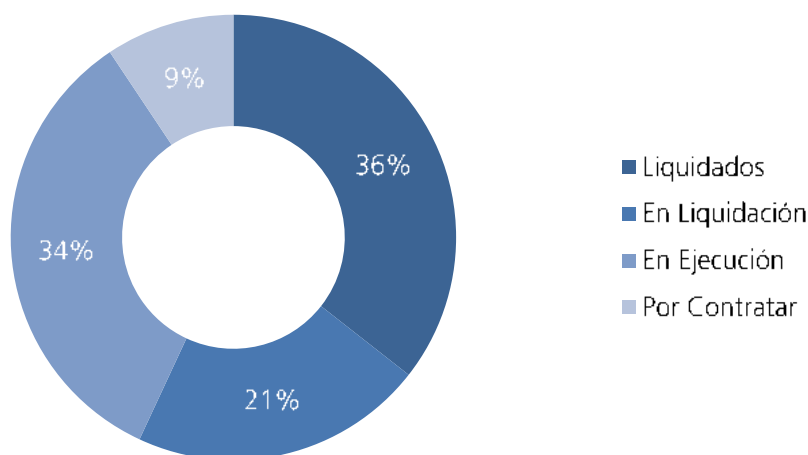
Table 41: Table of Inter-Administrative Water and Basic Sanitation contracts

| No contract | Client | TOTAL* |
|-----------------|---|---------------------|
| 438 | Ministry of Housing, City and Territory | \$ 718,095 |
| 159 | Ministry of Housing, City and Territory | \$ 471,793 |
| 36 | Ministry of Housing, City and Territory | \$ 684,353 |
| 766 | Ministry of Housing, City and Territory | \$ 115,630 |
| 541 | Ministry of Housing, City and Territory | \$ 20,002 |
| 547 | Ministry of Housing, City and Territory | \$ 32,194 |
| 451 | Ministry of Housing, City and Territory | \$ 18,000 |
| IBAL | IBAL (Water Supply and Sewerage Company Ibagué) | \$ 12,500 |
| ADR | ADR (Rural Development Agency) | \$ 55,193 |
| Water for Peace | Fedepalma / ASBAMA (Banana Producer Association of Magdalena) | \$ 892 |
| Total | | \$ 2,128,652 |

* Figures in millions \$

So far in 2017 it has been possible to provide technical support to a total of 267 projects worth \$ 2.1 billion. Which have the following state:

Graph 24: Projects by state of Water and Basic Sanitation



Therefore, in 2017 we achieved, in developing the undersigned interadministrative contracts with the Ministry of Housing, City and Territory, and also with the company of public utilities of Ibagué, The Agency for Rural Development and the Association of Banana Producers of Magdalena and La Guajira (ASBAMA), the National Federation of Palm Oil Growers (Fedepalma), to provide the technical support to perform the pre-contractual, contractual and project closure management. In addition to this, we achieved:

- The awarding of 95 contracts.
 - 49 Work
 - 46 Site audits
- Started 49 projects for more than \$ 271 billion.
 - 24 Water pipes (24,800 meters of pipe installed)
 - 19 Sewage (4442 meters of pipe installed)
 - 10 Potable Water Treatment Plants (725 l / s)
 - 25 Tanks (28,724 m3)
- Finish 26 projects in 2017 for more than \$ 43 billion.
 - 11 Water pipes (22,358 meters of pipe installed)
 - 9 Sewage (15,127 meters of pipe installed)
 - 4 Potable Water Treatment Plants (1,786 l / s)
 - 2 Wastewater Treatment Plants-WWTP (37 l / s)
 - 12 Tanks (8272 m3)
- To liquidate in 2017: 53 of the 106 projects liquidated in the program

At the end of 2017, 90 projects are underway for more than \$ 412 billion and are represented in 44 water projects and 32 in sewage projects, with 160,703 and 21,487 meters of pipeline installed, respectively. Also noteworthy are 16 Potable Water Treatment Plants at 2368 l/s, 4 WWTP at 518 l/s and 34 storage tanks for 52,972 m3 capacity and benefiting more than 3 million people.

A result, we have generated a great impact at the national level, as seen with the following achievements:

- Installation of 1,154 kilometers of pipelines
 - 104 water projects
 - 101 sewerage projects
- The construction of 54 water treatment plants. Treated flow: 10,632 l / s
 - 35 PoWPA. Flow rate: 10,632 liters per second
 - 19 WWTP. Flow rate: 807 liters per second

- The construction of 87 tanks. Capacity: 68,100 cubic meters.

Water and Basic Sanitation Projects



Potable water treatment plant Niza
Manizales, Caldas



Waste water treatment plant Viaduct,
Ocaña, Santander



Waste water treatment plant
Bahía Solano, Chocó



Potable water treatment plant Venecia
Buenaventura, Valle del Cauca

SOCIAL INFRASTRUCTURE

(G4-F57)

Management of Social Infrastructure provides technical assistance to entities such as the Ministry of Education, Ministry of Culture, Ministry of Interior, COLDEPORTES, Administrative Department of the Presidency (DAPRE), National Planning Department (DNP), among others, with the aim of promoting regional development through monitoring and quality assurance in the implementation of projects such as Megacolegios, Child development Centers, Libraries, Recreation-Sports Parks, Restoration and Recovery Emblematic Building, Civic Integration Centers and Museums among others.

It is important to note that the implementation of projects complemented each other and Findeter, in its efforts to implement reliable and comprehensive solutions, works most projects of Housing and Urban Development with Social Infrastructure and it therefore able to optimize land use and the articulation for the implementation of programs of different institutions nationwide.

- Active community participation in the design of infrastructure solutions

- Turnkey contracting scheme eliminating the risks associated with contractual changes due to differences between designer and builder, under this scheme in a single contract.
- interagency coordination for the optimization of land use
- Impact on regions with difficult access (e.g. projects on Indian reservations)
- Use of non-conventional building systems

In 2017, Findeter provided technical assistance to 313 social infrastructure projects in 150 municipalities for an amount close to \$ 922,000 million, through 17 inter-administrative contracts with entities such as the Ministry of Education, FONVIVIENDA, Ministry of Culture, Ministry of Interior, COLDEPORTES, DAPRE, DNP, ICBF, among others.

In the year, we achieved:

- The Starting of 43 projects for more than \$ 123 billion.
 - 7 new schools (4,240 children benefited)
 - 28 Citizen Integration Centers (3,165 children benefited)
 - 11 Sports Recreation Parks
 - 4 Libraries
 - 2 ICBF Constructions
- Finish 57 projects for more than \$ 216 billion.
 - 9 new schools (11,680 children benefited)
 - 35 Schools Intervened (7,100 children benefited)
 - 8 Child Development Centers (2,195 children benefited)
 - 1 Sports Recreation Park (3,328 persons benefited)
 - 2 libraries (3,584 beneficiaries)
 - 1 Malecón (362,000 beneficiaries)
- Liquidate 37 of the 63 projects liquidated in the program

2017 closed with 95 ongoing projects exceeding \$ 337 billion in value. These projects include 16 new schools for 12,700 children, 34 schools under intervention for 11,420 children, 35 child development centers for 5,180 children, 12 Sports Recreational parks, 3 Libraries and 9 ICBF buildings. Approximately 127 thousand square meters are under construction for the projects and will benefit more than 34 thousand people directly.

The existing contracts and social infrastructure are as follows:

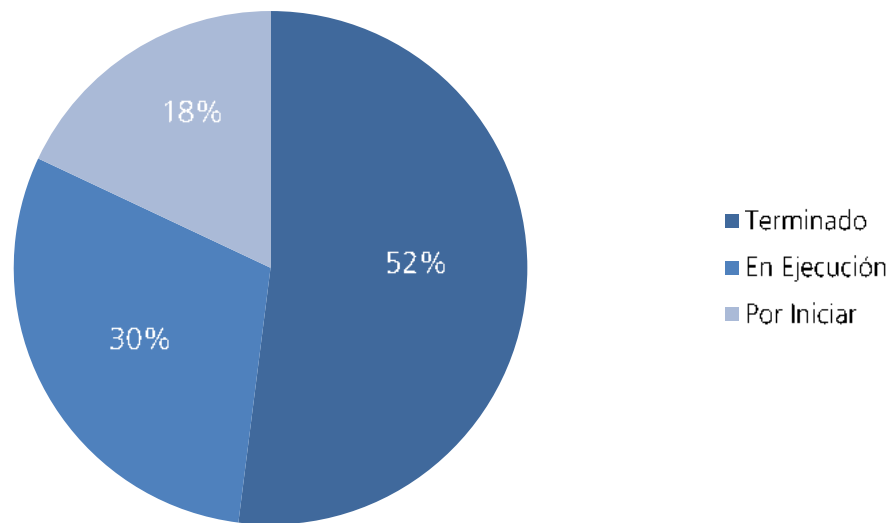
Table 42: Signed Contracts in Force in Social Infrastructure

| Type of projects | No contract | Value (\$ millions) | Client |
|--------------------------------------|-------------|---------------------|---|
| Libraries | 2453-2015 | \$ 3,600 | Ministry of Culture |
| CDI (Child Development Center) | 238-2013 | \$ 11,774 | DAPRE (Administrative Department of the Presidency of the Republic) |
| IKC (Citizenship Integration Center) | F442-2013 | \$ 28,160 | Ministry of the Interior |
| CIS (Integrated Services Center) | 378-2014 | \$ 254 | DNP |
| Equipment | 330-2015 | \$ 320,000 | Fonvivienda |
| Living Spaces | 2808-2014 | \$ 20,256 | Ministry of Culture |
| Unique Schedule | 1013-2014 | \$ 66,803 | Ministry of Education |
| Unique Schedule | 620-2015 | \$ 141,667 | Ministry of Education |

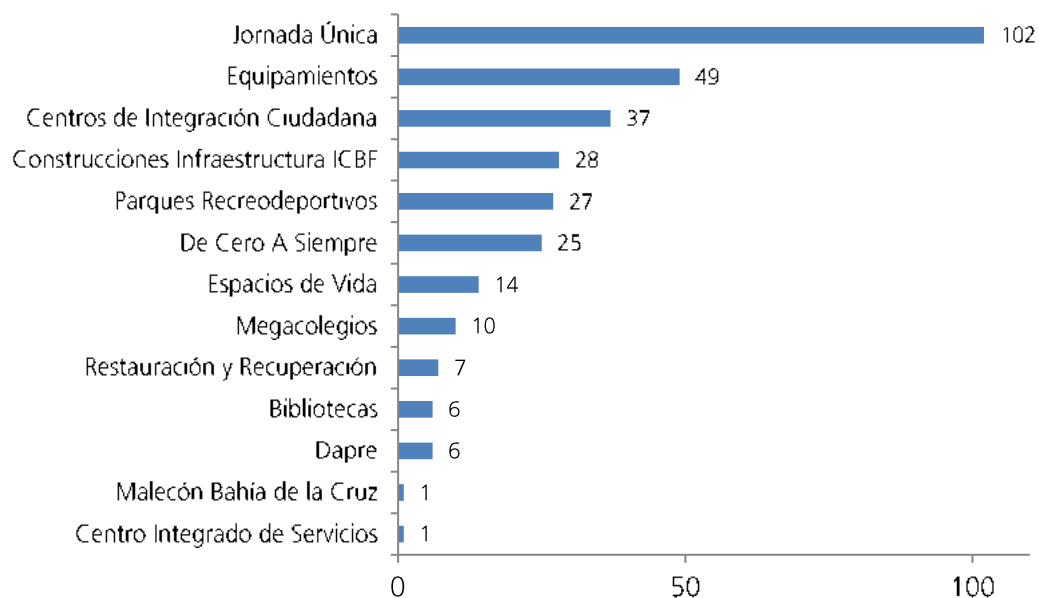
| | | | |
|--------------------------|-----------------|-------------------|---|
| Pier | Agreement No. 8 | \$ 27,000 | Mayor of Buenaventura-Governor of Valle |
| Megacolegios | 1000-2013 | \$ 52,004 | Ministry of Education |
| Megacolegios | 1260-2013 | \$ 57,910 | Ministry of Education |
| Sports Recreation parks | 887-2013 | \$ 35,858 | Coldeportes |
| Recovery and Restoration | 2717-2013 | \$ 11,248 | Culture Ministry |
| Hacienda Cañasgordas | 3024-2015 | \$ 1,900 | Culture Ministry |
| ICBF infrastructure | 1564-2016 | \$ 19,295 | ICBF |
| ICBF infrastructure | 1743-2017 | \$ 47,160 | ICBF |
| Zero to forever | 068-2016 | \$ 56,571 | DAPRE (Administrative Department of the Presidency of the Republic) |
| Total | | \$ 901,460 | |

The projects are divided as follows:

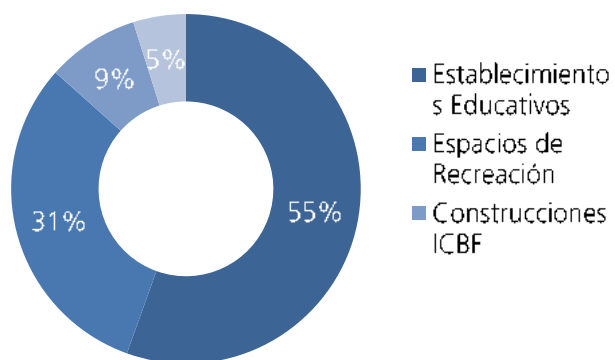
Graph 41: Projects by State



Graph 42: Projects by Program



Graph 25: Standard projects



Child Development Centers (CDI) – DAPRE

- Contract 238 of 2013 and 068 of 2016 for the execution of 6 projects worth \$ 11,774 Million

Megacolegios – Ministry of National Education

- Contracts 1000 and 1260 of 2013 for studies, designs and construction of 10 Megacolegios nationwide valued at \$ 52,004 and \$ 57,923 Million respectively.

Unique schedule– Ministry of National Education

- Contracts 1013 of 2014 and 620 of 2015 for studies, designs, construction of 78 Educational infrastructure projects for the Unique Study Schedule.
- During the year 2017, an addition to contract 620 of 2015 was signed for \$ 21,667 for 24 projects in the department of La Guajira and Mocoa.

Equipment – Fonvivienda

- Contract 330 of 2015 for 49 collective public facilities in housing projects of social interest for 320 Billion.

Sports Recreation Parks – Coldeportes

- Contract 887 of 2013 for the studies, designs and works of 27 projects for \$ 35,858 Million.

Citizen Integration Centers - Ministry of the Interior

- Contract F442 of 2013 for 37 projects worth \$ 28,160 Million, currently in the process of liquidation.

Malecón Bahía de la Cruz, Buenaventura – National Planning Department and Fontur

- Inter-administrative framework contract N°. 8 between Findeter, the Mayor's Office of Buenaventura and the Government of Valle del Cauca for the construction of Phase I of the Malecón Bahía de la Cruz for 27 Billion.

Libraries and Spaces of Life - Ministry of Culture

- Contracts 2808 of 2014 and 2453 of 2015 for the development of 20 cultural infrastructure projects nationwide, current value of \$ 20,256 and \$ 3,600 million respectively.

ICBF

- Contracts 1564 of 2016 and 1743 of 2017 for the execution of 38 projects for \$ 26,371 and \$ 47,160, respectively.

Infrastructure Projects

Child Development Center km. 6

Leticia, Amazonas



Megacolegio Villas de San Pablo Urbanization
Barranquilla, Atlántico

El Ejido Educational Institution
Policarpa, Nariño



College + Child Development Center Salamanca Urbanization
Pereira, Risaralda



Altos de la Sabana Urbanization Park
Sincelejo, Sucre



Music school
Candelaria, Valle del Cauca

SUPPORT PROGRAM FOR THE SUSTAINABLE DEVELOPMENT OF SAN ANDRÉS, PROVIDENCIA AND SANTA CATALINA

Joining forces with the International Banking area, the Technical Vice-Presidency has taken up the challenge to support the implementation of projects under the 3778 CONPES 2013 and the Loan Agreement No. 3104 / OC-CO between the Republic of Colombia and the Inter-American Development Bank (IDB). The National Fund for Disaster Risk Management, Fiduprevisora S.A., signed the Agreement No. 9677-SAPII013-281-2015 on March 20, 2015 with Findeter for the implementation of the Program of Support for the Sustainable Development of the Archipelago Department of San Andrés, Providencia and Santa Catalina.

Projects are being implemented in five specific components (Integral Urban Development, Access to Water and Basic Sanitation Services, Coastal Infrastructure Improvement and Risk Management, Local Economic Development and Institutional Strengthening).

The component projects and their current status are as follows:

Table 43: Projects by component and its current status

| Component | State | Project | Value (\$ Millions) |
|--|----------------------|--|---------------------|
| Urban Development | Being executed | Neighborhood Improvement Stage I | \$ 17,714 |
| | Being executed | Neighborhood Improvement Stage I | \$ 9,185 |
| | Precontractual stage | Urban Center Revitalization | \$ 4,370 |
| | Precontractual stage | Integral Neighborhood Improvement. Step II | \$ 4,338 |
| | Precontractual stage | Integral Neighborhood Improvement Stage II | \$ 3,555 |
| | Delivered | Design Integral Upgrading of Neighborhoods | \$ 1,186 |
| | Liquidated | ED Works and Furniture for the Urban Center Revitalization | \$ 419 |
| Access to water and basic sanitation services | Being executed | Desalination plant | \$ 48,728 |
| | Precontractual stage | Network Renewal Stage II | \$ 29,371 |
| | Precontractual stage | Complementary Works Aqueduct | \$ 5,077 |
| | Being executed | Water Resource Master Plan | \$ 4,455 |
| | Liquidated | ED Complementary Works Aqueduct | \$ 223 |
| Coastal Infrastructure Improvement and Risk Management | Precontractual stage | Recovery areas adjacent to Beaches | \$ 9,858 |
| | Being executed | ED Coastal Infrastructure Improvement (Providencia) and Update for the Construction of a Tourist View point (San Andres) | \$ 1,921 |
| | Precontractual stage | SIGREC | \$ 652 |
| Local Economic Development | Being executed | Seed Capital to Support Entrepreneurship Antonieta Davis | \$ 6,903 |
| | Being executed | Special guarantee | \$ 3,000 |

| | | | |
|----------------------|----------------------|--|-------------------|
| | Precontractual stage | Chamber of Commerce (Business census update and support to the Natgeo program) | \$ 1,000 |
| Fiscal strengthening | Precontractual stage | Urban naming and Cadastral numbering updated | \$ 2,473 |
| | Being executed | Train Public Officials- Integral Project Management | \$ 595 |
| | Precontractual stage | Public Finance Specializations | \$ 290 |
| Total | | | \$ 155,313 |

FONTIC COVENANT

0435 Agreement of 2014

The administrative agreement 0435 signed between the Fund for Information Technology and Communications (FONTIC) and the Financiera del Desarrollo Territorial S.A., Findeter, defined as its purpose: "To unite technical, administrative and financial efforts to jointly build a strategy for the promotion and massification of information technology and ICT communications, promoting regional digital ecosystems in the provinces and cities of the Diamond Caribbean and Santander, Sustainable and Competitive Cities, Emblematic cities or those that are of interest to the parties, in development of said strategy. "

Under the agreement the following lines were defined:

- **Smart cities:** We identified the different variables of smart cities in Colombia, we created a non-competitive ranking showing the state of the city against the defined variables. We continue in 2018 with the development of a demonstration pilot project.
- **Live Digital Impact:** We conducted the study that designed the methodology for assessing the impact of programs and projects of the "Vive Digital Plan" of the Ministry of Information Technologies and Communications".
- **Pegui:** We improve the quality of education in the different territories by increasing academic performance of students in formal educational establishments in the country, where we have made significant progress in achieving that goal.
- **Entrepreneurship through data:** It is a project that provides support to teams of entrepreneurs through mentoring and advice for building sustainable business models and the development of web and/or mobile applications; entrepreneurs, public entities and small ICT companies in Colombia, who are interested in solving problems of social and public interest, from the use of open government data, may participate.

Agreement 1232 of 2017

The administrative agreement 1232 signed between the Fund for Information Technology and Communications (FONTIC) and the Financiera del Desarrollo Territorial S.A., Findeter, defined as its purpose: "Pooling resources and capabilities of technical, technological, administrative and financial order to implement the MySME Live Digital national strategy of the ICT Ministry, seeking the massification of connectivity and the transformation of production processes of Colombian MSMEs from the exploitation, use and appropriation of ICT products and services."

The following lines are defined under the agreement:

- **E-Commerce:** The objective of this line is to generate e-commerce strategies and generate use by MySME entrepreneurs in the regions of Colombia in the B2C line so that they can enhance and grow their business, thereby improving the national economy.
- **Mentality and Culture:** It is the heart of the strategy, it is responsible for energizing the other lines through massification, appropriation and communication to overcome the barriers perceived by employers.

- **Education and Entrepreneurs:** In this line a virtual program is developed that improves access to the knowledge of the ICT tools so that the MySME entrepreneurs in Colombia can develop digital transformation strategies. In November 2017 the virtual platform was delivered: www.mintic.gov.co/empresariodigital

2018 GOALS

- Continue the programs and projects that are being implemented by the National Government.

6.2.4 SHARED VALUE PROJECTS

OUTSTANDING ACHIEVEMENTS AND EVENTS

- **Cartagena:** We benefited 400 children divided into 6 different schools in the neighborhoods: San Fernando, November 11, Santa Clara, Manga, Olaya and Ceballos.
- **Rionegro:** We benefitted 200 children, 1 school was established in 2 sports industry scenarios Cimarronas 4 esquinas sector and the Colegio Liceo José María Córdoba.
- **Manizales:** We benefitted 200 children in partnership with the Universidad of Caldas in the sports fields of the Aranjuez neighborhood, Aranjuez school and in the INEM college.

(G4-4, G4-DMA Local Communities, G4-SO1)

On February 26, 2015 Findeter and the Revel Foundation, an ally and operator in Colombia of the Real Madrid Foundation, signed a collaboration agreement for the development of its "Sports Partner Schools" program, in order to support and strengthen the programs of Sustainability Management and New Business. We execute this program in different cities, especially those that are part of our sustainable and competitive cities programs, Emblematic Cities, and Diamond Caribbean and the Santanders, training for boys, girls and young persons on values.

The development of these social sports schools can offer teenagers and young people an alternative that supports them in their healthy growth and enables them to make productive use of leisure time. This, framed in the priority actions of the social dimension of the aforementioned programs, improving the indicators of welfare, growth and inclusion for strengthening coexistence as a tool for school protection. They generate a direct impact on indicators related to public safety, education, poverty, connectivity, contributing to the construction of social fabric and the mitigation of deficiencies through the tools of self-esteem and the development of social, individual and collective values.

For its part, the Revel Foundation is an institution whose purpose is, among others, to focus on the prosperity and welfare of the Colombian people, the development of leadership in the new generations that promote the search for solutions to major problems and challenges in Colombia and Latin America. It also aims to promote innovation and actions that create a productive use of leisure time for children and youth, thus generating a positive impact on them and society.

Since the Social Sports Schools program with the Revel Foundation started in 2015, to date, they have impacted 4,000 children and young people, signed eight agreements in 8 cities, and created 21 schools.

Social Sports Schools coverage:

Bucaramanga, Valledupar, Villavicencio, Pasto, Manizales, Rionegro, Galapa and Cartagena

Table 44: Coverage Indicators Social Sports Schools

| Programa | Cobertura ciudades | N° de Escuelas | N° Escuelas 2015-2016 | N° Escuelas 2017 | N° Niños Beneficiados |
|--------------------------|--------------------|----------------|-----------------------|------------------|-----------------------|
| Escuelas Sociodeportivas | 8 | 21 | 13 | 8 | 4.000 |

Social Sports Schools before 2017: Galapa (2), Bucaramanga (5), Valledupar (1), Villavicencio (3), Pasto (2)
 Social Sports Schools completed in 2017: Cartagena (6), Rionegro (1), Manizales (1)
 Schools to start 2018: Pasto and Tumaco

2018 GOALS

- In 2017 we signed two new agreements with Revel and the UNIMINUTO University Corporation Foundation to run 2 schools in the cities of Tumaco and Pasto, benefiting 200 children at each school.
- To look for new alliances with strategic partners to create and implement new schools in more cities, achieving a greater impact on vulnerable communities.

7 ENVIRONMENTAL SUSTAINABILITY

7.1 ENVIRONMENTAL MANAGEMENT

(G4-DMA Regulatory Compliance)

In 2017, in accordance with the environmental management system, Findeter continued to promote good environmental practices with its collaborators, to reduce the environmental impact of all the activities it developed, generating a set of practical, useful and educational activities, which served to change and improve the behaviors of employees.

This was managed articulately with the activities of the environmental programs that are part of our Environmental Management System (EMS), such as the efficient use of energy, water efficiency, efficient use of paper, integrated waste management and sustainable practices.



In 2017, with the support of a specialized company in the awareness of best practices we conducted a campaign called "We work for the People and the Planet" that covered all the environmental programs in a playful, fun and educational way, where the vast majority of collaborators participated in one way or another and had contact with the dynamics and methodology used. These experiments were carried out in four

phases and each focused on a particular program.

Various activities were carried out such as the launch parade where the environmental policy and programs were emphasized, then an observation race was held to promote and encourage action to reduce the carbon footprint, and then there was a contest called "paperless ideas" where employees proposed innovative ideas to reduce the role of paper in the Entity, and then finally on the issue of waste a totem was used by which participants reinforced in an interactive manner lessons on topics including recycling by depositing waste in suitable containers.



Environmental campaign

FINDETERRA TEAM

The campaign continued with the strengthening of the Findeterra Team group. Its members are leaders on environmental issues that aim to promote good practices in each unit they belong to in hand with the environmental campaigns. A series of meetings was held with them in which the active participation of all the parties was promoted, involving them in the various activities that took place in the environmental campaign and the creation of the contents of the incentives strategy devised for employees, by which it aims to encourage the adoption of sustainable habits in workers.

SUSTAINABILITY INDICATORS:

Among the main indicators that Findeter implements it is intended that each program aims for progress on the path of improving the consumption rates of natural resources.

7.2 CLIMATE CHANGE

(G4-DMA Emissions, G4-EN15)

It is clearly known to all that humanity is facing the greatest challenge in its history: climate change. So much havoc has been seen throughout the world, and humanity has the means and knowledge to combat it at its disposal, all that is needed is for each country and each government to take its commitment made at the world Summit held in Paris recently and that transcends beyond political, social and economic differences.

At Findeter we are committed to being part of the solution to climate change that we are experiencing in our city and in the Colombian territory, and we are not oblivious to what happens globally so with each of the environmental programs will aim to control and reduce the negative impacts generated in our activities, as well as measuring the carbon footprint gases emissions (GHG) generated, expressed in tons of carbon equivalent ($\text{tCO}_2 \text{ e}$) dioxide. Our carbon footprint for 2016 was 565.71 tCO_2 equivalent to 6.7% of direct emissions 37.71 tCO_2 and 93.3% equivalent to 528 tCO_2 .

Compensation of the environmental footprint in 2015 and 2016 is being carried out through the Agreement with the Hydroelectric Plant of Caldas (CHEC) and the contract with the Organic Coffee Foundation (FEC) in

order to carry out an ecological restoration on 35 hectares with species from the area through an arrangement that simulates the dynamic succession of the forest of the sub moore ecosystem itself as a component of research for the development of the Biological corridor project between the basins of the River Chinchiná and the Potosi Plot in the Department of Caldas.

In order that compensation, be integrated and aligned with the programs that the Entity performs, in 2017, we carried out an environmental volunteer activity with the participation of more than 80 employees and their families, through the planting of trees in the El Encenillo hamlet of the Natura Foundation.



Findeter is a part of the Green Protocol which is driving the measuring of the carbon footprint in financial institutions. In 2017 4,298 tons of CO₂ was offset corresponding to 9 Entities including Findeter, which offset 174 tCO₂e through the payment scheme for BanCO₂ environmental services.

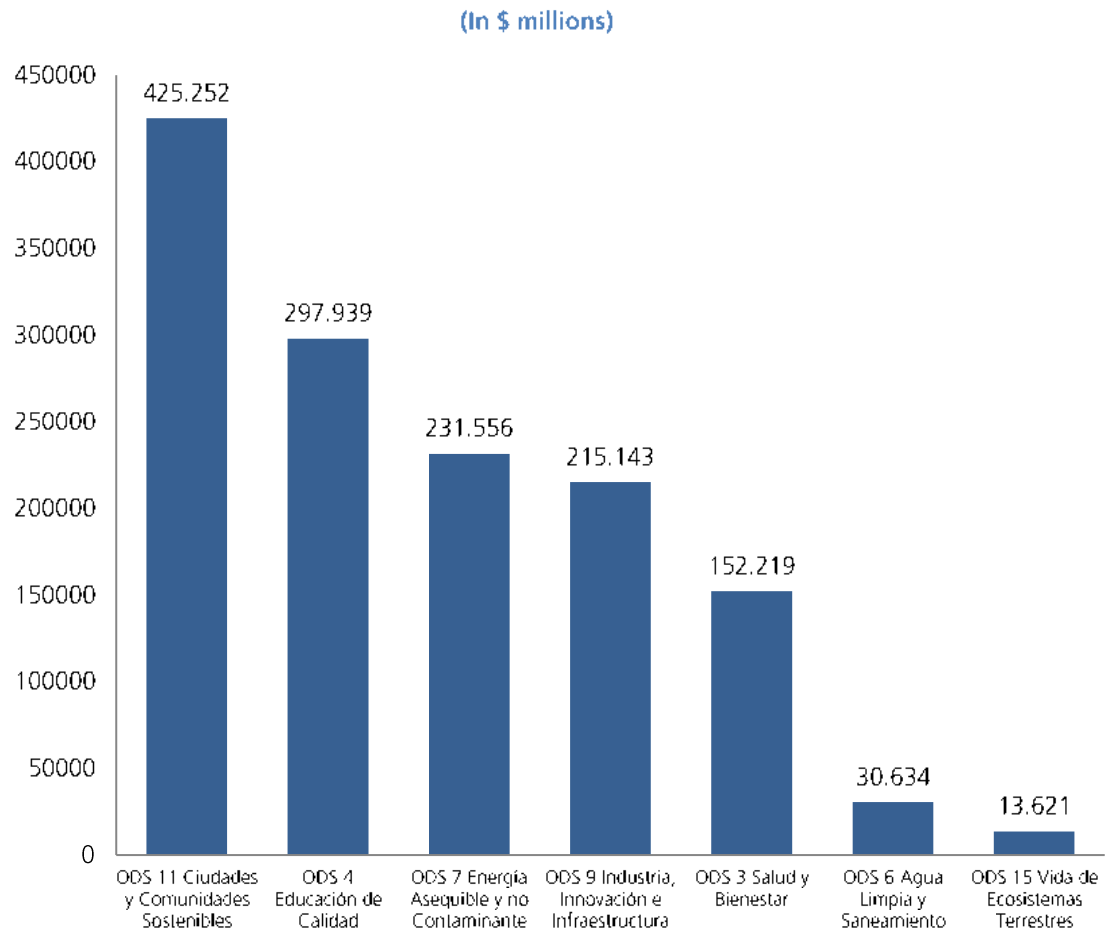
7.2.1 SDG AND CLIMATE CHANGE

In 2017, as a development bank that transforms the regions into sustainable territories, we extend our contribution to fighting climate change, adding to the formulation of action plans for sustainable or emblematic cities, lines of credit that finance projects which contribute to the mitigation or adaptation to climate change, and to offset the carbon footprint, among others, the model for the measurement, verification and reporting - MVR, of the on-loan resources that support the management of Sustainable Development Goals (SDG) and especially the ODS13 on climate change.

To do this, we define the internal criteria under which the on-loans are tracked and classified and that they contribute to each SDG, as well as the types of projects that provide mitigation or adaptation to climate change, in coordination with the guidelines defined in the "Methodological Guide to classify and measure funding associated with mitigation and adaptation to climate change in Colombia ", led by the Financial Management Committee of SISCLIMA, of which Findeter is a member.

In its climate change component this project is the institutional contribution to national climate finance and was the first model used in banking in the country to track the mobilization of resources for climate change, some of its results are reported below.

In 2017 Findeter made a total disbursement of credit resources for \$ 2.07 billion, of which \$ 1.37 billion (66%) went to investment projects with direct impact on the SDGs, such as Sustainable Cities, Quality Education and Clean Affordable Energy, among others. The detail of resources mobilized for the seven major SDGs is presented according to the strategic focus of Findeter:

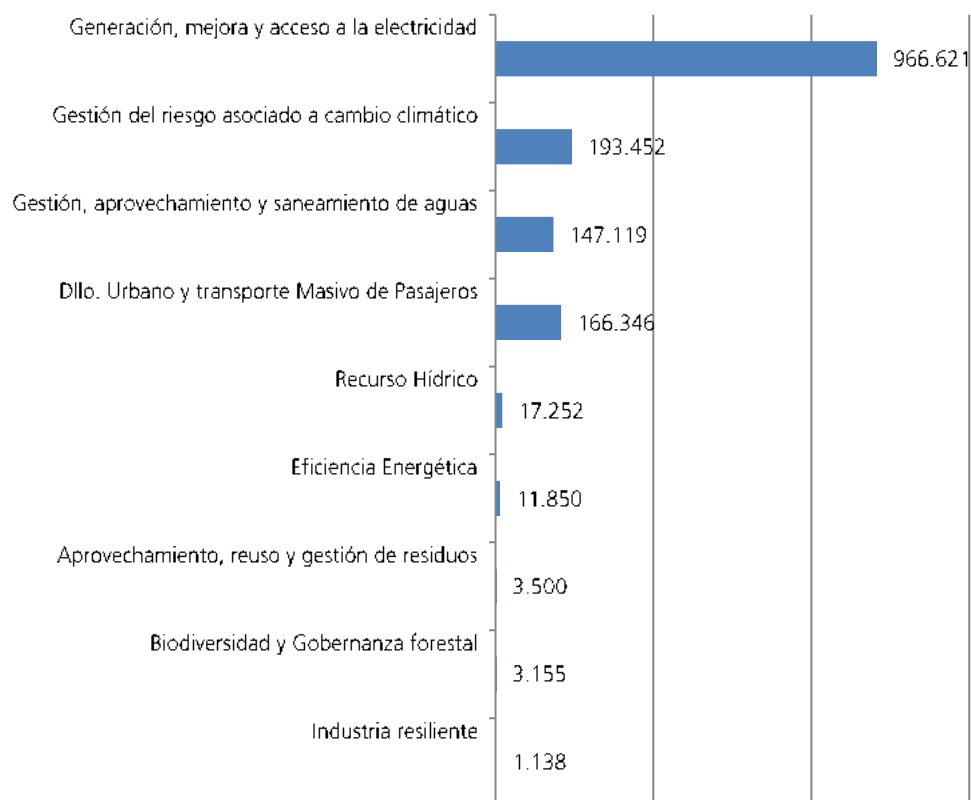
Graph 44: Credit Resources mobilized to the strategic SDGs of Findeter 2014-2017

For Climate Action, SDG 13, which is an objective that permeates across different sectors, with the on-loan product, we have traced a flow of resources of the 2014-2017 period totaling \$ 1.51 billion for investment projects that contribute to the mitigation, or adaptation to climate change or both, of which 75.8% were classified as mitigation projects. Geographically said investment is mainly in the departments of Antioquia, Meta, Valle del Cauca and the Santander and 96% was financed with resources from the Bank. In 2017 a total of \$ 282,487 million were traced of which 92% were mobilized for projects that contribute to mitigation.

These resources have been allocated primarily to the generation of clean energy, including biofuels, increased access to energy through investments in the systems of National and Regional Transmission, water management, risk management associated with floods, landslides or flooding and to mass transportation systems, whose distribution as detailed in the chart below:

Graph 45: Credit Resources mobilized according to the investment objective -Subsectors of the National MVR 2014-2017

(Millions \$)



Of the total resources tracked to SDG 13, 65% has been for receivers, also called private credit beneficiaries.

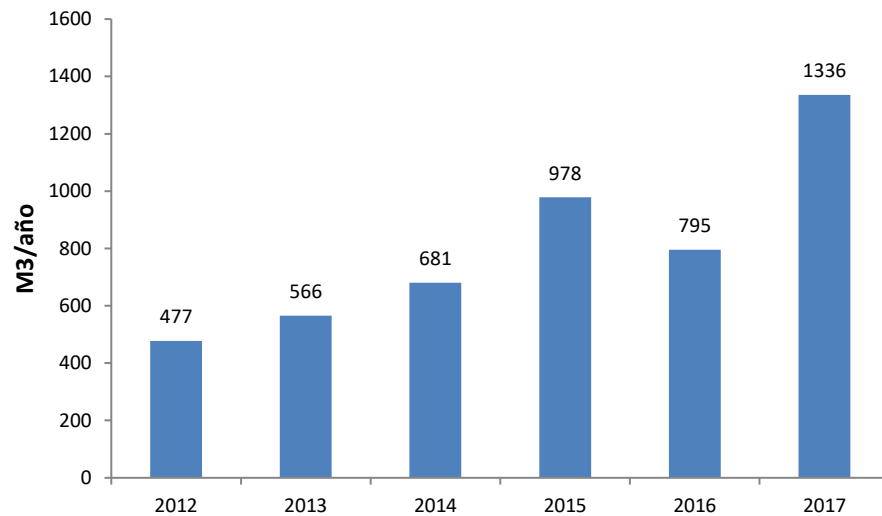
7.3 EFFICIENT WATER USE



The program on efficient water use is has as its goal to manage good environmental practices and promote its efficient use at sites owned by the Financial company. In this way, all our offices are connected to the respective public sewer system, therefore, no additional control or discharge permit is required. Our financial activity does not generate discharges different to typical domestic ones. During 2017, water

consumption rose to 1,336 m³

Graph 46: Water Consumption M3



Findeter has continued to promote reducing water consumption, through campaigns to raise awareness about the reduction of water consumption, implementing and improving water saving toilets and the implementation of sensors for sinks and water recirculation through irrigation on the walls of the facade of the Headquarters building. In the Regional offices, the average water consumption remained constant with some peaks due to the entry of new staff to the entity.

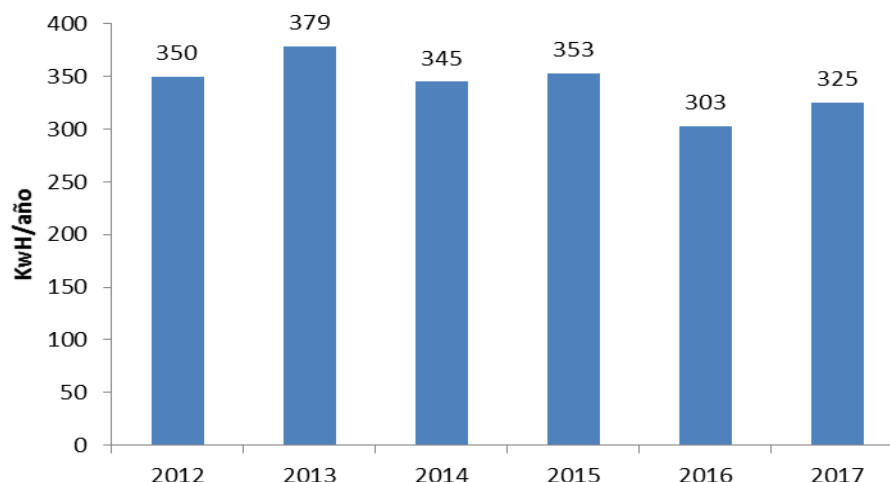
7.4 EFFICIENT USE OF ENERGY

(G4-DMA Energy-EN3 G4, G4-EN6)



The Efficient Use of Energy program aims to reduce energy consumption in Findeter and promote a savings culture in our daily activities and thus contribute to sustainable development. Faced with the goal of the indicator in 2017 of 125 KWh / person / month, an average consumption of 103.2 KWh / person / month was achieved. This results in a total energy consumption of 325,488 kWh / year. This indicates that maintenance strategies and coverage of the saving devices have helped significantly in the efficient use of energy.

Graph 47: Energy consumption kWh / year



With regard to energy consumption, the Bank continued raising awareness among employees through communication pieces in which good practices to save this resource were incentivized.

7.5 MATERIALS AND WASTE

7.5.1 EFFICIENT USE OF PAPER

(G4-DMA Materials, G4-EN1)

In the Environmental campaign 2017 a contest was carried out that gave employees the opportunity to make proposals to reduce paper consumption in their respective units and in general throughout the Entity. This served to further raise awareness about the problem we have with this resource.

In addition to the centralized management of physical records and electronic management in offices, work was carried out with the Management of Water and Infrastructure for better results in saving paper, this is an advance piece of news, which will be reflected in the medium and long term.

During the first quarter of 2017 the service to search and download certificates of tax withholding at the source due to financial returns (for investors) was launched which allows the process of issuing said certificates to be optimized and thus reduce paper consumption.



The efficient use of paper programs has defined the goal of reduction, however, this indicator for the current program is a maximum of 240 sheets per person per month, with an upper range of 280 and a lower range of 180 sheets. During 2017 consumption has increased to an average of 335 sheets per person per month including printing and copying, this is due to several factors including increased staffing, specific increases during the year in some units in response to the work they perform, which are subject to external factors of paper consumption above normal. In short, during the 2017 paper consumption was 4,526 reams.

7.5.2 WASTE MANAGEMENT

(G4-DMA Waste, G4-EN23)

3,004 Kilos of recycled material was obtained for the year 2017 as the contribution of FINDETER to environmental sustainability, by preventing less recyclable material going to landfills. This result reflects the effectiveness of environmental campaigns and the implementation of strategic points for the disposal of waste on each floor of the Headquarters.

Additionally, in the environmental campaign in 2017 the activity related to the waste phase was conducted. For this, an interactive game was designed called "Where does the Waste go?", Where employees had to properly classify as much waste as possible in 30 seconds. The goal was to identify the type of waste and where it was deposited according to the Findeter classification code. Simultaneously, a character called "Reciclón" who is focused on proper waste management, with colorful costumes made out of recycled materials, visited collaborators in all the areas and invited them to continue learning how to properly sort waste through the game.

As an additional activity, a space for socializing with the general service staff was created in which the result of the waste diagnosis was reported, and the work they do was highlighted as well as their importance in the proper waste management implemented in the company.

8 EQUIPMENT

OUTSTANDING ACHIEVEMENTS AND EVENTS

- Findeter first obtained the Great Place To Work award as one of the 20 best places to work in Colombia, ranking 20th in the category of companies with more than 500 employees.
- Improved work environment index (IAL) achieving 88.4 versus 84.6 in 2016.
- More coverage was achieved in institutional training reaching 92% of workers compared to 90% in the previous year, retaining the quarterly average of 16 man hours training in a year of greater project implementation in the Financial company.
- Opening 6 offices strategically distributed in the country located in the cities of Mocoa, Cartagena, Cucuta, Santa Marta and Villavicencio, with the infrastructure and cutting-edge technology and qualified human talent, which facilitates access, coverage, efficiency and quality in the service, consolidating our position as a strategic partner in regions that generates welfare for people.
- Continuing the policy of continuous improvement in processes, the administrative management simplified the procedure of commissions expediting the processing and operation moving from a manual process to an online process, reducing paper consumption and optimizing response time to users.
- Incorporated three measures to efr model of the family responsible company, which means that the management model continues its process of continuous improvement.

8.1 TEAM PROFILE

(G4-10, G4-DMA Employment, G4-LA1)

Table 45: Workers by sex

| Female | Male | Total |
|--------|------|-------|
| 324 | 242 | 566 |

8.1.1 CLASSIFICATION OF WORKERS

(G4-11, G4-LA12)

Table 46: Number of employees by type of employment contract and gender

| Contract Type / Gender | Female | | | | Male | | | | Grand Total |
|------------------------|--------|-----------|---------------|--------------|-------|-----------|---------------|------------|-------------|
| Work contract | Fixed | Undefined | Work or Labor | Total Female | Fixed | Undefined | Work or Labor | Male Total | |
| Permanent workforce | 3 | 138 | | 141 | 2 | 94 | | 96 | 237 |

| | | | | | | | | | |
|----------------|----------|------------|------------|------------|----------|-----------|------------|------------|------------|
| Mission worker | | | 183 | 183 | | | 146 | 146 | 329 |
| Total | 3 | 138 | 183 | 324 | 2 | 94 | 146 | 242 | 566 |

Findeter has the support of mission workers for the implementation of its programs and projects it is in charge of, staff with specialized studies and experience in various technical areas that impact the processes, being 58% of the total workforce of the entity at the end of 2017. This has strengthened the human resources available to the Organization to assume with professional and technical capacity the challenges demanded by the developed activities and answer for the new programs that the National Government determines, using conventions and/or inter-administrative contracts of technical assistance.

On the other hand, support services such as surveillance, cleaning, cafeteria, among others, are provided for by companies that the Bank hires for this purpose.

Table 47: Size of workforce by region and sex - Summary

| Employment and Gender | Permanent workforce | | | Mission worker | | | Grand Total |
|--------------------------------|---------------------|-----------|-----------------|----------------|------------|-----------------------|-------------|
| Work area / Birth Department * | Female | Male | Total Permanent | Female | Male | Total Mission Workers | |
| Directorate General | 110 | 78 | 188 | 150 | 109 | 259 | 447 |
| Satellite offices | 4 | 2 | 6 | 11 | 12 | 23 | 29 |
| Regional offices | 21 | 14 | 35 | 21 | 20 | 41 | 76 |
| Areas | 6 | 2 | 8 | 1 | 5 | 6 | 14 |
| Grand Total | 141 | 96 | 237 | 183 | 146 | 329 | 566 |

Table 48: Size of workforce by region and sex - Directorate General

| Employment and Gender | Permanent workforce | | | Mission worker | | | Grand Total |
|--------------------------------|---------------------|------|-----------------|----------------|------|-----------------------|-------------|
| Work area / Birth Department * | Female | Male | Total Permanent | Female | Male | Total Mission Workers | |
| Antioquia | 3 | 3 | 6 | 3 | 3 | 6 | 12 |
| Arauca | | | 0 | | 1 | 1 | 1 |
| Atlantic | 3 | | 3 | 9 | 3 | 12 | 15 |
| Bolivar | | 1 | 1 | 2 | 6 | 8 | 9 |
| Boyacá | 1 | 1 | 2 | 7 | 2 | 9 | 11 |
| Caldas | 12 | 7 | 19 | 16 | 13 | 29 | 48 |
| Caqueta | 1 | | 1 | | | 0 | 1 |
| Casanare | | | 0 | 1 | | 1 | 1 |
| Cauca | 1 | | 1 | 4 | 1 | 5 | 6 |
| Cesar | 1 | | 1 | 3 | 3 | 6 | 7 |
| Choco | | 1 | 1 | | | 0 | 1 |
| Cordoba | 10 | 2 | 12 | 7 | 7 | 14 | 26 |

| | | | | | | | |
|----------------------------------|------------|-----------|------------|------------|------------|------------|------------|
| Cundinamarca | 13 | 15 | 28 | 7 | 4 | 11 | 39 |
| Guajira | 2 | | 2 | 1 | | 1 | 3 |
| Huila | 3 | | 3 | 5 | | 5 | 8 |
| Lime | 1 | | 1 | | | 0 | 1 |
| Magdalena | 2 | 2 | 4 | 1 | 3 | 4 | 8 |
| Meta | 1 | 1 | 2 | 2 | 1 | 3 | 5 |
| Nariño | 1 | 2 | 3 | 5 | 4 | 9 | 12 |
| New York State | | | 0 | 1 | | 1 | 1 |
| Does not exist | 1 | | 1 | | | 0 | 1 |
| Norte de Santander | 1 | 1 | 2 | 3 | 2 | 5 | 7 |
| Quindio | 1 | 1 | 2 | 2 | | 2 | 4 |
| Risaralda | 1 | 1 | 2 | 2 | | 2 | 4 |
| San Andrés | | | 0 | 1 | | 1 | 1 |
| BOGOTA DC | 37 | 34 | 71 | 49 | 45 | 94 | 165 |
| Santander | 5 | 3 | 8 | 5 | 4 | 9 | 17 |
| Sucre | 3 | | 3 | 3 | | 3 | 6 |
| Tolima | 3 | 3 | 6 | 3 | 5 | 8 | 14 |
| Valle del Cauca | 3 | | 3 | 8 | 2 | 10 | 13 |
| Total Directorate General | 110 | 78 | 188 | 150 | 109 | 259 | 447 |

Table 49: Size of the workforce by region and sex - Satellite Offices

| Employment and Gender | Permanent workforce | | | Mission worker | | | Grand Total |
|--------------------------------|---------------------|------|-----------------|----------------|------|-----------------------|-------------|
| Work area / Birth Department * | Female | Male | Total Permanent | Female | Male | Total Mission Workers | |
| Buenaventura Satellite Office | | | 0 | 1 | | 1 | 1 |
| Valle del Cauca | | | 0 | 1 | | 1 | 1 |
| Cartagena Satellite Office | 1 | | 1 | | 2 | 2 | 3 |
| Atlántico | | | 0 | | 1 | 1 | 1 |
| Bolivar | | | 0 | | 1 | 1 | 1 |
| Cundinamarca | 1 | | 1 | | | 0 | 1 |
| Satellite Office Cúcuta | | | 0 | 2 | 1 | 3 | 3 |
| Norte de Santander | | | 0 | 2 | 1 | 3 | 3 |
| Satellite Office Ibagué | | | 0 | 2 | 1 | 3 | 3 |
| Huila | | | 0 | 1 | | 1 | 1 |
| Tolima | | | 0 | 1 | 1 | 2 | 2 |
| Satellite Office Monteria | 1 | 1 | 2 | 1 | 3 | 4 | 6 |
| Antioquia | 1 | 1 | 2 | | | 0 | 2 |
| Atlantic | | | 0 | | 1 | 1 | 1 |
| Cordova | | | 0 | 1 | 1 | 2 | 2 |
| Sucre | | | 0 | | 1 | 1 | 1 |

| | | | | | | | |
|--------------------------------|----------|----------|----------|---------------|-----------|-------------|-----------|
| Satellite Office Pasto | | | 0 | 2 | | 2 | 2 |
| Nariño | | | 0 | 2 | | 2 | 2 |
| Satellite Office Quibdo | | | 0 | | 1 | 1 | 1 |
| Choco | | | 0 | | 1 | 1 | 1 |
| Satellite Office Santa Marta | 1 | | 1 | 3 | 3 | 6 | 7 |
| Antioquia | 1 | | 1 | | | 0 | 1 |
| Atlantic | | | 0 | | 1 | 1 | 1 |
| Caldas | | | 0 | | 1 | 1 | 1 |
| Cundinamarca | | | 0 | | 1 | 1 | 1 |
| Magdalena | | | 0 | 3 | | 3 | 3 |
| Sincelejo Satellite Office | | 1 | 1 | | | 0 | 1 |
| Sucre | | 1 | 1 | | | 0 | 1 |
| Satellite Office Valledupar | | | 0 | | 1 | 1 | 1 |
| Cesar | | | 0 | | 1 | 1 | 1 |
| Satellite Office Villavicencio | 1 | | 1 | | | 0 | 1 |
| BOGOTA | 1 | | 1 | | | 0 | 1 |
| Total Satellite Offices | 4 | 2 | 6 | eleven | 12 | 2. 3 | 29 |

Table 50: Size of workforce by region and sex - Regional

| Employment and Gender | Permanent workforce | | | Mission worker | | | Grand Total |
|--------------------------------|---------------------|----------|-----------------|----------------|----------|-----------------------|-------------|
| Work area / Birth Department * | Female | Male | Total Permanent | Female | Male | Total Mission Workers | |
| Northeast regional | 3 | 1 | 4 | 1 | 2 | 3 | 7 |
| Cundinamarca | 1 | | 1 | | | 0 | 1 |
| North of Santander | | 1 | 1 | | | 0 | 1 |
| BOGOTA DC | | | 0 | | 1 | 1 | 1 |
| Santander | 2 | | 2 | 1 | 1 | 2 | 4 |
| Caribbean regional | 8 | 4 | 12 | 5 | 8 | 13 | 25 |
| Atlántico | 5 | 2 | 7 | 1 | 4 | 5 | 12 |
| Bolivar | 1 | | 1 | | 1 | 1 | 2 |
| Cordova | | 1 | 1 | | | 0 | 1 |
| Cundinamarca | | | 0 | | 1 | 1 | 1 |
| Guajira | 1 | | 1 | | | 0 | 1 |
| Magdalena | | | 0 | 1 | | 1 | 1 |
| San Andrés | | | 0 | 1 | | 1 | 1 |
| BOGOTA DC | | | 0 | 2 | | 2 | 2 |
| Santander | 1 | | 1 | | | 0 | 1 |
| Sucre | | 1 | 1 | | 2 | 2 | 3 |
| regional Center | 3 | 3 | 6 | 5 | 2 | 7 | 13 |
| Atlántico | 1 | | 1 | | | 0 | 1 |
| Boyacá | | | 0 | | 1 | 1 | 1 |
| Caldas | 1 | | 1 | | | 0 | 1 |
| Casanare | | | 0 | 1 | | 1 | 1 |
| Cundinamarca | | 1 | 1 | | | 0 | 1 |
| BOGOTA DC | 1 | 1 | 2 | 3 | | 3 | 5 |
| Santander | | 1 | 1 | 1 | | 1 | 2 |
| Valle del Cauca | | | 0 | | 1 | 1 | 1 |
| Northwest regional | 5 | 2 | 7 | 4 | 1 | 5 | 12 |

| | | | | | | | |
|------------------|----|----|----|----|----|----|----|
| Antioquia | 3 | 2 | 5 | 3 | | 3 | 8 |
| Caldas | 2 | | 2 | 1 | 1 | 2 | 4 |
| Pacific regional | 2 | 4 | 6 | 6 | 7 | 13 | 19 |
| Caldas | | 1 | 1 | 1 | 1 | 2 | 3 |
| Cauca | | | 0 | 1 | 1 | 2 | 2 |
| Cundinamarca | | 1 | 1 | | | 0 | 1 |
| Nariño | | | 0 | 1 | 1 | 2 | 2 |
| Santander | | | 0 | | 1 | 1 | 1 |
| Valle del Cauca | 2 | 2 | 4 | 3 | 3 | 6 | 10 |
| Total Regional | 21 | 14 | 35 | 21 | 20 | 41 | 76 |

Table 51: Size of workforce by region and sex - Areas

| Employment and Gender | Permanent workforce | | | Mission worker | | | Grand Total |
|--------------------------------|---------------------|------|-----------------|----------------|------|-----------------------|-------------|
| Work area / Birth Department * | Female | Male | Total Permanent | Female | Male | Total Mission Workers | |
| Coffee zone area | 4 | 1 | 5 | 1 | 5 | 6 | eleven |
| Antioquia | | | 0 | 1 | | 1 | 1 |
| Caldas | 1 | | 1 | | 3 | 3 | 4 |
| Quindio | 1 | | 1 | | | 0 | 1 |
| Risaralda | 2 | 1 | 3 | | 1 | 1 | 4 |
| BOGOTA DC | | | 0 | | 1 | 1 | 1 |
| South Zone | 2 | 1 | 3 | | | 0 | 3 |
| Huila | 1 | 1 | 2 | | | 0 | 2 |
| Tolima | 1 | | 1 | | | 0 | 1 |
| Total Areas | 6 | 2 | 8 | 1 | 5 | 6 | 14 |

The turnover rate of the entity is 7.4%, corresponding only to direct personnel hired by Findeter (permanent workforce). In 2017, there were 34 new hires and 17 withdrawals.

SCALE OF THE ORGANIZATION

The types of positions defined in the organizational structure of Findeter that are consistent with the Manual of Functions and General Requirements in force are: messenger, administrative assistant, driver, secretary, analyst, professional, head, director, manager, vice president, secretary general, president.

8.2 LABOR RELATIONS

(G4-DMA Employment, G4-DMA relations between workers and management, G4-DMA Health and Safety at Work, G4-LA5)

In Findeter we abide by the current standards on Colombian labor legislation.

Table 52: Percentage of employees covered by collective agreements

| | Permanent workforce | % Coverage |
|-------------------------------------|---------------------|-------------|
| Covered by collective agreement | 190 | 80% |
| Not covered by collective agreement | 47 | 20% |
| Total | 237 | 100% |

8.2.1 SELECTION AND EMPLOYMENT POLICY

(G4-DMA Diversity and equal opportunities, G4-LA12)

Findeter in the policy on selection and recruitment of qualified and competent staff has established equal opportunities, and non-discrimination based on sex, race, social status, religion, region or otherwise.

Also, within the EFR model (Family Friendly Company) in the dimension of Equality of opportunities it is established that when the company makes job offers it will not discriminate based on gender, national origin, disability and/or any other cultural, religious, sexual orientation or racial status.

In the process of selection, recruitment and induction established by Findeter, compliance with each of the steps under the guidelines of the above described policies and alignment with the requisite general skills is ensured as well as the aspects related to organizational culture and climate, starting from the search for potential candidates for various positions to hiring them.

The controls are determined from the procedure itself to the analyzing of resumes and safety studies of applicants in relation to meeting the education, experience and specific skills of the candidates, regardless of sex, race, social status, religion, or another characteristic, the above is subject to the management audit and the quality audit. Additionally, and for specific processes, voice tests are applied using an advanced validation system which allows greater security.

Below is the gender by position levels, where higher participation of women in all levels of the Organization is highlighted.

Table 53: Distribution of position levels by gender

| Positions | Female gender | Male gender | Grand Total |
|--|---------------|-------------|-------------|
| Executive level | 31 | 21 | 52 |
| Other levels | 293 | 221 | 514 |
| Grand Total | 324 | 242 | 566 |
| % participation of women in the total | 57% | 43% | |
| % participation of women in the managerial level | 60% | | |

On the other hand, in order to ensure communication between the different levels of the organization, Findeter has established various communication channels such as suggestion boxes, regular team meetings, primary groups, the intranet, the Joint Committee on Health and Safety at Work (Copasst), the Committee on Labor Coexistence, the customer service and claims number, complaints, claims and whistleblowing, among others, promoting the relationship of workers with the management of the Organization.

Also, the President of the Bank will periodically bring together all his staff to present quarterly management advances and for meetings are organized for new collaborators to give them the welcome greeting and reinforce their commitment to take on the mission, vision, culture and values that govern us.

SALARY COMPENSATION

(G4-DMA Equal pay for women and men)

In Findeter pay compensation is set according to the current pay scale, as explained in previous reports. The Board is the body that authorizes increases each year for the Executive level and for the other positions, the increase occurs according to what is agreed in the collective labor agreement currently in effect.

Salary studies are periodically performed with external expert consultants in the field in order to technically define competitive salaries for the entity in the market, recognizing that this is a variable that can attract and retain the talent required to achieve its goals, and the result of the studies allows wage leveling objectively regardless of any condition that is different at the time of the study.

The determination of the base salary for workers, as described in the preceding paragraphs, it is in line with the respective wage scale and according to what is described in the manual of functions and general requirements in force regardless of the gender of the same, giving priority to the years of work experience and studies taken by the candidate.

8.3 CONCILIATION AND PROFESSIONAL DEVELOPMENT

8.3.1 FAMILY CONCILIATION

(G4-LA2)

The EFR certification allows Findeter to be presented as a company that develops Family Responsible policies and practices, on the basis that the employee's family and the life project of each is a priority for the Financial company, by which the sustainability policy is reinforced within the Organization.

The EFR certification puts Findeter at the forefront of people management issues by allowing low quality standards, grouping the entire portfolio of benefits for its employees allowing us to be sustainable within the organization.

Continuous improvement of the EFR model created three new initiatives in 2017

- Extended maternity: Increase by one hour to the breastfeeding time approved by Law.
- Three-day marriage leave
- Bancolombia ATM at the headquarters of Findeter

Relevant results from the model audit are highlighted:

- The commitment of senior management to the EFR model and to all the initiatives around it, headed by the President and the Findeter management team.
- They recognize that Findeter is interested in the welfare and quality of life of people.
- In general, the leaders/bosses are seen as people that show compassion about personal and family issues, people even said that they clearly understand the benefits and agree with the use thereof.
- The use of benefits is perceived as part of the culture of the organization.

8.3.2 WORKING ENVIRONMENT

(G4-LA2)

The result of the measurement of the work environment index (IAL) is the variable that enables organizations to potentiate people management and to establish their credentials as a family-responsible company. Findeter, in seeking to make the entity the best place to work, has been measured for five years under IAL international standards, with the methodology of the Great Place to Work® Institute, a model for understanding the work environment in three planes whose pillars are:

- Confidence inspired by the leaders and the company
- The Camaraderie in the workgroup

- The Pride that the work, the team and the company produce

The measurement has allowed from the perception of all the workers about the type and quality of relationships in their workplace, the development of action plans with different equipment in order to reduce the gaps in the variables that have the least points. Also, progress has been made on the management of people towards its consolidation as a family-responsible company with a policy that creates favorable conditions for them to consolidate their potential and to guide their work, reflected in the ability to create value in aspects such as service, connecting with customers, innovation and efficiency, among others.

Therefore, in December 2017 Findeter entered the group of the 20 best companies to work for in Colombia, in the category of companies with more than 500 workers. Said recognition motivates us to continue in the pursuit of excellence.

In the 2017 Findeter obtained an IAL (Work Environment Index) of 88.4 compared to 84.6 IAL in 2016; which shows that we continue with our extraordinary performance that allows us to state that the actions taken to close the gaps generated a positive impact on improving the organizational climate.

2018 is expected to maintain the growth rate measurement obtained in 2017, in order to obtain at least one Outstanding IAL (Work Environment Index) score according to the target proposed by GPTW.

8.3.3 TRAINING

(G4-LA2)

In recent years, the process of training in Findeter has potentiated, given the momentum that the administration of the Bank has given to different programs, promoting not only updating and knowledge but also the permanent attendance of the different workshops that were organized. In 2017 the entry of more than 670 persons was recorded, achieving an average investment of 16 man hours in a year of high execution of projects by the close of the term.

Table 54: Hours of employee training

| Year | Total hours | Participants | Annual Man hours |
|------|-------------|--------------|------------------|
| 2014 | 20,893 | 437 | 47.8 |
| 2015 | 21,920 | 537 | 40.8 |
| 2016 | 29,040 | 590 | 49.2 |
| 2017 | 32,760 | 672 | 48.8 |

Training offered in Findeter is the support of the strategic plan in the short and medium term because it is aligned with the organizational culture and productivity, which allows workers who think about sustainable and profitable growth to have the elements necessary to achieve the vision of **"being the leading development bank that transforms the regions sustainable territories"**.

Also, 5 years ago the "Professionals in Training" program was implemented which has allowed Findeter to have new partners with a comprehensive vision of the business, strengthening in this way their commitment and sense of belonging, in order to optimize their contribution and job performance, achieving a competitive advantage thanks to their organizational learning, becoming the seed for future generational change. At the end of 2017, 22 professionals under the age of 29 years successfully completed the program in different disciplines.

From the training needs of the various departments, the organizational skills to be developed and the line of the strategic plan, each year the training plan is built and is executed according to business dynamics. On the

other hand, the participation of workers in the different programs that allow the organizational culture to be defined and to develop their soft skills, in addition to receiving technical training skills, are promoted from the Management of Human and Administrative Resources.

The prioritizing of training activities is given with different themes that are related to induction, re-induction, corporate, technical or specific topics, and complementary, technical or specific education and the improvement of skills that enable the strategic capital dimension of the company to be supported that aims to have comprehensive workers who think about sustainable and profitable growth.

Similarly, financial support also exists as an incentive for our employees to professionalize and specialize in subjects that contribute to achieving the objectives of Findeter.

Control of the participation of each worker is recorded, in which the time invested in learning and the program they attended is registered, as well as what strategic dimension or organizational competence they want to develop or potentiate with such training.

An indicator is measured in man hours and the coverage indicator thereof is recorded, resulting in the average man months of 2017 hours that 16 hours with an average coverage of 92%.

The growth in training is shown below, recorded in hours and number of participants:

Graph 26: Growth in employee training

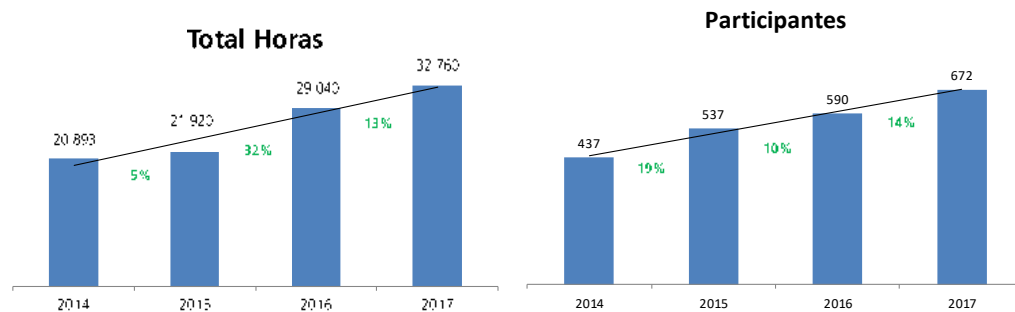


Table 55: Training of workers by gender and job title

| Employee category | Female participants | Male participants | Total Participants | Female Training hours | Male Training hours | Total Training Hours | Average annual training hours |
|---|---------------------|-------------------|--------------------|-----------------------|---------------------|----------------------|-------------------------------|
| University Apprentice and Sena Intern | 13 | 3 | 16 | 132 | twenty | 152 | 10 |
| Administrative Assistant, Secretary and Messenger | 35 | 9 | 44 | 621 | 122 | 743 | 17 |
| Analyst and Professional | 323 | 236 | 559 | 15,434 | 9,987 | 25,421 | 46 |
| Director | 9 | 10 | 19 | 1,113 | 678 | 1,791 | 94 |

| | | | | | | | |
|-------------------|------------|------------|------------|---------------|---------------|---------------|-----------|
| Manager | 12 | 4 | 16 | 1,852 | 607 | 2,459 | 154 |
| Head | 7 | 3 | 10 | 853 | 134 | 987 | 99 |
| President | 0 | 1 | 1 | 0 | 96 | 96 | 96 |
| General Secretary | 0 | 1 | 1 | 0 | 180 | 180 | 180 |
| Vice President | 3 | 3 | 6 | 448 | 482 | 930 | 155 |
| Total | 402 | 270 | 672 | 20,453 | 12,306 | 32,759 | 49 |

A total of 542 training events were recorded in 2017.

8.3.4 PERFORMANCE

The result of the evaluation of management development for 2017 was as follows:

Figure 5: Performance Evaluation Summary



8.3.5 OCCUPATIONAL HEALTH

(G4-DMA Health and Safety at Work, G4-LA6, LA7-G4)

According to the economic activity of Findeter, and according to the classification given by the Administrator of Occupational Risks (ARL), the minimum risk is classified as class I (Financial companies, office and administrative work, educational centers, restaurants), so it can be said that the entity does not have exposure to elevated risks of certain diseases.

During 2017 five minor accidents in recreational sport and/or own daily work activities were reported. Said incidents occurred in the lower and upper limbs and were few and far between. 2 of the accidents involved women and 3 men, the events occurred in the city of Bogotá; and in total 39 days of medical leave were granted related to the 5 accidents.

According to the rating given by the POSITIVA Occupational Risk Management, to date Findeter has only had one case defined as an occupational disease and is waiting the opinion about another case. These two cases correspond to two women.

2018 GOALS

- Implementation of the recognition plan aimed at strengthening the value proposition, integrating capabilities and performance to contribute to the implementation of the strategy of the organization, enabling high impact results, an increase in individual productivity, commitment and loyalty.
- To implement the program to strengthen the social dialogue and labor consultation with the union, potentiate the prevalence of fundamental labor rights and sustainability of the company.
- Consolidate our position as one of the 20 best companies to work for in Colombia, with focus on the three pillars of work environment index:
 - Confidence inspiring leaders and the company
 - Camaraderia in the workgroup
 - Pride produces by the work, the team and the company
- EFR model recertification by the Spanish "More Family" Foundation.
- Incorporation of measuring to the selection process of the level of alignment of the candidates with the organizational culture.

9 RELATIONSHIP WITH STAKEHOLDERS

9.1 STAKEHOLDERS

Stakeholders are those parties that can directly or indirectly, positively or negatively, affect or be affected by the objectives and decisions of the company. The identification and prioritization of these, constitutes a fundamental exercise in social responsibility.

In 2017 Findeter conducted an exercise to update and prioritize its stakeholders based on the different types of relationships that have been established with them. Therefore, starting with the construction of a map of groups and its subsequent validation through focus workgroups, 9 large stakeholders were identified from different dimensions, include the multiplicity of actors that the Financial company works with:

Table 56: Findeter Stakeholders

| Interest Group | Description | Commitment Findeter |
|---------------------------|--|--|
| Steering and Management | These are the government bodies that dictate the ethical principles and procedures under which Findeter should be governed and operate; Board of Directors, shareholders, directors, managers. | Respect for rights under the law, statutes and those derived from the actions. |
| Investors | The following are considered as investors: 1) those who want to acquire Term Deposits, or other loan securities placed by Findeter and 2) Persons who acquire shares in this financial company from the issuance of Decree 4167 of 2011. | Ensure that they have equal treatment, according to their nature and under the terms established by law. |
| Customers | All natural or legal persons with which Findeter has dealings with through on-loan operations, technical assistance or cooperation agreements for development of the country. | Quality and timeliness in providing services and products. |
| Suppliers and contractors | Natural or legal persons with whom Findeter contracts the provision of a service or purchases a product. | Maintain relationships of trust with efficiency and timeliness. |
| Control bodies | Groups together those internal and external control | Maintain a fluid and cooperative |

| | | |
|---------------------------------------|--|--|
| | entities to comply with different functions of surveillance, monitoring and control over the operations, obligations and activities of Findeter. | relationship; address the recommendations and instructions in a diligent and timely manner. |
| Ministry of Finance and Public Credit | It is the governing body which is linked to the entity and therefore Findeter must abide by its guidelines. | Cater efficiently and in a timely manner with the established requirements and guidelines. Collaborate with good performance in the negotiations mandated by the sector. |
| Creditors | Responsibility for the relations with creditors of the Entity that makes them maintain their interest in business by its financial capacity and the timely payment of their claims. | Respect the conditions of negotiation, providing confidence in the management thereof. |
| Permanent and mission workers | All persons connected with the Company that constitute its main resource. | Encourage an appropriate organizational climate for the optimal development of institutional activities. |
| Government and Society | Individuals, corporations and civil society organizations that: 1. Can be impacted directly or indirectly by the actions of Findeter. 2. In the short, medium or long term they can present a particular interest in the organization or vice versa. | Generate positive impacts on Colombian society. |

The methodology to be applied for periodic updates is also established within the Quality Management System.

9.2 VALUE CHAIN

Among the strategies carried out Findeter in its management during 2017 was the continuing strengthening of its relationship with its stakeholders. Its development was carried out through information and communication channels, complying with the policy of Sustainability and Corporate Social Responsibility. This relationship has been built not only from a basis of mutual trust and transparency, but we have also sought to emphasize their interests and their satisfaction levels, considering that they are essential due to its importance to the results of the company and to become important players in sustainability, by their direct and indirect impact on management.

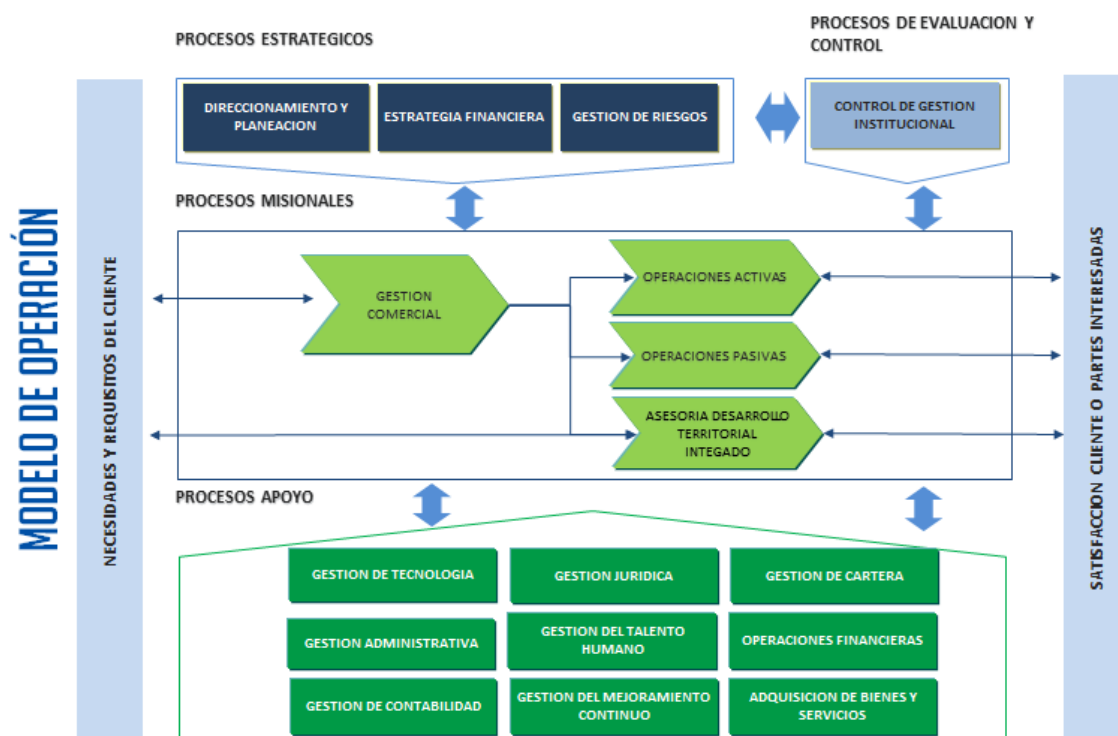
In the global environment where change is increasingly significant, the role of stakeholders becomes critical in terms of business, because the more the business strategy has the participation of the stakeholders the more likely is the company to identify new opportunities and challenges, and yet, it will anticipate the risks and be prepared to minimize them. All this eventually will result in better economic performance as well as a creating value for society and the environment.

Findeter in the process of building closer links with its Stakeholders investigated each of their needs, expectations and interests, through a direct relationship with some and surveys with others, and the process was fully completed in order to achieve and assess to what extent they can and will continue to respond to them.

This was made possible by the sustainability strategy that the Entity continued to develop this year and we are recording in our Sustainability Management Report 2017 that has provided an adequate framework for the management of the relevant issues in social, environmental and economic issues. In this strategy we present the vision, principles and policies of the entity, and define its approach to governance, the participation of stakeholders, and how to communicate with them from all units of the company.

Our value chain is based on the process map of the Entity which uses it as a starting point for the knowledge and identification of the needs and requirements of customers and stakeholders through the proper interrelation of strategic, Mission, Support and Control processes, to achieve the results that allow us to meet the expectations of our customers and stakeholders.

Figure 6: Value Chain - Process Map



9.2.1 CUSTOMERS AND MARKETING

(G4-8, G4-PR5)

With respect to our end customers or beneficiaries, the relationship lies directly in the Regional Offices and Areas of the Entity. Each account manager, according to our institutional values, is oriented to the vocation of service, respect and commitment that as a result has led to the 68% loyalty of our beneficiaries, according to the latest satisfaction survey of the Bank.

On the other hand, we have the financial intermediaries, who are partners of the entity in the placement of loans. The end beneficiary loans are delivered by them, for this reason Findeter gives great importance to these actors.

We currently have a Financial Intermediation Management that is responsible for the approach and relationship with these intermediaries. Therefore, we maintain a close relationship with the directives of the financial institutions and as a result we obtain businesses or projects that are obtained from the regional offices through the bank branches. The Management of Financial Intermediation ultimately helps meet the expectations and goals of the Vice Presidency of sales for the new year.

We are always looking to achieve efficient communication and relationships with financial intermediaries, to allow the disclosure of information of interest to them in all matters related to Findeter on-loans. We accomplish this through the joint strategy that we define with each Financial Intermediary, aimed at achieving the on-loan goals set by the Commercial Vice Presidency.

Finally, we are working on positioning the Bank and its products with financial intermediaries, generating presence at events, trade support, in order to achieve credibility and prestige in the same. We constantly held trainings for Intermediaries in order to make known our new lines and other on-loan aspects and to keep them updated on already existing products.

TARGET MARKET

Our target market is all the organizations, whether public or private, within the Colombian territory that fall

within the eligible sectors for the Bank.

Fundable sectors are:

- Transport infrastructure.
- Energy Development Infrastructure.
- Urban Infrastructure Development, Construction and Housing.
- Water and Sanitation Infrastructure.
- ICT infrastructure.
- Environment infrastructure.
- Education infrastructure.
- Health infrastructure.
- Tourism infrastructure.
- Infrastructure for Sport, Recreation and Culture.
- Territorial Fiscal Consolidation

CUSTOMER SERVICE

In 2017 Findeter focused its actions and goals towards the development of the internal customer, based on the strategy of improving the spirit of the organization, all this is supported by the new customer service directive which focuses on anticipating customer expectations. This new strategy will form a fundamental part of the planning of the Commercial Vice-Presidency in 2018, as the goal is for each of the interactions with the client to be carried out properly, ensuring that we continue projecting ourselves as a competitive entity in the market.

It is for this reason that the Management of Marketing & Customer Service has been working on the continuous improvement of customer service, and in 2015 the "Developing Customer Service skills" project was created which focuses on the following topics:

- Strategic Management, having identified the guideline that the project should have, then we define the what? how? and where? of the new customer service strategy.
- Skills development: surveys were conducted to managers and employees of Findeter in order to identify the competencies needed to be strengthened to improve the customer service. After their analysis it was found that is it necessary to work on 3 service skills, and as a result in 2017 a virtual process and some general training workshops focused on empowering these skills began.
- Creating Service Agreements, based on the processes defined in the Entity, the first 22 agreements were developed and established, aimed at improving relations between the areas that both parties are perceived as clients.
- Structuring of the Service Area, it was established that it was necessary to create the "service managers" profile in each of the areas of Findeter, naming a representative to facilitate the communication, dissemination and monitoring of all the actions taken on the subject.
- Policy Creation Service, this was established according to the strategic planning of the Entity and market needs, today we have a policy based on "we are people serving people."

The results of the management during 2017 are:

REQUESTS RECEIVED

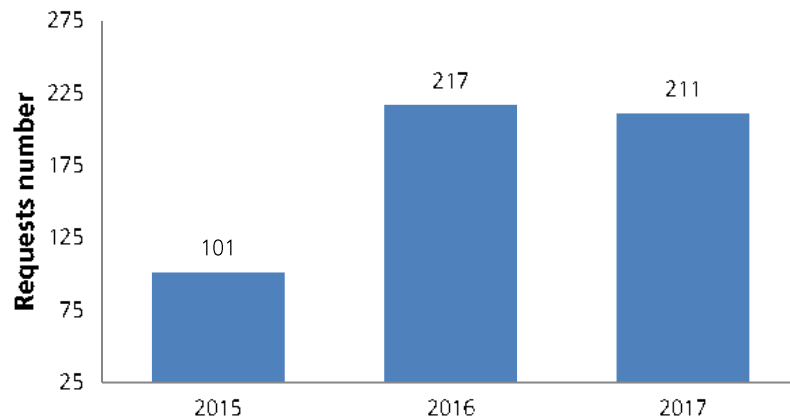
We refer to the total number of applications received by the area of Marketing & Customer Service (Concerns - Suggestions) to be responded to in the evaluated year, the customer service time analysis is performed in accordance with the provisions of the law.

In 2017 through the website of the Company (www.findeter.gov.co) 211 requests for information and/or suggestions were received, 100% of these were addressed promptly.

The "Customer service response - concerns and suggestions" is fulfilled at 100%.

- Total Comparative of Request 2015-2017:

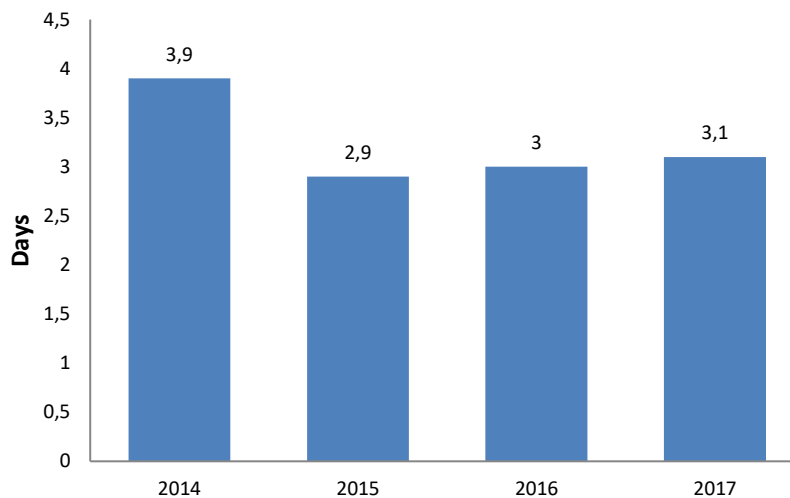
Graph 27: Requests Received per Year



TIMELINESS IN CUSTOMER SERVICE- RESPONSE TIME

The average response time in 2017 is 3 business days, thus meeting the goal set in 2014 to not exceed 5 working days, which has resulted in 4 consecutive years of maintaining a good level of response times :

Graph 50: Response time



PARTICIPATION IN THE RESPONSE AREA IN 2017

Given the specialist nature of the inquiries received through the website www.findeter.gov.co they are transferred to the appropriate areas for their response. The percentage share of the units of the entity described in resolving the concerns is shown below:

Table 57: Request responses in 2017 by area

| Area | % share |
|----------------------------|-------------|
| Marketing headquarters | 52% |
| Commercial vice-presidency | 27% |
| Technical vice-presidency | 18% |
| Procurement area | 1.5% |
| Legal department | 1% |
| Vice presidency of risk | 1% |
| Total | 100% |

As the Marketing Management is the leading area of this process, the highest percentage of concerns are addressed directly by them with 52% of the total, with an average of 1.5 business days, followed by the Commercial Vice-Presidency that as the missionary area of the entity has high levels of interaction with customers, providing 27% of the responses, with an average time of 3.7 business days. The Technical Vice Presidency contributed 18% to the resolution of queries, with greater difficulty, with an average time of 5.8 business days.

SATISFACTION SURVEY OF THE REQUESTS RECEIVED THROUGH THE QUESTIONS AND SUGGESTIONS WEBSITE

To validate the Website service, through the option Concerns and suggestions, a satisfaction survey was carried out to the individuals who registered a request. Once the user receives the response to their concern, they are able to rate the level of service and satisfaction obtained.

According to the results of 2017, the average rating was 4.2 points out of 5, highlighting that a high level has been maintained for the past two years.

Table 58: Website Requests Rating

| Subject / Activity Name | Score | | | | | Customer Satisfaction Indicator |
|----------------------------|-------|---|---|---|----|------------------------------------|
| | 1 | 2 | 3 | 4 | 5 | |
| Concerns or suggestions | 1 | 1 | 2 | 2 | 20 | 4.2 |

Score: 1-Very dissatisfied- 2-Dissatisfied. 3-Neither very dissatisfied nor satisfied. 4-Satisfied. 5-very satisfied.

CHAT

Another service is available on the website of the Company (www.findeter.gov.co), a chat service. This option saw interaction with 491 users, who entered the service seeking to quickly resolving their concerns .

To measure the satisfaction level of this service, users can fill out the respective survey at the end of the conversation in order to know their opinion and to make the necessary improvements, seeking to meet their needs and requirements

The survey consists of the following questions:

- Were you able to resolve your issue?
- What was the quality of the information like?
- How was the service you received from the advisor?
- How was your chat experience?

Customers responded to

- "Were you able to resolve your request?"

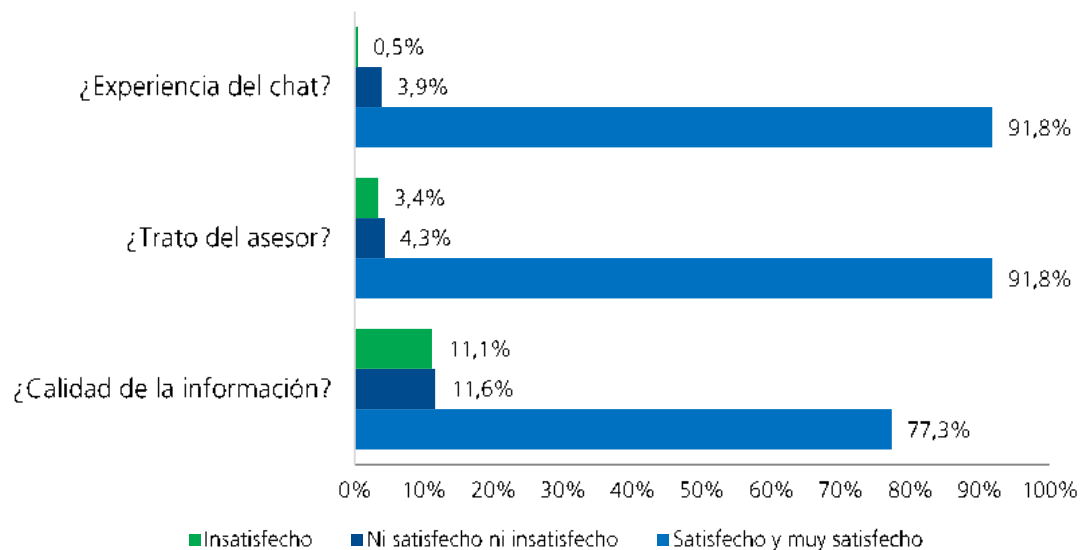
Out of the total of proven requests, 77% replied that their request was solved satisfactorily. The respective

follow up was conducted with those users that were not satisfied with the response they received in order to find out the reason for their dissatisfaction. We found out that there are often questions that cannot be immediately answered due to the degree of complexity of the request or on other occasions consultations are not the responsibility of the Financial company and should be referred to other entities.

- For the following questions: What was the quality of the information like?"
- How was the service you received from the advisor?" and
- How was your chat experience?

The result for 2017 about the quality of the service saw a satisfaction level of 88% compared to a dissatisfaction level of 5%. By 2018, it is expected to decrease the level of dissatisfaction by 2 percentage points through the implementation of improvement measures that minimize the problems identified.

Graph 28: Level of Satisfaction by Year



In conclusion, in 2017 we were able to maintain the satisfaction levels of the customer service channels which for 3 consecutive years have had a satisfaction level above 85% and a response time of less than 4 working days, which means that all the activities that the Bank has undertaken have achieved the desired improvement.

LOYAL CUSTOMERS

According to the latest study of Loyalty that we carried out in 2016 a total of 68% of customers are Loyal, an increase of 8 points compared to 2015. This is supported by the policies and campaigns directed to retaining customers through the actions defined by the different areas, as a result of customer feedback.

Table 59: Loyal Customers

| Year | % of loyal customers * |
|------|------------------------|
| 2016 | 68% |
| 2015 | 60% |
| 2014 | 49% |

Likewise, in the evaluation that we performed we saw that 95% of customers are satisfied with the service received, we note the efforts of the Bank to maintain these excellent results by focusing on customers.

Table 60: Customer Satisfaction

| Year | % of satisfied customers ** |
|------|--------------------------------|
| 2016 | 95% |
| 2015 | 94% |
| 2014 | 93% |

CUSTOMER DEFINITION:

Loyal customers*: They are customers who feel committed to the Bank and express the intention to continue to maintain relations with it.

Loyal customers make up the backbone of the future of organizations since they are the ones who are going to generate future cash flows and will allow them to grow (these are customers who feel committed to the organization and recommend it).

Satisfied customers:** these are customers who are meeting expectations with respect to the work performed by the entity.

BUSINESS INTELLIGENCE

Business Intelligence allows the tracking, monitoring and control of both the financial market and the commercial management of the entity. Follow up and support is performed to the business results through the indicators of Management, planning, organizing, directing and the building of reports and tools for achieving the goals set by Findeter.

Another important role of business intelligence is prospecting through the study of customer information in the Colombian market, to extract potential customers and potential business, analyzing and segmenting the information to determine the companies that will be receptive to the products and services of Findeter, and the distribution thereof with respect to the Entity's sales force.

9.2.2 CONTRACTUAL MANAGEMENT (SIGNED CONTRACTS AND AGREEMENTS)

In the subject of the procurement of goods and services the main achievements of 2017, are those which are mentioned below:

- The recruitment procedure was modified in version 17, which was adopted according to the following modality:

Table 61: Type of contract by Amount

| Modality or type of contract | Processes by Amount |
|-----------------------------------|--|
| Open call | More than 500 Monthly Legal Minimum Salaries |
| Invitation to Bid | 50 to 500 Monthly Legal Minimum Salaries |
| Direct contracting for the amount | 0 to 50 Monthly Legal Minimum Salaries |

Table 62: Amounts for the signing of contracts

| Subscription amounts for contracts | |
|------------------------------------|-------------------------|
| Vice presidency | Up to \$ 468,854,400.00 |

General secretary

Up to \$ 742,352,800.00

President

Unlimited amount

- Based on the Procurement Process, a timely response has been provided to the requests and requirements made by the different areas of the Entity and the customer service response time has been shortened.
- 79 contracts totaling \$ 34,092,897,937 were signed.
- 324 acceptances of commercial bids have been subscribed for total of \$ 9,569,557,667

Table 63: Processes by Amount

| Processes by Amount | CONTRACTS | | AOC | |
|---|-----------|-----------------------|------------|----------------------|
| | Quantity | Value | Quantity | Value |
| Minor Contract Additions less than \$ 35 million | 15 | 28,400,000 | 66 | 362,652.195 |
| Contract Additions between \$ 35,000,001 and \$ 350,000,000 | 6 | 7,56,060,774 | 16 | 1,399,971,386 |
| Contract additions over \$ 350,000,001 | 9 | 15,264,635,450 | - | - |
| Total Contract Additions | 30 | 16,049,096,224 | 82 | 1,762,623,581 |
| Contracts above \$ 350,000,001 | 14 | 32,698,589,293 | - | - |
| Contracts between \$ 35,000,001 and \$ 350,000,000 | 10 | 1,343,340,644 | 72 | 7,315,172,252 |
| Contracts below \$ 35,000,000 | 25 | 5,0968,000 | 170 | 2,254,385,415 |
| Total Contracts | 49 | 34,092,897,937 | 242 | 9,569,557,667 |

- The Purchasing Plan was executed up to December 31, 2017 with an expected rate of 97%; compared with 88.83% in 2016.

9.2.3 COMMUNICATION CHANNELS WITH STAKEHOLDERS

(G4-26)

In order to comply integrally with the expectations of the Findeter Strategic Plan 2017, we decided to update the Organizational Communications Plan, which would allow us to impact the strategic objectives of the organization through the five dimensions of communication :

- Comprehensiveness,
- Business,
- Teaching,
- Audience for Development and
- Media.

For the development of this new Plan an analysis of the economic, political and social landscape of the country for the coming years was performed, and key documents were reviewed for their structuring.

Through the dimension for Comprehensiveness we have begun to empower communication through the human team of Findeter in order to fulfill the strategic objectives of the organization. One strategy was focused on was transferring knowledge through specific actions such as the meetings of primary groups, correspondents and planning the first Knowledge Fair "Blue Day", with which it will seek the integration of all workers and the processes they belong to.



Primary groups



Correspondents

Similarly, in order to strengthen the climate and organizational culture, 26 internal campaigns were developed within the framework of the "Motivate to live" strategy and to disclose all the relevant actions advanced by the processes and the measures taken with the EFR policy that were transmitted in 736 pieces on Findhome, 5 videos and the creation of a new social network exclusively for workers called "Yammer" with 312 employees registered to date that share corporate and personal information on a daily basis.



Internal campaigns

POLÍTICA GENERAL DE SEGURIDAD Y PRIVACIDAD DE LA INFORMACIÓN

Política 9.3: USO ACEPTABLE DE LOS ACTIVOS DE INFORMACIÓN

Los activos de información y los recursos tecnológicos que prevé la entidad a un trabajador son propiedad de Findeter y su uso está restringido únicamente para propósitos del negocio, por lo cual no deben ser utilizados para:

1. Fines privados, personales o ilícitos.
2. Almacenar o distribuir información personal o material perturbador o corruptivo no institucional, programas maliciosos (virus), cadenas de correos o cualquier otro uso no laboral o que no esté autorizado.
3. Instalar o usar software no autorizado.
4. Almacenar, usar o divulgar cualquier material que viole derechos de propiedad intelectual.
5. Modificar o destruir información institucional de forma premeditada.
6. Divulgar información reservada o clasificada sin la debida autorización de su propietario.
7. Usar a cabo actividades ilícitas o intentar acceder de forma no autorizada a activos de información y recursos tecnológicos de la entidad con acceso restringido.
8. Ejecutar cualquier acción que afecte la reputación de la entidad o de sus trabajadores.
9. Realizar cambios no autorizados.
10. Asignar sin la debida autorización privilegios de acceso a los activos de información.
11. Realizar acciones para eludir o evadir los controles establecidos en la entidad.
12. Desarrollar actividades que degraden la red de datos, los servicios de red y sistemas de información de la entidad.
13. Violar la privacidad e intimidad de otros usuarios.
14. Usar, almacenar o distribuir cuentas de usuarios y contraseñas de otros usuarios.
15. Conectar o desconectar equipos no autorizados por la Dirección de Tecnología.
16. Realizar otras acciones que atenten contra la seguridad de la información de la entidad o disposiciones institucionales, legales o contractuales.

EFICIENCIA

Internal campaigns



Findehome

(Using the stairs <https://www.youtube.com/watch?v=z55vjhUpExY&feature=youtu.be>)



Yammer

In order to enhance the business strategies of the Company through communication, in order to achieve compliance with the financial goals and to impact the profitability of the business; through "Communication for Business", we worked as a team with the Marketing Management to building an educational booklet that would allow us to effectively disseminate the portfolio of products and services of the Bank.

In parallel to this we worked on a brand workshop worked on a brand to understand and manage the basics concepts of this type of architecture and its importance in the development of the structure of Findeter. Also, to humanize the brand a manifesto was created, and the Entity received consulting advice on the corporate design of all kinds of reports, announcements and promotional and interactive material that will allow us to reach the customer using a more commercial language.

([Manifesto](https://www.youtube.com/watch?v=iJuQs8PB8BM) <https://www.youtube.com/watch?v=iJuQs8PB8BM>)

([Sustainability Report](http://gestionysostenibilidad2016.findeter.gov.co/) <http://gestionysostenibilidad2016.findeter.gov.co/>)

FINDETER LANZÓ NUEVA LÍNEA DE REDUCCION ESPECIAL DE ENERGÍAS SOSTENIBLES E IMPACTO AMBIENTAL.

Findeter

Condiciones financieras y características de la línea:

- Recursos de la línea: \$70 mil millones (Cuenta mil millones de pesos).
- Plazo: Hasta 8 años.
- Periodo de gracia: Hasta 2 años.
- Tasa de descuento: **IBR TM + 3.0% MV** / **IBR SM + 3.1% T.M.**
- Tipo de interés: Fija. A convenir entre las beneficiarias y los intermediarios financieros.
- Uso Financiable: Todos los contenidos en el Reglamento para Operaciones de Reducción de Findeter.

Todos los Beneficiarios elegibles de Findeter - Vigencia: Hasta agotar los recursos de la línea.

Condiciones: Para conocer las condiciones especiales de la línea, especiales, por favor comuníquese con los canales de Findeter.

APROYAMOS PROYECTOS SOSTENIBLES

Advertising Special Lines On-loan

Findeter VIRTUAL

¿Haciendo fila todavía en el banco?

En la Financiera del Desarrollo escuchamos a nuestros **Empleados**, por eso a partir de hoy contará con una aplicación más fácil y segura para consultar sus saldos, generar certificados de los créditos y realizar sus transacciones.

Ingresa aquí y optimice su tiempo.

APROYAMOS PROYECTOS SOSTENIBLES

Virtual Findeter

We created the Pedagogical and Strategic Communication so that through the various internal and external stakeholders we can inform about the mission management of the entity and to consolidate us as a reference for sustainable development in the country.

We were "Teaching what we do" with the dissemination and promotion of programs, projects and initiatives carried out by Findeter across the country through creative strategies, in dynamic audiovisual and digital formats.



Creative Industries



Book publishing - Sustainable Villavicencio - photo 1



Publication of Books - PDA Barrancabermeja - photo 2

(Notifindeter issue <https://www.youtube.com/watch?v=2teu8n5psb8>)

("I'm me" Commercial me <https://www.youtube.com/watch?v=BuymRgEkbc0&list=PLTt5t-ZrfN-h7DjOpfJFrtx8XEG2SpRgK&index=9>)

(Institutional – Social <https://www.facebook.com/findetercol/videos/1811482588904493/>)

(Institutional – Cities <https://www.facebook.com/findetercol/videos/1811450872240998/>)

We design new strategies to strengthen the presence of Findeter and interaction with its audiences in the digital ecosystem.

(Digital Spots - £ 13 million from the UK Prosperity Fund https://www.youtube.com/watch?v=8z_p-QjWFnl)

We maintain an important conversation with the followers of our social networks and through these channels we are able to inform the management results of the Financial company. the rounds of business we are focusing on, new business opportunities, and the advancement of the various works, among other topics of interest.

We held 16 Facebook Live sessions, an increase of 153%, exceeding the goal set for 2017. Visits to our Findeter web page www.findeter.gov.co totaled 1,583,187 with a growth of 38.6%.

Our videos on Youtube had 34,156 views, our followers on Instagram rose by 44%, and we published 16 episodes of the program "This is how the media reported on us" and 10 episodes of the "Coffee in the Carrera 7th" broadcast:

Table 64: Youtube - Popular Videos

| Los 10 videos más populares | | |
|------------------------------------|----------------------------------|-----------------|
| Ordenados por vistas | | |
| Video | Título de Visualización (vistas) | Visualizaciones |
| Wenderson de Miquelán | 3.887 - 1,1% | 3.437 - 10% |
| Wenderson de Miquelán 2017 Finales | 3.882 - 1,1% | 3.827 - 10% |
| Wenderson de Miquelán | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |
| Wenderson de Miquelán 2017 Finales | 3.224 - 1,0% | 1.824 - 5,3% |

(This is how the media reported on us <https://www.youtube.com/watch?v=Ph3xxrKTwl8&t=30s>)



Coffee in the Carrera 7th

(Coffee in the Carrera 7th <https://www.youtube.com/watch?v=MR3jWW5mLI8>)

Through an innovative format, on November 30, 2017 in a live broadcast lasting for 4 hours we went through the accountability of the entity and to date this broadcast has had 48,032 views, 6,599 reproductions, 7,159 reactions to the video and 20,568 minutes reproduced. This video has been the most successful not only in the Entity but also in the sector.



Accountability

(Accountability <https://www.youtube.com/watch?v=hV7QwmIbqN4&t=2488s>).

In the field of Public Communication and Development; which was also a new axis of our Plan, we built communication processes that generated empowerment and sustainable development, collectively between Findeter and territories in areas of influence of the organization.

To achieve this, we first had to design and implement the protocol of public communication within the social requirements delivered to the different implementers of Findeter projects and the simultaneous design and implementation of the communication strategy within the technical, planning and commercial strategy of the entity.

As part of the activities that allows us to successfully complete the intervention in projects in crisis are: observation exercises in the field, days of dissemination and awareness of the work teams, community meetings, leafleting, loud speakers on vehicles and support to projects requiring timely care.



Malecón Bahía de la Cruz seawall in Buenaventura (Valle del Cauca)



Public communication



Public communication

And finally, through Media Communication we strengthened the presence of Findeter in various media channels aiming to position the Bank as a development bank. Thanks to the work of journalists in the communications team between January and December the media reported 4.376 news items.



Media communication

As part of this strategy, we conducted 4 workshops in the cities of Barranquilla, Medellín, Cali and Bogotá with the participation of over 100 journalists (Journalism Workshop - photo 1). We issued 80 bulletins, 11 press releases, held 4 press conferences, we created and disseminated news content, fulfilled commitments to national and regional newspapers, scheduled interviews with the President of Findeter and his spokespersons in written and broadcast media for which we provide permanent training.



Spokespersons workshop

2018 GOALS

- "Challenge Colombia" web series. This audiovisual project will allow the country to get to know the geographical, cultural and social challenges, in addition to others, that the engineers face in order to ensure that the works are executed in an effective and timely manner; even when conditions do not permit, and thus to raise awareness in the country about the importance of the projects.
- "Inspira Findeter" storytelling will tell stories about Findeter characters that are inspiring to the general public.
- "Findeter On the air" Radio program that will allow listeners from the different regions to keep up to date with the sustainable projects being conducted by Findeter that will improve their quality of life.

10 PROCESSES AND CONTINUOUS IMPROVEMENT

Strategic Planning 2015 - 2025 showed the importance of improving the operation of the entity and therefore the inclusion and initiatives to optimize the processes and procedures of Findeter became necessary.

With these initiatives changes to redesign or improve their processes were introduced, and to the operation model, facilitating the achievement of the results of our organization as a whole and not just in the functional areas, aligning to market needs and strategic planning, from which an operating model is expected that is in line with the improvements we are making.

During 2017, we worked on strengthening our understanding of process management, so that the value chain of the business becomes a determining factor for the proper understanding and management of our Integrated Management System (IMS).

Based on the above, projects aimed at improving the operating model in force were started in order to optimize and/or manage the mission financial processes and/or critical and priority support affecting the provision of current services and/or products and the internal operation. In this regard, we are working on improving the following processes:

- **Advice to the Integrated Territorial Development:** best practices were involved in Project Management as a vehicle for the provision of technical assistance in managing projects that the company offers its customers. The necessary activities are being executed to ensure its operationalization in 2018.

- **Commercial management:** Approved improvements are aimed at the commercial area, not only for financial products, but also for products associated with the integrated territorial development in order to achieve better results for our clients or stakeholders and to increase satisfaction levels for the purposes of loyalty and sustainability of the same entity in the current changeable environment.
- **Operating assets:** The changes needed to allow a better understanding of the on-loan management and to optimize the activities that constitute the process are being studied and implemented.
- **Contract management:** It is currently being studied and implemented. Improvements are related to the review and adjustment of the process that administers the procurement of goods and services of Findeter and to design contracting that is taking place in virtue of the services provided by the entity through the Integrated Territorial Development.

During the third and fourth quarters of 2017 the intervention of the mission process of Operating Liabilities occurred to capture the resources that ensure the development of the operation of the entity, seeking the best possible market conditions and designing a new process associated to the Management of the resources administered by Findeter under the Project Management Technical Assistance, through pension trusts. However, implementation of these improvements will be only be effective during the year 2018.

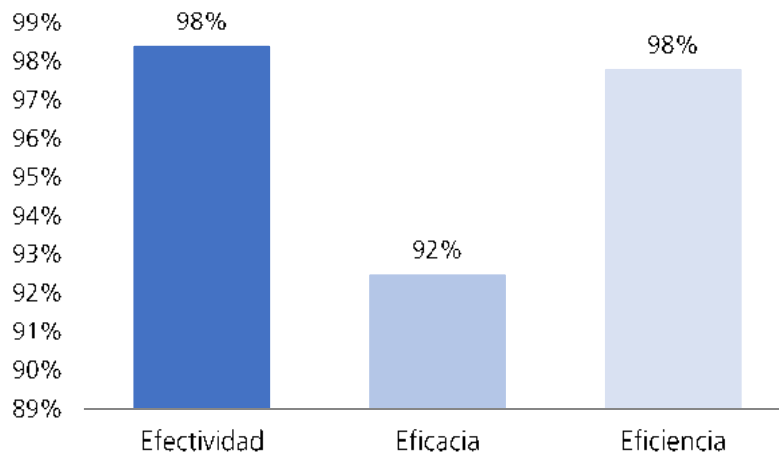
To improve skills in process management, the group responsible for SGI is being trained in Management and Innovation Processes.

10.1 INTEGRATED MANAGEMENT SYSTEM (IMS)

The Integrated Management System is composed of the quality management system (QMS), the Environmental Management System (EMS), the Standard Model of Internal Control (MECI), the System of Operational Risk Management (SARO), and the model for managing the reconciliation of personal, family and work life (efr) during the period between January 1st and December 31st, 2017 and continued with its maintenance as a basic input to achieve continuous improvement in the management of the entity, the internal control and response to institutional risks.

The analysis and measurement of performance indicators shows that the effectiveness, efficiency and effectiveness for Financial company presented a positive behavior with the following results:

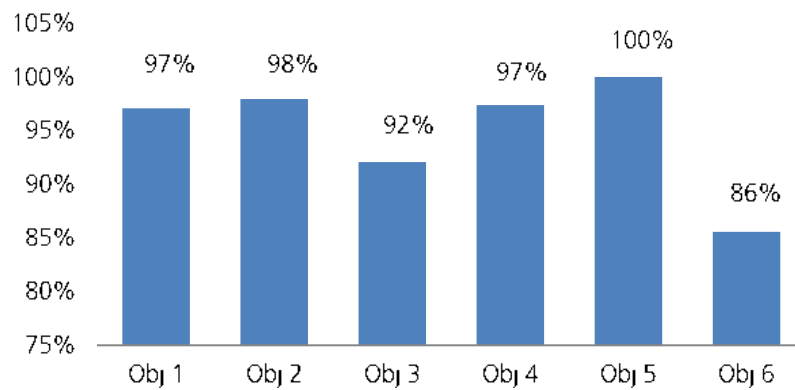
Graph 52: Level of Compliance with the SGI



SGI objectives presented compliance above 90%. With the exception of environmental management

indicator that reported an 86% compliance.

Graph 53: SGI Compliance Objectives



Objective 1. To increase the level of satisfaction of the internal and external customers of Findeter.

Objective 2. To increase the level of opportunity in Findeter communications.

Objective 3. To optimize the level of effectiveness of controls of the entity.

Objective 4. To improve the level of opportunity with accurate, necessary and clear information.

Objective 5. To increase the level of competence of the human talent.

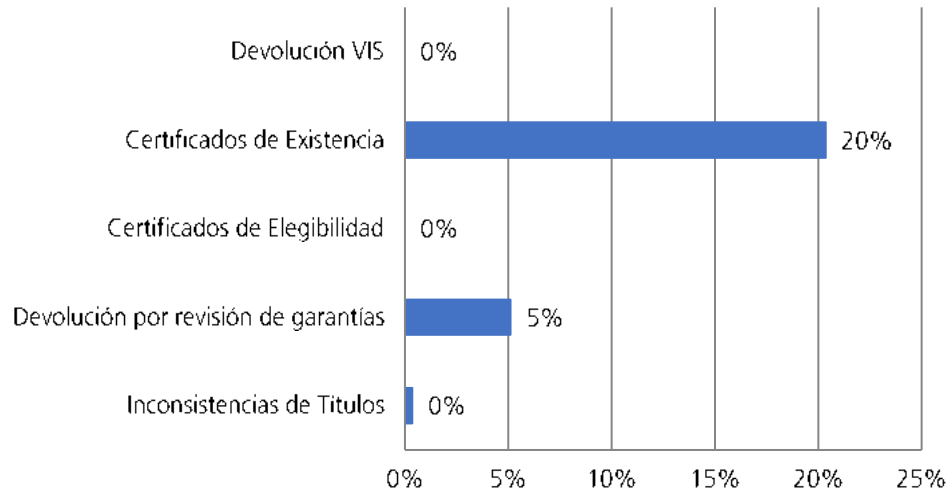
Objective 6. To manage good practices in order to generate environmental awareness and promote the efficient use of resources in the employees of Findeter, contributing to sustainable development.

In Findeter we have identified five non-conforming products (PNC) which in 2017 presented the following behavior:

Table 65: Nonconforming Products 2017

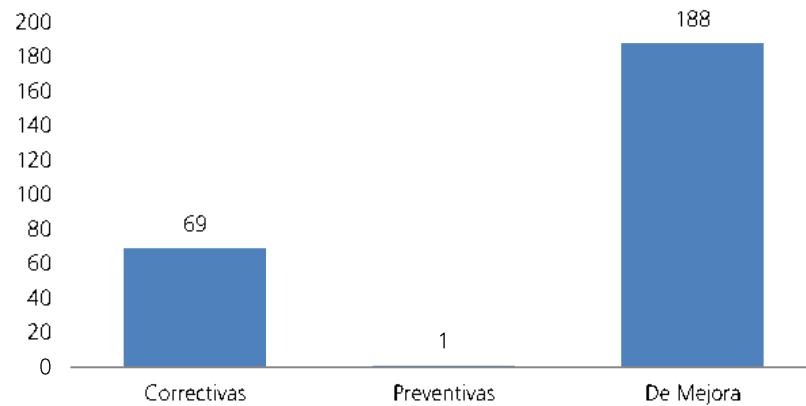
| Name | NCP | Total Product | PNC (%) |
|---------------------------------------|-------|---------------|---------|
| Inconsistencies of Titles | 1 | 285 | 0% |
| Returned for the review of guarantees | 17 | 333 | 5% |
| Certificates of Eligibility | - | 21 | 0% |
| Certificates of Existence | 2,908 | 14,281 | 20% |
| VIS return | - | 326 | 0% |

Graph 54: Nonconforming Products 2017

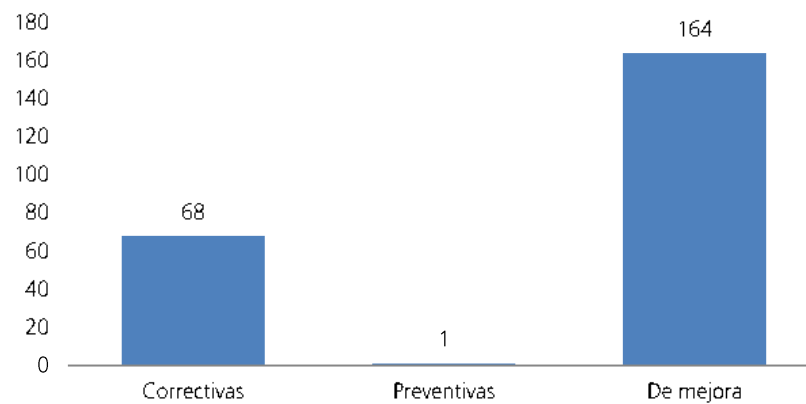


258 actions have been performed and distributed as follows: 69 corrective actions, 188 improvement actions and 1 preventive action, indicating that the evolution of the continuous improvement of the system is 73%. 25 actions equivalent to 1 corrective action and 24 improvement actions are being implemented. Likewise, 233 actions were closed, corresponding to 68 corrective actions, 1 preventive action and 164 improvement actions. The actions derived from both the internal and internal SGI management audit were the sources with the highest level of participation with 83%.

Graph 55: Actions implemented in 2017



Graph 56: Closed Actions 2017



During the month of May, the recertification audit for ISO14001: 2004 Environmental Management System certification was performed where the certification was confirmed for 3 years. The second follow-up audit of the Quality Management System demonstrated compliance with the requirements of ISO 9001: 2008 and NTCGP1000.

For the administration of the SGI, the ISOLUCION version 3.6 software is used, however, work on the migration to version 4.6 is being carried out as the update has improvements and changes that are necessary for the management and administration of the system. It is planned that in the first quarter of 2018 the entire organization will be trained in the operation and management of the tool.

2018 GOALS

- Make the transition to the 2015 version of ISO 9001 and ISO 14001 standards to ensure that the SGI meets the requirements defined by these standards in order to ensure certification in 2018.
- Migrate the SGI information to the new version of ISOLUCION and train the workers to use it.
- Continue working with the Vice Presidency of Risks in implementing the ISO 27001: 2013 Information Security System, integrating the Findeter Management System and achieving certification during 2018.
- Accompany the Human Management and Administrative Management in implementing the Safety and Health at Work System.
- Start transition plans in order to prepare the 6 improved processes or intervene in the implementation thereof.

10.2 INNOVATION MANAGEMENT AND KNOWLEDGE MANAGEMENT

From the Strategic Plan 2015-2025, Findeter defined as the main axis the perspective of innovation. Its objective is the design, structuring and implementation of the Center for Innovation and Knowledge (IKC) as the Financial company ranks among the most innovative banks in the country and Latin America. It was proposed to formalize their internal innovation processes through the creation of models.

To achieve this, in 2017 three strategic projects were developed with an approach that encourages innovative culture and manages knowledge within the Financial company in order to generate initiatives with greater added value across the different programs, products and/or services for our stakeholders.

The projects are:

1. The study of the design and conceptualization of the Innovation and Knowledge Center (IKC)
2. Design and implementation of the Innovation Management Model
3. Design and implementation of the Knowledge Management Model

Figure 7: Project creation and implementation of the IKC



10.2.1 THE STUDY OF THE DESIGN AND CONCEPTUALIZATION OF THE INNOVATION AND KNOWLEDGE CENTER (IKC)

The study determined the requirements and general conceptual guidelines for the design, structuring, formalization and implementation of the Findeter IKC.

The paper was presented in twelve chapters that included. 1) The frame of reference 2) Theoretical background, 3) Benchmarking study, 4) Strategic Planning of the IKC 5) Internal Structure, 6) Operating Structure, 7) Infrastructure, 8) Development of relational capital, 9) Financial structure and sustainability, 10) Marketing and communications plan, and scorecard. These chapters together with the conclusions and recommendations of the document are the initial road map for the formalization and implementation of the IKC.

Figure 8: Innovation and Knowledge Center - IKC



Aspects of the study to highlight are:

- The study addresses the need and strategic objective of the innovation perspective in the conceptualization, planning, creation and implementation of the IKC, by analyzing the overall situation of the Bank, and a comparative analysis of the successful experiences of other development banks that have implemented such initiatives.
- The study is the result of collaborative work of the internal team of the Entity and the assistance of external experts, conducted through the collection and analysis of various sources of information, different methodological techniques, secondary research, primary research, collective construction and conceptual design .
- Among the results of the study, the IKC is presented as unit of transversal support for the entity that through its lines of work must support the consolidation of the different strategic objectives, strengthening the innovative spirit of the Institution, transferring its knowledge, experience and research results in close connection with the stakeholders.
- In the study, the IKC is conceived as the unit responsible for two functional lines of action "Innovation management and knowledge management" through the creation, development and implementation of the Innovation Management (GI) and Management knowledge (GC) models that will enable the Bank to formalize and appropriate the respective processes, always with a focus on strengthening the culture of innovation and knowledge within the institution.

10.2.2 INNOVATION MANAGEMENT

DESIGN AND IMPLEMENTATION OF THE INNOVATION MANAGEMENT MODEL

Together with external consultants and the internal team, the Innovation Management Model of the Entity was created and designed. The model consists of four elements: Culture, Innovation Strategy, Innovation Process and the Structure of Interaction for Innovation.

The objectives of the management model of innovation articulated three factors: To simplify the processes to improve the efficiency of financial company, to discover market opportunities and respond to them with innovative solutions and empower workers to identify opportunities, enhance their creativity, manage initiatives and to experiment.

The graphical representation of the Findeter innovation model shows the permanent interaction between the elements. The strategy and the Structure of interactions for Innovation (the people) accompany the Innovation Process at all times, with these relations being framed by the culture of innovation, creating an enabling environment for exploration and the proposing of innovative solutions in an environment that understands and promotes these innovative attitudes in its workers.

Figure 9: Findeter Innovation Model



- The Innovation Management Model was prototyped and validated with three pilot projects, one for each of the following vice-chairs: Technical Vice Presidency, Vice Presidency of Operations and Financial Vice Presidency.
- Twenty-nine (29) #HéroesdelInnovación ("Innovation Heroes") were convened and selected. They will receive training on the innovation process of the organization, on the tools and methodologies of creativity and innovation. The process of training took thirty-six hours.

10.2.3 KNOWLEDGE MANAGEMENT

DESIGN AND IMPLEMENTATION OF THE KNOWLEDGE MANAGEMENT MODEL

Findeter is investing in knowledge management in order to make it a widespread practice in all its processes, being aware that this contributes to fulfilling its vision and promise of value, whose orientation is towards the sustainability of the operation and to respond to challenges and changes occurring in its environment.

The Model of Knowledge Management of Findeter, as shown below, is structured as a cycle with 3 clearly defined phases: Identification and creation, capture and organization and dissemination and transfer of knowledge, which promotes the increase of intellectual capital in the Bank, the basis for generating added value.

Figure 10: Model of Knowledge Management Findeter



During 2017 the formulation of knowledge management model was completed, and implementation will begin in 2018 with the launch of three major initiatives and tools:

- **Lessons Learned Module:** that allow the experiences in project management to be documented and shared to generate value in the creation and implementation of other projects.
- **Storytelling,** methodology based on the experience and life experiences of the persons that allows tacit knowledge to be transferred to inspire others to achieve their professional and personal goals.
- **Conecta2,** The database of relational capital on the web and app versions, provides staff access to unified contact information (clients and stakeholders).

In parallel as an integral part and the results of the model, during 2017 the following occurred:

- Two editions of the magazine "Urban Thinking" were published with the topics: "Medellin responds to the environmental challenge" (April 2017) and "Water for Development2 (December 2017).
- 5 collaboration framework agreements were signed with the Universidad del Norte, the Universidad del Valle, Universidad Pontificia Bolivariana, Universidad Industrial de Santander and the University Francisco de Paula Santander.

With the implementation of the knowledge management model it is expected to increase the intellectual capital essential for generating value in the Entity.

10.3 LEGAL MANAGEMENT

It also has a Legal Management process, which aims to act in defense of the interests of the financial company by exercising judicial representation effectively and successfully. One of the changes suffered by the Bank was the transfer balance reduction function, from the Management of Special Processes to the Division of Legal Aid in order to strengthen the aspects related to coercive collection.

Similarly, the creation of the Internal Recruitment Group by Resolution No. 188 of December 23, 2009 stands out, focused on the concentration and unification of the contractual procedure in a single group to be more efficient and effective. As a result, the process of procurement of goods and services was also created.

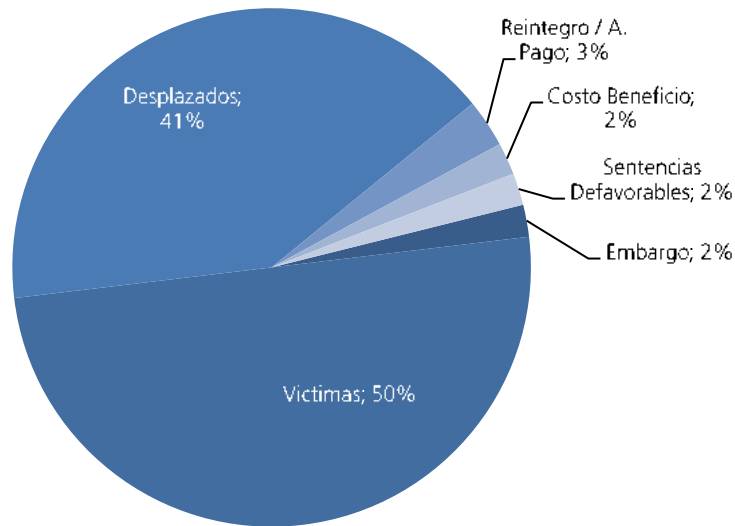
10.3.1 ADMINISTRATION AND COLLECTION OF BALANCES FROM FIU, FCV, FIS FUNDS AND THE RISR PROGRAM

a. During 2017 the following results were noted for the collection of the balances arising from the settlement of co-financing agreements FIU, FCV, FIS Funds and the RISR Program:

- In development of the reduction of the balances of the obligations under the agreements signed between local authorities and the Funds of the Urban Infrastructure Co-financing Fund, Road Co-financing Fund for Social Investment, and the Regional Social Investment Resources Program, 32 enforced collection processes were completed by December 31, 2017, decreasing from 70 to 38, including processes payment arrangements; (4 processes in payment arrangements with a value of \$ 196 million); and reducing the balance of local authorities debtors by \$ 3,234 million, equal to 77% of the balance to reinstate as of December 31, 2016 as follows:

Reduction of the Balances Co-financing Funds

Graph 57: Decrease in 2017



In the graph representing the percentage decreases according to the applied items a high percentage is observed in terms of the reduction in respect to the application of Articles 124 and 142 of the Laws of 1151, 2007 and 1753 of 2015 which established the power to local authorities to certify in Help and Care for Displaced Victims and balances to reduce the obligations arising from the agreements with co-financing funds managed by Findeter.

b. With regards to judicial and out of court representation, 111 processes were conducted (without arbitrations) as of December 31, 2017 and 80 suits were replied to.

10.3.2 PROCEEDINGS AGAINST THE ENTITY

The processes against Findeter are described as follows:

Table 66: Other processes against Findeter

| Process class | Defendant value | Provision value | No. Processes |
|-----------------------------|-------------------|-----------------|---------------|
| Claims | 221,315,100 | - | 1 |
| Extrajudicial conciliations | 4,044,946,411 | - | 8 |
| Total | 4266261511 | - | 9 |

Table 67: Process brought by Findeter

| Attorney | Process class | Defendant value | Provision value | No. Processes |
|-------------------|------------------------------|-----------------|-----------------|---------------|
| External lawyers | Civil Ordinary | 1,827,864,000 | - | 1 |
| Permanent Lawyers | Executive - former officials | 1,275,599,305 | - | 19 |
| | Executive – International | 36,757,404,142 | - | 2 |
| | Executive – BCH | 75,468,541 | - | 2 |

| | | | | |
|--------------|---|-----------------------|----------|-----------|
| | Executive – INSFOPAL | 4,909,452,998 | - | 10 |
| | Executive - Local Monitor (Program created by Findeter) | 24,960,000 | - | 1 |
| | Executive - Utilities (Co-financing Agreements) | 88,371,684 | - | 4 |
| Total | | 44,959,120,669 | - | 39 |

Table 68: Process promoted by the Stand-Alone fund

| Attorney | Process class | Defendant value | Reserve | No. Processes |
|----------------------|---------------|----------------------|-----------------------|---------------|
| External Lawyers | Arbitration | 1,638,013,884 | 1,852,019,650 | 1 |
| | Total | 1,638,013,884 | 1,852,019,650 | 1 |
| Total Form | | | 15,313,059,490 | |
| Total Reserve | | | 14,438,346,767 | |

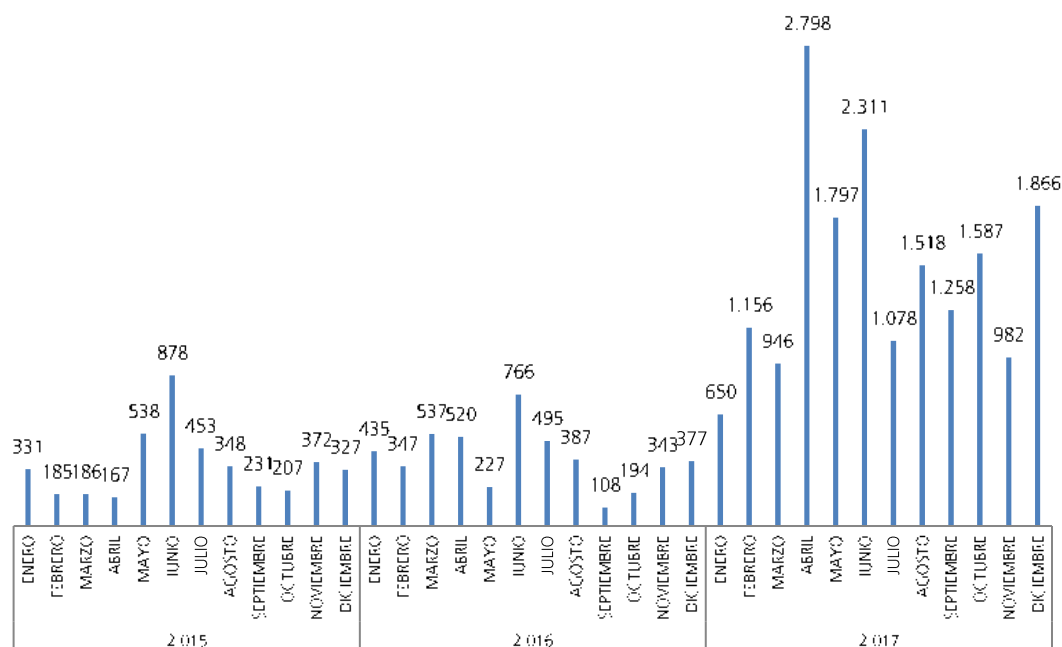
Other highlights of the legal management of the entity were:

- Support has been provided to the securitization process, the negotiation and signing of contracts for loans with the Inter-American Development Bank (IDB) and the French Development Agency - (AFD) and the legal assessment of the qualifying requirements in calls for the free housing program.
- The nomogram of Findeter, which notes terms and concordances, pertaining to all the applicable Financial regulations, is available in the intranet (PRISM) allowing the publication and consultation of the legal opinions issued by the Legal Department of Findeter, since 2008 to date, which are two very important tools for the employees of the Company and the general public.
- The text, design and security paper stock certificates of Findeter (approved by the Board of Directors) were generated, adjusting them to the new legal status (Decree 4167 of 2011), in addition to the corporate image. The issuance of shares corresponding to 2013 was issued in the new securities.
- Work was further advanced into the normative study to define the conditions for the incorporation of multilateral organizations as potential shareholders of Financiera de Desarrollo Territorial SA, Findeter.
- The proposal for updating and improving the formats of the Framework Agreement and Regulatory Frameworks (VIS) used with financial and non-financial intermediaries was presented to senior management and the sales force of Findeter.
- Together with the Commercial Vice-Presidency jointly planned the implementation of a new Framework Agreement for on-loan operations with financial intermediaries.
- Negotiation of a Credit Agreement with KfW (Development Bank of the German Government) for € 70 million, in partnership with the Head of International Banking, which is pending the next signature.
- Negotiation of the MOU agreement with the British Council to receive grants from the Prosperity Fund, which is pending the next signature.
- In association with the Head of International Banking, contracts were negotiated for the issuance of subordinated bonds in the amount of \$ 203,700 million.
- Issue of shares and corporate procedures for the capitalization of profits of 2016 for \$ 36,835 million.

10.4 DOCUMENT MANAGEMENT

2017 was a year of growth in production and circulation of documents in Financial company, throughout the year behavior similar to 2016 was observed while maintaining overall growth in the volumes of communications and especially in the number of documents annexed to the same, which was reflected in an increase in the creation of archival records, resulting in an increase in the volume of transfers in 2017 being observed.

Graph 29: Transferred to Central Folders



Correspondence and Messaging window: During the year approximately 46,000 communications were handled through the correspondence window, which are received and delivered through filing services, internal distribution, and local, national and international messaging/couriers that are coordinated from the headquarters.

Archival Improvement Plan: In 2017 Findeter received a follow-up visit from the General Archive of the Nation, which was aimed at validating compliance with the Archival Improvement Plan 2012-2016. Said entity confirmed compliance activities and requested the creation of a new plan in which activities that give continuity to the achievements are recorded.

Centralized File Management: Findeter has continued the process of centralization of management files transferring the administration and enforcement of archival principles to its Document Management Center; it has been able to ensure compliance with law and the proper preservation of documents. Among these are contracts for procurement of goods and services, legal proceedings, constitutional actions, work histories and employee credits.

Documentary Withholding tables: The withholding tables were updated according to new changes in the organizational structure and forwarded to the General Archive of the Nation for validation.

Document Inventories: At year-end 2017 the financial documentary fund consists of 243,187 file units, which are coded and recorded in the inventory of assets of documentary information, which is also published on the website of the Entity.

Documentary Deletion: Pursuant to paragraph of Article 25 of Decree 2578 of 2012 and Article 15 of the Agreement 004 of 2013, Findeter published on its website the documentation inventories that are selected for the removal process pursuant to the application of document retention tables and the implementation of the document management program.

Table 69: Documentation Inventory



10.5 OPERATIONS MANAGEMENT AND TECHNOLOGY

OUTSTANDING ACHIEVEMENTS AND EVENTS

- We received the seal of excellence awarded by the Department of Online Government thanks to the work we have advanced with respect to the quality of our online procedures and services through the IT management capabilities in order to improve the relationship with the State and quality of life of citizens, ensuring reliable access to digital products.
- The seal of excellence was given to us in the category of open government in which we certified that open data sets and platforms for participation were providing an open and participatory government.

10.5.1 PORTFOLIO ORIGINATION PROCESS

In accordance with the procedure Findeter performs the review, analysis, approval and settlement of transactions according to the application of current regulations, procedures and controls, consistency of the information recorded in the supporting operations documents presented by the intermediaries, and the established automatic controls, ensuring the correct generation of the portfolio in the collation of on-loans.

ON-LOAN OPERATIONS REVIEW

During the analysis period 817 on-loan operations were processed, for a total of \$ 2,071,716 million on-loans with the participation by type of operation as shown in the following table.

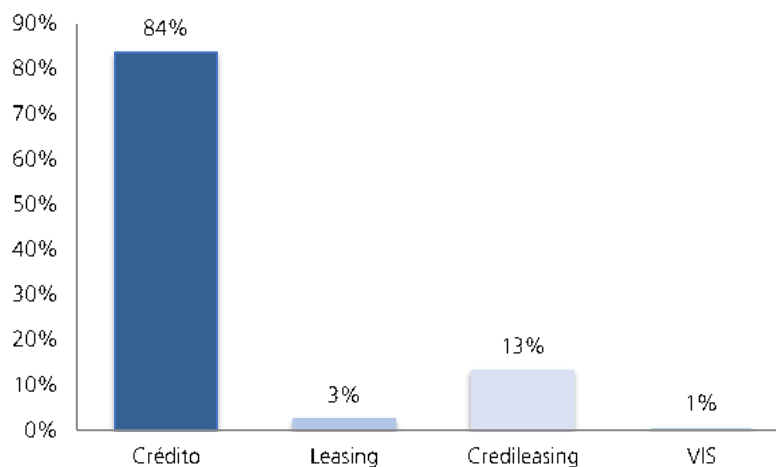
Table 70: On-loan Operations Review

| Types of Operation | 2017 | | | |
|--------------------|--------|----------|---------------------|----------|
| | Number | % Number | On-loan amount (MM) | % Amount |
| Credit | 260 | 32% | 1,733,694 | 84% |

| | | | | |
|--------------|------------|-------------|------------------|-------------|
| Leasing | 73 | 9% | 52,284 | 3% |
| Credileasing | 132 | 16% | 273,534 | 13% |
| VIS | 341 | 42% | 12,205 | 1% |
| Annulled * | 11 | 1% | - | 0% |
| Total | 817 | 100% | 2,071,716 | 100% |

* Operations analyzed which did not meet the on-loan requirements

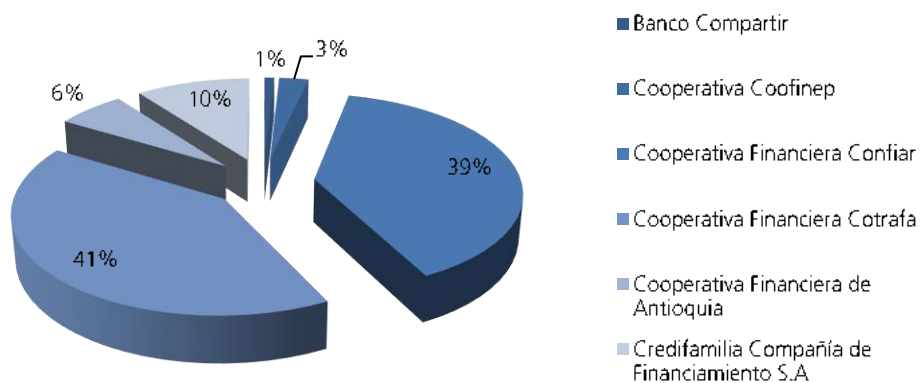
Graph 30: On-loan by type of operation 2017



REVIEW OF VIS ON-LOAN OPERATIONS

The 341 social interest housing operations (AEL) were disbursed through the following intermediaries, where the number of transactions of each are as follows:

Graph 60: VIS On-loans by Intermediary



2018 GOALS

- To create a campaign with the Commercial Vice Presidency to encourage the use of Findeter virtual by intermediaries that do not have access to this service.
- To implement service agreements with other areas involved in the process of lending operations, to improve our response times.
- To implement a training plan with the commercial areas of the Findeter Regional Offices to train the officers of the intermediaries to improve response times in processing the transaction.
- To implement the VIS disbursement requests through Findeter Virtual.
- To implement the functionality to increase the amount for Credileasing and partial disbursements.
- To implement the notification of the on-loan according to customer needs.

10.5.2 STRATEGIC PLAN FOR INFORMATION TECHNOLOGY (PETI)

During 2017 we completed the formulation of the new Strategic Plan for Information Technology (PETI) of Findeter, which was developed with the support of the consulting firm "Colombia Digital" based on the IT4 + model of the online government strategy, which generated as a result an exercise on enterprise architecture and analysis to establish the level of maturity of processes and services of the Technology Management of the Entity.

The Strategic Plan for Information Technology (PETI) has a horizon of 4 years and was approved by the technology committee of the entity, which initiated the respective disclosure and execution within the Financial company.

CONSTRUCTION AND AUTOMATION OF THE WAREHOUSE OF ECONOMIC DATA INDICATORS

Among the projects started during 2017 are the systems of project management, and governance and data management which completed the stage of the procurement process to begin 2018 with the respective implementations.

REDESIGNING VIRTUAL FINDER

We performed the official launch of the new modern platform with operational improvements in usability and accessibility features that reflects the graphic style of the Entity.

We carry out the respective communication campaign with all the stakeholders and we released the virtual online training module, which has allowed users to obtain support about the use of the tool at any time without the need for transport costs.

Both intermediaries and employees and former employees recognized the positive change provided by the application, providing a simpler and more user-friendly tool.

SIVIS

We updated applications such as SIVIS⁸ in the technical, functional and image part; thus renewing the way of doing things, aligning to the new corporate image and facilitating the daily operation to users.

BUSINESS INTELLIGENCE (BI)

In 2017 we completed and closed the implementation and commissioning of the Findeter business intelligence tool which aims to provide the entity with a unique tool for data analysis and presentation of data that effectively supports decision-making, whose sources of information are the different systems of the Entity and the application of business rules.

This year was begun the second phase of business intelligence. Among the main benefits of the project are:

⁸ Application designed and developed by FINDETER for internal use in order to keep track online and in real time, basic information about the projects and the eligibility process with ongoing urban projects in the state.

- To consolidate the data analysis and business rules transversely across Findeter for all areas of the organization.
- To deliver the information of Findeter as a service to the organization and its stakeholders, through the business intelligence tool.
- To expand the coverage and scope of the business intelligence dashboards already constructed, which are useful for the different areas of Findeter.

INTEGRATED TERRITORIAL DEVELOPMENT PROJECT MANAGEMENT SYSTEM

During 2017 we performed the project planning and procurement process for this system, which aims to provide the Entity with the capabilities, processes and tools that capture and consolidate data from each of the territorial planning and technical assistance projects supported by Findeter in the territories, in an aligned way with the life cycle which are managed within the entity. Among the main features are:

- Relationship of the projects with framework contracts and derivatives that support them.
- Characterization of the scope and impact of the indicators in the territories for each of the projects.
- Support the information of progress and implementation of the projects and contracts supported by Findeter.

CONTROL OF INFORMATION ABOUT TRUSTS IN THE DYNAMICS ERP

We implemented the Microsoft Dynamics - AX management solution, modules on government budget, projects and contracts, procurement and supply with the aim of integrating the operational and administrative processes of 24 trusts under an information system that minimize the chances of error generation and generating an increase in the reliability and response time of the process.

We trained the trust control team of Findeter about the operating model.

PROPOSALS EVALUATION SYSTEM

We perform the design, development and parameterization of the information system that allows the assessment of the proponents that apply to calls for bids. This system has the option to track and control the call processes providing information in a timely and centralized way to the procurement area. The system will reduce the times, operation and minimizes the chance of human error. The main benefits are expected to be seen once the system goes into production:

- Detailed process traceability
- Integrity and availability of information
- Agility in the development of assessments
- Centralizing information
- Security and control of information
- It allows the management and administration of users via user profiles and access levels
- Common language

During the first quarter of 2018 the following processes will be performed: user training, the commissioning of the system, the launching of the application in the corporate media, the contest to christen the application and the technological support for the first month of operation.

TRAVEL EXPENSES TOOL

We deployed the improvements to the travel expenses tool in the Entity, which automated the approval flows, generating greater control over travel requests and optimizing the use of resources in terms of saving paper and the time of users .

INFRASTRUCTURE

During 2017 we emphasize the strengthening and expanding of the use and appropriation of the technologies implemented in the organization, within which, the completion of the migration of the services from the data processing platform to a self-management model stands out, which has resulted in better

response times and improved service to requests for the extension of processing and storage resources.

We have advanced in the process for the renewal of workstations, 270 new computers that support the increase in the number of users and the renewal of approximately 35% of the computers of the entity.

The installation and implementation of the new Multifunctional platform with Lexmar that allows work to be released that is requested with the card or the user password was performed. In this way we automatically generate the respective consumption statistics for each area, thus contributing to reducing paper consumption of the Entity.

The capacity of the communication channels and the Internet was expanded to improve the quality of services provided to users in each of the headquarters of the entity (Directorate General and Regional Offices), as well as our customers, the users of virtual channels. The Internet channel was expanded by 20%.

Under the guidance of the Vice Presidency of Credit and Risk and together with the Safety Officer, we delved deeper into the implementation of computer security controls, as well as mechanisms and procedures for dealing with security events and the mitigation of vulnerabilities.

We implemented additional mechanisms for securing web portals exposed to the Internet, in order to protect the institution from hackers. Complementarily, we trained officials of the Entity and we enabled the portal for the secure exchange of information with third parties.

Continuity was given to the IPV6 protocol migration by contracting the second phase, that of the implementation of the protocol in coexistence with IPV4 network Findeter.

10.5.3 COPYRIGHT

In 2017 we fulfill all the rules surrounding intellectual property and copyright of the software installed on the computers of the Institution, thus complying with current legislation on copyright. We obtained the SAM certification for one year.

Internal control performed running tests and information sampling that met the requirements established in the standard.

During the year, besides our own validations, we perform checks to the software installed on the computer equipment of the entity under the guidance of leading software manufacturers, where it was found that the installed software is licensed by the respective supplier.

The Organization maintains a detailed record of each of the licensed products and their respective supporting documents.

2018 GOALS

- To implement the Model of Enterprise Architecture, aligning processes with technology.
- To implement the evaluation system of calls for proposals.
- To implement the outsourced service for payroll administration and liquidation.
- To complete the implementation of digital government strategy.

11 MATERIALITY ANALYSIS

11.1 IDENTIFICATION, PRIORITIZATION AND VALIDATION OF ISSUES AND QUESTIONS

(G4-18)

To determine the relevant aspects for Findeter (internal environment) and stakeholders (external environment) at the end of 2015 we conducted a process of consultation and dialogue from the perspective of the Guide for preparing G4 version sustainability reports of the Global Reporting Initiative (GRI).

The materiality analysis process has been made considering the vision of internal groups such as employees, the steering committee and the Board, as well as externally with suppliers, customers and contractors, considered as priorities. It has also made reference to the principles of content and quality posed by GRI G4

for both defining the content and the development of management and sustainability report 2017.

Detailed information on how the [materiality analysis of Findeter](http://gestionysostenibilidad2016.findeter.gov.co/relacion-con-los-grupos-de-interes/materialidad/identificacion-priorizacion-y-validacion-de-aspectos-y-asuntos) was carried out can be found in the Management Report and Sustainability 2016 or via the following link: <http://gestionysostenibilidad2016.findeter.gov.co/relacion-con-los-grupos-de-interes/materialidad/identificacion-priorizacion-y-validacion-de-aspectos-y-asuntos>

PRIORITIZATION OF ISSUES

After identifying the relevant issues obtained from secondary sources, a definition of the defining aspects of GRI G4 is carried out, along with the sub-aspects that conform it and are used as a basis for presentations and formats used within the exercises of consultation and dialogue with stakeholders in 2016.

The prioritization of issues is related to the perception of the stakeholders consulted, considering the degree of importance of each and the social, environmental, and economic organization.

(G4-24)

VALIDATION AND REVIEW OF PRIORITY ISSUES

To ensure that the materiality reflects the relevant issues for the sustainable performance of Findeter in a reasonable and balanced way, after obtaining the final scores for each prioritized GRI G4 aspect, the cross reference was performed for both the Bank and for its stakeholders, with a total of 40 aspects obtained, 19 of which are considered to be material (identified with a "*" in the table). It is stressed that although the "training and education" aspect was not calculated as material, after conducting a review of the materiality matrix and considering it to be a generator of positive impact on employees, Findeter has classified it as a material aspect.

Table 71: Prioritization of material aspects

| Do not. | prioritized appearance |
|---------|---|
| 1 | ENVIRONMENTAL REGULATORY COMPLIANCE * |
| 2 | ECONOMIC PERFORMANCE * |
| 3 | ANTICORRUPTION * |
| 4 | CLIMATE CHANGE * |
| 5 | INDIRECT ECONOMIC CONSEQUENCES * |
| 6 | EQUAL PAY FOR MEN - WOMEN * |
| 7 | INNOVATION * |
| 8 | OPTIMIZATION OF PROCESSES AND PROCEDURES * |
| 9 | GOOD GOVERNANCE PRACTICES, ETHICS AND TRANSPARENCY * |
| 10 | LOCAL COMMUNITIES * |
| 11 | ENERGY* |
| 12 | MATERIALS* |

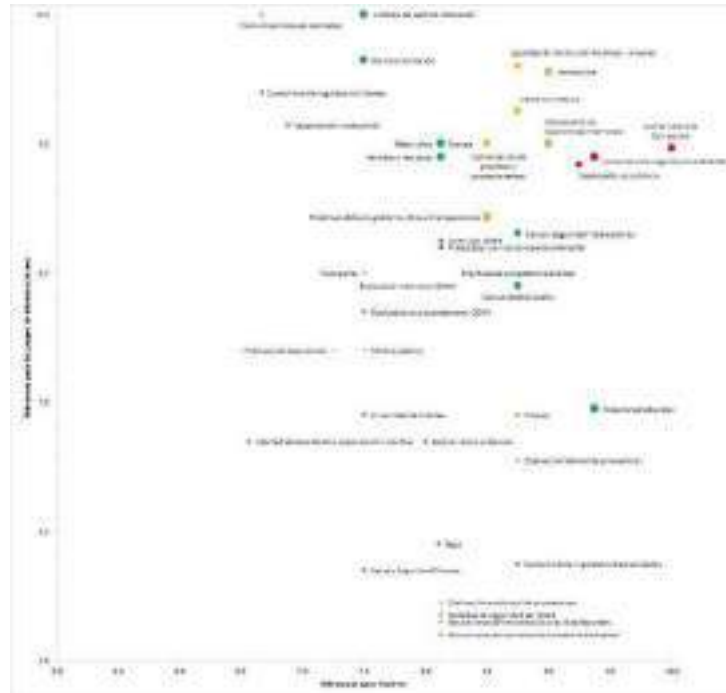
| | |
|----|---|
| 13 | NONDISCRIMINATION* |
| 14 | UNFAIR COMPETITION PRACTICES * |
| 15 | LABOR RELATIONS* |
| 16 | HEALTH AND SAFETY FOR WORKERS * |
| 17 | ENVIRONMENTAL MANAGEMENT SYSTEM* |
| 18 | DISCHARGES AND WASTE * |
| 19 | TRAINING AND EDUCATION |
| 20 | MARKETING COMMUNICATIONS |
| 21 | REGULATORY COMPLIANCE CUSTOMERS |
| 22 | JOB |
| 23 | HR SUPPLIERS EVALUATION |
| 24 | INTERNAL EVALUATION IN HUMAN RIGHTS |
| 25 | WORK EVALUATION OF SUPPLIERS |
| 26 | HR INVESTMENT |
| 27 | PRODUCTS AND SERVICES WITH AN ENVIRONMENTAL IMPACT |
| 28 | TRANSPORT |
| 29 | PARTNERSHIPS AND ALLIANCES |
| 30 | REGULATORY COMPLIANCE COMMUNITIES |
| 31 | PUBLIC POLICY |
| 32 | CUSTOMER PRIVACY |
| 33 | WATER |
| 34 | ENVIRONMENTAL ASSESSMENT OF SUPPLIERS |
| 35 | FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING |
| 36 | COMPLAINTS MECHANISMS FOR ENVIRONMENTAL MATTERS |
| 37 | LABOR PRACTICES COMPLAINT MECHANISMS |
| 38 | SAFETY MEASURES IN HUMAN RIGHTS |
| 39 | PROCUREMENT PRACTICES |
| 40 | HEALTH AND SAFETY CUSTOMERS |

11.1.1 MATERIALITY MATRIX

(G4-19)

The [Findeter materiality matrix](#) graphically shows the result of the analysis, locating the issues and concerns identified based on their internal and external significance for the organization:

Graph 61: Materiality matrix



11.1.2 MATERIALS ASPECTS COVERAGE

(G4-19, G4-20, G4-21)

Table 72- Coverage of the material aspects

| No. | Material aspect | Corresponds to: | Relevant within Findeter | Relevant outside Findeter |
|-----|-------------------------------------|---|--------------------------|---------------------------|
| 1 | Environmental regulatory compliance | Compliance with applicable environmental regulations | ✓ | |
| 2 | Economic performance | The economic management of Findeter and positive development of the economic performance, improving public welfare derived from the activity of the entity and activities and cooperation/joint-cooperation programs with other organizations | ✓ | |
| 3 | Anti-Corruption | Mechanisms to prevent the corruption and prevention of money laundering and fraud | ✓ | ✓ |
| 4 | Climate change | Emissions of greenhouse gases to the atmosphere, and the mitigation and adaptation plan | ✓ | ✓ |
| 5 | Indirect economic consequences | Impact on regions and integrated territorial development | | ✓ |
| 6 | Equal pay for men - women | Fair compensation | ✓ | |
| 7 | Innovation | Innovation projects, in particular the Innovation and Knowledge Center (IKC) of Findeter | ✓ | |
| 8 | Training and Education | Training plans for all workers, including training in environmental and social policies applied to business performance evaluation and retirement programs | ✓ | ✓ |

APPROVAL

This Management, Sustainability and Financial Results Report 2017 of the Financiera de Desarrollo Territorial S.A. Findeter, was approved by the Legal Representative and by a majority of the votes of the members of the Board of Findeter at its meeting on February 20, 2018 and subscribed in the Act No. 333.

ANNEXES