

BANCÓLDEX

SUSTAINABILITY REPORT

2017

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LETTER FROM THE PRESIDENT

We are proud to be the Bank that promotes business development and foreign trade of Colombia and to be committed to the sustainability as an essential part of our operations. In 2017 we worked in six strategic focus seeking greater efficiencies and synergies.

As part of our commitment to the sustainability and convinced of the importance of communicating our management, following the highest standards for the elaboration of reports, in the year 2017, we continue publishing our sustainability report according to the Global Reporting Initiative (GRI) methodology, now in accordance with the GRI Standards in force as of July 2018. The above, allows us to present the different results of our actions in sustainability as a development bank, as executor of public policy and as a responsible organization. It allows us, as well, to align our work with the Agenda of Development 2030 by evidencing our contribution to the Sustainable Development Goals.

Within the results of the year 2017, it is important to highlight the issue of the first green bonds in the Colombian primary market for 200 thousand million pesos. This issuance was interesting not only for traditional institutional investors, but also for companies and natural persons that agreed, for the first time, to this type of investment instruments in Colombia. In this issue we received a demand of 2.5 times the value offered.

On the other hand, we have the certainty that we will continue advancing in the consolidation of Bancóldex as a bank of responsible development, by strengthening microcredit lines, supporting entrepreneurs of the regions in difficult situations, strengthening special credit lines for vulnerable populations, credit lines with environmental impact, different development and training projects of our human talent, and strengthening the corporate governance and internal initiatives to diminish our environmental footprint.

All these goals are possible thanks to the Bancóldex work team, alliances with different entities, and local, regional, national and international initiatives, which jointly believe in the sustainable development and trust in new opportunities that open up for Colombian entrepreneurs and commerce in Colombia.

MARIO SUÁREZ MELO
President

ABOUT THIS REPORT

GRI 102-49, GRI 102-50, GRI 102-52, GRI 102-53, GRI 102-54

This report has been prepared in accordance with the GRI Standards: Core Option. It covers the operations of Bancóldex in Colombia, for the period between January 1 and December 31, 2017.

In this fifth sustainability report, we return from our biennial to annual reporting periodicity and reformulate the issues based on the Bank's most recent materiality analysis, which is explained in section 3.2.

Any queries or requests for additional information on this report may be addressed to José Alberto Garzón Gaitán, Legal Vice President and Secretary General of Bancóldex, e-mail: jose.garzon@bancoldex.com.

2.1 Interest groups and relationships

GRI 102-40, GRI 102-42, GRI 102-43

Bancóldex has a large group of interested parties with whom we interact in the scope of our purpose. Stakeholders were identified through the combination of Accountability and Global Reporting Initiative (GRI) methodologies, and we maintain with them a leveraged relationship through different instruments such as massive events in the regions, videos, series, reports, specialized studies, our website, and the Bancóldex line.

- Shareholders
- Entrepreneurs
- Managers
- Employees
- Guilds
- Chambers of Commerce
- Universities
- Suppliers
- Control bodies
- Citizens
- Investors
- Risk Rating Agencies
- Financial Intermediaries
- Subsidiaries and investees
- Foreign correspondent banks
- International development and cooperation entities

2.2 Materiality analysis

GRI 102-44; GRI 102-46; GRI 102-47

In 2018 we developed our materiality analysis with the accompaniment of the firm BSD Consulting. The exercise was brought forward in 3 phases and the results were the basis for determining both the structure and content of this report.



Context analysis

Phase aimed at understanding the business and sector situation of Bancóldex, as well as the sustainability challenges faced by the organization.

Activities carried out:

- Review of sustainability standards applicable to the sector.
- External reference of companies and entities in the financial sector.
- Study of strategy and corporate documents.
- Revision of the previous materiality study developed by Lavola in 2017.

Identification of topics

Phase to compile the inputs obtained in the context analysis and identify a broad list of potentially relevant issues for Bancóldex.

Activities carried out:

- Construction of a list of potentially relevant topics for Bancóldex.
- Revision and adjustment of the list of topics with the Legal Vice-Presidency.
- Application of a survey to the Bank's stakeholders on the list of topics, their approach and other topics they would like to find, learn about or go deeper into the 2017 Sustainability Report.

Prioritization and validation

Phase to evaluate with the Bancóldex management team the results of the stakeholder consultation exercise and limit the list of topics to be included in the Sustainability Report 2017, according to their impacts, risks and opportunities.

Activities carried out:

- Systematization of the results of the stakeholder survey applied in July 2018.
- Prioritization of issues according to their impacts, risks and opportunities.
- Justification of the materiality of each theme: importance, coverage, management and evaluation.
- Elaboration of the structure of the Sustainability Report 2017, according to the results of the materiality analysis.

"Context Analysis" reviewed both sustainability standards and standards applicable to the financial sector and relevant internal documents and corporate policies. Based on these inputs, a list of 18 potentially relevant topics was drawn up, which were subsequently rated by stakeholders - through an online survey - and by the Bank's management team.

As a result, 12 topics were prioritized and validated:

GRI 103-1; GRI 102-47

Material Topic	Description	Where does it materialize?
Corporate Governance	To have a solid decision-making structure within the Bank, which allows the achievement of the corporate strategy and other objectives of the organization.	Internally: Corporate governance bodies

Ethics, transparency and the fight against fraud and corruption	Ethical behavior at all levels of the organization, and the fight against fraud, corruption and money laundering in all the Bank's activities and operations.	Internally: Transversal to all areas of the Bank
Integral Risk Management	Comprehensive risk assessment and management (including ESG assessment) in investment analysis and credit operations.	Internally: Bank credit operations Externally: entrepreneurs and financial intermediaries
Economic performance	Financial management of the Bank framed within the concepts of profitability and sustainability.	Internally: Transversal to all areas of the Bank
Productive insertion and financial inclusion	Impact of the Bank on business growth, productive insertion and financial inclusion in the country.	Internally: Bank credit operations
Environmental and social products and services	Products and services intended to finance activities or projects with social or environmental benefits.	Internally: Bank Product Portfolio Externally: Clients, entrepreneurs and financial institutions
Public policy	Support to the public policy objectives of the National Government in areas such as financial inclusion, access to financing, financial education, business development, competitiveness and innovation.	Internally: Bank Product Portfolio Externally: Clients, businessmen, financial institutions and National Government
Non-financial services	Non-financial services offered by Bancóldex as a development bank including market intelligence, economic studies, project structuring, consulting and training.	Internally: Bank Product Portfolio Externally: Clients, entrepreneurs and financial institutions
Service and customer satisfaction	Service experience offered to customers, regarding the channels of attention, the process, the commercial strategy and the product.	Internally: Officials who have direct contact with clients Externally: Client
Development of human talent	Training, development and welfare of our human talent, and strengthening of the organizational culture.	Internally: Transversal to all areas of the Bank

Eco-efficiency	Internal practices that allow the efficient use of resources (water, energy, waste) and reduce the carbon footprint to mitigate the environmental impact of the organization.	Internally: Transversal to all areas of the Bank
Supplier Development	Strengthen suppliers from a procurement perspective and from a commercial and business perspective.	Internally: Purchasing Area Externally: Bank Suppliers

PROFILE

About us

GRI 102-1; GRI 102-5; GRI 102-6; GRI 102-9

We are the Banco de Comercio Exterior de Colombia S.A, - Bancóldex, created by article 21 of Law 7 of 1991, a Colombian Corporation of mixed economy not assimilated to the regime of the industrial and commercial companies of the State and linked to the Ministry of Commerce, Industry and Tourism. Bancóldex is organized as a bank credit establishment, supervised by the Superintendence of Finance of Colombia, for the financing of the country's business community.

We act as a second-tier bank, this means that those interested in accessing Bancóldex resources should do so through financial intermediaries such as banks, financial corporations, financial cooperatives and commercial finance companies, as well as, and only for microenterprises, through financial NGOs's, cooperatives with savings and credit activity, employee funds and compensation funds.

As a development bank, we are focused on business growth in Colombia, leveraging companies of all sizes (micro, small, medium and large), from all sectors and from all regions of the country, with our knowledge services and financial instruments, regardless of their time in operation, whether belonging to the export chain or the domestic market.

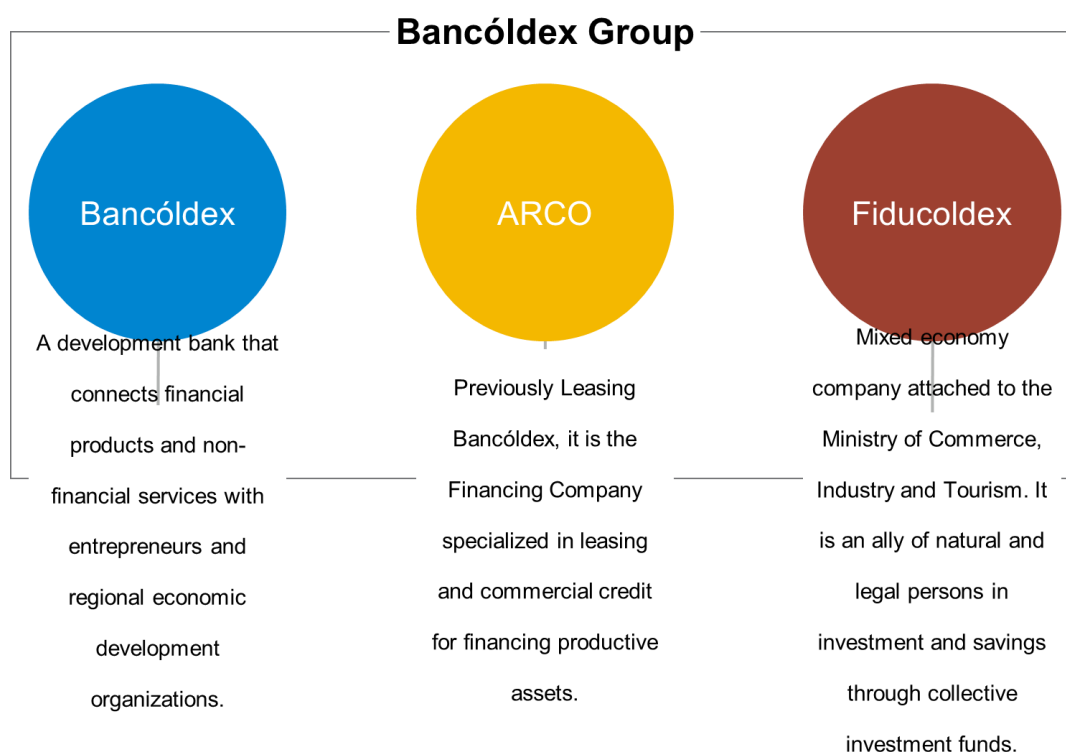
Additionally, Bancóldex is administrator of the Banca de las Oportunidades Investment Program, which follows the strategy of the National Government that seeks to reduce poverty, promote social equality and stimulate economic development in Colombia, providing access to financial services to low-income families, entrepreneurs, and micro, small and medium enterprises.

Bancóldex Group

102-10

In June 2017, the Bancóldex Group was born, aimed at offering specialized and tailor-made solutions to boost the growth of the business sector. It is made up by Bancóldex, Fiduciaria

Colombiana de Comercio Exterior S.A. (Fiducoldex) and Compañía de Financiamiento - Arco Grupo Bancóldex S.A.. Bancóldex has a shareholding of 89.3% and 87.5% at these entities, respectively.



Shareholder composition

GRI 102-5

1,062,556,872 SHARES

91.87% Nation - Ministry of Commerce, Industry and Tourism

of shares: 976,143,335

Type of actions: A

7.85% Nation - Ministry of Finance and Public Credit

of shares: 83,420,180

Type of actions: A

0.28% Individuals

of shares: 2,080,683

Type of actions: B

Common Shares

of shares: 912,674

Type of actions: C

Privileged Shares

What we do

GRI 102-2

We offer financial and non-financial products and services for different business growth circumstances. Among them:

- Credit for companies with high growth potential
- Microfinance
- Credit for business formalization
- Microinsurance
- Special quotas and regional conventions
- Credit for investment and business modernization
- Discounts on documents / invoices
- Green Lines
- Pre-financing and export financing
- International banking operation
- Buyer, supplier and correspondent credit
- Business training
- Investment in private equity funds

Our target

GRI 102-6

Visionary, focused entrepreneurs who are able to lead the transformations of their industries, who dare to grow and are determined to connect where the opportunities are.

Our location

GRI 102-3; GRI 102-4

Our main office is in the city of Bogotá and we have commercial representation offices in Medellín, Cali, Barranquilla, Pereira and Bucaramanga, and commercial presence in Manizales, Armenia, San Andrés, Pasto, Neiva, Ibagué, Villavicencio and Tunja.

How we operate

GRI 102-9

We function as a second-tier bank. Thus, when an entrepreneur applies for a loan from a financial institution or an institution oriented to microenterprise credit, the latter may apply to Bancóldex for the resources that the entrepreneur requires. Bancóldex delivers them to the financial institution, which in turn, delivers them to the entrepreneur.

Our allies

Our main allies are those through whom we disburse credit resources to entrepreneurs. These are: banks, financing companies, financial corporations and cooperatives, savings and credit cooperatives, Non-Governmental Organizations (NGOs), compensation funds and employee funds, among other entities that are supervised and not supervised by the Superintendence of Finance of Colombia.

We also establish alliances with organizations that facilitate the approach to the business sector such as trade unions, chambers of commerce, associations, ministries, territorial entities, multilaterals and universities.

Bancóldex in figures 2017

GRI 102-7

Total number of employees:

299¹

Net income:

COP 232,698 million

Total portfolio:

COP 5,582,661 million

Disbursements:

COP 3.58 billion

which benefited more than 76,000 companies in 786 municipalities in the country.

Our team

GRI 102-8

At the end of 2017 our team was made up of 299 people. The variation in the number of personnel with respect to previous years is because as of this year, the special programs Productive Transformation Program (PTP) and the Business Management Unit (iNpuls Colombia), ceased to be administered by Bancóldex and turned to Fiducóldex. The employees belonging to these programs are no longer included in the Bank's figures. The following is a breakdown of our payroll, by sex, type of contract and region:

¹ This figure includes 19 employees of the Banca de las Oportunidades Investment Program

Total employees by employment contract and gender											
2015				2016				2017			
FEM		MALE		FEM		MALE		FEM		MALE	
Fixed*	Indef.**	Fixed	Indef.	Fixed	Indef.	Fixed	Indef.	Fixed	Indef.	Fixed	Indef.
73	167	44	120	77	167	46	123	4	166	3	126
404				413				299***			

*Fixed term / **Indefinite term

****Includes 19 employees of the Investment Program Opportunity Banking

Employees by employment contract and by region 2017			
Region	Fixed Term	Indefinite term	Total
Bogotá D.C	4	267	271
Medellin	0	4	4
Cali	0	5	5
Barranquilla	1	5	6
Pereira	0	1	1
Bucaramanga	0	4	4
Manizales	0	1	1
Armenia	0	1	1
Saint Andres	0	1	1
Pasto	0	1	1
Neiva	0	1	1
Ibagué	0	1	1
Villavicencio	1	0	1
Tunja	1	0	1
Total	7	292	299

Support to external initiatives and partnerships

GRI 102-12; GRI 102-13

In the development of its mission, Bancóldex supports, belongs to or participates in the following external initiatives of an economic, environmental or social nature:

Initiative	Description
<i>Common Principles for Climate Mitigation Finance Tracking.</i>	The commitment among the participants of the International Development Finance Club (IDFC) and the Multilateral Development Banks (MDBs) is to develop common principles and guidelines based on their respective monitoring and reporting of climate change adaptation financing. MDBs and IDFCs invite other institutions to adopt the Common Principles and thereby further increase the transparency and credibility of reporting on adaptation funding. As a member of the IDFC, Bancóldex shares this commitment.
<i>Green Bond Principles (GBP)</i>	Green investment reporting guidelines established by a consortium of investment banks in 2014, which seek to establish general principles of transparency, integrity and accuracy of information reported by green bond issuers to investors. Bancóldex used the GBP for its 2017 Green Bond issue.
Green Protocol	Initiative of the Colombian financial sector, in alliance with the National Government, to promote that financial entities: i) develop instruments to finance projects that mitigate the negative effects of business activity on the environment; ii) implement environmental and social risk analysis systems in credit operations and iii) adopt internal eco-efficiency practices.
<i>Green Climate Fund</i>	It is a multilateral entity created by the United Nations Framework Convention on Climate Change. Established by the 194 member countries of the Convention, constituted as a mechanism to support developing countries in climate change adaptation and mitigation practices. It has different types of financial and non-financial instruments. And in order to access resources, national or international entities must go through an accreditation process. Bancóldex is in the process of accreditation and has been nominated by the Designated National Entity in Colombia before the Fund, which is the DNP, as one of the 3 entities to proceed with accreditation.

<p>United Nations Environment Finance Initiative - UNEP FI</p>	<p>It is the Financial Initiative of the United Nations Environment Program, to which the private financial sector is linked on a global scale. UNEP FI aims to identify and promote the adoption of the best socio-environmental practices in financial activity.</p>
<p>International Development Finance Club – IDFC</p>	<p>A group of 23 global development finance institutions recognized as leaders in climate finance, development and long-term financing. It is currently recognized as one of the most relevant groups in climate finance at the global level and enables cooperation between banks and the identification and management of joint projects. Bancóldex has been a member since 2011 and participates in its areas of interest.</p>
<p>Corporate Governance Development Framework</p>	<p>Based on IFC's methodology, the Corporate Governance Development Framework provides signatory entities with a common platform to evaluate and improve their corporate governance practices. These cover emerging markets around the world, including Africa, Latin America and the Caribbean, Asia and the Middle East. Bancóldex has been a signatory since 2011.</p>
<p>Latin American Corporate Governance Network for State Entities- Red Latinoamericana de Gobierno Corporativo para Entidades Estatales</p>	<p>Its objective is to improve the governance of public companies in Latin America through the exchange of experiences and knowledge on government policies, using as a conceptual framework the OECD Guidelines on Corporate Governance for State Enterprises.</p>
<p>Colombian Institute of Corporate Governance- Instituto Colombiano de Gobierno Corporativo</p>	<p>Bancóldex is one of the societies that, with the support of the Swiss Program for Economic Development Cooperation in Colombia and the International Finance Corporation, constituted, in March 2017, the Colombian Institute of Corporate Governance, a non-profit association that will serve as a catalyst at the national level to promote greater knowledge on the issue of corporate governance and a growing assimilation of good practices in this area by all types of organizations, regardless of their size, legal nature or sector.</p>
<p>Global Reporting Initiative- GRI</p>	<p>The GRI Standards are sustainability reporting guidelines for companies wishing to report on their economic, environmental and social performance. These guidelines were created by the <i>Global Reporting Initiative</i>, an official collaborative center of the United Nations Environment Program (UNEP). Bancóldex has prepared its sustainability reports applying this methodology.</p>

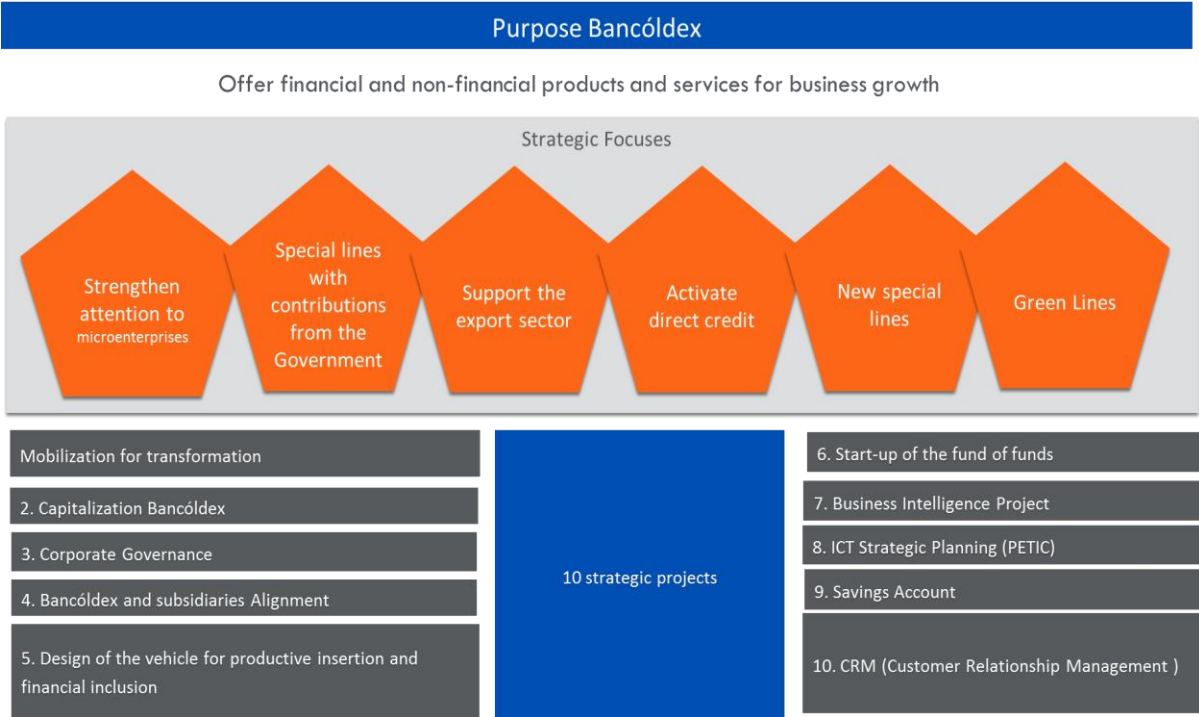
<p><i>Institutional Limited Partners Association (ILPA)</i></p>	<p>Association connecting more than 450 global institutional investors of Capital Funds with more than USD 2 trillion in assets under management. Bancóldex has been a partner since 2010.</p>
<p><i>Latin American Private Equity & Venture Capital Association (LAVCA)-</i> Asociación Latinoamericana de Capital Privado y Capital de Riesgo</p>	<p>Dedicated to supporting the growth of the <i>Private Equity and Venture Capital</i> industry, the Association has more than 180 firms with assets under management for USD 65,000 million, and brings together not only the main investors of this type of capital in Latin America but also organizations dedicated to the development of the industry through building capacity and entrepreneurship of companies, such as Bancóldex. Bancóldex has been a member of the Association since 2011.</p>
<p>Asociación Bancaria y de Entidades Financieras de Colombia – Asobancaria</p>	<p>Non-profit organization that aims to represent and defend the interests of members, promote and maintain public confidence in the financial sector, expand and permanently improve knowledge about the nature and function of financial activity. Additionally, Bancóldex is a member of the Sustainability Committee of this entity.</p>

STRATEGIC DIRECTION

Our purpose as a development bank is to offer financial and non-financial products and services that contribute to the country's business growth. We do this by managing financial assets, developing access solutions and massively mobilizing capital, leveraging our relational capital.

To advance in this purpose, in 2017 we worked based on the defined growth platforms (Productive insertion and financial inclusion; Business scaling; Global flows; International expansion; Extraordinary growth; and Dynamic ecosystems), as well as 10 strategic projects that allow us to strengthen several fronts and become a more solid and efficient entity.

At the end of the year, and with the aim of increasingly adapting to the needs of entrepreneurs, the Bank decided to redirect the 2018 management to 6 strategic focuses that complement the work of the business units, as presented below:



Progress of the 10 strategic projects:

1. Mobilization for transformation: By building leadership capabilities within the organization, we contribute to the consolidation and advancement of corporate strategy.
2. Bancóldex Capitalization: IDB Invest of the Inter-American Development Bank, formerly known as the Inter-American Investment Corporation - IIC, expressed an interest in participating in Bancóldex's capitalization project. Following the due diligence process, the IDB submitted its investment and financing proposal, which is being evaluated by the Bank's shareholders.
3. Corporate Governance: At the close of 2017, Bancóldex managed the implementation of the 45 recommendations made by the International Finance Corporation - IFC and the World Bank, in matters of corporate governance in a previous evaluation.
4. Alignment of Bancóldex and subsidiaries: Within the framework of the definition of the Bancóldex group, the following achievements stand out: 1-Strategy Unification, policies and guidelines. 2-Unification of suppliers and joint negotiation as a group. 3-Standardization of methodologies and criteria. 4-Unification of models and schemes. 5-Unification of 4 committees with a group approach. 6-Integration of eight processes with group approach, in operation research functions and economic analysis of the treasury front. 7-Services and technological integration regarding inter-site connectivity of applications and networks, definition of the visual identity and start of the development of the group's products and services portal.
5. Design of the vehicle for productive insertion and financial inclusion: In 2017, the design of the mechanism to differentiate between micro and small enterprises with major productivity challenges and to contribute to their insertion in the productive sector was initiated. Although the scope of the project was fulfilled, the Bank's senior management decided not to develop the initiative of creating an independent vehicle to service microenterprises, maintaining this activity within Bancóldex.
6. Within the framework of the Private Equity Fund Program - Bancóldex Capital, an initiative designed to promote the development of the private equity and venture capital fund industry in Colombia, the goal was established as the start-up of the fund of funds. In 2017 the Superintendence of Finance authorized the regulation. Thus, the process of obtaining capital continued and with the initial acceptance of local investors, the Due Diligence of Fund of Funds vehicle is being carried out.
7. Business Intelligence Project - BI: In July 2017, the Bank, accompanied by a third party, defined the Business Intelligence Bank strategy 2018-2022, designed the internal governance model for information management, and the Bank will evaluate the recommended tools.
8. CRM (Customer Relationship Management): During 2017 the structuring, contracting, development and implementation phases of the CRM - Bancóldex project took place. Sales and marketing modules were implemented in a Software as a Service (SAAS) scheme with cloud storage and the tool went into live in December 2017. Outstanding service and customer satisfaction results.
9. PETIC: This project includes the Strategic Planning of Information and Communication Technologies of the business over a period of 5 years (2017-2022). The plan formulated 75 initiatives or projects focused on 4 strategic pillars: 1-Business Momentum. 2-Strengthening IT Management. 3-Strengthening of Risk Management (Safety and Continuity). 4-Optimization of the technological platform.
10. Savings Account: In 2017, the development of the tools, functions, processes and documentation required for the operation of the product was completed and presented to the Superintendence of Finance of Colombia. The project strengthened cross-cutting aspects of the Bank such as: transactional monitoring scheme for fraud risk and LAFT for all the Bank's products, integration to the ACH transfer system, strong authentication system for direct customers, PSE button for Bank collections (under development) and strengthened the security of the Bank's databases and platforms for web-based interaction.

2017 HIGHLIGHTS

Strengthening the microenterprise segment

To promote financial inclusion and productive insertion, during the year Bancóldex disbursed **COP 658,286 million** to more than **60,000 microenterprises**, through **66,286 credit operations**, materializing among other resources, new lines of inter-administrative agreements with 8 city halls, 2 governorates and 3 central government entities.

First issue of Green Bonds

In August 2017, Bancóldex successfully made its first issue of Green Bonds through the Colombian Stock Exchange.

With an emission of more than USD 70 million (COP 200 billion) - whose demand exceeded 2.5 times the value offered - these monies have been disbursed as credits to finance business projects that generate environmental benefits for the optimization in the use of natural resources; for the better use and correct management of waste from the productive process; for the increasingly efficient consumption of energy and the incorporation of sustainable practices that include the replacement of inefficient or fossil fuel technologies with clean technologies, in all of them.

This operation constitutes the first auction of green bonds in the Colombian public stock market and according to investment criteria, these bonds "provide a positive contribution to the fulfillment of Sustainable Development Objectives 6, 7 and 11".²

Business development

In 2017, Bancóldex disbursed **COP 3.58 billion** to more than **70,000 companies** located in 30 departments of the country destined to finance:

- The modernization of the productive machine with resources of **COP 1.66 billion**.

² Second Opinion of the international agency Sustainalytics, available at http://www.bancoldex.com/documentos/9983_Bancoldex_Segunda_Opinion_Bono_Verde.pdf (P.9)

- The internationalization of the economy, with **COP 1.05 billion** for 774 exporting companies.
- The growth of MSMEs, with **COP 2.1 billion**.

Support for regions with difficulty

Together, with the National Government and the Ministry of Commerce, Industry and Tourism, Bancóldex created several lines of credit under special conditions to support the business sector located in border areas, especially in the departments adjacent to Venezuela.

Likewise, Bancóldex was the National Government's instrument to mitigate the impact suffered by business activity due to economic circumstances such as the Buenaventura strike and natural disasters such as the one that occurred in Mocoa.

BANCÓLDEX AS EXECUTOR OF PUBLIC POLICY

GRI 203-1; GRI 103-1; GRI 103-2

According to the provisions of the document of the National Economic and Social Policy Council CONPES 3927, Bancóldex is part of the group of State companies dedicated to developing public policy objectives, which implies that the Bank must correct inefficiencies and market externalities and maximize social welfare while maintaining the Colombian business fabric.

In accordance with the above, Bancóldex follows the Government's guidelines aimed at fostering business growth and increasing productivity and competitiveness. In order to carry out interventions under even more favorable financial conditions for entrepreneurs, the Bank receives contributions from the National Government and territorial entities, to cover the rate differential and offer special credit quotas for micro, small, medium and large enterprises for specific purposes.

As an entity linked to the Commerce, Industry and Tourism sector, Bancóldex participated in the design of the Sectorial Strategic Plan PES 2014-2018, whose objectives are to generate higher levels of productivity and competitiveness, higher energy-mining exports and greater dynamism of employment through tourism.

Within the National Development Plan 2014-2018 "Everyone for a new country", Bancóldex participates with two indicators: on the one hand, the operations of export companies benefiting from Bancóldex financial products, which are part of the strategy to increase productivity and competitiveness of traditional sectors in the regions. On the other hand, the value of investment commitments in venture capital funds, which are included in the strategy of facilitating access to financing.

Finally, Bancóldex has participated in the design and execution of different CONPES documents, among which are:

- CONPES 3759 of 2013: Policy guidelines for the modernization of automotive freight transport.
- CONPES 3805 of 2014: Prosperity for Colombia's borders
- CONPES 3866 of 2016: Productive Development Policy
- CONPES 3904 of 2017: Plan for the Reconstruction of Mocoa

The monitoring and reporting of the commitments described above is carried out through the formulation of indicators that are reported with the periodicity defined in each one of them.

GRI 103-3

2017 RESULTS	
Sectoral Strategic Plan MINCIT	In 2017, 354 entrepreneurs received technical assistance, with an indicator compliance of 236%.
	1,059 entrepreneurs from 23 departments participated in conferences, specialized workshops and networking spaces on business growth.
	Preparation of action plans for 5 companies , with the purpose of stimulating the sophistication of their exports.
	6 companies finalized the strategic intervention process within the framework of the Regional Capacity Building Program with the Barranquilla Chamber of Commerce.
	11 companies implemented their corporate governance scheme.
	Disbursements by COP 556,836 million to microenterprises to increase their productivity.
National Development Plan	1,517 operations worth COP 1.05 billion were disbursed, benefiting 774 exporting companies , thus meeting the 105% target for the period.
	The Bank's target for 2017 in commitments to invest in equity funds through the Bancóldex Capital Program was COP 116,843 million. During the year, COP 164,017 million in 12 capital funds were committed, achieving a compliance of 140% with the established goal.

Forecasts

- To carry out 5,700 operations for exporting companies in the four-year period 2014 - 2018.
- Leverage the economic growth of the cultural and creative industries through the attainment of funding resources under competitive conditions, with the issuance of the first Orange Bond in the country.

- To provide entrepreneurs with new instruments to meet their financing needs through the Bancóldex Capital program and the accumulated investment commitments in capital funds made by Bancóldex.
- To deepen and support the democratization of capital markets, especially with emphasis on SMEs.
- To work in comprehensive financing and accompaniment systems for the entrepreneurship phase of new companies, to solve the knowledge and resources needs of entrepreneurs, either through credit or patrimony with new seed funds.
- Work on alternative financing and technical support to companies through digital platforms that allow them to increase their reach to a larger population.
- Create new and better financial and non-financial instruments to solve the need for resources and knowledge for companies.
- Diversify trading partners and exportable supply into larger and better international markets.
- Create new special lines according to the guidelines and sectors defined by the Ministry of Commerce, Industry and Tourism. Specifically, we will create special financing lines for companies owned or led by women.

BANCÓLDEX AS A DEVELOPMENT BANK

Our generation of value is based on fully serving the Colombian business sector at all stages of development, which means that in addition to being a second-tier financial institution, we are the Colombian business development bank.

As such, the impacts we generate are concentrated in the financial and non-financial products and services we offer, since with them we can influence areas such as productive insertion, financial inclusion, the growth and expansion of companies, the strengthening of entrepreneurs, environmental sustainability, and economic aid to vulnerable regions or populations. We will talk about each of these in the following pages.

7.1 Portfolio for corporate development

G3-FS6

A PORTFOLIO OF FINANCIAL PRODUCTS AND SERVICES DESIGNED TO SUPPORT BUSINESS GROWTH

Bancóldex offers entrepreneurs a broad portfolio of financial and non-financial products and services designed to meet their needs at different stages, which has positioned the Bank as a tool for business development and growth.

Within the financial products we have second-tier credit lines, which offer competitive financial conditions to entrepreneurs, thanks to the different agreements made by the Bank. We also have products such as discounted invoices and financing to international buyers of Colombian products. As a complement to this offer, we permanently work on business strengthening through training programs, consulting and accompaniment in the structuring of investment projects.

Our 2017 management is evaluated using the following indicators:

- Disbursements per growth platform
- Disbursements per company size, investment destination, credit term, economic sector, geographical location
- Disbursements per lines or special programs
- Disbursements per type of financial product

Disbursements per growth platform	
Platform	Result 2017
Enterprise Scaling	COP 1.32 billion
International Expansion	COP 518,528 million
Global flows	COP 1.09 billion
Productive insertion	COP 658,286 million
Extraordinary Growth	COP 17,877 million

In the domestic market, Bancóldex participates with 37% of disbursements, in foreign trade with 45% and in support to microenterprises with 18%.

Disbursements by company size	
Large	COP 1.384 billion
SME	COP 1,544 billion
Micro-enterprises	COP 658,286 million

Large enterprises account for 39% of disbursements, SMEs for 43% and micro-enterprises for 18%.

Disbursements by business segment	
Manufacturing Industries	COP 1,074,478 million
Trade	COP 907,152 million
Electricity, gas, steam, air conditioning	COP 261,401 million
Transport and storage	COP 250,997 million
Construction	COP 219,098 million
Financial and insurance activities	COP 204,063 million
Professional, scientific and technical activities	COP 99,611 million

Administrative services and support activities	COP 90,874 million
Agriculture, livestock and forestry	COP 88.113 million
Accommodation and meal service activities	COP 80,523 million
Other service activities	COP 69,305 million
Human health care and social aid	COP 58,451 million
Other Sectors	COP 182,889 million

76% of disbursements are concentrated in the following sectors: industry, commerce, electricity, transport and construction.

Disbursements by investment destination	
Working capital	COP 1.37 billion
Modernization	COP 1.66 billion
Micro-enterprises	COP 658,286 million
Victims of armed conflict	COP 54,155 million
Foreign trade support	COP 1.1 billion
Financing environmental impact (energy efficiency, clinics and hospitals)	COP 35,864 million

7.2 Productive insertion and financial inclusion

GRI 103-1; GRI 103-2

Productive insertion and financial inclusion correspond to one of the Bank's business focuses, through which we facilitate access to credit for micro and small enterprises with the greatest productivity challenges, so that they can become viable productive units with enough growth capacity to enter an increasingly developed business world.

We support micro and small enterprises with second-tier lines of credit and create market conditions so more non-traditional financial intermediaries get interested in financing this segment.

In 2017, Gerencia de Inserción Productiva e Inclusión Financiera disbursed COP 658,286 million to more than 60,000 microenterprises, thanks to the signing of new inter-administrative agreements with 8 city halls, 2 governorates and 3 central government entities. This represents an increase of 4.9% over the 2016 disbursements and 18.3% of the Bank's total disbursements. Of these, COP 467,088 million went to microenterprises and COP 191,197 million to the small business segment with assets up to 1,250 SMMLV³.

This placement was achieved through 66,673 operations. The balance of this Management's portfolio closed at COP 1,096,092 million, growing 11.8% compared to 2016 and representing 19.7% of the Bank's total portfolio.

GRI 103-3

Credits disbursed in 2017	
Micro-enterprises	COP 467,088 million
Small business with assets up to 1,250 SMMLV	COP 191,197 million
Total	COP 658,286 million

Destination of credit	Disbursement	No. of operations
Working capital	COP 334.824.240.908	43.376
Consolidation of liabilities	COP 5.022.259.683	664
Fixed investment	COP 271.053.888.722	21.104

³ Current Legal Minimum Monthly Wages

Leasing	COP 34.140.483.966	161
Liquidex	COP 13.244.893.061	1.368
Total	COP 658.285.766.340	66.673

Region	Disbursement	No. of operations
Antioquia	COP 74.841.052.296	3.702
Atlantico	COP 80.764.324.137	17.386
Bogota Center	COP 294.480.396.302	21.394
Coffee Country	COP 27.741.057.976	2.488
Santanderes	COP 83.447.854.841	7.947
Valle	COP 97.011.080.786	13.756
Total	COP 658.285.766.340	66.673

Featured Initiatives

Attention to business microcredit

In order to facilitate access to financial services for microenterprises at the national level, Bancóldex grants credit quotas to microfinance institutions such as NGOs, cooperatives with savings or credit activities, cooperatives with contribution and credit, compensation funds, mutual funds, employee funds and companies dedicated exclusively to business credit. In order to serve this segment, Bancóldex has a network of **68 entities oriented to business microcredit** throughout the country.

With this linkage, the coverage of credit to the country's microenterprises is increased and improved, reaching regions where there are no traditional financial intermediaries, and they are the only option for microentrepreneurs to access credit.

However, these organizations have some weaknesses, which are sometimes an obstacle to grow sustainably and efficiently. For this reason, Bancóldex developed the **Institutional Strengthening Program for Microfinance Institutions in Colombia**, aimed at improving their institutional capacities, increasing their operational efficiency and directing their growth in regional and national credit activity.

The program includes, among other topics, technology, good corporate governance practices, risk management and the application of microcredit methodologies with a rural emphasis; and seeks to make them more effective in providing financial and non-financial services to the microenterprise segment.

Bancóldex Networks Program - Universidad de los Andes

The **RedES Model** promotes the productive transformation of companies through the application of change strategies, such as cleaner production (CP), in supply chains formed by "anchor" organizations and their SME suppliers.

It works through alliances between large companies and their suppliers or associates. In the workshops cycle two representatives of each company are trained in the use of PML tools to identify opportunities that generate environmental and economic benefits. Practical learning is also encouraged to empower and generate diagnostic capabilities for effective identification of critical points and improvement measures. Finally, through network collaboration, knowledge and incentives are generated to formulate impacting projects.

To implement this program, Bancóldex signed an agreement with the Universidad de los Andes in 2017, an entity that has a methodology to be developed in the regions.

During 2018 it will work with a contribution from the Ministry of Commerce, Industry and Tourism of COP 1,050 million, which aims to start the first pilot in the city of Buenaventura. Three impact chains will be developed in the region with the port, tourism, hotel and cocoa sectors. By the end of the year, the program will be fully implemented.

Forecasts

Increase placements aimed at the micro and small business segment, to reach a goal of **COP 803,626 million by 2018**.

7.3 Products and services with environmental and social benefits

GRI 103-1; GRI 103-2; G3- FS7; G3-FS8

The financial sector has a direct impact on sustainable development through the activities and projects it finances. With the products and services we offer, we generate incentives for environmentally friendly and socially responsible production, and restrict access to capital to sectors that are not committed to common causes such as the protection of ecosystems, the fight against poverty or the construction of equity.

As a business development bank, Bancóldex has the specific mandate to actively promote sustainable growth, and as part of this commitment, we seek to position ourselves as a leader of the business and financial sectors towards a greater sustainable investment dynamic, with integral programs in partnership with national, international and multilateral actors.

We have credit lines for energy efficiency projects that show solutions to the environmental challenges of the Colombian economy; we promote the use of innovative tools that enable companies to decide on sustainable investments, both from the financial conditions approach and in the development of market instruments (risk hedging policies, performance contracting schemes, technical validation). We support other actors with experience in technical accompaniment, to provide value to the projects from their incubation and facilitate, with additional tools to credit, the positive closing of green and social investments.

As a complement to this work, the Bank actively participates in spaces for the coordination of public and union sustainability management, such as the Asobancaria Green Protocol and the SISCLIMA Committee, led by the National Planning Department.

To evaluate our management, we measure both the amounts of funding for green projects and the number of projects funded. Beyond these figures, we know the environmental impact of the projects financed, in terms of energy efficiency and reduction of greenhouse gas emissions. In specific lines of market creation, the demand for resources for the projects to be promoted is proof of the positive effect that supply has on the dynamization of sustainable investment.

Green lines of credit

We offer this financing alternative aimed at micro, small, medium and large enterprises of all economic sectors that require investments in measurement, control and monitoring systems, focused on mitigating the negative effects of business activity on the environment. The objective of this credit line is to encourage companies to focus on sustainability in their businesses, to be more productive and competitive in markets that demand high environmental standards, and to include, within their portfolio, goods and services with added value in terms of environmental protection and care.

Bancóldex's green portfolio has been growing since 2009, reaching its highest levels in 2016 and 2017. This last year, the financing of the energy efficiency line for clinics, hotels and hospitals was activated, which boosted part of the year's disbursements.

GRI 103-3

Results 2017	
Amount to promote green projects	COP 80,246 million
Financing of environmental impact mitigation projects	COP 35.6 billion
Financing of energy efficiency projects	COP 11,714 million
Financing sustainable transport projects	COP 32,932 million

Lines of credit with social impact

The Bank has been working on the creation of special lines to support regions facing economic, environmental or social difficulties. This is how credit lines with differential conditions have been created for companies in border areas, areas affected by natural disasters, victims of armed conflict and people with disabilities.

Special line of credit for companies in border areas

In conjunction with the National Government and the Ministry of Commerce, Industry and Tourism, credit lines were established under special conditions to support the business sector in border areas such as Guajira, Norte de Santander and Arauca.

- COP 7,553 million were disbursed in La Guajira, benefiting 2,001 companies.
- In Norte de Santander, COP 151,592 million were disbursed, benefiting 14,295 companies.
- In Arauca, COP 24,077 million were disbursed, benefiting 888 companies.

Special line of credit for companies in areas affected by economic conjunctures and natural disasters.

In support of the National Government, Bancóldex created credit lines to mitigate the impact suffered by business activity due to economic conjunctures such as the Buenaventura strike and natural disasters such as the one that occurred in Mocoa, Putumayo. The following results were obtained in 2017:

- In Buenaventura, COP 3,850 million were disbursed, benefiting 227 companies.
- COP 16,340 million were disbursed in Mocoa, benefiting 2,967 companies.

Special line of credit for companies with people with disabilities

The Bank, in accordance with the provisions of numeral 5 of article 13 of Law 1618 of 2013, included within its services portfolio a permanent credit line called "Credit line for companies of persons with disabilities", which is available to meet the financing needs of companies of any size and economic sector, of natural persons with disabilities, or of legal persons in whose capital stock persons with disabilities have a participation equal to or greater than 20%.

Among the conditions of the line are:

- The maximum amount per company is up to COP 500 million
- Term up to 5 years and grace period up to 1 year
- The rediscount rate will be 0.50% E.A. lower than the rate published in the modernization credit line for each term.
- The interest rate to the entrepreneur is freely negotiable

Special line of credit for companies of the population victims of conflict

Bancóldex is part of the National System of Integral Attention and Reparation to Victims - SNARIV, and actively participates in all the working groups convened, with the purpose of being a vital actor of post-conflict. Thus, in agreement with the Unit for Integral Attention and Reparation to Victims - UARIV, we have a special credit line of rediscount with preferential conditions at the public's disposal for the companies of victims of the armed conflict in Colombia, which operates under the terms established by Law 1448 of 2011.

With resources from the Bancóldex portfolio, the financing needs of the victims of the armed conflict have also been met. The results for 2017 were as follows:

GRI 103-3

Results 2017⁴			
	Disbursements	Credit operations	Departments
Rediscount Line of Credit	COP 1,436,682,000	42	15
Bancóldex Resources	COP 52.719.212.304	11.129	29

⁴ Figures obtained from the crossing of the Single Registry of Victims and the disbursements of Bancóldex.

Featured Initiatives

Issuance of Green Bonds

In 2017, Bancóldex made the **first issue of Green Bonds** through the Colombian Stock Exchange for a value of USD 70 million (COP 200,000 billion) -whose demand exceeded by 2.5 the value offered- 5-year term and a cut-off rate of 7.10% EA.

This issue seeks to channel capital market resources to finance projects related to sustainable construction, cleaner production, energy efficiency and renewable energy needed to reduce the impact of Colombian companies on climate change. All of these make a significant contribution to the transition to a low-carbon economy.

Among the projects that will be financed with these resources are:

- Energy generation through biomass management
- Switching from traditional lighting systems to LED technology
- Energy control systems
- Solid and liquid waste management plans
- Solar panels for the generation of photovoltaic energy

According to the investment criteria, the bonds contribute to the fulfillment of the Sustainable Development Objectives (SDOs) 6, 7 and 11 according to the Second Opinion of the international rating agency Sustainalytics. The bonds were structured with technical cooperation from the Inter-American Development Bank (IDB), which is supported by the *Climate Bond Initiative* and resources from the Swiss State Secretariat for Economic Affairs (SECO).

Forecasts

Financing green projects

The Bank will continue to work along these lines to structure and finance green projects and investments that generate positive impacts on the environment and increase the Bank's green portfolio participation from 2 to 10% in 2 years. The goal proposed for 2018 is to disburse **COP 130 billion** to finance green projects.

Encouragement of mitigation and adaptation to climate change

For operations that meet specific eligibility criteria in terms of type of investments, credit risk, guarantees and aggregate impact of such operations, the target for 2018 is to disburse **COP 503 billion** in direct credit operations of projects that contribute to the mitigation and adaptation to climate change in the business sector, promote productive linkages and industrial conversion, generate impact on export growth and are defined as medium- and long-term.

Support the Government in regions with difficulties

The Bank will continue to deal with complex situations or regional emergencies that affect companies, by means of credit lines with specific destination under favorable conditions, under the direction of the National Government. By 2018, the Bank proposes to leverage about **COP 1.4 billion** on special lines, provided government resources are received.

7.4. Non-financial services

GRI 103-1; GRI 103-2

In addition to financial products, Bancóldex has made available to entities and companies from different regions of the country, a portfolio of non-financial services with which it aims to provide access to a set of information tools and in-depth knowledge of the regional characteristics and competitive sectors of Colombia, to serve as input for strategic decision making. These include business intelligence services, project structuring, capacity building, consulting and technical assistance.

Along these lines, we accompany the conceptualization and structuring of business projects that promote growth and foster business competitiveness in the regions together with chambers of commerce, unions and associations; and we promote the development and strengthening of managerial capacities. In this way, companies and organizations have access to activities and programs led by Bancóldex experts, who guide them and help them grow.

The following are part of this portfolio:

- **Datlas Colombia:** Tool that seeks to generate value knowledge focused on diversification and sophistication.
- **Departmental and sectorial studies:** that allow to identify clusters of growth, diversification at economic, managerial and commercial level.
- **Delta Program:** Supports entrepreneurs in structuring projects and obtaining tax benefits.
- **Strategic consulting:** On topics such as competitive strategy, financial structuring and governance.
- **Administrative capacity building:** Through classroom and virtual training programs and activities.

GRI 103-3

Results 2017	
Companies benefiting from initiatives that promote diversification and intelligent sophistication (Business Report)	50 companies received their report on opportunities for diversification and sophistication

Business initiatives provided with technical inputs for the conceptualization and/or structuring of projects.	9 companies selected to benefit from the DELTA Project - Tax benefits
Companies benefited from consulting and management training	<ul style="list-style-type: none"> ● 55 companies benefiting from consultancy programs <ul style="list-style-type: none"> ■ 3E Program - 38 companies ■ ATD (Governance and Strategy) - 17 companies ● 283 companies participating in face-to-face programs ● 1,480 participants in virtual training activities

Featured Initiatives

Business Intelligence

During 2017, Bancóldex developed the methodology "Identification of opportunities for diversification and sophistication in companies - FARO" and aided 6 companies with this tool, identifying more than 50 possibilities for diversification and sophistication of its current offer. One of the companies served has hired basic engineering to start a process of sophistication.

In addition, valuable knowledge for decision making was generated through 33 departmental reports, 50 business reports with diversification and sophistication possibilities for companies and 2 industrial sophistication reports for apparel and oleochemistry.

Bancóldex continued to strengthen regional capacities in the use and appropriation of the Datlas tool as an input for the identification of diversification and sophistication opportunities in the country and its territories. In this sense, more than 200 companies and organizations that promote competitiveness, 6 national and 8 international universities, 7 chambers of commerce and 30 regional competitiveness commissions were trained.

Project Structuring

The objective of the **Delta Program is to** improve the capacities of companies to structure projects, allowing them to grow and generate value, while taking advantage of the tax benefits for investments in Research, Development and Innovation (R&D&I), to which few companies in the country apply.

In its 2017 version, Delta opened 15 quotas to accompany companies in Bogotá, Cundinamarca, Risaralda and Caldas, which carried out activities related to the sectors in which the Ministry of Commerce, Industry and Tourism has been working: agro-food, metalworking, chemical, fashion, 4.0 industry -services, software, IT, BPO, KPO, ITO-, and Tourism.

The call to select the beneficiary companies began on September 13, 2017 and by December 15, 28 companies had applied, of which 13 are located in the Bogota Region and 15 in the Coffee Country (Caldas and Risaralda). During the selection process, projects with an estimated value of COP 40 billion were identified.

In 2018 the accompaniment of the beneficiary companies that are formally linked will be brought forward. It is expected that their projects will be filed before the Call for Tax Benefits for 2018, which is administered by Colciencias. Based on this experience, we will seek the possibility of advancing regional alliances with chambers of commerce, unions and government agencies to scale up the program to more companies in new territories during the year.

Strengthening of regional transformation capacities

Bancóldex, in partnership with the International Finance Corporation (IFC) of the World Bank and the Chamber of Commerce of Barranquilla, developed the Program to Strengthen Regional Transformation Capacities, which seeks, on the one hand, to strengthen the capacities of 12 regional consultants in the areas of strategy and corporate governance, and on the other, to intervene in the process of 3 large companies, 6 SMEs and 6 companies. In addition, during 2017, IFC trained a group of 6 consultants from the Caribbean region in its corporate governance methodology. The program is expected to be completed during the first quarter of 2018.

Pioneers Program

Considering the interest of different companies in exploring the opportunities for diversification of their current portfolio, the Pioneers Program was designed, which offers specialized technical support for the identification, prioritization and use of such opportunities, so that the necessary inputs are generated to validate the viability of structuring an investment project that supports the new business line of the participating companies.

Business Consulting

In 2017, the interventions in the companies of Ola III of the **3E Program - Companies of Export Excellence** were completed, with which 38 exporting companies revitalized their international business model and carried out market, client and business model validation exercises, culminating in a detailed work plan. The consultancy was carried out by 3E Consortium, - trained in the 3E methodology and experts in export business model strategy and foreign trade instruments -, and was supported by entities such as Procolombia and regional chambers of commerce.

The participating companies known through a survey, 91% perceive that all the objectives of the program were met and that the average satisfaction with the program was 88.4%. In terms of implementation and usefulness, they replied as follows:

- 70% of companies implemented the new international business model
- 61% were helped to improve their International Trade Unit
- 61% of companies were helped to improve communication between areas
- It helped 43% identify opportunities in new countries or markets.

Direct technical assistance (ATD´s) for family businesses

Bancóldex, with support from IDB Invest (formerly known as the Inter-American Investment Corporation - IIC), a member of the IDB Group, has developed 8 Direct Technical Assistance - ATD´s to client companies with the objective of strengthening government in family businesses.

For technical assistance, BID Invest hired the Costa Rican consulting firm *Family Business Consulting Group*, an expert in the field. Within this framework, the beneficiary companies developed a strategic vision of their corporate governance that included a diagnosis, the strengthening of their governing bodies, the preparation and updating of the family protocol and support for the implementation of the Board of Directors. The ATD´s culminated in November 2017.

Forecasts

- Update the Datlas Program to version 2.0, and the information with 2017 figures, including the agricultural census and other complementary sources to obtain a detailed description of the agro-industrial activity of all the departments and municipalities of the country.
- Position the Datlas 2.0 Program as a relevant tool for decision making in terms of sophistication and diversification of exports and as a consultation tool to know the economic activity of the country.
- To become a relevant actor in the structuring of business programs and projects that contribute to the business and regional development of the country.
- Promote the development of new initiatives that strengthen financial education in companies

BANCÓLDEX AS ADMINISTRATOR OF SPECIAL PROGRAMS

As of April 1, 2017, the Productive Transformation Program (PTP), the Business Management Unit (iNNpulsas Colombia), which had been administered by Bancóldex, became administered by FiducolDEX. Bancóldex retains only the administration of Banca de las Oportunidades.



Investment Program Opportunity Banking

Through the program called Banca de las Oportunidades, the National Government seeks to promote financial inclusion in Colombia and facilitate access to financial services for low-income families, microentrepreneurs, SMEs and entrepreneurs, in order to reduce poverty, contribute to social equality and stimulate economic development in the country.

Financial inclusion projects are developed with the support of the "Opportunities Banking Network" (Red de Banca de las Oportunidades) made up of banks, financing companies, financial cooperatives, microcredit NGOs and insurance companies.

Under the program, strategies are being developed to promote the necessary reforms to the regulatory framework to facilitate access to financial services and provide incentives for the co-financing of projects and technical assistance in order to meet the targets in terms of financial coverage, institutional strengthening of the network and access to and development of financial services, tailored to the needs of the population.

Among the achievements and results of Banca de las Oportunidades in 2017 are:

- **Level of coverage:** the financial presence in the entire country, reached is maintained at 100% since 2015.
- **Financial inclusion indicator:** measures the percentage of adults with some financial product. By December 2017, it had risen to 80.1%, which, compared to the year's target of 79.4%, represents an achievement of 100.3%. This indicator means that 27.1 million adults have some formal financial product.
- **Loans disbursed to microentrepreneurs:** made through banks, financing companies, microcredit NGOs and cooperatives, amounted to 2,457,403 for an accumulated value of COP 10.12 billion, which compared to the year's target of 2,430,000 microcredits represented a compliance of 101%.

Featured Initiatives

Local Savings and Loan Groups Project

This project contemplated the implementation of the local savings and credit group methodology, which aims to promote savings culture, provide practical financial education and build capital and social cohesion. The beneficiaries of the project were the population of Red Unidos, participants in the program of the Ministry of Housing, City and Territory "100% subsidized housing".

During 2015 and 2016, 46,126 people benefited from this methodology in 59 housing projects located in 42 municipalities in 15 departments of the country. In the second phase, the financial inclusion of these beneficiaries was contemplated, allowing 4,600 people to be linked to the formal financial system by 2017 and 20,500 people who were already included to activate a formal financial product.

Project to Accompany Border Areas with Venezuela

During 2017, actions were taken to promote and implement sustainable and scalable financial inclusion initiatives in the border areas with Venezuela to facilitate access to and use of financial services in the 57 municipalities of the 7 border departments.

With this project, 49,099 people have been included in the financial system for the first time, 1.6 million adults have benefited through massive financial education, and 48 financial workshops have been held in 37 municipalities, in which 26,746 people have participated. The project ends in August 2019.

Financial Education Primer

In 2017, the new financial education booklet "Construir, Avanzar y Prosperar" was designed and published online, with the participation of Asobancaria and the Superintendence of Finance of Colombia.

Its contents are aimed at the low-income population and micro-entrepreneurs, and refer to issues such as budget, savings, credit, insurance, pensions and severance payments, products and services, and prevention and protection. These were reviewed by entities such as Fasecolda, SENA, Fogafín and Fundación Capital.

The booklet is available for public consultation and can be used by financial institutions to reach the population with this material in print or digital form and serve as a guide to promote and implement financial education. It is available in:

<http://bancadelasoportunidades.gov.co/es/articulos/sitio/cartilla-de-educacion-financiera-construir-avanzar-y-prosperar>

Forecasts

Extend inclusion in the financial system

There are still 6.7 million adults who are not in the financial system and the greatest gap is found in the rural sector and dispersed among young people aged 18 to 25. Therefore, we must continue working to reduce the barriers that hinder financial inclusion such as insufficient funds, high financial costs, lack of necessary documentation and the remoteness of financial institutions.

Decreased cash incidence

Implement strategies to encourage the financial formalization of small businesses where most of the population is excluded from financial services, and increase the interoperability of transactional services.

Use of technology

Support a use of technology that allows, on the one hand, to have greater knowledge of the population, and on the other, to have less expensive products and services that meet the needs of people and companies that have not been interested in entering the financial system, or that do not find the products adjusted to their needs.

Promote financial education and consumer empowerment

Implement the actions proposed in the National Financial Education Strategy to raise the knowledge, skills and abilities of Colombians so that they can better manage their personal finances, manage the risks they face and make informed decisions.

BANCÓLDEX AS A RESPONSIBLE ORGANIZATION

We're not just a bank. We are an organization that generates economic, social and environmental impacts in the development of its operation and that must manage them adequately in order to guarantee their continuity and sustainability in the long term.

We have identified 8 issues that we must work on as the responsible entity that we are. These are:



In the following chapters we will explain each of them in detail.

9.1 Corporate Governance

GRI 103-1; GRI 103-2

Corporate governance is a fundamental element for the Bank's sustainability and competitiveness, since it allows it to have a transparent, participatory decision-making scheme within the reach of all stakeholders. At Bancóldex we have adopted the definition of corporate governance of the Banco de Desarrollo de América Latina, which describes it as "a business discipline necessary to maintain a stable and productive relationship among the participants of any organization". Thus, we understand that "Corporate Governance, transparency and accountability are more than compliance exercises, they are essential ingredients of good management and a requirement for the good health of organizations⁵.

The strategy used by Bancóldex is to maintain a system of corporate governance in accordance with the legal nature and business of the Bank, which serves as a reference point for the Bank and its stakeholders. We plan to teach by example, strengthening our corporate governance, actively participating in different national and international initiatives and training entrepreneurs on the subject.

Composition of the Board of Directors

GRI 102-18

In accordance with numeral 3 of article 281 of the Organic Statute of the Financial System, the of Directors is of a legal nature and its integration is determined therein. In that sense, the composition of the Board of Directors as of December 31, 2017 was:

MAIN	SUBSTITUTES
María Lorena Gutiérrez Botero Minister of Trade, Industry and Tourism	Santiago Andrés Marroquín Velandia Secretary General Ministry of Commerce, Industry and Tourism
Mauricio Cárdenas Santamaría Minister of Finance and Public Credit	María Inés Agudelo Valencia Appointed by the Ministry of Finance and Public Credit
Augusto López Valencia Private Sector Representative, appointed by the President of the Republic	Vacant Private Sector Representative, appointed by the President of the Republic
Carlos Quintero Rocaniz Corporate advisor appointed by the General Shareholders' Assembly	Mauricio Vega Lemus President of the Pereira Chamber of Commerce, appointed by the General Shareholders Assembly
Guillermo Valencia Jaramillo Private Sector Representative, elected by the Exporters Association	Luis Gustavo Flórez Enciso Executive President of ACICAM, representative of the Private Sector, elected by the Exporters Association.

⁵ CAF - BANCO DE DESARROLLO DE AMÉRICA LATINA, Corporate Governance in Latin America.

Importance for State-Owned Enterprises. Public Policy and Productive Transformation Series No. 6/2012, p. 13

Furthermore, in accordance with Article 50 of the Bank's Articles of Association, the Board of Directors has set up specialized support committees that act as study bodies on specific matters, with their own rules of procedure and the capacity to make recommendations. As of December 2017, the Board had the following support and executive committees:

Support Committees
<ul style="list-style-type: none"> ● Corporate Governance, Nominations and Remuneration Committee: Its purpose is to ensure compliance with the good governance practices adopted by the Bank and the provisions contained in its Good Governance Code, as well as to advise on the implementation of good corporate practices. It also advises the Board on appointments and remuneration.
<ul style="list-style-type: none"> ● Audit Committee: Assists the Board in fulfilling its supervisory function through the evaluation of accounting procedures, the Auditor and the review of Bancóldex's internal control system.
<ul style="list-style-type: none"> ● Risk Management Committee: Its purpose is to aid the Board in fulfilling its risk management supervisory responsibilities.
Executive Committees
<ul style="list-style-type: none"> ● Asset and Liability Management Committee: Supports the Board of Directors and the President of the Bank in the definition, monitoring and control of general asset and liability management and risk assumption policies, including derivative transactions.
<ul style="list-style-type: none"> ● External Credit Committee: Aids the Board in fulfilling its responsibilities in approval limits and credit operations.
<ul style="list-style-type: none"> ● Internal Credit Committee: Aids the Board in fulfilling its function of approving credit risk management methodologies and credit quotas.

Management 2017
GRI 103-3

Progress on IFC recommendations

During 2015, Bancóldex worked with the International Finance Corporation (IFC) of the World Bank with the objective of having that entity evaluate the corporate governance practices and policies of Bancóldex and make a diagnosis to establish the actions that lead the Bank to incorporate the best standards in this matter.

As a result of the evaluation, IFC made 45 corporate governance recommendations that have been adopted since 2016. That year we achieved the implementation of 24 recommendations and in 2017 the remaining 21 measures were implemented, thus reaching a 100% execution

of the plan. The process of implementing IFC's recommendations was monitored by the Corporate Governance Committee.

Implementation of measures of the New Country Code

Bancóldex executes and submits to the Superintendence of Finance of Colombia the report on the implementation of best corporate practices - New Country Code, which is a recognized tool for achieving corporate governance that contributes to meeting the objectives of stability, security and trust, promotion and development of the Colombian securities market and protection of investors, investors and those insured.

In 2017, Bancóldex adopted additional measures that reflect a level of implementation of approximately 88% of the recommendations of the New Country Code. The Report can be consulted on the Bank's website:

<https://www.bancoldex.com/informacion-de-intpara-accionistas-y-demas-in/encuesta-Codigo-Pas-Superintendencia-Financiera-de.aspx>.

For more information on Bancóldex's management of this issue, please refer to the Annual Corporate Governance Report, which is available on the Bank's website under the link "Information of interest to shareholders and other investors".

Featured Initiatives

Constitution of the Colombian Institute of Corporate Governance

Bancóldex is one of the institutions that, with the support of the Swiss Program of Cooperation for Economic Development in Colombia and the International Finance Corporation, constituted the Colombian Institute of Corporate Governance in March 2017. This non-profit association will serve as a catalyst at the national level to promote in the country a greater knowledge on corporate governance and a growing assimilation of good practices in the matter by all types of organizations, regardless of their size, legal nature or sector.

Participation in the "Corporate Governance Development Framework".

In September 2011, the Bank signed the "Corporate Governance Development Framework" agreement with 29 other international development financial institutions, including, among others, the *African Development Bank* (AfDB), the *Compañía Española de Financiación del Desarrollo* (COFIDES), the *Asian Development Bank* (ADB), the *Banco de Desarrollo de América Latina* (CAF), and the *Banco de Inversión y Comercio Exterior* (BICE). This agreement aims to establish a set of guidelines to support sustainable economic development in emerging markets through corporate governance.

The signing of the agreement implies the commitment of each of the parties to: i) integrate corporate governance into investment operations, ii) identify and assign an internal function

for the application of these guidelines, iii) provide training, and iv) submit an annual report on the application of each entity's policies.

In 2017, the Bank submitted the corresponding information to prepare the matrix that allows progress analysis in the application of the practices in each of the entities that are part of this framework.

Meeting of the Latin American Network of Corporate Governance for State Entities

As of October 12, 2012, the Bank participates in the Latin American Network of Corporate Governance for State Entities, whose objective is to promote good governance in public entities in the region through the exchange of experiences and knowledge on policies, practices and reforms, using the guidelines developed by CAF and OECD as framework⁶.

On November 30 and December 1, 2017, the Bank participated in the 5th Meeting of the Latin American Corporate Governance Network, held in Bogota, where issues related to strengthening the performance and monitoring mechanisms of companies with state participation, the structure of effective Boards of Directors and business integrity focused on trust, transparency and accountability were discussed.

Forecasts

- Consolidate the strengthening of the corporate governance of Bancóldex, with the full execution of the actions recommended by the IFC.
- Increase the percentage of implementation of the measures of the New Country Code of the Superintendence of Finance of Colombia.
- Promote the adoption of best corporate governance practices in Bancóldex subsidiaries.

9.2 Ethics, transparency and the fight against corruption

GRI 102-16; GRI 102-17; GRI 103-1; GRI 103-2

Ethical behavior must be the basis of every company's operation. For this reason, at Bancóldex we reinforce the culture of integrity, ethics and transparency in order to establish

⁶ CAF - BANCO DE DESARROLLO DE AMÉRICA LATINA and the Organization for Economic Cooperation and Development (OECD).

lasting financial and commercial relationships. At the same time, we implement systems and controls to prevent fraud, corruption and money laundering, because we know that they can negatively impact the value of the Bank's tangible and intangible assets and reduce its capacity to generate future income.

We promote transparency in the dissemination of information on our management, understanding that it is essential for stakeholders to know what we do. We also seek to be consistent with international standards of sustainable and responsible banking, which generates greater customer and investor loyalty.

In order to advance along this path, Bancóldex has several formal mechanisms for ethical management, transparency and the fight against corruption, as are:

- **Code of Institutional Behavior.** It expresses our institutional values: Passion for service, integrity, responsibility, excellence, openness to change, teamwork, encouraging diversity, meritocracy. In addition, desirable and unacceptable conduct associated with values, conduct associated with relations with customers, suppliers and the environment are indicated; and cases are established where there is a conflict of interest and how to act against them, as well as the sanctioning regime, in the event of non-compliance with the established rules.
- **Conflict of Interest Disclosure Policy:** Establishes that all members of the Board of Directors, the President, Vice Presidents, Managers, Directors and, in general, all employees of Bancóldex must disclose any conflict between their personal interests and those of the Bank, when dealing with customers, suppliers, contractors and any person who conducts or intends to conduct business with the company or with companies in which the company has a direct or indirect interest.
- **Fraud and Corruption Risk Prevention Program.** Establishes the policies, procedures and methodologies that allow to identify, measure, control and monitor the risks of fraud and corruption in Bancóldex. This program is part of the Operational Risk Management System - SARO - and its implementation seeks to adequately manage the risks of fraud and corruption to which the Bank is exposed in the development of its operations.
- **Reporting Channels:** In addition to regular channels of communication with immediate superiors, staff assigned to the Human Talent Department, and reporting of operational risk events, we have an anonymous reporting mechanism called "Línea Ética Bancóldex" found on our website www.bancoldex.com, which allows officials, citizens and other interested parties to report concerns about potential irregularities or questionable matters regarding the treatment of customers and third parties, audits or external pressures. This channel provides the petitioner with adequate conditions of availability, confidentiality and anonymity with appropriate protocols to ensure assistance, protection and follow-up to avoid possible reprisals.

Reports made through the "Línea Ética Bancóldex" are received by the Fraud Evaluating Group, which is responsible for assigning the treatment to be given to each report in accordance with the provisions of the Fraud and Corruption Risk Prevention Program.

- **Estrategia Plan Anticorrupción y de Atención al Ciudadano (Anti-Corruption and Citizen Service Plan Strategy):** A management instrument that includes components of corruption risk management, with the respective corruption risk map; accountability; and

citizen service. Each of these has processes, specific goals, specific products, monitoring indicators and responsible person with completion dates. This scheme has allowed us to have coordinated management among the Bank's areas, which demonstrates the continuity in terms of preventing and fighting corruption.

We have 2 methods to evaluate our management in this subject. On the one hand, we annually carry out Risk Self-Assessments and Controls with the leaders of the processes, with which we seek to mitigate the risks of fraud and corruption to which we are exposed, and on the other hand, we follow up on the reports of possible cases of fraud or corruption that arrive through any of the available channels, guaranteeing their due diligence.

Management 2017
GRI 205-2

In 2017, the focus of work on corruption prevention combined dissemination and communication as well as training on issues related to ethics, corruption prevention and transparency aimed at different interest groups. Among the activities we carry out are:

- **Operational Risk Training:** During the induction process for new Bancóldex officials, operational risk training was conducted, including fraud and corruption risks, both internal and external. As part of this process, the Code of Ethics was delivered, which they had to read and sign. An explanation was also given of the complaint channels available to both officials and the general public.
- **Training in Representative Offices:** All regional offices were visited in order to give officials a complete induction on the materialization of operational risk events, including the risk of fraud and corruption. During these trainings, officials were reminded of the claim channels available to the Bank to report any event of internal or external fraud or corruption.
- **Supplier training:** Training was provided to the Bank's critical suppliers, with the support of Asobancaria.
- **Internal awareness-raising:** Communication on ethics and the fight against corruption was strengthened, both for the Board of Directors and for the different officials of Bancóldex. The participation data is shown below:

GRI 103-3

Communication of the Bank's anti-corruption policy and procedures in 2017		
Members who were notified	#	%
Board of Directors ⁷	9	100%
Employees	299	100%

⁷ The members of the Board of Directors meet in the city of Bogota.

The breakdown of employees sensitized by employment category is shown in the following table, as well as the variation in the last 3 years:

Job category	2015	2016	2017	
	#	#	#	%
Senior Management (Chairman and Vice-Chairmen)	7	8	7	100%
Managers, Directors and Chiefs	41	54	43	100%
Coordinators and executives	142	137	87	100%
Professionals and Analysts	152	154	197	100%
Other positions	84	82	47	100%
Total	426	435	299	100%

GRI 205-3

Thanks to the implementation of control tools, as well as communication management and training in corruption prevention and ethical management, no cases of corruption were reported in 2017.

Featured Initiatives

Informative Circular Ministry of Commerce, Industry and Tourism

Bancóldex implemented the measures established in the Informative Circular issued on January 13, 2017 by the Ministry of Commerce, Industry and Tourism, which discloses the "Convention to Fight Bribery of Foreign Public Servants in International Commercial Transactions" and Law 1778 of 2016, for the prevention and charge against bribery and transnational bribery.

Compliance System for the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS)

In compliance with the FATCA (*Foreign Account Tax Compliance Act*), by 2017 the Bank maintained its status as a *Foreign Financial Institution* (FFI) participant before the *Internal Revenue Service* (IRS) of the United States. Updating of FATCA due diligence to intermediaries and financial institutions with which the Bank had links or operations was managed and the requirements of other local and international financial institutions on FATCA and OECD CRS (*Common Reporting Standard*) were met.

Forecasts

- Continue to measure and control the risks associated with fraud and corruption, through the annual self-assessment of risks and controls for all the Bank's processes.
- Strengthen the Fraud and Corruption Risk Prevention Program through the implementation of strategies and tools that allow for better management of this type of risk.
- Periodically sensitize its officials to the risks of fraud and corruption, so that they know the elements of the prevention program as well as the reporting channels, and become key actors for reporting possible irregularities that may permeate the organization.

9.3 Comprehensive risk management

GRI 103-1; GRI 103-2

Financial activity is a business based on risk management to generate value. Adequate resource management ensures a better allocation of resources, reduces the probability of losses, maximizes profitability and responds to the expectations of shareholders and other stakeholders.

In order to achieve an effective risk management, Bancóldex has the Integral Risk Management System - SAR, which in turn is composed of 8 subsystems to address the different types of risks:

Integrated Risk Management System - SAR
Credit Risk Management System -SARC
Liquidity Risk Management System -SARL
Market Risk Management System -SARM
Information Security and Business Continuity Management System - ISMS
Money Laundering and Terrorist Financing Risk Management System -SARLAFT
Operational Risk Management System -SARO
Social and Environmental Risk Management System -SARAS
Conglomerate Risk Management System

Within our system, we have implemented ESG (Environmental, Social and Governance) risk assessment, whose management contributes to improving credibility, reputation and brand value; increasing resilience and competitiveness in a changing market; and attracting or retaining customers with growing social and environmental demands.

GRI 102-11

It also assumes the precautionary principle, the purpose of which is to prevent the materialization of risks or situations that affect the Bank's operations, the environment or have a negative impact on the various stakeholders.

GRI 103-3

The Risk Vice-Presidency is responsible for integral risk management with specialized areas for this purpose. In addition, we have the following mechanisms to evaluate our management:

- Process leaders at the Bank, with the support of the Operational Risk Office, review all the operational risk maps of the organization's processes, responding to improvement plans and adjustments that are presented within the areas, in order to keep the maps updated and reflect the reality of the Bank's operational risk.
- We have an Internal Control System (SCI) that is based on the applicable internal control models in force (MECI, CIC, COSO) and on what is prescribed for the Internal Control System of the institutions supervised by the Superintendence of Finance of Colombia.
- From the Internal Control Area, audits and controls are carried out on the entity's risk maps.
- The Audit Committee of the Board of Directors monitors and supervises the accounting procedures, the relationship with the Tax Review and the Bank's Internal Control System.
- We answer to control entities such as the Comptroller General of the Republic, which carry out audits to evaluate the management of the Bank.
- We are periodically evaluated by the Fitch Risk Rating Agency.

Management 2017

Internal Control System - SCI

As a result of the comprehensive audit performed on Bancóldex by the Comptroller General of the Republic in 2017 for the term 2016, the control body issued an unqualified opinion on the Bank's Financial Statements, rated the Internal Control System with 95.55 out of 100 points and closed the Bancóldex Account for the fiscal year 2016.

The Bank's Comptroller applied the survey on the status of the Standard Internal Control Model - MECI, reflecting a maturity of 82.67% over 100%, considered as "Satisfactory". In addition, process-based and risk-based ICS assessments were conducted as prioritized in the Annual Audit Plan approved by the Audit Committee of the Board of Directors.

At the close of 2017, neither management, the Bank's internal and external control bodies, nor the Audit Committee detected fraud, malicious errors or manipulations in the financial information prepared and disclosed by the Bank, nor were there any significant weaknesses reported that could jeopardize the effectiveness of the system.

Integrated Risk Management System - SAR

In 2017 we advanced in the management of each one of the 8 subsystems that compose the SAR. For further information, please refer to our Annual Management Report 2017, which is available at:

http://www.bancoldex.com/documentos/10804_Annual_Report_Bancoldex_2017.pdf

Featured Initiatives

Fitch "AAA" Rating

The Fitch Risk Rating Agency established in its last measurement corresponding to 2017 that the rating of Bancóldex and its subsidiaries is in 'AAA(col)'; Stable Outlook.

The 'AAA' national ratings indicate Fitch's maximum rating on the scale for that country. This is assigned to issuers or bonds with the lowest expectation of default risk relative to all other issuers or bonds in the same country.

SARLAFT Training

We conducted 5 training sessions on the risks of money laundering and financing of terrorism for directors and officials of 18 Bancóldex client entities oriented to microenterprise credit and entrepreneurial credit, in the cities of Bogotá, Barranquilla, Medellín and Pereira.

The purpose of this is to sensitize, socialize and strengthen knowledge on relevant aspects in the prevention and control of the risk of money laundering and financing of terrorism, especially concerning the due diligence of customers and counterparties.

Bearing in mind that these organizations are intermediaries of the Bank's resources, it is necessary that they have a bar to prevent and mitigate these risks internally and in their relationship with Bancóldex, and thus contribute to the national cause of confronting these crimes that affect the social and economic stability of the country.

9.4 Economic performance

GRI 103-1; GRI 103-2; GRI 201-1

Our financial management is framed within the concept of sustainability. In order to achieve the desired impacts as a development bank, it is essential to have a good economic performance that generates greater capacity to leverage Colombian business growth, drives the creation of new and better products and services, and supports the achievement of strategic objectives.

In order to increase the generation of economic value, at Bancóldex we have implemented measures that focus on the reduction of capture costs, the coverage of balance sheet risks, the development of the treasury business area, the control of operating expenses, and the maintenance of an adequate level of equity that allows us to fulfill our purpose and achieve a profitability in line with that of a development bank.

Management 2017

The year 2017 had a favorable environment for the generation of income. The investment portfolio presented 140% budget compliance, in accordance with the downward movement in the fixed-income yield curve due to the recovery in oil prices and the best expectations on the fiscal front of the Colombian economy.

In the first 4 months of the year, the Bank's strategy favored the valuation income of the portfolio, which was adjusted and liquidated at the beginning of May in order to liquidate profits. As of the second half of the year, we worked with a low amount of investments, at levels close to COP 700,000 million, in accordance with the liquidity management strategy and with the objective of maintaining the Liquidity Risk Indicator (IRL) at an adequate level.

Despite lower disbursements in 2017, the total loan portfolio showed an increase in the brokerage margin over the previous year by COP 45,773 million (43%). This growth is explained by the decrease in the cost of funds in pesos and the increase in the foreign currency portfolio margin.

Finally, the results of the year were influenced by the tax planning that Bancóldex has been implementing. After a rigorous inspection process developed by the Bank, the Directorate of National Taxes and Customs approved the return of the balance in favor from the 2016 income tax return for an amount of COP 18,715 million.

Economic value generated and distributed

GRI 103-3

As of December 2017, the economic value generated by Bancóldex amounted to COP 235,546 million, presenting a 6% growth with respect to 2016. This variation was mainly due to taking advantage of the good market conditions that were presented for the portfolio placement business during the period.

Economic value generated and distributed				
Figures in millions COP				
	2016	2017	Absolute variation	Relative variation
Economic Value Generated (VEG)				
Loan Portfolio Margin	107.393	147.512	40.119	37%
Portfolio	75.431	75.626	194	0%
Other ordinary income (includes non-operating net income and foreign exchange difference)	38.387	12.408	-25.980	-68%
Total VEG	221.212	235.546	14.334	6%
Economic Value Distributed (VED)				
Suppliers	24.079	23.672	-407	-2%
Employees	38.556	42.885	4.328	11%
Public Administration	48.961	82.469	33.508	68%
Shareholders	87.520	79.796	-7.724	-9%
Minority shareholders	247	225	-22	-9%
Total VED	199.369	229.046	29.683	15%
Retained Economic Value (VER)				
Provisions, depreciation and amortization	9.228	3.656	-5.573	-60%
Reservations	12.620	2.844	-9.776	-77%
Total VER	21.848	6.500	-15.348	-70%

At the Bank, economic performance is measured and evaluated through various economic and management indicators and is monitored periodically by both the Finance Area and the Steering Committee.

For more information on our economic and financial performance, please refer to our Annual Management Report 2017, available on our website at the following link: http://www.bancoldex.com/documentos/10804_Informe_Anual_Bancoldex_2017.pdf

Featured Initiatives

Mitigation of exchange rate volatility

In March 2017, the first hedging derivative, was launched as part of the balance sheet risk management structure. This instrument allowed the Bank to mitigate the impact generated in equity by the volatility of the exchange rate on investments denominated in USD and which are classified as Available for Sale according to their vocation of permanence.

The foregoing considering the alternatives available in the market for coverage, thus as the current legal framework that enables this type of coverage through the CE25100 of 1995 of the Superintendence of Finance of Colombia, Law 1314 of 2009 and Standard IAS 39.

Forecasts

The year 2018 is projected under a challenging scenario from a commercial point of view. A target of disbursements of COP 4.75 billion is expected, 35% higher than the demand for resources met in 2017, which stood at COP 3.5 billion.

The goal is to provide important support to the export sector, deepen the microfinance market, promote green lines of credit and, of course, continue to promote credit to all Colombian businessmen.

9.5 Service and customer satisfaction

GRI 103-1; GRI 103-2

Our results are conditioned, to a great extent, by the satisfaction of our customers regarding the different products and services we offer. The performance of the business is linked to the good relationship and retention of customers, so for Bancóldex it is essential to provide a service based on truthfulness, sufficiency and clarity. This also allows us to identify opportunities for improvement in our processes, products and business management.

The service and satisfaction of our customers is managed in Bancóldex through the Financial Consumer Attention System - SAC - which has been implemented in accordance with the provisions of Law 1328 of 2009 and regulated in External Circular Letter No. 15 of June 30, 2010, issued by the Superintendence of Finance of Colombia.

The SAC has reach throughout the organization and seeks due attention and consumer protection through various channels and a specialized team with clear customer orientation, culture of care, respect and service to consumers, with efficiency, effectiveness and opportunity. To reinforce the culture of service within the Bank, we have a Decalogue that reminds us of basic premises in our relationship with our customers.

Service Decalogue

Assertive, effective and affective communication

2. Timely service with quality

3. Ability to reinvent ourselves, making the service more flexible

4. Commitments and identity

5. Truthfulness, sufficiency and clarity

6. Attitude as the footprint that impacts daily

7. To reach the proposed objectives, exceeding the expectations, is the seal of quality.

8. Surprise and surprise ourselves to generate sustainable competitive advantage

9. If we are part of the problem, we are part of the solution

10. Teamwork, harmony and synchronicity

<https://www.bancoldex.com/Servicio-al-cliente/decalogo-del-servicio.aspx>

Service Channels

We also have the following service channels for our stakeholders, through which we seek to reach regions of the country where it is not possible for the Bank's commercial force to have a permanent presence, as well as to support commercial management with massive campaigns to deepen the portfolio of financial products and services. In this way we carry out diverse activities such as campaigns with intermediaries, brand positioning, welcome messages to the Bank, invitation to take back products, and permanent and timely attention to the general public.

- Contact center (telephone line, telephone mailbox, Contact us and chat)
- Social networks (Twitter, Facebook, Instagram and LinkedIn)
- Attendance (sales team visits)

Management 2017

In terms of customer service, we have several indicators, including the number of customers served by each channel, the type of requests and levels of satisfaction. The results for the year are presented below:

GRI 103-3

Channel	Results 2017
Contact Center	<p>In 2017, 92,580 calls, 12,607 (13%) incoming calls and 79,973 (87%) outgoing calls were handled through this platform, where 51% of the queries were related to information on credit lines, 19% to how Bancóldex operates and the remaining 30% to various queries from interest groups.</p> <p>The result of the credit offer campaigns was 2,042 operations for a value of COP 302,547 million and an average operating ticket in the management of COP 102,333 million incoming and COP 160,603 million outgoing.</p>
Chat	<p><u>Electronic Banking Chat</u>: 26 financial institutions were serviced with 345 queries, providing online support on the processing of resources through the tool, availability of resources, among others.</p> <p><u>Website chat</u>: 870 consultations were serviced to all interest groups, with a participation of entrepreneurs of 42%, requesting advice on financing, followed by attention to suppliers in 34%.</p>
Institutional e-mail	<p>We serviced 1,971 queries, of which 42% correspond to businessmen, followed by unions and allies 23%, and suppliers 16%. The information required by this channel obeys:</p> <ul style="list-style-type: none"> • Advice on financing and credit: 389 (20%) • Commercial proposal: 348 (18%) • Court Notices: 301 (11%) • How Bancóldex operates: 259 (13%) • Resumes: 203 (12%) • Invitation to events Bancóldex: 117 (6%) • Other queries: 354 (18%)

Stakeholder	Number of clients served	%
Entrepreneurs	61.157	78,74%
Financial intermediaries	10.309	13,27%
Guilds and support entities	2.911	3,75%
Suppliers	1.635	2,11%
Victims of armed conflict	878	1,13%
People with business ideas	703	0,91%
Shareholders	75	0,10%
Total	77.668	100%

Interest groups served through SAC				
	2016		2017	
Stakeholder	#	%	#	%
Entrepreneurs	35.319	74%	61.157	79%
Financial intermediaries	9.100	19%	10.309	13%
Guilds and support entities	987	2%	2.911	4%
Suppliers	903	2%	1.635	2%
Victims of the conflict	765	1,5%	878	1%
People with business ideas	373	1%	703	1%
Students	334	1%	463	0,9%
Shareholders	35	0,1%	75	0,1%

Customer service			
	2015	2016	2017
Total companies serviced	87.801	113.824	77.688
Businessmen attended in a personalized way	7.811	19.706	5.716
Contacts attended in massive activities by the commercial force of the Bank	15.854	3.971	13.906
Calls answered by the hotline and customer service	14.949	14.238	12.607
Percentage of entrepreneurs served by the hotline and customer service	45%	73%	79%

Qualification of service experience									
Stakeholder	Business			Financial intermediaries			Guilds, allies and chambers of commerce		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Satisfaction	9,50	9,18	9,27	8,60	8,65	8,80	9,70	8,55	9,3
Promotion	9,00	8,79	9,45	8,20	9,49	9,60	9,40	9,55	10
Permanence	9,30	9,26	9,80	9,70	9,33	*	9,90	9,55	10
Effort	2,0	2,6	2,75	3,3	3,0	3,1	1,0	2,5	1,9
Preference	9,0	8,8	9,50	9,0	9,0	*	9,0	8,4	9,6

*In 2017 the permanence and preference measurement was not performed.

The indicators of satisfaction of the different interest groups increased partially, representing an adequate level of satisfaction. The promotion indicator increased slightly, which identifies the levels of loyalty of the Bank's stakeholders and their level of recommendation.

The permanence indicator also showed a partial increase in the interest groups to which it was applied, which indicates that entrepreneurs are even more willing than in previous years to continue using the current portfolio of services as a result of the experiences lived.

The effort indicator for companies increased 0.3 points, basically due to the experience of access to business training courses, in which access to virtual programs meant 13% effort, while in face-to-face programs it meant 45% effort. For financial intermediaries remained stable, however specifying about electronic banking, it is found that this indicator is quite high for the levels required by the Bank, due to the interaction with the platform.

The preference indicator also increased partially, considering that it identifies the degree of certainty with which the client chose the Bank's portfolio of services and, with respect to stakeholders, indicates that the Bank will continue to be able to have the support of its strategic allies who see it as a differential factor.

Featured Initiatives

CRM⁸ Bancóldex

In 2017, the structuring, contracting, development and implementation phases of the CRM - Bancóldex project were executed. In a *Software as a Service* (SAAS) scheme with cloud storage, it integrates all the business stakeholders' information and relationship systems through the sales and marketing modules. The project involved an interdisciplinary team made up of both tactical and strategic officials from all areas of the Bank, and was based on the 2017 commercial model.

The tool went into production on December 18, 2017, benefiting all areas of the organization by allowing them to access centralized and updated information on customers, prospects, financial intermediaries and entities of interest, as well as the evolution of the commercial relationship sustained with each of them. This has become a dynamic factor in the relationship with customers, facilitating the sales process, loyalty and service to credit beneficiaries and making the work of the sales force more effective. It has also become a vital source of information for the development of strategy definition and adjustment processes.

Forecasts

- To monitor and administer the service strategies to the financial consumer, generating within the entity a dynamic of attention, respect and service; through adequate channels and a suitable human team.
- Generate information and indicators that allow to follow up the commercial management.
- Maintain and deepen the SAC at the Bank.

⁸ Customer Relationship Management

9.6 Human talent development

GRI 103-1; GRI 103-2

At Bancóldex we are aware that our most important asset is people. For this reason, our Human Talent Area is in charge of attracting, developing and retaining the best team of collaborators, applying the following premises:

- The best talent in the right place.
- Talent processes that drive the achievement of results.
- Integral and empowered leaders as a lever for growth.
- Organizational culture focused on the corporate values that allow the materialization of the strategy.
- High quality talent processes that contribute to organizational efficiency.

During 2017 we reviewed human talent processes and made adjustments to achieve the premises with the support of the entire organization. All of this is supported by our training, leadership, culture and wellness plans.

Training

Our training plan includes 4 types of programs:

01	02	03	04
Cross-cutting programs	Regulatory and technical programmes	Training programs, individual management skills	Long-term training programs
These are trainings are designed for an interdisciplinary group of officials and that seek to obtain new knowledge or strengthen a skill necessary for the development of their functions, such as English.	These trainings aim for our employees to acquire or update technical and/or normative knowledge, such as, self-regulator certifications for people working in the treasury or updates on SARLAFT, SARO, SAC, among others.	These are trainings focused on developing specific skills for an official to achieve their mission, objectives and better performance of functions.	These are trainings that arise from the official's initiative to acquire specific knowledge (undergraduate, graduate, master's degree) that will allow him/her to offer the Bank a more specialized advice.

This last year, we modified our training policies, seeking to make the processes more efficient and that a greater number of people can be trained. Thus, in addition to the individual trainings, transversal trainings were carried out according to the needs identified in the development plans of the performance evaluations, which allowed a greater number of officials to access training.

On the other hand, within the training programs that Bancóldex has for its employees, we have a sponsorship for long-term studies, where the Bank grants between 50% and 70% of the value of the study, if the pre-established conditions are met. During 2017, the following academic programs were carried out with the support of the Bank:

Undergraduate	Specialization	Master
<ul style="list-style-type: none"> • Business Administration • Public accounting • International Business 	<ul style="list-style-type: none"> • International Financial Management • Management for human development in the organization • Senior Management 	<ul style="list-style-type: none"> • Architecture of technology in the organization.

Leadership

Also, in 2017, we made progress in building leadership capabilities within the organization to contribute to the consolidation and advancement of corporate strategy. To this end, 9 workshops were held at all levels of the organization, focusing on appropriation of the shared purpose and building strengths around teamwork.

Culture

In relation to the Bank's organizational culture, 8 values were defined⁹ and by 2017 4 were prioritized: passion for service, integrity, responsibility and openness to change. Behaviors related to the values of the organizational culture were constructed to design activities that contribute to their appropriation within the organization.

Wellness

Through a survey, Bank officials rated the welfare activities carried out during the year and posed what they would like for the next one. These inputs were the basis for the construction of the 2018 Welfare Plan.

Management 2017

We evaluate our human talent management by monitoring the hours of training given to employees:

GRI 103-3

Hours of training by gender ¹⁰			
Average hours of training	2015	2016	2017
Per employee	17,55	6,84	30,45

⁹ Passion for service, integrity, responsibility, excellence, openness to change, teamwork, encouraging diversity, meritocracy.

¹⁰ The calculation method used was: total hours of training delivered/ total number of staff or number of male/female staff.

For male collaborators	19,76	8,18	21,22
For female collaborators	16,14	5,93	33,6

Hours of training by job category ¹¹			
Average hours of training	2015	2016	2017
Senior Management	80,71	58,61	50,49
Middle management	18,45	10,15	48,60
Professionals	20,75	5,37	15,25
Assistants	0,58	0,36	15,84

During 2017, all leaders were trained with personnel in charge, in a methodology that would allow them to have tools to provide feedback to their team of collaborators in an assertive and objective manner. As a result, a significant increase in hours trained in middle management can be observed.

In addition, the group of officials with the rank of assistants (secretaries, assistants, drivers) were involved in special training according to their needs.

Featured Initiatives

Training in Project Finance

In agreement with the Universidad de Los Andes, we carry out a diploma course tailored to the needs of the organization on *Project Finance*, with the aim of generating technical competence in this area. It benefited an interdisciplinary group of 60 staff members at different levels of the organization.

¹¹ The calculation method used was: total number of hours of training/ total number of staff in each category.

Feedback and development methodology

Two workshops were held on a methodology that facilitates feedback and performance evaluation in an objective and effective way to the work team, through conversations. These workshops were aimed at the senior and middle management team.

Forecasts

- Update the Code of Ethics in its "Institutional Behavior" component.
- Implement the talent planning process to identify succession tables for senior management.
- To have training for Bank officials in the Competency Management methodology, in order to define and implement an organizational competency model.
- Strengthen during 2018 the managerial competencies in the leaders of the organization.

9.7 Eco-efficiency

GRI 103-1; GRI 103-2

Aware that natural resources are finite and of the imperative need to mitigate the impact of business activity on climate change, we ensure the rational use of resources and the protection of the environment, while generating savings in operating costs.

To manage this issue, as a strategic decision we adhered to the Green Protocol and developed a Corporate Environmental and Social Management Policy, which has among its objectives: "to promote the rational use of natural resources in the operation to generate the least environmental impact". In addition, we monitor water and energy consumption, tend to reduce waste and its use, and measure our carbon footprint annually.

Management 2017

Energy

GRI 302-1; GRI 302,3; GRI 302-4

Concerning energy, consumption was reduced, on the one hand as a result of the administrative measures adopted since the occurrence of the El Niño Phenomenon in 2016, which the Bank continued to apply, and on the other hand, due to the fact that the Bank handed over the administration of iNpulsa Colombia and the Productive Transformation Program to Fiducóldex as of April 2017, for which reason the energy consumption of these programs ceased to be recorded in the Bank's statistics. Thus, a 14.24% decrease in energy consumption was obtained as compared to 2016, as shown below:

GRI 103-3

Internal energy consumption				
	2014	2015	2016	2017
Electricity Office Bogota (Kwh)	764.186	771.502	645.152	535.997
Gasoline (gallons)	5.726	5.760	5.249	4.973
Electricity (MJ)	2.751,07	2.777,41	2.322,55	1.929,59
Gasoline (MJ)	754,46	758,94	691,61	655,24
Total energy (MJ)	3.505,53	3.536,34	3.014,16	2.584,83

Despite a significant decrease in the Bank's energy consumption, the number of disbursements also decreased as a result of the change in commercial strategy, which caused the energy intensity indicator to increase:

Energy Intensity Total electricity consumption / number of disbursements				
	2014	2015	2016	2017
KW / Disbursement	4,83	5,75	4,41	5,79

Water

GRI 103-2; GRI 103-3; GRI 303-1

In terms of water consumption, the Bank only uses water from the aqueduct service. The way consumption is tracked is via the invoice. For the year 2017 there are no substantial changes with respect to previous years, as evidenced below:

Water consumed (m3)			
2014	2015	2016	2017
6.443	4.952	5.618	5.314

Waste

GRI 103-2; GRI 103-3; GRI 306-1; GRI 306-2

We carry out an orderly collection of waste generated by the Bank's normal operation, so that environmentally certified operators can carry out the corresponding transport and final disposal formalities. Through the operator LITO, the Bank has managed the disposal of Waste Electrical and Electronic Equipment (WEEE) and in the case of toners used in printers, the supplier Datecsa S.A. carries out its final disposal through its own program called Ecosocial.

Starting in 2017, the Bank relies on the recycling management of the Administration of the International Trade Centre Building. For this purpose, the company has special spouts in the stairway areas to collect non-hazardous waste such as paper, cardboard, containers and packaging. The weight of the waste generated is established based on the trash collection service charge. The Bank's active role in the classification of these wastes should be highlighted, in accordance with the guidelines provided by the Administration.

Non-hazardous and non-recyclable waste is collected and treated by the toilet. In Bogota, Doña Juana Sanitary Landfill is available. The cleaning service is paid for by the Building Administration, which manages the collection of waste and rubbish generated by the co-owners and gives them the respective treatment and final disposal.

On the other hand, and in order to reduce the waste generated, we seek rationalization of prints. Thus, by making greater use of document management tools, the Operations Department set itself the goal of reducing the area's process impressions by 70% between October and December 2017. The final result was a 60% reduction in impressions in December compared to January, from 7,521 to 2,938.

Waste generated (Kg)				
		2015	2016	2017
Non-hazardous waste	Paper and cardboard	1.259	78	N/A
	Containers and packaging	9,20	13	N/A
Hazardous waste	Toners and printer cartridges	11,8	28,3	25,8*
Total		1.280	119,3	25,8

The 9% reduction in the generation of toners for final disposal compared to 2016, is due to the downward trend in impressions that in 2017 decreased 12% compared to the previous year.

In terms of disposal methods, toners and cartridges are delivered to an entity specializing in the management of this type of hazardous waste:

Emissions

GRI 103-2; GRI 103-3

The results reported below correspond to the measurement of the Bank's corporate carbon footprint which consists of the total Greenhouse Gas (GHG) emissions generated as a result of its activities and processes. This measurement is expressed in tons of carbon dioxide equivalent (tCO₂e), following the guidelines of the *Greenhouse Gas Protocol*¹², and includes the offices of Bancóldex in Bogotá, Medellín, Cali, Barranquilla, Pereira and Bucaramanga.

For the calculation of the carbon footprint, the following greenhouse gases were considered: carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), transforming them into units of CO₂ equivalent (CO₂e), according to their respective global warming potential.

The scope for the calculation and reporting of Bancóldex's carbon footprint are:

- **Scope 1 - Direct emissions:** Corresponds to emissions from sources owned or controlled by the company to which the carbon footprint is calculated.
- **Scope 2 - Indirect emissions:** Includes emissions associated with the generation of electricity acquired and consumed by the institution. Acquired electricity is defined as electricity that is purchased, or brought, within the company's organizational boundaries. Emissions within this scope occur from a mix of fuels used by plants where electricity is generated and fed into the grid.
- **Scope 3 - Indirect emissions:** Optional reporting category that allows other indirect emissions to be included. Scope 3 emissions are a consequence of the company's activities, but occur in sources that are not owned or controlled by the company. Some examples of this type of activities are land transportation in third party vehicles, air transportation, corporate travel, among others.

GRI 305-1; GRI 305-2, GRI 305-3

Total CO ₂ e emissions by scope (2017)		
Scope	Annual emissions (tCO ₂ e)	%
Range 1	43,92	7,43%
Range 2	125,16	21,19%
Range 3	421,69	71,38%
Total	590,77	100%

¹² Greenhouse Gas Protocol. Developed by the World Resource Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), being an internationally recognized tool.

Total CO2e emissions by source (2017)		
Scope	Source	Annual emissions (tCO2e)
Scope 1	Transport of own vehicles	43,92
	Subtotal	43,92
Scope 2	Electricity consumption	125,16
	Subtotal	125,16
Scope 3	Corporate travel by plane	194,18
	Corporate travel by bus	3,06
	Daily transfer of personnel	215,47
	Daily transfer of personnel (collective routes)	4,53
	Paper consumption	4,45
	Subtotal	421,69
Total		590,77

Historical emissions (Ton CO2-e)					
Scope	2013	2014	2015	2016	2017
Scope 1	49,66	50,13	49,98	45,17	43,92
Scope 2	138,69	160,99	173,83	145,87	125,16

Scope 3	820,67	716,01	852,36	813,88	421,69
Total	1.009,02	927,13	1.076,17	1.004,94	590,77

Featured Initiatives

Emission reduction Scope 3

2017 was a record year for Bancóldex in terms of reducing greenhouse gas emissions. This is the result of the policy of reducing corporate air travel (Scope 3) established by the Bank's senior management, achieving a decrease of more than 40% with respect to 2016 and the lowest in the history of the organization since this measurement was carried out.

Forecasts

Continue with the good use of resources, translated into rationalization of energy consumption, water, printing, vehicle fuel and air travel.

9.8 Supplier management

GRI 103-1; GRI 103-2; GRI 103-3;

In Bancóldex we consider our suppliers as an important interest group that allows us to attend and efficiently supply the goods and services necessary for our normal operation.

To carry out acquisitions, we are governed by the Manual of Contracting Goods and Services, which has a classification by amounts. Depending on these values, the procedural requirements are gradually increased. Among the selection criteria, we consider the principles of equity, quality, economy, transparency and social responsibility, valuing positively the good practices implemented by suppliers in labor, environmental and human rights.

Specifically, the Bank conducts an administrative evaluation of the eco-efficiency practices and activities carried out by the proponents, such as paper recycling, garbage sorting, or implementation of LED lights. In terms of social responsibility, the Department of Administrative Services visits potential suppliers to learn about their management in aspects of human capital, community relations and care of the environment.

Supervision of the execution of contracts is delegated to competent officials, who in turn carry out the re-evaluation of suppliers in order to validate in practice the suitability and fulfillment of obligations with the Bank. The financial remuneration for the provision of goods and services is made in a timely manner under fair trade criteria.

Finally, from the perspective of supplier development and in line with the Bank's mission to support the development of Colombian entrepreneurs, financing and business strengthening opportunities are offered to small and medium-sized enterprises.

Management 2017

GRI 414-1

In 2017, 7.5% of new suppliers were evaluated and selected based on social criteria. It is expected that the number of suppliers assessed through these filters will continue to increase progressively.

From the conception of supplier development, the Administrative Area presented the Commercial Area with a list of suppliers in order to be analyzed from the perspective of their businesses and identify potential beneficiaries of the Bank's portfolio of services and products.

Forecasts

Strengthen relations with suppliers of goods and services so that they not only meet the Bank's needs, but also those of its subsidiaries, within the framework of synergies of the Bancóldex Group. Under this approach, it is expected to achieve scale economies and product and service uniformity for the Group's entities, under the umbrella of a single supplier, while helping them to generate a significant critical mass of businesses, which will increase their recognition in the market as suppliers of the Bancóldex Group.

X. INDEX OF GRI CONTENTS

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* Sustainable Development Objectives				

GRI Contents Index				
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* Sustainable Development Objectives