

REPORT OF THE BOARD OF DIRECTORS AND THE **PRESIDENT TO THE GENERAL SHAREHOLDER'S MEETING 2023**



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INTRODUCTION

Despite the challenges of 2023 for the financial sector and the Colombian economy, Bancóldex performed well in its management's leading indicators, contributing positively to building the country's business fabric. This is due to prudent financial management, a solid corporate governance structure, and a highly competent human team.

Bancóldex closed 2023 with a loan portfolio of \$7.8 trillion, of which 15% corresponds to a direct portfolio aimed at SMEs. Meanwhile, assets reached \$11.5 trillion, and net income amounted to \$48,695 million, achieving 126% budget compliance. It reflects the organization's effort to continue supporting Colombian companies decisively, especially MSMEs, their reindustrialization, sustainable development, and internationalization processes, and the inclusion of underserved populations such as women, the popular economy, and victims of armed conflict. At the end of 2023, Bancóldex recorded disbursements of \$6.3 trillion, benefiting more than 106 thousand companies, of which around 94% are microenterprises.

As a public policy instrument, Bancóldex supported entrepreneurs with financing under better conditions. Thus, the Bank offered a portfolio of 29 special lines of credit, disbursing \$874 billion.

To serve microenterprises, the Bank disbursed nearly \$1 trillion to over 100,000 microentrepreneurs, of whom around 62,000 are women. The Bank also disbursed \$2.7 trillion via direct resources and rediscounts for SMEs.

Directly, the Bank continued to focus closely on small, medium, and large companies with its direct portfolio, reaching disbursements of \$658,000 million with credit, leasing, and factoring products.

Financing for sustainable development was strengthened as a strategic front of the Bank, disbursing resources for \$195 billion to support 552 energy efficiency, renewable energy, sustainable transportation, climate change adaptation, circular economy, and bioeconomy projects, of which 254 were for SMEs.

From a funding perspective, the issue of **social bonds** in the public securities market for \$600,000 million stands out, the highest of its type during the year. This issue seeks to contribute to the following Sustainable Development Goals (SDGs): no poverty, gender equality, decent work and economic growth, and reduced inequalities.

Within the framework of the Bank's commitment to sustainability, Bancóldex received the corporate **ESG (environmental, social, and governance)** rating from Standard & Poors, obtaining an overall result of **68 points** and exceeding the average of 55 points achieved by financial institutions, insurance companies, and the real sector in Latin America and the Caribbean.

During the year, the Bank received several recognitions, such as the Gender Leadership Award granted by the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) for its contribution to closing gender gaps and facilitating the financing of women entrepreneurs in Colombia.

Of note is the approval of the Diversity, Equity, and Inclusion (DEI) Policy, allowing Bancóldex to consolidate the relevant action model internally and externally.

Internationally, Bancóldex played a vital leadership role that led it to host the 4th edition of **Finance in Common Summit**, bringing this world-class event to the country, hand in hand with the Latin American Association of Development Financing Institutions (ALIDE, for its acronym in Spanish), the European Investment Bank (EIB), the Development Bank of Latin America and the Caribbean (CAF, for its acronym in Spanish), and the Inter-American Development Bank (IDB), in partnership with other organizations.

Bancóldex was elected in October as co-chair of the **IDFC**,¹ a platform where 26 financial institutions worldwide join forces to promote and capitalize on sustainable development investment globally. Bancóldex will also lead the "**Green Coalition for the Amazon**," an alliance to promote innovative financial solutions and technical cooperation for

¹ International Development Finance Club

local production activities and support social, environmental, and economically sustainable projects.

Bancóldex's pioneering role in blended finance for climate change adaptation earned it the **ALIDE Verde 2023 award** for its Microfinance Line to adopt ecosystem-based adaptation measures (MebA).

Additionally, committed to developing innovative products and services that benefit microentrepreneurs' financial inclusion, Bancóldex's **neo-credit** marketplace platform received **the silver award in the financial inclusion category** in Colombia from Fintech Américas.

Finally, understanding the challenges of the public policy of the National Government, the international commitments of sustainable development such as the Paris Agreement and the 2030 Agenda, and the role of Bancóldex in fulfilling them, the Bank's Management and the Board of Directors reviewed the corporate strategy in the second half of 2023, ratifying Bancóldex's purpose as Colombia's business development bank. We confirmed that the Bank must act as a public policy instrument to support production transformation with an emphasis on MSMEs, drive internationalization, and promote the sustainable development of companies. It is also important that the Bank's strategy reflect greater ambition for the coming years. This implies portfolio growth that is in tune with the challenges of the business sector, especially in the regions, the credit inclusion of the popular economy, and support for reindustrialization, foreign trade, and sustainable development policies.

On November 28, 2023, the Board of Directors approved the 2024-2026 strategy, which will be the Bank's roadmap for the next three years, aligned with the country's SDGs.

About human talent, in 2023, the Bank reached a "very satisfactory" level in the Work Environment Index and received, for the fourth consecutive year, the Great Place to Work certification, placing Bancóldex as one of the most attractive employers in the country that promotes inclusion and gender equality.

Below is the Bancóldex management report with the most notable milestones during 2023, which confirms its commitment to the development of Colombia and the creation of value for interested audiences.



OVERVIEW OF **BANCÓLDEX**



Who are we?

Bancóldex, Colombia's business development bank and public policy instrument, supports the production activity of MSMEs and promotes the sustainable development and internationalization of companies in Colombia.

How do we work?

Bancóldex is a domestic mixed-economy joint-stock company not equivalent to the state's industrial and trading companies. It was established by Law 7/1991 and Decree 2505/1991, currently incorporated in Decree Law 663/1993, General Regulation of the Financial System. The Bank is organized as a bank credit establishment, subject to inspection, control, and surveillance by the Financial Superintendence of Colombia (SFC, for its acronym in Spanish). Additionally, Bancóldex is:

- Attached to the Ministry of Finance and Public Credit (Bicentenario Group), Decree 2111/2019
- A foreign exchange intermediary
- An issuer and intermediary of securities
- Governed by private law regarding its labor, action, and contract regulations.

Income-generating products, or services activities,

From the point of view of MSME service, Bancóldex's income-generating activities and products focus on financing via credit and invoice discounting.

Income is generated by the portfolio margin resulting from the difference between the cost of acquisition and the placement rates of products, which operate under the following schemes:

- **Second-tier credit operation**, where a financial intermediary takes the entrepreneurs' credit risk, with mechanisms differentiated by the

instrumentation such as rediscount, package rediscount, and direct credit to financial intermediaries (operated primarily by microenterprise credit-oriented entities, fintech, and leasing).

- **Direct credit operation aimed at SMEs**, where the entrepreneurs' credit risk is taken directly by Bancóldex.

Fundamentally, it is oriented toward investment needs via leasing and liquidity needs.

- **Document discounting operation**, mainly concentrated on invoice discounting, which Bancóldex operates directly to provide liquidity and time in the negotiations of MSMEs as sellers or buyers of products and services.

The Bank has the Liquidex product, which discounts the invoice portion covered by business credit risk insurance.

Competitive trading conditions

Given its nature as a development bank, Bancóldex's competitive position should not be measured in terms of its share or position in the market ladder but the outcomes and impacts of its strategic focuses.

Thus, Bancóldex is a recognized actor at the local and Latin American levels as a leading entity in financing MSMEs, addressing the following fundamentals:

- **Financing for the production modernization of MSMEs.** The Bank is recognized as a term transformer and a countercyclical tool of the Government of Colombia that drives the transformation of the production system to be more competitive.

The Bank supports the financing of machinery, equipment, technology, software, and modernization or production innovation projects and creates specific lines of credit for these purposes.

- **Strengthening the microenterprise financing ecosystem** through partnerships with financial

institutions oriented toward that segment and creating a specific portfolio of lines for microenterprises.

- **Supporting sustainable development** by designing financial and non-financial products to promote business investments in climate change management (mitigation and adaptation), the circular economy, and the bioeconomy, with a view to sustainable impact on innovative ventures, traditional microenterprises, and large companies.

The Bank also fosters the financing of production activities that contribute to bridging gaps for diverse populations, such as businesswomen, people with disabilities, victims of armed conflict, ethnic groups, and the LGBTBIQ+ community.

- **Supporting the internationalization of companies**, especially MSMEs, with a specific portfolio.

The Bank's resources are in demand by the business sector, especially by MSMEs.

The differentiating attributes of the Bancóldex portfolio are the flexibilities of the offering, such as (i) an assortment of products, (ii) credit lines with broad tenors and grace periods, and (iii) freedom in planning the repayment schedule (amounts and frequencies).

Companies seek resources from the Bank to:

- Transform financing conditions to obtain longer tenors or grace periods.
- Access lines that have the support of third-party contributors with differentiating conditions to help entrepreneurs overcome crises.
- Obtain access to credit thanks to an extensive network of entities operating with Bancóldex or by applying directly for the Bank's loans.

The Bank offers a portfolio of first-tier financial products and services for small, medium, and large enterprises, such as leasing, direct credit, and factoring. It also has a rediscount loan portfolio

that serves companies of all sizes through financial intermediaries.

Moreover, Bancóldex has the Fondo de Fondos Program, in which the Bank and other partners jointly invest in companies via capital through private and entrepreneurial capital funds.

Section 3.2 **Achievements 2023** of this report presents the results of the Bank's focuses, the Fondo de Fondos Program, and the Bank's interventions with its portfolio of non-financial services.

1.

BEHAVIOR OF THE ECONOMY 2023



International environment

In 2023, the most dramatic increase in interest rates in the last four decades occurred in response to the inflationary pressures accumulated in 2022 due to demand and supply factors. Although the supply pressures of 2022 had already dissipated, the demand pressures remained. Amid this situation, monetary policy advanced in the contractionary zone, as central banks raised their benchmark rates significantly to contain inflation.

The tightness in financial conditions implied an economic slowdown in 2023. According to the International Monetary Fund (IMF), the global economy is expected to grow 3 % in 2023, lower than the 3.5 % growth in 2022. It also predicts that developed economies will grow by 1.5 % in 2023 while emerging economies will grow by 4 %. In both cases, the growth observed in 2022 was 2.6 % and 4.1 %, respectively.

The IMF forecasts that Latin America and the Caribbean will experience 2.3 % growth in 2023, significantly lower than the 4.1 % recorded in 2022.

In the United States, the Federal Reserve continued its upward cycle of rates, raising them 100 basis points (bps) during 2023. For its part, the European Central Bank increased its deposit rate by 200 bps in 2023.

Despite the difficulties, the North American economy proved resilient. Consolidated economic growth for 2023 was 2.5 %, higher than the 2.1 % in 2022. In this context of growth, the unemployment rate remained low. Although inflation has slowed significantly, core and services inflation has remained persistently high, preventing the interest rate decline cycle from starting.

Besides, Latin American economies throughout 2023 reached maximum interest rates.

National environment

The Colombian economy moderated economic growth throughout 2023. The year's first two quarters showed a substantial slowdown, ending in a GDP contraction in the third quarter.

GDP contracted by 0.3 %, driven mainly by sectors such as construction (-8 %), manufacturing (-6.2 %), and commerce (-3.5 %). In contrast, the industries that prevented the economy from contracting further were public administration and defense (5.3 %) and artistic activities (4.9 %). On the demand side, the main drop occurred in investment since gross fixed capital formation fell 11 %.

The contraction in GDP in the third quarter is explained, in part, by an unfavorable base effect. In the same quarter of the previous year, an extraordinary growth of 7.4 % was recorded, a period in which domestic demand grew well above the supply.

The economic slowdown was necessary to reduce the solid external vulnerability of the high current account deficit. In 2023, the current account deficit of the balance of payments was reduced. For the first nine months of 2023, the latter's results showed a current account deficit of US\$7,092 million, equivalent to 2.7 % of GDP, significantly lower than that observed in 2022. The financial account, which includes the increase in international reserves, reported net capital inflows of US\$6.8 billion, representing 2.6 % of GDP as of September.

The Colombian labor market continued to be resilient despite weakening economic activity. Thus, the national unemployment rate in December 2023 was 10 %, below that of the same month of 2022, which was 10.3 %. The employed population in December 2023 increased by 396 thousand compared to the same month in 2022, while the unemployed population decreased by 28 thousand compared to December 2022. In December 2023, there were 22.8 million employed people.

In March 2023, inflation reached its maximum level, with 13.34 %. From then on, it began a path of deceleration, and in December 2023, it fell to 9.28 %. Throughout the year, several factors added to the slowdown in inflation, including the correction of food prices after the pressures on inputs in the agricultural sector were overcome, the exchange rate appreciation, the slowdown in household consumption, and the fall in investment in the country.

In response to the escalation of inflation and given that economic growth remained robust in the first half of the year, the Central Bank continued to increase the interest rate until reaching its maximum level of 13.25 % in April. In December, the Board of Directors of the Central Bank began its cycle of lowering the interest rate, leaving it at 13%.

Meanwhile, the fiscal deficit was reduced for the third consecutive year. It is estimated to be 4.3 % of GDP in 2023, lower than the 5.3 % in 2022. In 2023, risk rating agencies ratified the country's credit rating.

Due to the sharp increase in interest rates and the weakening of the economy, the loan portfolio balance has registered a significant slowdown in nominal growth and a real contraction since February 2023. The consumer and business portfolios were the most affected, with mortgages performing slightly better. In contrast, the microcredit portfolio continued to grow in 2023 owing to commercial banks' efforts to reduce their interest rates for this segment despite the increase in benchmark rates.

Consolidated growth in 2023 was 0.6 %, although significantly lower than the 7.3 % in 2022.

2. FINANCIAL SECTOR 2023²



In 2023, the Colombian financial sector experienced a slowdown. The loan portfolio grew slower than in previous years, and delinquency indicators were at moderate risk levels. Profitability contracted, while liquidity and solvency remained adequate and continued to demonstrate the system's equity strength and proper risk management.

As of October 2023, the financial system's assets grew 3.5 % annually, mainly explained by the increase in the loan portfolio (4.2 % annually). The microcredit and housing portfolios registered the highest growth (12.7 % and 8.6 %), while the business and consumer portfolios had annual increases of 5.6 % and -0.5 %, respectively. The share of these segments in the total portfolio remained stable. The business and consumer portfolios were the most representative, 51.0 % and 31.1 %, respectively.

Because of the economic situation, an impairment in the loan portfolio was observed due to increased interest rates and inflationary pressures that adversely affected customers' payment capacity. However, the financial system registered a moderate level of portfolio quality, which is reflected in indicators for both delinquency and risk profiles³ of 5.1 % and 9.3 %, respectively.⁴ By October 2023, the financial system's provisioning effort was maintained, and the default coverage indicator stood at 120 %.

Furthermore, credit institutions' profits significantly decreased, reaching \$6.7 trillion. This represents an annual decrease of 55.8 %, mainly due to the contraction in the financial income from the portfolio and the increase in the net expense of provisions.

Credit institutions maintained a total and fundamental solvency margin of 17.5 % and 9.2 %, respectively, exceeding the minimum regulatory levels of 9 % and 4.5 %. For their part, the credit institutions' Liquidity Risk Index (LRI) was 195.7 %, and the Net Stable Funding Ratio (NSFR) was 114.6 %. In both cases, the levels were higher than the minimum required by the SFC.

² Including only credit institutions.

³ Portfolio classified as B, C, D, and E / Total portfolio

⁴ 3.7 % for delinquency and 7.9 % for risk profile at the end of October 2022.



3.

BANCÓLDEX AS A DEVELOPMENT BANK



3.1. Strategy 2024–2026

The Bank's Management and Board of Directors reviewed the Bank's strategy, taking into account the public policy guidelines of the National Government, including the National Development Plan 2022–2026, "Colombia, Great Power of Life," the Reindustrialization Policy, the Foreign Trade Policy for internationalization and sustainable production development, the Tourism in Harmony with Life Policy by the Ministry of Industry, Trade, and Tourism (MinCIT, for its acronym in Spanish), the Credit Inclusion Strategy for the Popular Economy 2022–2026 by the Ministry of Finance and Public Credit (MHCP, for its acronym in Spanish), and international sustainable development commitments such as the Paris Agreement and the 2030 Agenda.

As a result of this review, the Bank's Board of Directors approved the 2024-2026 Strategic Plan in November 2023. It ratified the purpose of Bancóldex as a business development bank and public policy instrument, which contributes to improving the productivity of companies, especially MSMEs, and supports the sustainable development and internationalization of companies in Colombia.

The review considered it essential that the Bank's strategy and actions reflect greater ambition for the coming years. This implies portfolio growth that addresses the challenges of companies in the territory, support for reindustrialization and internationalization of the business fabric, investments in sustainable development (e.g., energy efficiency, renewable energy, climate change adaptation and mitigation, bioeconomy, circular economy, and energy transition), the promotion of credit inclusion in the popular economy, and the care of vulnerable populations such as women and victims of armed conflict.

The 2024-2026 Strategic Plan aims for Bancóldex to reach a portfolio of \$12 trillion by 2026, financing nearly 400,000 companies, of which 72% are expected to be companies in the popular economy. This means strengthening the Bank's direct credit and rediscount portfolio focused on entrepreneurs' needs. The portfolio will grant better tenors, grace periods, and interest rates in better

conditions to increase the impact on Colombian MSMEs.

The Bank will continue to innovate in financial solutions to support the financial inclusion, reindustrialization, sustainable development, and internationalization of Colombian companies.

To overcome the challenges of the 2024-2026 Strategic Plan, Bancóldex will continue operating under the highest standards of corporate governance to be recognized as a Bank that contributes to the country's sustainable development and attainment of the SDGs and as a partner of entrepreneurs, especially micro businesses of the popular economy.

Lastly, Bancóldex will expand and deepen its partnerships with strategic actors, such as mayors, governorates, chambers of commerce, and ministries, to leverage financial solutions under more favorable conditions and non-financial products that meet the needs of specific business community groups. This will be supported by an innovation strategy and a team of qualified human talent committed to the country's business growth.

3.2. Achievements 2023

Bancóldex as a public policy instrument

In 2023, Bancóldex continued to offer lines of credit under favorable financial conditions aimed at (i) economic recovery of companies, (ii) modernization, (iii) sustainable development and bioeconomy businesses, (iv) inclusion of underserved populations (popular economy, victims of conflict, women, etc.), and (v) internationalization processes of MSMEs.

Accordingly, the Bank disbursed \$874,176 million in 2023 through 29 special lines, which benefited more than 14,000 companies.

Productivity of MSMEs

The Bank disbursed \$3.7 trillion to the MSME segment, of which \$1 trillion was allocated to microenterprises and \$2.7 trillion to SMEs.

MSMEs' demand in 2023 was concentrated on liquidity needs, reaching disbursements of \$2.25 trillion and \$1.45 trillion for investment.

The credit line most in demand by MSMEs was the traditional working capital line with \$0.46 trillion, accentuating the concentration of demand on liquidity needs.

Among the most notable unique lines for the segment is the Competitive MSME line, with disbursements of \$310,199 million, and the Transporte Responde 2 line, with \$146,982 million infused.

Popular economy:

In 2023, Bancóldex worked with the entities of the Bicentenario Group to devise joint initiatives to support the popular economy.

With the design of the first dedicated line of credit for this purpose, the aim is to finance at least 10 thousand microbusinesses, with financial advantages in the loan rate, to promote their credit inclusion. This first line offers approximately \$20 billion, allowing micro businesses to access their first formal credit in the last four years, reinforcing the cross-cutting pillar of credit inclusion. These loans will have differentiating financial conditions; one of these is a decrease in the rate of at least 5 % compared to the standard rate of the financial intermediary, which reduces the economic cost compared to informal loans.

The above resulted in the launch of the **CREO Economía Popular** credit line in November, which, at the end of the year, had disbursed \$4,892 million.

Sustainable finance

Within the 2024-2026 Strategic Plan framework, the sustainability strategy was energized to contribute to the goals of the 2030 Agenda, the Paris Agreement, and public policy initiatives. Remarkably, the sustainability strategy is

composed of the following four pillars aligned with the SDGs:

- (a.) **Corporate governance:** It refers to the set of standards, principles, and procedures of the Bank into which sustainability practices have been incorporated. The approval of the following policies is highlighted: **(i.) DEI**, to promote the internal adoption of good practices, including the creation of culture, risk prevention, and the design of financial and business assistance instruments; and **(b.) Transportation policy**, focused on financing cargo and passenger vehicles with zero-emission technologies.



- (b.) **Sustainable finance:** It is focused on (i) raising resources in differentiating conditions from the perspective of liabilities; (ii) designing financial and non-financial products to encourage business investments in climate change management (mitigation and adaptation), the circular economy, and the bioeconomy; (iii) promoting investment with a sustainable impact on innovative ventures, traditional microenterprises, and large companies.



- (c.) **Environmental and social risk management:** The Bank has an Environmental and Social Risk Management System in place, which responds to the demands of multilateral banking and is progressively getting closer to international practices. The incorporation of climate risks (physical and transitional) and the DEI approach is in progress.



(d.) Efficient management: The Bank identifies and manages its internal environmental impacts, including carbon-neutrality commitments for 2024. This component also comprises internal DEI practices.



In 2023, Bancóldex received the corporate ESG rating from Standard & Poors, with 68 points. This rating exceeds the average achieved (55 points) by the financial, insurance, and real sector entities evaluated by the rating agency in Latin America and the Caribbean.

Meanwhile, Bancóldex made progress in strengthening its compliance with the recommendations of the TCFD⁵ standard and Circular 031/2021 issued by the SFC regarding the disclosure of environmental, social, and climate information.

From the perspective of asset instruments, Bancóldex allocated resources for \$195,166 million to finance 552 projects with environmental benefits: 445 were served through rediscounts, 10 with direct credit to companies, and 97 under the microfinance scheme.

Bancóldex closed December with a green portfolio of \$393,631 million. The financing of investments in energy efficiency, renewable energy, sustainable transport, circular economy, climate change adaptation measures, and bioeconomy stands out.

With its portfolio, Bancóldex made the following special programs available to entrepreneurs:

- “Sostenible Adelante 2023” line: Structured in partnership with MinCIT.
- Climate change adaptation line (Meba): This financing alternative won the **ALIDE Verde 2023 award**. It was supported by the UNDP (United Nations Development Programme) and the United Nations Multi-donor Fund.
- Bioeconomy line: Designed with the Ministry of Science, Technology and Innovation (MinCiencias).
- Energy efficiency line: IDB-Bancóldex.
- “Bogotá Productiva” line: High impact investments.
- “Empresas Conscientes 2023” line
- Green business line: Soto Norte Province, Santander.
- A domestic refrigeration replacement program to boost the production of energy-efficient and less polluting refrigerators, structured with the GIZ (German International Cooperation Agency) and funded by the Mitigation Action Facility, formerly known as the NAMA Facility.
- Bancóldex Más Sostenible Program: Aimed at SMEs under the direct credit mechanism.

It is worth mentioning that the approval of the DEI Policy will help Bancóldex to consolidate its action model in this area internally and externally.

In terms of products, Bancóldex implemented the following special lines of credit: (i) Women Entrepreneurs, structured with MinCIT, whose disbursements at the end of December reached \$35,217 million in 1,362 transactions in 29 provinces; and (ii) “Asciende,” aimed at victims of the internal armed conflict in Colombia with a placement of \$245 million.

Also of note is the issue of social bonds in the public securities market for \$600,000 million, with an excess demand of more than 3.7 times. With this issue, the Bank seeks to contribute to the following

⁵ Task Force on Climate-Related Financial Disclosures

SDGs: no poverty, gender equality, decent work and economic growth, and reduced inequalities.

Business modernization

In 2023, the country's economy faced significant challenges that affected credit dynamics. This traditionally drives a greater concentration of resource demand on liquidity needs, postponing investment.

Against this backdrop, the Bank made disbursements for business modernization of \$2.08 trillion, representing a slight growth of 2.3 % compared to the 2022 performance. Thanks to the strong dynamics of lines such as Competitive SMEs, in partnership with MinCIT, it achieved disbursements for modernization of \$310,199 million in the last four months of the year, serving 3,232 MSMEs.

Investment operations through the financial system were concentrated in the medium term since companies postponed large investment projects again. The average term in second-tier operations was three years, while the Bank's first-tier modernization operations reached 7.4 years, thus reinforcing the differentiating attributes that this Bank's offering can provide.

The primary line of credit for modernization was the traditional line with disbursements of \$312,774 million and, among the special lines, the already mentioned Competitive MSMEs line in partnership with MinCIT.

Non-financial services

Bancóldex has a portfolio of non-financial services that intend to improve entrepreneurs' capabilities, increase their possibilities of access to and appropriate use of financing, and contribute to the materialization of their growth projects.

This portfolio includes (i) financial education and business training activities and programs, (ii) specialized technical assistance services, and (iii) valuable connections with partners. In 2023, 2,307 companies were supported with non-financial services (97 % classified as MSMEs) located in 280 municipalities in the country.

Within the financial education and business training portfolio is **Conecta Digital**, a virtual channel through which entrepreneurs can access training activities for free. Conecta Digital has more than 10,000 registered users and 26 training courses available. In 2023, 1,095 users completed courses on the platform.

Additionally, **two virtual training programs** were implemented, and **additional training activities** were carried out through webinars, in-person workshops, and short courses of study, serving 1,310 MSMEs. Some of these activities were carried out in partnership with entities such as Chambers of Commerce, Analdex (National Foreign Trade Association), ProColombia (Colombia Promotion Agency), and MinCIT.

Regarding **technical assistance**, the services mainly focused on the financial strengthening of the companies served. In 2023, the following programs were implemented:

- Program to improve Exchange Risk Management for exporting companies
- Triple Purpose Program
- Finbi Program: Investment Banking for SMEs

At the same time, a new program, "**Vincúlate y Crece**," began to improve access to credit and strengthen microfinance institutions (MFIs). This program aims to attract more entrepreneurs and enhance the Bank's operation in various regions. In 2023, 10 MFIs located in provinces such as Guainía, Cauca, Norte de Santander, and Nariño were engaged in the program.

This program was submitted and approved by USAID's Finance for Equity Program, which will support the implementation of the technical strengthening component of the project in 2024.

Furthermore, a new technical assistance program called "**Join, Get Ready to Grow**" was designed. It seeks financial readiness and credit preparation for microenterprises. The Swiss State Secretariat for Economic Affairs (SECO) submitted and approved the program, supporting its implementation in 2024.

All these programs are part of strategic partnerships and the management of international cooperation consolidated with various actors. Additional alliances with Uniandinos (Universidad de los Andes Association of Alumni) and the Chambers of Commerce are also highlighted.

Bancóldex Capital Fondo de Fondos Program

At the end of 2023, the Bancóldex Capital Fondo de Fondos private equity fund had resources of \$323,539 million. Bancóldex acts as a professional manager and anchor investor with an amount of \$230,447 million, distributed in two sub-funds:

- **Entrepreneurial Capital Sub-fund:** It aims to invest in Colombian and regional entrepreneurial capital funds for high-impact, scalable ventures that cut across the industry, trade, tourism, and services sectors.

This sub-fund gathered resources for \$138,092 million. In addition to the Bank, iNNpulsa Colombia (Entrepreneurship and Innovation Agency of the Government of Colombia) and MinCiencias, among others, participated in this sub-fund.

The sub-fund comprises nine entrepreneurial capital funds, with investment commitments of US\$26.5 million. These funds have made 192 investments, 40 of which correspond to Colombian ventures.

- **Bancóldex Capital Sub-fund:** With the strategic objective of grouping all the Bank's investments in capital funds, the Bank's Management decided to transfer these investments from the balance sheet to the Fondo de Fondos. This sub-fund amounts to \$185,447 million and has a portfolio of 11 capital funds, with 173 investments, of which 70 are Colombian companies.

The SMEs Private Debt sub-fund was created in 2021 to invest in private capital funds. Its thesis was to offer structured debt for Colombian SMEs, thus complementing the Bank's credit offering. The sub-fund was liquidated based on

the decision of the relevant meeting of investors.

In parallel to the investments, market/industry development activities were carried out, which impacted professional managers, companies, and investors, such as **Investor Day**, an event specialized in investment in entrepreneurial capital funds, and **Family Office Network**, created by the Bank, together with partners such as Colcapital, Uniandinos, Universidad de los Andes Entrepreneurship Center, Santamaria Investment Group and Cube Ventures, to identify and group the offices of Colombian families.

New products

In 2023, within the framework of its innovation strategy, the Bank consolidated innovative products and channels such as neo-credit and digital leasing and launched the exchange hedging product.

- **Neo-credit:** The platform continues strengthening the participation of microentrepreneurs and financial partners.

In 2023, 10 new financial partners joined the platform. Assistance was provided to microentrepreneurs in several regions of the country, achieving (i) 9,469 new microentrepreneurs registered with the participation of 282 new municipalities; (ii) 226 disbursements made for \$3,318 million with the following shares: 67 % banks, 20 % foundations, 8 % fintech, and 4 % cooperatives.

Of the total loans granted, 182 went to individuals. Of this, 42 % were awarded to microentrepreneurs whose highest educational level is elementary or high school and 14 % to those with an associate degree. In addition, 84 women entrepreneurs benefited (44 % of individuals).

According to one of its main attributes, through neo-credit, 69 % of microentrepreneurs (162 transactions) received two or more credit offers, improving financial conditions and choosing the best suited to their needs. Thus, when comparing the highest interest rate of the offers that microentrepreneurs received versus the rate of the disbursement made, an average reduction of 11.3

pp was obtained on the aggregate. Additionally, the tenor was improved between 24 and 72 months in 67 % of the disbursements granted, and an interest rate below 30 % was applied in 34 % of the cases.

So, neo-credit has 14,720 registered microentrepreneurs.

The neo-credit platform received the silver award in the financial inclusion category from Fintech Américas.

- **Digital leasing:** It has incorporated new features that give customers a better user experience. Suppliers' user experience was also improved, allowing them to upload their asset information in bulk and automatically resize their photographs.

At the end of the year, more than 400 new applications were processed, achieving disbursements close to \$60,000 million (compared to \$12,000 million in 2022) in more than 100 transactions.

The channel was enhanced with 16 new suppliers to enter nine new sectors, including food, printing, healthcare, and renewable energies.

Machinery and equipment suppliers included 234 new assets on the platform.

- **Exchange hedging:** In 2023, the development, design, and implementation of the digital platform for exchange hedging were completed. This new access channel to derivative instruments helps entrepreneurs understand the product and hedge their exchange risks quickly and securely in a single place.

At the end of the year, the platform registered 1,349 queries from enabled entrepreneurs in its navigation modules.

Promotional events were held in the regions (Barranquilla, Bucaramanga, Medellín, Pereira, and Cali), and individual visits were made to each city's companies. In eight months of operation, 258 companies interested in the product were served, of which 186 were trained in the instrument, thus reducing the barriers to access and knowledge of these products.

Eighty-five places were approved for companies (95 % SMEs) for \$25,596 million. This effort allowed 63 transactions to close through the platform, covering the exchange risk of US\$2.2 million.

Bancóldex's international positioning

In pursuing its international positioning strategy, Bancóldex was leading in 2023.

The Bank hosted the 4th edition of **Finance in Common Summit**, ensuring that this world-class event was held in the country in September 2023, with the help of ALIDE, EIB, CAF, and IDB, among other organizations. Bancóldex achieved the in-person participation of more than 1,100 attendees from 66 countries during three days of exchanges on SMEs and financial inclusion, climate and biodiversity, and sustainable infrastructure.

To take a more leading position in the **IDFC**, a platform where 26 financial institutions worldwide join forces to promote and take advantage of investment in sustainable development at a global level, Bancóldex was elected in October 2023 as co-chair of the Club for two years. This will contribute to positioning the National Development Bank, orientating strategies from a regional view, building institutional capacities, collecting reliable data that facilitates the measurement of impact, and designing innovative collaboration mechanisms.

Multiple institutions appointed Bancóldex vice president of the "**Green Coalition for the Amazon**," an alliance to promote innovative financial solutions and technical cooperation to create and strengthen local production activities and advance socially, environmentally, and economically sustainable projects.

The above will result in better instruments for increasingly sustainable production development.

Finally, Bancóldex's pioneering role in blended finance for adaptation to climate change earned it the **ALIDE Verde 2023 award** for its MEbA line.

International cooperation

Bancóldex gained the approval of international cooperation resources to expand the scope of current programs and implement new initiatives to build internal capabilities, expand the portfolio of services, and reach more companies and regions, highlighting:

- Expansion of the refrigerator replacement program: Concessional financing with specialized advice to companies on their business models and access to financing to support the transformation of the domestic refrigeration sector, with the help of GIZ and MAF.
- Support for implementing the DEI Policy: The Bank and MIGA managed resources to build capacities in financial intermediaries and strategic partners of Bancóldex and design innovative products for businesswomen.
- Formulation of a guide for MSMEs that supports the implementation of the Green Taxonomy of Colombia, based on barrier identification in this business segment, with the cooperation of the EU Delegation.
- “**Join and Grow**” program: Supported by DAI—USAID to comprehensively strengthen 10 MFIs located in regions with low levels of financial inclusion.
- Neo-credit consolidation, registration of microentrepreneurs in the platform, and financial and technical assistance services with SECO’s support.

Bancóldex’s positioning in the regions

In 2023, Bancóldex continued to cement its relationship with entrepreneurs in the country’s regions. It presented its portfolio of financing and business-building products with a differentiating approach, considering each province’s economic realities and dynamics.

The “**Bancóldex in the Regions**” strategy reached 26 municipalities in 20 provinces. More than 3,100

participants attended 78 in-person and 18 virtual events, including meetings with financial partners and businesspeople, B2B roundtables, commercial visits, and service days.

More than 30 regional strategic partners, such as chambers of commerce, mayors, governorates, unions, financial institutions, suppliers, and multilateral organizations, supported these events. The positioning in the regions allowed the Bank to publicize powerful results and make the robust portfolio visible to entrepreneurs and audiences of interest.

Improved human talent management

Concerning December 2022, the Bank’s staff had 430 employees, showing a reduction of 1 person, equivalent to 1.0 %.

To strengthen human talent management, the Bank worked on the following fronts:

1. **Development plan for leaders and successors in critical positions:** Within the framework of the “Building Future” program, the following actions were taken for each front:
 - Career plans: Training and development plans were structured and implemented for new leaders and collaborators identified as potential leaders.
 - Succession plans: Development experiences were defined and implemented for 25 employees identified in the talent classification as potential successors to Management or Vice President positions.
2. **Change management:** As part of the pilot to take ownership of the change management model, the following actions were taken: (a) education and training for 20 officials as change management ambassadors, (b) assistance to three strategic projects of the Bank, involving the change management model tools, (iii)

training and support for a group of officials in the development of skills related to their performance plan.

3. **Ethical management:** To strengthen ethical management within the Bank, the following activities were carried out: (i) definition and sharing of the disability program and (ii) definition and implementation of the protocol for prevention of and response to sexual harassment and discrimination at work, (iii) definition and implementation of Bancóldex's disconnect from work policy, and (iv) inclusion of the DEI policy approved for the Bank in the code of ethics.
4. **Work environment:** In 2023, the Bank obtained a "very satisfactory" level, with 59 points in the Work Environment Index. For this, it was awarded the Great Place to Work certification for the fourth consecutive year, ranking Bancóldex as one of the most attractive employers in the country.
5. **Hybrid work:** The Bank implemented the hybrid work model (one day at home/four days in the office) as a benefit, thus venturing into new work schemes that favor the commuting of officials.
6. **Youth employment:** Summer Internships 2.0 was the program's second edition, bringing university students closer to the working world. This program lasted seven weeks, during which 20 students from various programs and universities without formal work experience conceived a project with themes to understand the work context and delve deeper into their areas of interest, adding value to the Bank's processes.

As of December 2023, the Bank's staff had 429 employees, made up of:

- Bancóldex: 409
- Banca de las Oportunidades Investment Program: 20

Strengthening Operational, Process and Technological Management

In 2023, the Process Transformation Department took part in the direct portfolio improvement, disbursement, and management processes, particularly:

- Conditions and requirements to ensure the instrumentation and delivery of resources to the country's entrepreneurs.
- Control of collections and application of payments.
- Management of guarantees and production assets, including hedge monitoring, reporting, removal of guarantees, and transfer of assets from leasing operations.

By designing the relevant processes for the customer, defining operating models, and assigning responsibilities, the Bank contributed to developing new product initiatives such as exchange hedging, popular economy, and Liquidex operations with trade resources.

The Bank continued to strengthen direct credit processes. To this end, it advanced the "Digital Credit Factory" project to automate the SME direct credit analysis process, achieving more efficient response times and increasing the storage and integrity of information.

The Bank maintained certification under the ISO 9001 quality standard, ratifying its commitment to the service and satisfaction of customers, investors, suppliers, and other stakeholders.

During this period, the Information Technology Strategic Plan (PETI, for its acronym in Spanish) was also updated for 2023–2026, with the participation of several organizational areas.

The following strategic initiatives were undertaken: (i) the renewal of the Bank's central storage, reducing daily bank closing times by an average of 30 % and improving the availability of services and information for business operations; and (ii) the implementation of new technologies such as artificial intelligence (AI) to improve technological operation and tighten cybersecurity.

The efforts and actions during 2023 allowed the IT area to obtain a result of 63 points under the Net Promoter Score methodology. This underlines the implementation of demand management to align IT efforts with the business's priorities.

Bancóldex's digital transformation

In 2023, the digital transformation team, in collaboration with an EY consulting team, began the plan's first phase to bridge the Bank's digital maturity gaps.

In the Evaluate phase (the first of the four phases of the methodology: Evaluate, Design, Implement, and Monitor), a digital maturity survey was conducted, with 96% of the organization's collaborators participating. An average of "Digital Learning" was obtained, placing the Bank at Level 2 of 1 to 5.

As a result of the gap analysis and continuing with phase 2 Design, the Digital Transformation team established a gap-closing plan for officials according to their position level and the area in which they perform their duties. This plan translated into enabling talent for digital transformation.

A self-management portal was also created to improve the direct credit customer experience when requesting documents, certificates, and loan repayments. This shows how digital transformation always puts the customer at the center and provides them with better service.

3.3. Fulfillment of commitments in the Sectoral Strategic Plan of MinCIT 2023–2026

During 2023, Bancóldex participated in the formulation and monitoring of the Sectoral Strategic Plan, led by MinCIT, through the following themes or strategies:⁶

Reindustrialization theme: It aims to increase value creation in the Colombian economy with equity and sustainability criteria at the national and regional levels to transition from an extractive

economy to a knowledge-based, productive, and sustainable economy.

- **Action:** Create instruments for financing production activity.

Deliverable: Disbursements (loans) for \$158,000 million through the "Competitive MSMEs" line.

Progress: \$310,199 million was disbursed, translating into 196% compliance with the year's goal.

For the four-year period, progress was 49% toward the \$632,000 million disbursed goal, which is expected for 2023-2026.

- **Action:** Promote sustainable production projects on the circular economy, bioeconomy, efficient use of resources, and climate change management, among other topics.

Deliverable: \$70 billion in loans disbursed for climate change mitigation and adaptation, circular economy, or bioeconomy projects.

Progress: \$90,449 million was disbursed through credit lines to finance sustainable development, thus meeting the year's goal by 129%.

Concerning the four-year goal, which is \$350,000 million disbursed, progress was 26%.

Internationalization theme: It seeks to balance Colombia's economic and commercial relations with the world, ensuring a fair, reciprocal, and growing exchange of goods and services supplied and demanded.

- **Action:** Implement instruments to support financing internationalization plans and projects of entrepreneurs and small production units that are part of export chains.

Deliverable: Disbursed loans worth \$50,000 million to support internationalization processes.

⁶In accordance with the Sectoral Strategic Plan of MinCIT.

Progress: Bancóldex disbursed resources for \$96,452 billion, resulting in 192 % compliance with the goal for 2023.

For the four-year goal, which is \$235,000 million disbursed, progress was 41 %.

Gap-closing theme: It intends to promote and strengthen the economic development of the regions, focusing efforts on the most vulnerable and lagging regions to bridge existing gaps.

- **Action:** Boost financing and formalization programs for MSMEs.

Deliverable: 128,000 MSMEs benefiting from Bancóldex financial products.

Progress: At the end of 2023, 80,763 MSMEs benefited from the financial products offered by Bancóldex, with a 63 % advance in the goal set for the year.

The progress made regarding the four-year goal of 550,000 beneficiary MSMEs was approximately 15 %.

Deliverable: During 2023, 2,000 MSMEs benefiting from Bancóldex's non-financial products.

Progress: In 2023, 2,242 MSMEs were beneficiaries of the non-financial products offered by Bancóldex, which translates into 112 % compliance with the year's goal.

The progress was 25.1 % compared to the four-year goal of 8,930 MSMEs benefited.

- **Action:** Bring supply and demand closer to financial connection platforms.

Deliverable: 12,000 microentrepreneurs registered on the neo-credit platform.

Progress: At the end of 2023, 9,568 microentrepreneurs registered on the

neocredit platform, translating into 80 % compliance with the year's goal.

Compared to the four-year goal of 60,000 registered microentrepreneurs, progress was 16 %.

4. BANCÓLDEX AS THE MANAGER OF THE BANCA DE LAS OPORTUNIDADES PROGRAM



The Banca de las Oportunidades Investment Program, incorporated in Decree 2555/2010, as amended by Decree 1517 dated November 25, 2021, aims to promote access to credit and other financial services for lower-income families, MSMEs, and entrepreneurs. It also encourages the coordination, performance, and monitoring of inclusion and financial education policies. Bancóldex manages this Program.

In 2023, Banca de las Oportunidades implemented multiple initiatives to contribute to the consolidation of an innovative, sustainable, and inclusive financial ecosystem. It focused on three work fronts: competitive intelligence or analysis of the state, trends, and evolution of financial inclusion in the country; assistance to supply or providers of financial services for the design of products, services, methodologies, or channels that meet the needs of neglected or underserved populations; and assistance to demand or the population with financial education so that they make informed and conscious financial decisions.

The Program led and assisted in the design and implementation of 35 initiatives, including the promotion of access to financing; digital ecosystem and payment services; assurance, resilience, and well-being; financial coverage

and infrastructure; economic and business capabilities, and territorial management.

Conversely, a Credit Inclusion Strategy for the Popular Economy was designed and launched in March 2023, given the government's interest in implementing a public policy for the popular and community economy (PCE) to improve the quality of life and satisfy the basic needs of the country's popular sectors. The strategy was led by the MHCP, coordinated by Banca de las Oportunidades, and supported by the IDB.

5. RISK RATINGS



In October 2023, Fitch Ratings confirmed the local ratings at F1+ (col) for the short term and AAA (col) for the long term granted to Bancóldex. The long-term rating outlook is stable.

For its part, BRC Ratings- S&P Global confirmed the national ratings of AAA for the long term and BRC1+ for the short term. It also confirmed the AAA long-term debt ratings of Bancóldex's 2014 Straight Bond Issue and Placement Program with general collateral for up to \$3 trillion and Bancóldex's 2020 Straight Bond Issue and Placement Program for up to \$3 trillion.

Regarding the foreign currency rating, Fitch Ratings maintained the BB+ rating with a stable outlook.



6.

FINANCIAL MANAGEMENT



Despite the economic and financial sector difficulties in 2023, Bancóldex attained positive financial results.

Regarding the Bank's size due to its level of assets, the established goal of \$11.9 trillion was met by 96 %, reaching levels of \$11.5 trillion, an important milestone in March 2023. Bancóldex had the highest portfolio balance in its history with \$9 trillion, closing December 2022 with \$8.5 trillion.

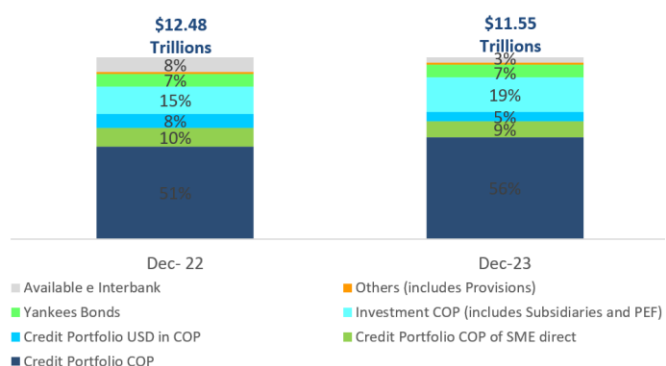
In terms of disbursements, despite the contraction of the business portfolio delimited by companies, the results met the budget by 97 %, with \$6.3 trillion compared to a budget of \$6.5 trillion.

Relatedly, the Bank's gross portfolio closed at \$7.8 trillion compared to a budget of \$8.7 trillion, reflecting 88 % compliance. Despite the variations in market rates, this result boosted prepayments, which reached \$2 trillion compared to a budget of \$1 trillion.

Regarding the behavior of the portfolio and its primary indicators, the overdue receivables indicator was 3.4 %, which is in line with the year's complexity for credit institutions.

The collections team's restructuring and adjustments to processes and activities significantly reduced the balance of receivables that were overdue by 30 days during the last quarter of 2023.

Assets



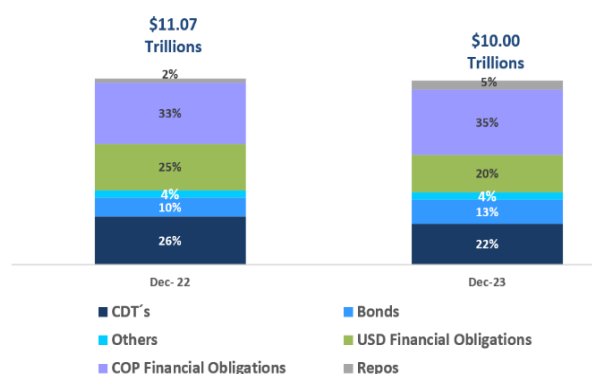
The results of an asset of \$11.5 trillion in 2023 are mainly reflected in the decrease in cash and interbank assets, with \$151,393 million, the loan

portfolio, with \$771,634 million, and accounts receivable, with \$37,485 million. This is offset by the increase in investments, with \$48,301 million.

As mentioned, the loan portfolio was the line item with a considerable reduction. It was mainly impacted by a low growth environment in the business portfolio and by prepayments due to the agents' expectation of reduced market rates and the decreasing behavior of inflation throughout the year.

Liabilities

The Bank's liabilities closed at \$10 trillion, down \$1.1 trillion from the previous year.



The line items explaining this variation include term deposit certificates worth \$741,518 million, COP loans with banks worth \$362,409 million, and USD loans with banks worth \$867,128 million.

The previous results are offset by the increase in the line items corresponding to savings accounts, totaling \$670,370 million, interbank funds purchased and repossessed, totaling \$44,660 million, and outstanding investment securities, totaling \$159,000 million.

Equity

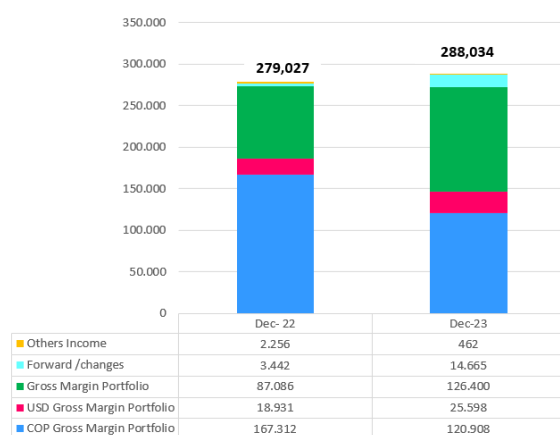
Equity registered an increase of \$172,497 million compared to the same period in 2022.

This is mainly due to the higher value of the surplus of \$124,106 million and the effect of the increase in reserves of \$71,130 million.

Notably, the surplus account includes the effect collected by the OCI for the appreciation of securities classified as available for sale due to the reduction in the yield curve of TES in general.

The General Meeting of Shareholders, in its regular session of 2023, approved the creation of a statutory reserve with the 2022 profits to protect the Bank's equity against the impairment of receivables that has been occurring.

Cumulative financial margin



The gross financial margin increased by \$9,006 million (3%) compared to 2022. Given the reorganization of the TES portfolios, the investment portfolio contributed the most to this growth, with \$39,314 million more compared to 2022. Gross financial margin compliance was 102% for \$288 billion against a budget of \$283 billion.

The portfolio's COP margin reached \$121 billion, and the USD margin reached \$25 billion.

The forwards and exchanges line item increased by \$11,223 million, while other financial income/expenses decreased by \$1,794 million.

Profit

Bancóldex exceeded the 2023 profit budget by 126%, reaching \$48,695 million compared to the budgeted \$38,503 million. The main elements to consider are:

- Higher gross financial margin of \$9,006 million compared to 2022.

- Lower expense for receivables provisions amounting to \$7,139 million.
- Higher administrative expenses of \$16,221 million derived from the observed inflation levels.
- Greater spending on taxes such as ICA and GMF worth \$14,331 million.
- Other income amounting to \$21,174 million from the equity method in Fiducoldex and the payment of dividends from the National Guarantee Fund (FNG, for its acronym in Spanish).

Current issues

In 2023, Bancóldex continued to consolidate itself as a pioneer in developing the Colombian capital market by structuring and issuing financial instruments with a specific development purpose. This promotes the growth of the country's entrepreneurs, social inclusion, and environmental protection.

Since the beginning of this strategy in 2018, Bancóldex has successfully issued \$2.1 trillion in Green Bonds, Social Bonds, and Orange Bonds.

As of December 31, 2023, Bancóldex has three bond issuances in force: one issue of straight bonds issued in 2021 and two issues of Social Bonds issued in 2022 and 2023; the current balance for the three issues is \$1.26 trillion.

With the issue of Social Bonds, Bancóldex aims to promote sustainable social development in Colombia and has positioned itself as a reference in the Colombian local market for this type of issue, which is strategically aligned with the Bank's purpose.

The placement of these resources focuses on priority populations for developing and strengthening the Colombian microbusiness sector: women entrepreneurs, rural businesses, and businesspeople victims of the armed conflict. This population approach of Social Bonds offers the possibility of maximizing social impacts by opening the doors to many of these entrepreneurs who are generally not engaged in the financial sector. With

this, Bancóldex seeks to influence job creation and formalization, reduce geographic and gender inequalities, and integrate traditionally excluded groups into the production environment.

On October 25, 2023, Bancóldex successfully placed its third issue of Social Bonds in the Colombian capital market for \$600,000 million at 18, 24, and 36 months. This issue was placed on 150 investors, with an excess demand of 3.7 times the amount initially offered. At the end of 2023, the balance of the entire issue is current, and its amortizations will begin in 2025 with the payment of the series issued at 18 and 24 months (totaling \$300,000 million) and end in 2026 with the series issued for 36 months (\$300,000 million).

As of December 31, 2023, the balance of TDs issued by Bancóldex is \$2.2 trillion; 64 % of this amount, equivalent to \$1.4 trillion, is placed in TD certificates with an issue term of up to one year, \$643,000 million (29 %) in TDs with an issue term between one and two years, and the remaining 4 %, that is, \$82,000 million, in TDs with terms between two and five years.

These securities are registered in the National Registry of Securities and Issuers (RNVE, for its acronym in Spanish).

Revenue

Bancóldex's revenue is derived from its primary activity and business units and is not seasonal, cyclical, or occasional. This revenue is stable and in line with its portfolio volume and the market rate levels. There is mostly a monthly accrual.

Security behavior

During 2023, maturities of \$441,000 million occurred, closing the year with a balance of \$1.26 trillion:

Current bond issues – 2022

Current Bond Issues - December 31, 2022							
Secondary Mnemotechnician	Securitie	Date of Issue	Due Date	Reference Rate	Emission Rate	Currency	Issue Amount*
BSBCX2189A60	Social Bonds	2018/05/24	2023/05/24	IPC	2.85	COP	100.000
BBCX1218C024	Ordinary Bonds	2021/05/27	2023/05/27	IBR NMV	1.53	COP	241.000
BBCX1215B024	Ordinary Bonds	2021/05/27	2023/05/27	T.F.	4.35	COP	100.000
BBCX1218C036	Ordinary Bonds	2021/05/27	2024/05/27	IBR NMV	1.70	COP	159.000
BSBCX2225B24	Social Bonds	2022/05/11	2024/05/11	T.F.	11.50	COP	209.000
BSBCX2225B36	Social Bonds	2022/05/11	2025/05/11	T.F.	11.50	COP	291.000

*Amounts in millions of Colombian pesos.

Current bond issues – 2023

Current Bond Issues - December 31, 2023							
Secondary Mnemotechnician	Securitie	Date of Issue	Due Date	Reference Rate	Emission Rate	Currency	Issue Amount*
BBCX1218C036	Ordinary Bonds	2021/05/27	2024/05/27	IBR NMV	1.70	COP	159.000
BSBCX2225B24	Social Bonds	2022/05/11	2024/05/11	T.F.	11.50	COP	209.000
BSBCX2225B36	Social Bonds	2022/05/11	2025/05/11	T.F.	11.96	COP	291.000
BSBCX3235B18	Social Bonds	2023/10/25	2025/04/25	T.F.	14.85	COP	200.000
BSBCX3235B24	Social Bonds	2023/10/25	2025/10/25	T.F.	14.19	COP	100.000
BSBCX3235B36	Social Bonds	2023/10/25	2026/10/25	T.F.	13.60	COP	300.000

Amounts in millions of Colombian pesos.

In addition to the issue of these Social Bonds, Bancóldex issued TDs for a total of \$2.6 trillion during 2023, with terms between 90 and 540 days, mostly indexed to the IBR (Benchmark Banking Indicator) and fixed rate.

These issues were made at market rates with institutional investors.

7. RISK MANAGEMENT



7.1. Risk Appetite Framework statement

According to the Board of Directors' policy, the Risk Appetite Framework was periodically updated in 2023, considering the corporate strategy, the impacts on the risk variables associated with the economy's behavior, and the potential lagged effects of the pandemic.

Accordingly, the limits for each type of risk were reviewed. New appetite, tolerance, and capacity thresholds were established based on the design of

scenarios and the estimation of the impacts on the Bank's profitability, solvency, and liquidity.

The strategy was followed within this framework, and risks were managed throughout the year to continuously monitor compliance with the limits and take steps under the policy's provisions.

7.2. Comprehensive risk management system (SIAR)

In 2023, the Bank followed the SIAR implementation plan (New chapter of the Basic Accounting and Financial Circular, CBCF XXXI).

The aspects reviewed, modified, and submitted to the Risk Management Committee and the Board of Directors for approval were:

- Processes and documents related to the SIAR.

The operational risk matrix for comprehensive risk management.

- Methodologies and processes by type of risk, as well as the technological infrastructure and annexes of the SIAR.
- Decision bodies for portfolio normalization, with powers delegated by the Board of Directors.
- Credit origination methodologies for microenterprise credit-oriented entities (EOCM, for its acronym in Spanish), countries, and fintech.

The SIAR manual was published in June, according to the implementation plan.

7.3. Credit Risk (CR)

In the context of economic conditions characterized by high inflation, high interest rates, and slow economic growth, the loan portfolio quality with companies was impacted. Bancóldex took the necessary actions to manage CR in a controlled manner, as explained below.

Regarding risk management of local and foreign financial intermediaries and EOCMs, adjustments

were made to strengthen the processes of granting and monitoring credit and country risk methodologies, EOCMs, and fintech.

Concerning direct credit to companies, mainly for the SME segment, the Bank reinforced granting methodologies, implemented new guidelines for the approval of operations, and put into production a new statistical model. Notably, the operations granted were rigorously evaluated, taking into account quantitative and qualitative aspects, technical considerations of guarantees, and the customers' sensitized and forecast cash flow.

Additionally, the Bank made significant efforts to reinforce the standardization of the direct portfolio to companies, adjusting and enhancing the processes and organizational structure. As a result, a reduction in receivable reclassification and the normalization of overdue obligations was achieved.

For processes, the Bank made a significant investment through the "Digital Credit Factory" project, automating part of the SME direct credit analysis, accomplishing more efficient response times, and enhancing storage and information integrity.

The above allows the Bank to significantly advance digital transformation purposes and improve prospective analysis, risk monitoring and control, and data analytics.

7.4. Market Risk (MR)

During 2023, MR management focused on strengthening Treasury processes and controls, achieving front-to-back automation of interest rate swaps. Additionally, verifiable means monitoring methodologies were consolidated, and new tools were incorporated to prevent manipulative behavior in the securities market.

The MR management process included permanent monitoring of the new channel for the Exchange Hedging product.

In line with external circular 025/2022, the implementation of the interest rate risk in the banking book (IRRBB) began through the

development of methodologies and tools to calculate position mapping indicators, the economic value of equity (EVE), and the net interest margin (NIM). See Annex 8 of Circular 12, Risk Management

7.5. Liquidity Risk (LR)

In 2023, the Bank automated information reporting to regulatory agencies and updating of relevant documentation as part of the continuous improvement pillar in LR management. The tools for calculating prospective liquidity risk indicators (IRL and CFEN) were improved.

Finally, throughout the year, continuous monitoring of liquidity indicators was maintained to support the management of maturities and obtain new resources, as was the case with the issue of \$600 billion in social bonds. See Annex 8, Credit, Market, and Liquidity Risk Management.

7.6. Operational risk management system (SARO)

Qualitative information:

The Bank's operational risk management is based on policies approved by the Board of Directors. It is supported by an organizational and risk governance structure that guarantees independence in management and adequate segregation of functions between front, middle, and back offices. Suitable methodologies allow operational risk identification, measurement, control, and monitoring.

The policies and methodologies supporting operational risk management are recorded in the SIAR Manual, as provided in the SFC regulations and best practices.

Given that this type of risk is dynamic and susceptible to constant changes in the business and its environment, monitoring schemes facilitate the rapid identification of new risks and the minimization of current ones using action plans.

In 2023, critical methodological adjustments were made to improve operational risk management using mechanisms that allow for greater detail in assessing risks and controls of the Bank's processes. All reported operational risk events were managed, and the entire organization was trained in operational risk management, business continuity, information security, and prevention of fraud and corruption risks.

The Bank continued to seek authorization from the SFC for the historical event database (BHE, for its acronym in Spanish) to implement an internal loss indicator according to the nature of Bancóldex's business.

Besides, new and more modern software for operational risk management was implemented.

Regarding the operational risks of fraud and corruption, the guidelines adopted follow the principles established by the Office of the Transparency Secretary of the Presidency of the Republic, the National Planning Department (DNP, for its acronym in Spanish), the Administrative Department of Public Functions (DAFP, for its acronym in Spanish), and the United Nations Office against Crime (UNODC) through the guide "Strategies for Building the Anti-Corruption and Citizen Assistance Plan." This guide was published as provided in the Anti-Corruption Regulation (Section 73, Law 1474/2011), "Whereby regulations aimed at strengthening the mechanisms of prevention, investigation, and punishment of acts of corruption and the effectiveness of public management control are issued."

Lastly, it is noteworthy that the Bank's operational risk profile continues to be low-moderate, sitting within the residual risk zone approved by the Board of Directors.

Quantitative information:

The figures for the reported events, operational risk losses, and their recoveries for 2023 are disclosed below.

As of December 31, 2023, 5,549 events were reported.

- Events generating losses and affecting the Bank's income statement: 10, equivalent to 0.2%.
- Events not generating losses and, therefore, not affecting the Bank's income statement: 5,539, equivalent to 99.8%.

During 2023, the economic losses due to operational risk caused by the events were \$37,738,749, and recoveries amounted to \$15,321,038. These were accounted for in their relevant operational risk ledger accounts. The net effect of economic losses for 2023 is \$22,417,711.

The main activities carried out around operational risk management during 2023 are as follows:

- Identification, measurement, control, and monitoring of operational risks: The Bank's residual operational risk profile is at the "medium" severity level, matching the acceptable risk level defined by the Board of Directors.
- Management of operational risk events: Officials reported the operational risk events occurring in each area.
- Assistance in developing projects or products: During 2023, the Operational Risk Unit participated and assisted in developing the Bank's projects.
- Visits from control and supervision bodies: The requirements of the SFC, Internal Audit, and Statutory Audit were met.

7.7. Strategic risk management system (SARE)

In 2023, all the Bank's strategic risks, controls, treatments, and action plans were reviewed and updated.

This endeavor resulted in an updated strategic risk profile within the residual risk area approved by the Board of Directors.

No strategic risks were detected in the "critical" residual area during the evaluated period.

7.8. Information security and business continuity (SGSI)

The SGSI was reviewed and updated in the human resource security, physical security, and organizational security chapters as part of continuous improvement and good practices (ISO/IEC 27002 standard).

Furthermore, within the annual awareness and training plan on information security, cybersecurity, and personal data protection, informative sessions were held with diverse contents and audiences. External experts supported some of them, such as the Computer Security Incident Response Team (CSIRT) and the Superintendence of Industry and Trade (SIC, for its acronym in Spanish) forensic team.

Regarding personal data protection, the flowcharts of the official, supplier, and customer databases were reviewed and updated.

New participants, technologies, and processed data from each database were identified throughout the data life cycle. Developments, claims, complaints, and incidents were reported to the National Registry of Databases (RNBD, for its acronym in Spanish).

7.9. Environmental and social risk management system (SARAS)

In 2023, the Bank continued with the project to strengthen the SARAS. During the year, the capacity-building phase was completed at each level of the organization, according to their involvement in the system. The pilot test phase was concluded to validate the methodologies and tools designed for the large company, SME, and rediscount direct credit segments. The Bank had the assistance of expert international consultants and technical cooperation support.

Finally, owing to the joint work of the environmental and social risk and sustainable development areas, a work plan was designed to address the

risks and opportunities of climate change according to SFC's Circular 031/2021 requirements.

7.10. Money laundering and terrorist financing risk management system (SARLAFT)

During 2023, Bancóldex continued to reinforce its SARLAFT and update and maintain the SARLAFT support tools, incorporating the adjustments required by the SFC in External Circular 027/2020. These adjustments are related to updating the methodology for identifying and assessing money laundering and terrorist financing (ML/TF) risks and controls to strengthen risk management, prevention, and control.

The risk management system was updated with the implementation of the SARLAFT module in the new application acquired by the Bank for risk map management. The deployment of the ML/TF risk and control assessment methodology in the Bank's processes began.

Bancóldex updated the segmentation models for customer monitoring, monitored customers and transactions, managed alerts and usual movements, prepared suspicious-operation reports and other regulatory reports on SARLAFT, and considered the specific requirements of competent authorities.

As part of the Bank's strategy for digital transformation, improvements continued to be incorporated in the navigation of the electronic form for registering and updating customers to improve customer experience. The SARLAFT manual was updated, including the adjustments required by current regulations. The Bank's officials' knowledge of SARLAFT continued to increase with e-learning training focused on due diligence in knowing customers and counterparties, cases and unusual transactions, and ML/TF alert management.

The Bank updated and monitored the assessment of risk factors and the ML/TF risk profile by risk factor, associated risks, and the Bank's consolidated

inherent and residual risks, keeping the latter within the level of risk approved by the Board of Directors.

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

As provided in the FATCA, for 2023, the Bank maintained its status as a participating Foreign Financial Institution (FFI) before the United States Internal Revenue Service (IRS). It transmitted the CRS (Common Reporting Standard) report according to the established regulations for the TD product. It also arranged for updating FATCA due diligence for intermediaries and financial institutions with which the Bank had relations or made transactions and met the requirements of other local and international financial institutions on FATCA and the CRS of the OECD (Organization for Economic Cooperation and Development).

8. INTERNAL CONTROL SYSTEM (ICS)



Bancóldex's ICS is aligned with applicable international standards and current internal control practices (MECI in MIPG⁷, CIC—Accounting Internal Control, COSO® 2013 Internal Control Standard), including a control policy that considers the control lines scheme. These frameworks are compatible with the requirements for the ICS of financial institutions supervised by the SFC in the Basic Legal Circular.

These models aim to permanently improve the organization's governance, risk, and control to optimize or mature appropriate control practices in any process, element, and component of the relevant management systems.

⁷ MIPG: Integrated Planning and Management Model, Decree 1499 of 2017.

In 2023, the Bank's Internal Comptroller, managing the independent evaluation process, ran the Annual Audit Plan under risk-based priorities approved by the Board of Directors Audit Committee. Governance, control, and risk were assessed by management system, process, and activity, and spot checks of regulatory compliance and the Bank's strategic and operational actions were conducted.

The Board of Directors Audit Committee was kept informed about the results, recommendations, and opportunities for improvement derived from internal audit management. It knew the impact of each of these and was actively involved in monitoring the actions of the relevant improvement plans, verifying the adoption of such recommendations.

Regarding the assessments from external control agencies, the Bank received a financial audit visit for the 2022 period from the Comptroller General of the Republic during the first half of 2023. The report includes an unqualified accounting opinion on the reasonableness of the Bank's budget management, the hundred percent (100%) compliance with the 2021 improvement plan and the demise of the fiscal account for 2022. This audit made one (1) administrative finding that led to two improvement actions attended to and closed during 2023.

The Bank has managed and fulfilled the commitments derived from the improvement plans signed by the General Archive of the Nation, with which six (6) findings have been closed and two (2) are under follow-up for closing in June 2024; the Securities Market Self-Regulator (AMV, for its acronym in Spanish), which required in November 2023 performance of the Action Plan derived from the remote supervision in 2022 and in progress as of the reporting date; the SFC, which conducted an extra situ inspection between September and November 2023 to evaluate the characteristics of the Compliance Supervision Function, whose report assigned a general rating of "Adequate," among other control agencies.

At the end of 2023, neither Management nor the internal or external control bodies of the Bank or the Audit Committee detected fraud, malicious errors, or manipulations in the financial information

prepared and disclosed by the Bank, nor were significant weaknesses reported that could jeopardize the effectiveness of the ICS or the Bank's strategic objectives.

9. BANCÓLDEX'S LEGAL STANDING



At the end of FY 2023, Bancóldex maintained its legal status as a domestic mixed-economy company attached to the MHCP and organized as a banking credit establishment. It is not equivalent to the state's industrial and trading companies and is independent of the state's share in its capital.

However, its nature as a public entity keeps it under a legal system of private law concerning its acts and contracts according to the applicable legal and regulatory provisions, allowing it to be competitive in financial support activities for entrepreneurs.

The regulations issued in 2023 that are related to the activity of Bancóldex include the following:

i. NATIONAL DEVELOPMENT PLAN "Colombia, Great Power of Life" (Law 2294/2023):

- **BICENTENARIO GROUP:** It grants extraordinary powers to the President of the Republic to standardize the provisions that regulate governance and regimes of public financial services entities.
- **BASIC VALUE UNIT:** It is created to be readjusted annually according to the variation of the Consumer Price Index (CPI), excluding food or regulated items. The maximum amounts set for financial transactions and board fees must be calculated based on their equivalence in terms of the Basic Value Unit of 2023.



- **FINANCIAL AND CREDIT INCLUSION OF THE POPULAR ECONOMY:** The MHCP, in coordination with other state entities, including the Bicentenario Group, will promote the development of instruments and programs for the financial and credit inclusion of the popular economy, especially small producers in the agricultural sector and micro businesses, green finance, innovation, and entrepreneurship.
 - ii. **FINANCIAL CONSUMERS' RIGHT TO PRIVACY (LAW 2300/2023):** This law limits collection efforts by establishing the channels, schedules, and periodicities in which financial institutions can contact consumers directly or through third parties.
 - iii. **DECREE 1962/2023:** Authorized by the National Development Plan, this decree provides guidelines to standardize the governance provisions and regimes of public financial services entities. The 2023 Annual Corporate Governance Report, attached hereto, provides more information about this decree.
 - iv. **DECREE 2120/2023:** It aims to create and implement the "Creo, a Loan to Get to Know Each Other" Program for formal financing of the popular economy, that is, commercial (production, distribution, and marketing of goods and services) and non-commercial (domestic or community) trades and occupations practiced by low-scale economic units (personal, family, microbusinesses, or microenterprises) in any economic sector through financial instruments.
- Concerning the special credit lines of second-tier banks, the non-agricultural segment will be operated by Bancóldex, with an interest rate compensation of five pp applicable to the interest rate granted by the banks under standard conditions.
- v. **SFC EXTERNAL CIRCULAR 008/2023:** It replaced the instructions related to the ICS of surveilled entities.
 - vi. **SFC EXTERNAL CIRCULAR 17/2023:** It gave temporary instructions for activating counter-cyclical provisions for consumer and business portfolios.
- As of the reporting date, neither Bancóldex nor Fiducoldex has been notified or is aware of any litigation, court, or administrative proceedings that put the operation at risk. The main contingencies from ongoing court proceedings are disclosed in Note 29 CONTINGENCIES to the separate and consolidated financial statements.
- In labor matters, Bancóldex, together with Fiducoldex, the Central Bank, and the Ministry of Foreign Affairs, among others, is involved in three ordinary labor proceedings initiated by attachés, deputies, and directors of Colombia's commercial offices abroad who served between 1967 and 1992. Their claims are based on the recognition of pension contributions by such entities.
- Lastly, without prejudice to the requirements in the SARLAFT, it is stated that Bancóldex managers did not hinder the free circulation of invoices issued by suppliers. This statement is made in the terms of paragraph 2 of Section 87 of Law 1676/2013, "Whereby access to credit is promoted, and rules on personal securities are issued," as added by Section 7 of Law 1231/2008, "Whereby the invoice is unified as a security and a financing mechanism for micro, small and medium-sized entrepreneurs, and other provisions are issued."



10.

CORPORATE GOVERNANCE



The Annual Corporate Governance Report attached hereto and available on the entity's website under "Information of Interest to Shareholders and Investors" provides detailed information on the Bank's corporate governance management in 2023.

The following activities were carried out in this regard during 2023:

- Monitoring compliance with Bancóldex's corporate governance system.
- Reviewing the Annual Corporate Governance Report.
- Monitoring the implementation of the 2022–2026 corporate strategy.
- Analyzing corporate indicators for 2023 and monitoring their compliance quarterly.
- Reviewing the fulfillment of objectives of the Bank's Senior Management.
- Recommending hires and annually updating the Board of Directors.
- Validating the eligibility of candidates for the Bank's Board of Directors.
- Monitoring reports from the Financial Consumer Service System (SAC, for its acronym in Spanish).
- Analyzing and recommending required organizational structure adjustments.
- Analyzing, recommending, and monitoring the Bank's sustainability strategy, efficient resource management strategy, digital transformation, and communications.
- Reviewing the disclosure policy of personal investments of related individuals and conflicts of interest per the instructions of the AMV.
- Analyzing and making recommendations on the following policies:

- DEI policy
- Transport financing policy

- Analyzing regulatory changes that impact the Bank's corporate governance, such as Decree 1962/2023 and SFC External Circular 08/2023.
- Analyzing and recommending the hybrid work model as a benefit for the Bank's employees.

KPMG Board Leadership Center

This setting aims to promote good corporate governance practices and consolidate "a community of board members and companies to strengthen the corporate governance of organizations, creating a setting for networking and timely feedback to manage the challenges they face."⁸

In 2023, the Bank participated in its 2nd Annual Congress, with panels on environmental, social, and governance issues, emerging technologies, risks, strategy with purpose, diversity, equity, inclusion, culture, and good corporate governance.

Within this congress, Bancóldex received first place in the "2023 Board of Directors Award" by the KPMG Board Leadership Center. This center was "created to highlight the Boards that, through their leadership and commitment, are shaping a new standard in corporate governance."⁹

Read the attached Annual Corporate Governance Report for more information on the award.

Update of AI governance and incorporation into corporate strategy

On November 27, 2023, the annual refresher session was held with the members of the Board of Directors of Bancóldex and its subsidiary

⁸ Taken from the official website of KPMG Board Leadership Center Colombia. Available at: <https://kpmg.com/co/es/home/campaigns/2022/09/sobre-kpmg-board-leadership-center.html>

⁹ Proceedings of the 2nd Annual Congress of the Board Leadership Center Colombia, p. 9.

Fiducoldex. The session was led by AIS Group *Aplicaciones de Inteligencia Artificial* and addressed the following content:

- Conceptual framework of digital transformation in the banking system
- Introduction to AI in the financial industry
- Trends and use of AI in development banking
- Impact cases
- AI governance

11

SOCIAL AND ENVIRONMENTAL SUSTAINABILITY



Bancóldex has a sustainability strategy, the purpose of which is to contribute to the fulfillment of the objectives of the 2030 Agenda, the Paris Agreement, and the public policy commitments for the country. Specifically, the sustainability strategy is made up of four pillars:

- 1) Corporate governance
- 2) Sustainable finance
- 3) Environmental and social risks
- 4) Efficient resource management

OUR 2030 SUSTAINABILITY STRATEGY IS EXPLAINED BY THE FOLLOWING FIGURE:



Bancóldex supports the growth of the Colombian business sector, ensuring the protection of the environment and the well-being of society in its present and future activities. It strives to use natural resources rationally to produce the most negligible environmental impact. It has a system for managing environmental and social risks. The Bank also designs financial and non-financial products to mitigate and adapt to climate change and generate social benefits.

Bancóldex integrates the Industry, Trade, and Tourism initiative to implement the National Action Plan for Human Rights and Business, in coordination with the Presidential Council for Human Rights, to guarantee respect for human rights in business activities.

Additionally, the Bank is part of a group of banks that prepare the sustainability report of Colombian banks, which will be published by the Colombian Association of Banks and Financial Institutions (Asobancaria) at the next banking convention.

Of note is that the Bank set the future goal of achieving carbon neutrality in its internal operations. For this, it has decided to reduce greenhouse gas emissions during 2022 and 2023 through four lines of action: reduction of emissions

from consumption of energy, fuel, paper, and water; the circular economy of organic and inorganic waste; implementation of sustainable purchasing; and transformation of culture. Due to this initiative, the Bank received, both in 2022 and 2023, an award from the Ministry of Environment and Sustainable Development as a participant in the National Carbon Neutrality Program under the country's climate commitments within the Paris Agreement.

In the Bank's Sustainability Report, find complete and detailed information on the performance of the sustainability strategy in 2023 and the Bank's impacts on economic, social, environmental, and climate issues. This Report is prepared from a perspective of double materiality:

- 1) Financial, through the adoption of the SASB (Sustainability Accounting Standards Board) and TCFD (Task Force for Climate-Related Financial Disclosure) standards.
- 2) Impact, based on GRI (Global Reporting Initiative) standards.

The history of sustainability reports since FY 2012 is available on the Bank's website under "Commitment to Sustainability."

12. RELATED-PARTY TRANSACTIONS



As of the reporting date, the Bank keeps its transactions properly organized and complies with the applicable regulations. The transactions made by the Bank with its partners and managers follow the Bank's general policies. These transactions are duly specified in Note 31 (Related Parties) to the financial statements.

The Bank did not make transactions or operations with partners or managers whose characteristics differ from those made with third parties, nor did it provide free or compensated services or loans without interest or consideration, except for those



of a labor nature regulated by Sections 152 and 153 of the Substantive Labor Code.

13. SUBORDINATES



Fiducoldex is a domestic indirect mixed-economy corporation established on October 31, 1992, in which Bancóldex has an 89.62 % stake. In 2023, Bancóldex received \$717,953,000 in dividends from Fiducoldex for FY 2022.

Bancóldex has a shared services framework agreement with Fiducoldex to take advantage of the synergies between the Bank and its affiliate, provided this will not imply, in any case, the delegation of its professionalism. During 2023, the Bank performed its administration operations directly with Fiducoldex, such as contracting the global banking policy and the liability policy of directors and managers.

Independence in business management and decision-making is a premise of their relationship, which is limited by the benefit the customer can obtain from each entity's products and services.

Fiducoldex's economic activity

As a financial services company, Fiduciaria Colombiana de Comercio Exterior S.A. Fiducoldex has a regulated corporate purpose and is licensed by the SFC. As a trust manager, it may enter into any business trust agreements, along with any activity permitted for trust companies under Section 29 of the General Regulation of the Financial System (EOSF, for its acronym in Spanish), Title XI of the Fourth Book of the Code of Commerce, and other complementary and concordant regulations. Fiducoldex is an expert partner in trust services that supports national and international business competitiveness through long-lasting relationships to achieve sustained growth and guarantee the profitability and financial sustainability of the company.

Fiducoldex's work is consolidated in the "Corporate Services Center" operating model, adding value to the business trusts of MinCIT and new public or private businesses it manages. This

allows for efficiencies at all levels and innovative fiduciary solutions contributing to its customers' social, sustainable, and inclusive growth and transformation.

Evolution of Fiducoldex's business plan in the short, medium, and long term

Fiducoldex submitted a performance report on income of \$55,692 million at the end of FY 2023, with compliance of 141 %, accrued expenses of \$37,834 million, and operating profit of \$17,858 million, with compliance of 563 %.

Below is the list of the income and its sources from the operation of the Trust as of December 31, 2023, and the budget for 2024 with its forecast for 2025 and 2026:

	Execution 2023	Ppto. 2024	Projection 2025	Projection 2026
Operating Income	55.692	53.514	60.033	67.326
Investment Portfolio	7.630	4.193	4.612	5.073
Financial Business	41.881	45.927	51.741	53.382
Consortia	5.165	2.722	2.967	3.115
Other Income	1.017	673	713	756
Operational Expenses	37.834	44.145	47.525	51.032
Operating Profit	17.858	9.369	12.508	16.294
Income Tax	6.374	3.701	4.941	6.436
Net Profit	11.484	5.668	7.568	9.858

Amounts in millions of Colombian pesos.

Fiducoldex's competitive trading conditions

The Trust's activity is allowed only at the national level. In this market, there has been an important dynamic associated with the behavior of the investment portfolios of Collective Investment Funds. This has built trust with customers, resulting in a historical increase in assets under management (AUM) through this product and reaching a figure close to \$605 billion.

Also of note is the public sector's importance in creating new businesses for the Trust. In 2023, crucial public trust deals were closed with MinCiencias, the Ministry of the Environment, the Ministry of Equality and Equity, and MinCIT. These deals supported compliance with sectoral public policies through high-impact projects that strengthened entrepreneurship, innovation,



business competitiveness and productivity, exports, and tourism.

The development of new Fiducoldex's products or services

In line with new market trends and coordinated work with MinCIT, the Trust structured trust business initiatives, which focus on catering to new needs within the framework of public policies of the industry, trade, and tourism sectors and contributing to being the partner Trust of businesspeople.

Fiducoldex's revenue

Revenue is received periodically per the provisions of the trust agreements and the regulations that constitute and give rise to the investment vehicles managed by the Trust.

Total number of Fiducoldex's employees

As of December 31, 2023, 227 officials were employed by the Trust as direct personnel (excluding specified work, fixed-term, or apprenticeship contracts).

The Annual Corporate Governance Report contains more information on Bancóldex's management of its affiliates. This report is attached hereto per Section 2.5.3.6.4 of Decree 1068/2015 (as amended by Decree 1510/2021).

14. OTHER CAPITAL INVESTMENTS



At the end of December 2023, Bancóldex held investments in the Latin American Export Bank (Bladex; 1.34 %) and the FNG (4.19 %).

15. INTELLECTUAL PROPERTY AND COPYRIGHT



Bancóldex acts by the law through defined policies on acquiring technology and using licensed software.

It has internal control procedures to ensure satisfactory compliance with such regulations.

Patents, trademarks, and copyrights

Bancóldex follows the rules on intellectual property and copyright in fulfilling its corporate purpose, having ownership of the rights concerned or the proper authorizations to exploit them through contracts signed with the owners or authorized distributors of intellectual property rights or copyrights.

The Bank's relevant brands are duly registered, totaling 22 trademarks and two commercial slogans. The following stand out: Bancóldex and its motto "Promotes business development," neo-credit, Bancóldex Capital, Conecta Digital, finbi, IDFC, and Banca de las Oportunidades.

16. PERFORMANCE OF DISCLOSURE AND CONTROL SYSTEMS



To comply with the provisions of Sections 46 and 47 of Law 964/2005, the Banco de Comercio Exterior de Colombia S.A. Bancóldex certifies that the financial statements and other reports relevant to the public do not contain defects, inaccuracies, or errors that prevent them from knowing the actual financial position or the transactions it makes.

Additionally, the disclosure and control systems used by the Bank to incorporate the information contained in such financial statements and reports relevant to the public are adequate, based on reliable information, and subject to audits by the Bank's internal comptrollership and the statutory auditor under the supervision of the Audit Committee.

Bancóldex has used due diligence in verifying the accounting information in the financial statements and accounting records as of December 31, 2023. The internal control processes have been constantly reviewed and assessed so that the financial information reflects the economic reality, and any material matters are duly disclosed.

Finally, as required by SFC External Circular 12/2022, the legal representative of the issuer certifies that the information in this report and its schedules includes the company's material aspects as of December 31, 2023, as provided by the officials responsible for each area of the Bank.

17.

OUTLOOK
2024



By 2024, the Bank will implement its 2024–2026 corporate strategy, which aims to impact the country significantly. With a strong focus on credit placement in the regions aligned with its role as a public policy instrument, it supports the financial inclusion, reindustrialization, sustainable development, and internationalization of Colombian companies.

To this end, the Bank has established a series of strategic goals to be met in FY 2024, the main one being the granting of \$6.67 trillion, reaching a portfolio balance of \$9.02 trillion at the end of the FY.

Other strategic goals for Bancóldex in 2024 are:

1. **Bancóldex as a public policy instrument:** Aligned with the reindustrialization policy led by MinCIT, the Bank aims to support 20 thousand companies with the reindustrialization portfolio by 2024.

The Bank will seek \$500 billion from investors to support the reindustrialization policy with the Fondo de Fondos instrument.

2. **Regionalization:** Bancóldex will continue to implement its regionalization strategy, for which it has arranged to reach 60,000 companies through financing in provinces without direct commercial operations.

3. **Support for microenterprises:** Bancóldex will continue supporting microentrepreneurs with credit products via rediscount and neo-credit.

The Bank's goal is to benefit 140,000 microenterprises, including micro businesses of the popular economy, by 2024.

4. **Sustainable development:** In 2024, the Bank will support 280 MSMEs in financing their green investment

projects, of which 33 % must have a non-financial service. It will also seek to support more than 30,000 women entrepreneurs.

Within the framework of the Bank's sustainable development strategy, it will continue to drive institutional strengthening based on a climate change strategy that incorporates TCFD¹⁰ standards and to implement the SFC's green taxonomy, which will enhance the classification mechanism of green operations.

5. **Support for company internationalization:** By 2024, the Bank will support 100 export companies with financial and non-financial portfolios for internationalization.

6. **Non-financial services:** In 2024, Bancóldex will strengthen its offer of non-financial products and services, especially assisting export companies and companies implementing green investments.

7. **Strategic Technology and Information Plan:** The Bank will continue implementing the PETI, which, for FY 2024, includes updating the T24 Banking Core. With this, the Bank will originate and manage new direct loans for SMEs from T24, consolidating the direct credit and rediscount business in a single core.

8. **Increased productivity:** Aware of the importance of optimizing resources within the Bank, all Bancóldex officials will establish productivity indicators within their objectives for the year. The goals, activities, or deliverables will be achieved in less time or more quantity without affecting quality levels.

¹⁰ TCFD: Task Force on Climate-Related Financial Disclosures

Financial outlook

FY 2024 is projected in a scenario with high levels of uncertainty due to the country's current changes.

Under this scenario and to ensure the financial sustainability and growth of the Bank, the following strategic actions are proposed to guarantee the generation of profits:

1. The Bank's financial margin increase will be based on an ambitious strategy to **increase its portfolio balance** in an economic context that encourages high prepayment levels. Bancóldex expects to achieve **disbursements of \$6.7 trillion** to reach a total gross portfolio of \$9 trillion.
2. **COP liability structure:** To adapt the COP funding structure to the expectation of placements for 2024 in terms of tenors and rates, the fundraising activity will concentrate on the short part of the curve (up to 18 months), where there is greater efficiency in funding costs. However, efforts will be made to maintain regulatory liquidity levels at optimal levels above the minimum required.
3. Bancóldex will continue to meet its **foreign currency funding** needs through the negotiated limits that Bancóldex has with correspondent banking and multilateral organizations.
4. **Efficient spending:** Bancóldex continues to commit to austerity in expenditures. Therefore, including the

resources requested for the Bank's strategic projects and technological developments to carry on the business in 2024, operating expenses¹¹ are budgeted with an increase of 9 % compared to those in 2023. Notably, this 9 % growth is lower than the inflation at the end of 2023, which was 9.28 %.

18. SUBSEQUENT EVENTS



Management is unaware of any significant event between the closing date of FY 2023 and the date this report is presented that could affect its scope or interpretation.

Javier Díaz Fajardo
President

¹¹Not including taxes.



Acronyms

Acronym

ALIDE
 Analdex
 ESG
 EIB
 BHE
 BIC
 IDB
 BSC
 CAF
 TD
 NSFR
 CRS
 CSIRT
 DAI
 DEI
 EOCM
 FATCA
 IFI
 IMF
 GHG
 GIZ
 GMF
 ICA
 IDFC
 MFI
 iNNpuls Colombia
 IRS
 ML/TF
 MAF
 MEBA
 MIGA
 MinCiencias
 MinCIT
 MSME
 NAMA
 OECD
 SDG
 NGO
 bps
 PETI
 GDP
 UNDP
 pp
 ProColombia
 SMEs
 RNBD
 SARAS

Definition

Latin American Association of Development Financing Institutions
 National Foreign Trade Association
 Environmental, Social, and Governance
 European Investment Bank
 Historical Event Base
 Collective Interest Benefit
 Inter-American Development Bank
 Balanced Score Card
 Development Bank of Latin America and the Caribbean
 Term Deposit
 Net Stable Funding Ratio
 Common Reporting Standard
 Computer Security Incident Response Team
 International Development Company
 Diversity, Equity, and Inclusion
 Microenterprise credit-oriented entity
 Foreign Account Tax Compliance Act
 International Financial Institution
 International Monetary Fund
 Greenhouse Gas
 German International Cooperation Agency
 Debit tax
 Industry and trade tax
 International Development Finance Club
 Microfinance Institutions
 Entrepreneurship and innovation agency of the Government of Colombia
 Internal Revenue Service
 Money Laundering and Terrorist Financing
 Mitigation Action Facility (formerly NAMA)
 Microfinance for Ecosystem-based Adaptation
 Multilateral Investment Guarantee Agency
 Ministry of Science, Technology and Innovation
 Ministry of Industry, Trade, and Tourism
 Micro-, Small- and Medium-sized Enterprises
 Nationally Appropriate Mitigation Action
 Organization for Economic Cooperation and Development
 Sustainable Development Goal
 Non-Governmental Organization
 Basis points
 Information technology strategic plan
 Gross Domestic Product
 United Nations Development Program
 Percentage points
 Colombia promotion agency
 Small- and Medium-sized Enterprises
 National Registry Database
 Environmental and social risk management system

SARLAFT	Money laundering and terrorist financing risk prevention system
SECO	State Secretariat for Economic Affairs of the Government of Switzerland
SFC	Financial Superintendence of Colombia
SIC	Superintendence of Industry and Trade
TCFD	Task Force on Climate-related Financial Disclosures
IT	Information Technology
EU	European Union
Uniandinos	Universidad de los Andes Association of Alumni
USAID	US Agency for International Development