

# BANCOLDEx



REPORT OF THE BOARD OF  
DIRECTORS AND THE PRESIDENT  
**TO THE GENERAL  
SHAREHOLDER'S  
MEETING 2022**



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**BANCOLDEX** 

# *INTRODUCTION*



In 2022 Bancóldex began implementing its corporate strategy to produce a more significant impact with its interventions, strengthen the direct placement of SMEs with a supply of new innovative and digital products, and deepen its operations in the regions. This strategy was accompanied by a digital transformation process to improve customer experience. Supporting micro-entrepreneurs continued to be a priority to enhance their financing conditions with innovative and digital products such as the neo-credit platform.

The year 2022 was challenging for the Colombian economy, considering the increase in interest rates, high inflation, and the volatility of capital markets. Still, Bancóldex continued to support Colombian entrepreneurs, reaching historical disbursements of \$6.9 trillion and benefiting more than 138 thousand companies, including 93 % micro-enterprises in the 32 provinces of the country. Of the total disbursements, \$667 billion were allocated to direct SME service through direct credit, leasing, and factoring products, helping more than 500 companies. Through the rediscount mechanism, disbursements amounted to \$6.2 trillion, serving more than 130,000 companies.

The preceding confirms that Bancóldex has become a bank closer to entrepreneurs, with a differentiated product offering and operations in all regions.

As a public policy instrument, Bancóldex supported companies in their recovery processes. For this, the Bank prioritized the placement of credit lines for recovery as of January 1, 2022. The Bank disbursed \$1.1 trillion in direct credit and rediscount products with this program, aiding more than 40,000 companies.

As a relevant stakeholder in the business fabric, Bancóldex contributed to financing micro-enterprises. In 2022, it granted more than \$1.4 trillion in loans to more than 132,000 microentrepreneurs, including nearly 70,000 women. Direct and rediscount resources were disbursed for \$2.3 trillion to support small- and

medium-sized companies, confirming that for the Bank, the promotion of productivity, mainly in the MSME segment, is a strategic focus in line with National Government policies.

For its part, financing green growth remained a strategic front. In 2022, the Bank disbursed \$176 billion to fund 1,603 projects with environmental benefits.

Within the Bank's innovation strategy, the Bank launched neo-credit, Digital Leasing, and Finbi (investment banking for SMEs) products in 2022, which represents a more agile and innovative portfolio for entrepreneurs.

As part of the strategies aimed at positioning the Bank as a partner of businesspeople in their internationalization processes, the entity disbursed more than \$1.5 trillion to 727 exporting companies in 2022.

In May 2022, the Bank issued social bonds for \$500 billion to promote social development and economic growth focused on equity. With the resources from these securities, Bancóldex will finance leading empowered women's enterprises and inclusive businesses in rural and conflict-affected areas, thus reducing the income gap and promoting micro and small businesses to be more productive and competitive.

As a result, Bancóldex closed 2022 with a portfolio of \$8.5 trillion, of which 16 % corresponds to a direct SME portfolio. Besides, the Bank's assets closed the year at \$12.5 trillion. Net profit reached \$71,130 million, which represents 114 % performance of the budget.

For the third year in a row, Bancóldex was recognized by Great Place to Work as one of the most attractive employers in the country.

As part of the Grupo Bicentenario led by the Ministry of Finance and Public Credit, the Bank participated in the sector strategic plan and the activities required.

The Bank's management report for 2022 is presented below.

1.

**BEHAVIOR**  
OF THE ECONOMY 2022



In 2022, the world economy adjusted after the profound economic consequences of the COVID-19 pandemic. While in 2020, there was a worldwide contraction, with a strong recovery in 2021, reaching 6.0% growth levels, in 2022, the data showed convergence to the pre-pandemic average. According to the International Monetary Fund (IMF), growth is expected to be around 3.2%.

The IMF expects developed economies to grow to 2.7% in 2022 and emerging economies to 3.9%, both below the growth in 2021 of 5.2% and 6.6%, respectively.

The most significant price increase in the last four decades occurred during the year, mainly due to supply factors. The Russia-Ukraine conflict that began in February 2022 brought about a substantial increase in the international prices of raw materials that, together with the lockdowns in China during the second quarter, once again hindered supply chains, resulting in an unprecedented level of inflation in this century.

In addition to facing rising inflation, the Latin American economies continued with critical political transitions towards non-traditional currents for the region. For Latin America and the Caribbean, the IMF forecasts that 3.9% growth will be recorded in 2022. While less than the 6.9% recorded in 2021, it will be one of the fastest-growing economies in the world, as the increase in commodity prices has favored it.

The Colombian economy grew 7.5% in 2022, which implied a significant slowdown compared to 2021 (11%). Notwithstanding, Colombia was ranked as the country with the best performance among Latin American peers. Concerning demand, household consumption contributed the most to growth, which increased by 9.5%. For its part, investment grew 11.8%, mainly driven by machinery and equipment. The sectors that contributed the most to economic growth were commerce and manufacturing, followed by artistic, entertainment, and recreation activities, public administration, and homeland security. The only industry that contracted in 2022 was agriculture, which fell 1.9% compared to a growth of 3.1% in 2021.

In 2022, the trade and balance-of-payments deficit widened. The balance of payments for the

first nine months of 2022 showed a current account deficit of US\$16,453 million, equivalent to 6.4% of GDP as of September, US\$4,445 million greater than that observed in the same period of 2021.

The financial account, including the increase in international reserves of US\$360 million, reported net capital inflows of US\$15,447 million, representing 6% of GDP as of September, US\$4,573 million greater and 1.2 percentage points higher than that reported a year earlier.

The Colombian labor market benefited from the excellent performance of economic growth. The country's better consumption and production dynamics boosted hiring, even exceeding the employed population in the pre-pandemic period. Thus, the national unemployment rate in December stood at 10.3%, a significant recovery compared to 2021, when it stood at 11.1%. The employed population in 2022 increased by an average of 1.64 million per month to 22.5 million.

Inflation closed at 13.1%, exceeding the 5.6% registered in 2021 and the upper target range of the Central Bank (4%).

Throughout the year, several factors raised inflation, including the depreciation of the exchange rate, the country's resilient consumption and investment, increased food prices due to the rise in the prices of agricultural inputs, and the local climate (i.e., the resurgence of La Niña, more severe and pronounced).

In response to the escalation of inflation, given that economic growth continued to be robust, the Central Bank increased the policy-related interest rate in 2022. In December 2021, the interest rate stood at 3%, and it continued to grow in 2022 until ending at 12% in December, seeking to control inflation in the medium term.

For the second year in a row, the size of the fiscal deficit was reduced. It is estimated that in 2022 it will stand at 5.5% of the GDP, lower than 7.1% in 2021 and 7.8% in 2020. Yet, the level reached is above pre-pandemic levels since it was 2.5% in 2019.

At the end of 2022, an ambitious tax reform was approved to correct part of the fiscal problems and increase social spending to reduce the



country's social gaps. The approved reform seeks to collect \$20 billion, mainly due to the modifications approved in the subsoil use, dividend, wealth, and other taxes.

Finally, the exchange rate (TRM) depreciated to 21 %, closing 2022 at \$4,810, higher than the 16 % depreciation recorded in 2021.

## 2. FINANCIAL SECTOR<sup>1</sup>



In 2022, the Colombian financial sector showed a good performance. The loan portfolio grew significantly, and delinquency indicators were at low-risk levels. Profitability exceeded pre-pandemic levels while liquidity and solvency remained high, noting the system's equity strength and adequate risk management.

Consequently, the financial system's assets grew 13.9 % annually, mainly explained by the increase in the credit portfolio (16.8 % annually). Besides, the consumer and business portfolios registered the highest growth, with 19.8 % and 15.6 %, while housing and microcredit had annual increases of 14.9 % and 14.3 %, respectively. The share of the different segments in the total portfolio remained stable. The business and consumer portfolios were the most representative, with 50.3 % and 32.6 %.

Even when an impairment of the portfolio was anticipated due to the end of the "Acompañamiento a Deudores" and the "Unidos por Colombia" programs by the National Government, the credit risk of the financial sector was low profile. It is reflected in the quality indicators for delinquency and risk profile<sup>2</sup>: 3.8 % and 8.0 %, respectively<sup>3</sup>. By November 2022, the provisioning effort by the financial system was maintained, and the default coverage indicator stood at 155 %.

Moreover, as of the reporting date above, a significant rebound was observed in the profits of credit institutions, which reached \$15.9 trillion. It represents an annual growth of 14.8 %, mainly due to increased portfolio financial income.

Credit institutions maintained a total and basic solvency margin of 17.9 % and 8.8 %, respectively, thus far exceeding the minimum regulatory levels of 9 % and 4.5 %. Credit institutions' Liquidity Risk Index (IRL, for its acronym in Spanish) was 177.3 %, and the Net Stable Funding Ratio (CFEN, for its acronym in Spanish) was 107.2 %. In both cases, the levels were higher than the minimum required by the Financial Superintendence of Colombia.

For 2023, lower credit dynamics are expected due to a possible economic slowdown in an environment of still high-interest rates and high inflation. It is estimated that the quality of the system's portfolio will remain at moderate levels and that comfortable solvency and liquidity indicators will be preserved.

<sup>1</sup> Includes credit institutions only

<sup>2</sup> Portfolio rated B, C, D, and E / Total portfolio

<sup>3</sup> 4.2% for delinquency and 9.5% for risk profile at the end of November 2021



3.

# BANCÓLDEX AS A DEVELOPMENT BANK





### 3.1. Achievements in 2022

In 2022, the objectives and guidelines oriented to the strategic focuses and the priorities for the year were defined in line with the Bank's long-term corporate strategy, which management and the Board of Directors periodically monitored.

#### Bancóldex as a public policy instrument

In 2022, Bancóldex, as a public policy instrument, continued supporting companies in their recovery processes. To this end, the Bank emphasized the placement of credit lines for recovery, which were still open as of January 1, 2022.

The Bank reached disbursements for \$1.1 trillion through these lines with a direct credit line and 30 rediscount lines, benefiting more than 40,000 companies.

The preceding ratifies the Bank's commitment to supporting the business fabric in complex economic situations as a development entity.

#### Productivity of MSMEs

The Bank disbursed resources for \$3.7 trillion to the MSME segment, of which \$1.4 trillion was allocated to more than 132,000 microenterprises and \$2.3 trillion to more than 7,600 SMEs.

The companies financed their liquidity needs with these resources, reaching disbursements of \$2.38 trillion and \$1.38 trillion for investment.

The credit line most in demand by MSMEs was the traditional one for working capital with \$1.03 trillion, showing the recovery of the Bank's standard credit lines portfolio.

Among the most outstanding special lines for the segment were "Mipymes Competitivas" with disbursements of \$376,930 million, "Transporte Responde 2" with \$248,129 million, and "Pyme Activa" with disbursements of \$135,952 million.

### Green growth

In 2022, Bancóldex placed resources for \$176,094 million to finance 1,603 projects with environmental benefits: 637 were served through rediscounts, 21 by direct credit to companies, and 945 under the microfinance scheme. The financing of investments in energy efficiency, renewable energy, sustainable transport, solid and liquid waste management, climate change adaptation measures, and bioeconomy stands out.

Bancóldex made the following special programs available to entrepreneurs in 2022: (a.) the "Sostenible Adelante" line, structured in partnership with the Ministry of Trade, Industry, and Tourism; (b.) the climate change adaptation line (Meba), with the support of UNDP and the United Nations Multi-donor Fund; (c.) bioeconomy line, designed in conjunction with the Ministry of Science, Technology, and Innovation; (d.) domestic refrigeration replacement program, structured with GIZ and resources from Nama Facility, to promote the production of energy-efficient, less polluting refrigerators.

Moreover, the following credit lines with social impact are prominent: (a.) "Mujeres Empresarias" line, structured in partnership with the Mujer Emprende Fund (FME, for its acronym in Spanish), whose disbursements at the end of 2022 were \$87,835 million to meet the working capital and modernization needs of 2,968 businesswomen in 30 provinces; (b.) "Asciende" line, aimed at victims of the internal armed conflict in Colombia with the placement of \$1,080 million; (c.) "Línea para Actividades Productivas de Personas en Condición de Discapacidad," whose objective is to finance companies that have partners or create jobs for people with some disability. In this line, a placement of \$1,000 million was reached.

#### Support for business internationalization

Aligned with the objectives of the strategic focus "Bancóldex Más Global," the portfolio of business internationalization products was limited in 2022 to four financial solutions to meet pre- and post-shipment needs in entrepreneurs' foreign trade operations.

The products related to the financing of pre-shipment requirements were defined as i) special credit lines with compensation in financial conditions aimed at specifically financing these needs; and ii) “Aliado Exportador,” a direct credit product in US dollars aimed at financing working capital needs.

Regarding the financing of post-shipment activities, the Bank defined two more products: i) “Comex” products, that is, financial solutions through payment instruments to make negotiations between exporters and international buyers more flexible, mitigating the risks inherent to the payment flow and offering the possibility of obtaining cash payments; and ii) “Liquidex dólares,” a financial solution to provide liquidity to the exporter by discounting invoices.

At the end of 2022, the internationalization portfolio helped 373 companies with a total disbursed of \$684,390 million. Most of the disbursements (66 %) were made via “Comex” products and special credit lines (25 %), namely: i) “Buenaventura Importadores Adelante,” ii) “Calidad para Exportar,” and iii) “Internacionalización para la Productividad.”

## Business modernization

One of the goals for 2022 was to encourage financing for the modernization of the productive apparatus. This modality aims to meet the investment needs in fixed assets of micro-, small-, and medium-sized enterprises to improve productivity and competitiveness standards.

By 2022, Bancóldex reached disbursements of \$2.03 trillion for business modernization, which represented an increase of 90 % compared to 2021. However, allocations for modernization were affected during the year by the rise in interest rates and economic uncertainty, particularly the volatility of the TRM, which slowed down investment in equipment imports.

Investment operations were concentrated in the long term since companies resumed transformation projects, reaching average terms of more than five years in modernization loans.

The main credit line for modernization was the traditional one, with disbursements for \$816,066 million. Among the special lines, \$376,930 million were disbursed through the “Competitive Mipymes” line in partnership with the Ministry of Trade, Industry, and Tourism.

## Non-financial services

Bancóldex strengthened companies through strategic interventions, providing them with specialized knowledge, financial education, and managerial training in finance, online sales strategies, sustainability, and tax benefits, among other topics.

Virtual activities were increased to expand coverage, allowing companies from various regions to access knowledge, reaching 277 municipalities.

In line with the Digital Transformation, Bancóldex made “**Conecta Digital**” available to entrepreneurs in the year’s second half. Companies can access the Bank’s entire portfolio of non-financial services through this new channel.

At the end of the year, more than 5,000 registered users were on the channel, and **1,903 active users** were accessing some content.

Between August and December, the third edition of the “**Conecta Digital**” program was held, which strengthened more than 1,300 micro- and small-sized enterprises with training activities in financial management, digital marketing, and sustainability. The program assisted more than 180 companies and held a financial and business conference that allowed them to network with financial institutions and other business people.

**finbi – Investment banking for SMEs** was one of the innovative specialized assistance products that the Bank made available to entrepreneurs in 2022, through which financial aid is provided to companies with the support of a network of partners (investment banks and independent consultants).

In the first stage, the SME receives a comprehensive diagnosis and is assisted in the financial structuring required. In the second stage,

the company obtains resources. Ten companies received this support between June and December.

The **Delta program** provides specialized support to SMEs in structuring projects with research, technological development, and innovation components. It allows them to access tax benefits the Ministry of Sciences grants for the investments made. The program supported the structuring of 15 projects that required investments of more than \$22,300 million with a potential tax benefit to receive of \$9,114 million. After the assessment, the Ministry of Sciences approved nine projects to receive this benefit.

To support BICs (Collective Benefit and Interest Business Companies, for its acronym in Spanish) in performing up to three activities in the business model, environmental practices, and labor practices Collective and thus retaining their BIC status, the **Triple Purpose Program** was developed in 2022 and benefited 38 companies.

Through the **Virtual Campus**, and with the help of 18 partners (chambers of commerce and trade unions), micro and small companies' knowledge of basic finance, access to credit, digital marketing, and social networks, among others, was broadened. More than 750 businesspeople were certified in these contents, reaching 144 municipalities in the country.

Within the CONPES 4005, "National Policy for Inclusion and Economic and Financial Education," Bancóldex made the "**Potenciando tu empresa**" program available to entrepreneurs. This financial education initiative provides knowledge of formalization, basic finance, costing, pricing, access to credit, and sources of financing, among others. In 2022, this program had 205 participants.

## Bancóldex's Capital - Fondo de Fondos Program

The private equity fund Bancóldex's Capital - Fondo de Fondos grouped resources for more than \$400,000 million at the end of 2022, where Bancóldex acts as an anchor investor with an amount of \$348,447 million, distributed in three sub-funds:

- **Capital para Emprender sub-fund:** Its objective is to invest in Colombian and regional venture capital funds, which invest in high-impact, scalable ventures across the commerce, industry, tourism, and service sectors.

This sub-fund pooled resources for \$138,092 million. In addition to the Bank, this compartment also involves iNNpulsa Colombia, the Ministry of Sciences, a multilateral entity, a Japanese corporation, and a Colombian insurance company.

In terms of investments, the compartment comprises eight venture capital funds, which have invested in 30 Colombian ventures.

- **Deuda Privada PYMES Colombia sub-fund:** It was created as an alternative financing mechanism for SMEs in their post-COVID-19 recovery stage and to develop and promote a new asset in the local private debt fund industry.

The sub-fund's objective is to invest, through commitments and debt (senior, subordinated, mezzanine, with or without collateral, among others), in Private Debt Funds that invest in SMEs with a track record in the market. It has \$100,000 million in resources, where Bancóldex is the primary investor. Concerning investments, two funds were approved throughout the year, one of which withdrew after continuous efforts to raise capital.

- **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 such investments from the balance sheet to the Fondo de Fondos. The size of this sub-fund is \$185,447 million, impacting 88 Colombian companies.

In parallel to the investments, market/industry development activities were carried out, which had an impact on professional managers, companies, and investors as described below:

**Day for investors:** An event specialized in investment in venture capital funds, focusing on



four aspects: general aspects of the asset, types of undertakings, and role of the Fondo de Fondos in this asset.

**Day for professional managers:** An event where experienced managers of invested funds participated in determining actions for the industry, ratifying Bancóldex's role in it, and getting familiar with the Bank's products.

**Capital funds workshop:** It aimed to raise awareness, through a course, of alternative assets, emphasizing capital funds among a particular group (i.e., insurance companies).

## New products

The Bank designed solutions that make it possible to bridge market gaps and challenge the traditional way of doing things.

- **neocrédito:** This digital platform managed by Bancóldex connects microcredit supply and demand. In it, formal or informal microentrepreneurs can register, upload basic standardized documentation, and request a loan. They then compare and choose the offer that best suits their needs among the offers delivered by the financial partners in the platform (microcredit-oriented entities [EOCM, for its acronym in Spanish], fintech, and surveilled financial entities).

This platform aims to make microentrepreneurs visible in one place, give them a new option to access financing, standardize basic documentation, optimize response times, have a plurality of offerors, promote better financial conditions, and provide information and financial education to the microentrepreneur.

It was launched in March 2022, and at the end of the same year, it had 5,247 registered micro-entrepreneurs, 744 applications processed, and disbursements totaling \$2,205 million. The platform could reach 399 municipalities in the country and provide access to the first production credit to some beneficiary microentrepreneurs. As of the same date, there were 18 participating financial partners (four banks, one microfinance bank, five Fintech, and eight EOCMs).

- **leasing digital:** This platform enables small and medium-sized enterprises (SMEs) to compare technical specifications, choose, simulate, or finance production assets in a digital environment via leasing directly with Bancóldex.

This platform was also launched on the market in March 2022. The SME segment can simulate financing scenarios, request its direct leasing online with Bancóldex, and finance assets up to 100% of their amount, with tenors of up to 10 years and grace periods of up to 12 months.

Moreover, thanks to digital development, it allows for national coverage, bringing suppliers and entrepreneurs from the country closer through multiple production assets available in one place.

At the end of 2022, this platform had 269 registered entrepreneurs, 224 financing applications, and disbursements worth \$12,305 million. Additionally, 11 suppliers were engaged, with 122 assets published on the website.

- **Exchange hedging:** The Bank identified the need to provide hedging in the exchange rate variation of foreign currency transactions by businesspeople.

Some barriers that prevent entrepreneurs from accessing hedging instruments were identified, thus mitigating the exchange risks resulting from their foreign trade operations.

Therefore, in 2022, the Bank designed and developed a digital platform that allows entrepreneurs to have online USD/COP forward trading activities, knowledge generation, transaction query, and compliance at the expiration of the forward in one place. Entrepreneurs are offered a new channel with access to derivative instruments to hedge their exchange risk in an agile and safe manner.

## Outstanding results

In 2022, Bancóldex made progress in its objective of measuring the results of its interventions on the business fabric, as follows:

- Serving women: Between 2018 and 2022, more than 270,000 women nationwide benefited from Bancóldex credit lines.
- Bancóldex Capital Funds: 108 Colombian companies are supported through the capital funds in which Bancóldex invests to:
  - Maintain 19,138 jobs
  - Contribute to gender equality, with 29 % of senior management positions in these companies being held by women
  - Provide jobs to 93 victims of the armed conflict
- Final rate to the entrepreneur: For 2018-2022, the weighted average of the final rates to the beneficiary of Bancóldex special lines was 157 basis points below the market rate for business loans with terms of 3 to 5 years.

## Bancóldex's international positioning

By 2026, the Bank intends to be recognized as a leader in Colombia and Latin America for promoting sustainable, relevant, and effective business development for the country's recovery and growth through the visibility and validation of its impact.

Bancóldex was chosen as co-host of the 4th edition of the Finance in Common Summit in September 2023. This global initiative aims to consolidate partnerships and cooperation between public development banks to accelerate convergence towards shared principles and best practices in sustainable finance.

Besides, it participated in decisive settings for the International Development Agenda, such as the third edition of the Finance in Common Summit in October, bringing together delegates from around 520 public development banks worldwide, and COP27, which met in November.

Given its innovation and digital transformation advances, Bancóldex was invited to share its experience with global partners in the *digitalization and transformation of finance and development banking*.

In endorsing its role as one of the pioneers in blended finance for climate change adaptation, Bancóldex was part of the Blended Finance event for the 2030 Agenda in December. It was established as a platform to mobilize stakeholders and exchange challenges and opportunities to advance sustainability in Colombia.

### International cooperation

The international community sees development banks as partners to finance measures that contribute innovatively to common objectives in sustainability. Thus, global cooperation management focused on supporting energy efficiency and renewable energy programs that promote sustainable development patterns in Colombian companies and contribute to efforts in climate goals, gender equality, and financing of MSMEs.

Support was arranged to assist the Bank's accreditation process in the Green Climate Fund and uphold and scale the Bank's innovative instruments.

## Bancóldex's positioning in the regions

Bancóldex continued to approach entrepreneurs in the regions with a portfolio of credit and business-strengthening products according to each province and their economic dynamics.

With the "Bancóldex en las regiones" strategy, 37 municipalities were reached, 18 of which do not have Bancóldex offices, through events such as breakfasts with financial partners and entrepreneurs, business roundtables, commercial visits, customer service days, product promotion through billboards, loudspeakers, flyers, radio spots, regional and national print media, and retail activations, among others.

In partnership with trade unions, chambers of commerce, associations, mayors' offices, and governor's offices, the Bank participated in 40 additional events that impacted more than 40,000 businesspeople in the country.

The digital strategy was reinforced to reach these companies and regions through tools such as social media, the website, content creation, lead identification in the marketing automation platform, and integration with the CRM. It made it possible to create business opportunities through 1,631 mailing and 89 social media campaigns.

The in-person and digital strategy has made it possible to increase Colombian users and their visits to the website by 12% and international users by 38%.

## Strengthening human talent management

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

1. **“Building the Future” Model:** The model was launched for all officials, and progress was made in implementing the three fronts comprising it.
  - a. Career planning: Development conversations were held with Human Talent, with 387 officials using the model tools.
  - b. Succession planning: Talent was classified according to performance and potential and validated by the relevant talent committees. Succession plans were built for 74 leadership positions.
  - c. Salary structure: A market study that allows for a salary structure based on competitiveness was conducted.
2. **Change management:** The change management model was established to accompany the Bank's initiatives. Fourteen interventions related to change themes were made.
3. **Code of Ethics:** The Institutional Code of Conduct was transformed into a Code of Ethics, integrating all of the Bank's behavior guidelines. The launch and training were conducted for all officials and third parties who provide services within the facilities

(Security, Cleaning, and Cafeteria). Awareness activities were carried out for organizational values and conflict of interest management.

4. **Work environment:** The Bank obtained a “very satisfactory” level with 68 points in the Work Environment Index in 2022, which allowed it to receive, for the third year in a row, the Great Place to Work certification as one of the most attractive employers in the country.

## Strengthening operational, process, and technological management

In 2022, the credit product placement process was transformed, leading to a standardized and automatic model to make it more agile and efficient. This transformation included implementing digital practices and integrating information sources that improve customer experience and reduce response times.

The new functionalities implemented enable greater capacities for business growth, taking care of process quality and maintaining controls, monitoring, and traceability in each stage.

Through technological renewal, the Bank continued to develop its Strategic Plan for Information and Communications Technology (PETIC, for its acronym in Spanish). The perimeter security and content filtering platform provides new security and high availability capabilities and renews the WAN network, increasing regional office speed and improving service levels.

A new SOC (Security Operation Center) was hired, a fundamental aspect of the organization's cybersecurity strategy, providing adequate security to customers, stakeholders, and collaborators.



## Digital transformation at Bancóldex

Digital transformation in development banks is necessary to improve their efficiency, expand their reach, and offer a better experience to customers. The digitization of banking processes allows for greater automation, cost reduction, and better information management, which translates into efficient and quality services.

Bancóldex plays a vital role in supporting the sustainable growth of companies, and digital transformation enables it to do so more efficiently and effectively.

In 2022, Bancóldex incorporated the Digital Transformation Department into its structure. It comprises an interdisciplinary team that supports achieving the entity's strategic objectives through agile methodologies.

For the Bank, digital transformation means using innovative technologies, data, and connectivity to establish empathic relationships that add value and increase revenue and efficiencies through an ever-changing customer-oriented organizational culture. This process poses fundamental challenges to investing in appropriate technology and methodologies to accelerate the expected results.

### 3.2. Fulfilling Commitments in the 2019-2022 Sector Strategic Plan by the Ministry of Trade, Industry, and Tourism

During 2022, Bancóldex participated in the financing strategy belonging to the Sector Strategic Plan (PES, for its acronym in Spanish), led by the Ministry of Trade, Industry, and Tourism, with the following initiatives:

**Central theme/Objective B - Productivity and innovation<sup>4</sup>:** To increase companies' productivity for economic growth and business development.

<sup>4</sup>Under the Sector Strategic Plan by the Ministry of Trade, Industry, and Tourism.

**Strategy/Initiative:** Providing financial solutions and guarantees for companies to invest in improving productivity and modernization.

- **Deliverable:** Disbursements (credits) for \$890,122 million to increase the productivity of microenterprises.

**Progress:** \$1.4 trillion disbursed, translating into 161 % compliance.

Compared to the 2019-2022 four-year period, Bancóldex disbursed loans for \$4.6 trillion, exceeding the goal for the period, which was \$3.6 trillion.

- **Deliverable:** 8,700 small and medium-sized enterprises benefiting from Bancóldex financial products.

**Progress:** 7,558 SMEs benefited from disbursements through all the financial products in the Bancóldex portfolio, for an 87 % advance on the goal.

Regarding the goal for 2019-2022, 31,590 SMEs benefited from 105 % compliance compared to the goal for the period, which was 30,000 SMEs.

- **Deliverable:** Disbursements for \$3.2 trillion mobilized through business credit.

**Progress:** Bancóldex disbursed resources for \$6.9 trillion, for a 216 % goal fulfillment.

About the goal for 2019-2022, which was \$22.9 trillion disbursed, \$24 trillion was spent, representing 105 % fulfillment.

- **Deliverable:** 50,000 microenterprises using Bancóldex financial products.

**Progress:** 132,155 microenterprises benefited, representing 264 % progress on the goal.

**Central Theme/Objective D - Entrepreneurship and formalization:** To facilitate formalization, entrepreneurship, and its scalability.

**Strategy/initiative:** Facilitating the scaling of ventures with high potential.

- **Deliverable:** Investment commitments in venture capital funds for \$228,000 million.

**Progress:** By the end of 2022, Bancóldex had committed capital funds for \$386,770 million, which allowed 170 % fulfillment of the established goal.

### 3.3. Achievement of Sinergia<sup>5</sup> Goals 2018

**Small and medium-sized enterprises benefiting from Bancóldex financial products:** To help 8,700 SMEs with disbursements through all Bancóldex financial products.

During 2022, Bancóldex benefited 7,558 SMEs, achieving 87 % progress in the goal for the period.

During the 2019-2022 four-year period, 31,590 SMEs benefited, translating into 105 % fulfillment of the goal of 30,000 SMEs.

**Investment commitments in venture capital funds:** By 2022, there was a goal of \$228,000 million in investment commitments. At the end of the year, Bancóldex committed resources for \$386,770 million in capital funds, which allowed 170 % fulfillment of the set goal.

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



The investment program “Banca de las Oportunidades” was incorporated through Decree 2555/2010, as amended by Decree 1517 dated November 25, 2021. It aims to promote access to credit and other financial services for lower-income families, MSMEs, and entrepreneurs and the coordination, performance, and monitoring of inclusion and financial education policies for the educational community and the general public. Bancóldex manages this Program.

In 2022, Banca de las Oportunidades worked on several important fronts: financial inclusion programs, territorial management, financial education, studies, and follow-up and monitoring of financial inclusion.

Projects were completed, such as the revitalization of inclusive insurance, personal securities to facilitate access to credit for SMES, mobile and digital correspondent, technical assistance to promote financing for small businesses, *DigiLab Finance* program to accelerate digital transformation, digital financial education for SMES, financial education aimed at territorial liaisons of Social Prosperity, and expansion of rural financial coverage through financial cooperatives. The “Escala tu Fintech” program was implemented to promote access to financial and transactional services for MSMEs or low-income populations.

<sup>5</sup>National Management and Outcome Assessment System: It allows the government and all citizens to monitor social and economic policies within the National Development Plan.

## 5. RISK RATINGS



In October 2022, Fitch Ratings confirmed the local ratings at F1+(col) and AAA (col) granted to Bancóldex for the short and long term. The long-term rating outlook is Stable.

In November 2022, BRC Ratings - S&P Global confirmed the national ratings of AAA for the long term and BRC1+ for the short term. It also affirmed the AAA long-term debt ratings of Bancóldex's 2014 Ordinary Bond Issuance and Placement Program with a general guarantee for up to \$3 trillion, and Bancóldex's 2020 Ordinary Bond Issuance and Placement Program up to \$3 trillion.

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







# 6.

## FINANCIAL MANAGEMENT



The year 2022 brought a complex economic and political context in which economic scenarios created market uncertainty during a post-pandemic inflationary process.

Bancóldex's objective was to increase the proportion of the direct portfolio within the Bank's assets in return for stability in the balance of the intermediary portfolio. Notwithstanding, market conditions provided an opportunity to increase the placement of rediscounts, surpassing the direct portfolio.

Accordingly, by the end of the year, the proportion of the intermediary portfolio to the direct portfolio was 84 % and 16 %, respectively, compared to the direct credit portfolio of 21 % and the intermediary portfolio of 79 % at the end of 2021.

The portfolio balance during the year was built through disbursements of \$6.9 trillion, of which \$5.5 trillion was made in Colombian pesos and \$1.4 trillion in US dollars. Of note is that, of the operation in Colombian pesos, 10 % was disbursed under the direct credit method. This increase was leveraged by funding structures with both local and international financial institutions. Due to increased market rates, such structures had more favorable cost conditions than those in the local bond and TD markets.

To have a liability that could leverage the credit operation in optimal conditions by the end of 2022, and in looking for the best mix for the coming years, a funding structure guaranteed by MIGA was finalized at the end of December for an amount of \$1.4 trillion for a three-year term. This funding structure was achieved under favorable rate conditions in the context of high inflation and increases in monetary policy-related rates.

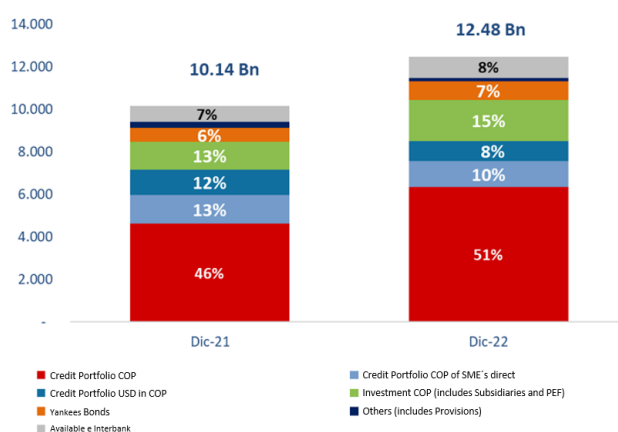
Additionally, a very promising dynamic is noted in the behavior of the Bank's portfolio. It grew between the end of 2021 and 2022 by 19 %, equivalent to a growth of \$1.4 trillion.

As a result, **the net profit for 2022 was \$71,130 million, corresponding to 114 % budget performance.** The ROAE profitability indicator was 5.13 %, with results higher than those in 2021, showing management aimed at obtaining results similar to those between 2019 and 2020.

The total portfolio contributed \$186,244 million to the financial margin. It reached a margin of \$110,728 million for the Colombian peso financial intermediary portfolio, \$18,931 million for the US dollar portfolio, and \$56,585 million for the SME direct credit portfolio.

Concerning the investment portfolio, it contributed \$75,989 million to the financial margin, an outstanding performance compared to the results of 2021, which were due to a defensive strategy in structuring the portfolios.

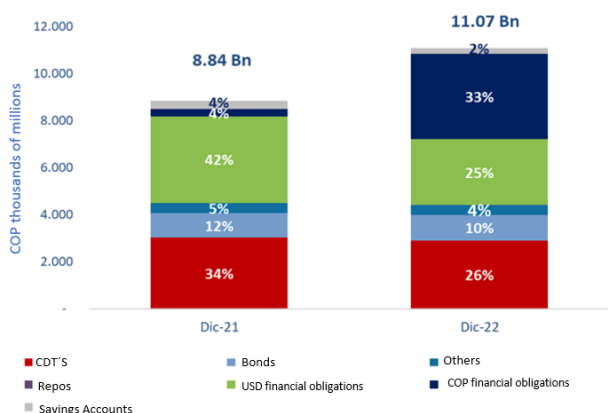
## Assets



**Compared to December 2021, the Bank's assets registered an increase of \$2.3 trillion.** In this variation, the growth in the net loan portfolio stood out, for a total of \$1.4 trillion (COP 1.6 trillion in Colombian pesos, COP -0.3 trillion in US dollars), while other items such as cash and interbank increased by \$285,585 million. Investments, for their part, raised \$828,421 million.

## Liabilities

**Compared to December 2021, the Bank's liabilities recorded an increase of \$2.2 million for 2022.**



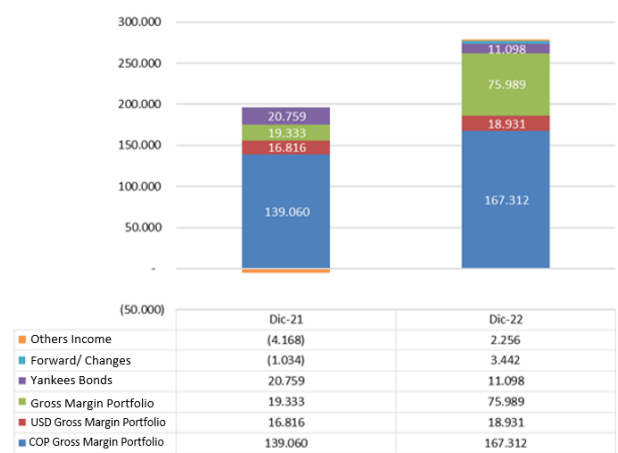
Transactions such as the increase in funding via financial obligations in Colombian pesos stand out, going from \$0.3 trillion in 2021 to \$3.6 trillion by the end of 2022. Of note in this increase is the debt operation secured by MIGA for close to \$1.4 trillion.

### Equity

**Equity reported an increase of \$34,725 million in the same period in 2021.**

- Higher profit this year (\$15,812 million), resulting from the best operation in 2022.
- Recovery of the OCI account due to the impact of investments for \$140,429 million.

### Accumulated financial margin



**Compared to 2021, the Gross Financial Margin increased by \$88,261 million (46 %) due to factors such as the investment portfolio recovery (\$56,656 million) in 2022 compared to the results in 2021. Also, the Colombian peso portfolio increased its margin of \$28,252 million.**

Lastly, the forwards and changes item result was positive at \$3,442 million compared to the loss recorded in 2021.

### Profit

The accumulated profit of 2022 (\$71,130 million) registered a higher result of \$15,812 million compared to that reported in the same period of 2021. In addition to the higher gross margin recorded, there were other effects on the annual variation, such as i) adequate management of operating expenses, which closed at \$111,641 million; ii) reversal of provisions associated with property received in payment in the amount of \$2,382 million; iii) non-operating results for \$22,312 million on account of extraordinary income due to a ruling in favor of Bancóldex in a proceeding against the Comptroller General of the Republic.

## 7. RISK MANAGEMENT

### 7.1. Risk Appetite Framework Statement

Following the guidelines of the Board of Directors, in 2022, the Risk Appetite Framework was periodically updated, considering the provisions of the corporate strategy and other aspects related to the behavior of the economy and the potential lagged effects of the pandemic. Thus, the limits for each type of risk were reviewed. The 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.

Within this framework, the strategy was implemented, and risks were managed throughout the year so that compliance with the limits was permanently monitored and actions were taken under the policy's provisions.

## 7.2. Comprehensive Risk Management System (SIAR)

In 2022, the Bank ran the Comprehensive Risk Management System Implementation Plan (SIAR, for its acronym in Spanish; a new chapter of the CBCF [basic accounting and finance circular] - XXXI).

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

- Risk Appetite Framework with risk appetite, tolerance, and capacity indicators and clear responsibilities and action plans in case the thresholds are exceeded.
- SIAR stages ensure tools and methodologies to identify, measure, monitor, and control exposure to various types of risks.
- SIAR policies for risk management and control and information and reporting standards.
- Risk Governance, clarifying the functions and responsibilities of the decision-making bodies (Committees), Legal Representatives, Vice Presidency for Risk and Credit, Audit, and Board of Directors.

## 7.3. Credit Risk Management System (SARC)

Even though the economy experienced positive growth dynamics, 2022 was characterized by a persistent increase in interest rates, rising inflation, and high volatility periods. Moreover, companies continued to be affected by the lagged impact of

the pandemic and other events, such as natural phenomena in some regions.

Additionally, there were impacts caused by the finalization of the reliefs and aids derived from the policies of the National Government to contain the effects of COVID-19.

Against this backdrop, the SME loan portfolio registered higher levels of risk by profile and delinquency. The Bank implemented necessary actions to reverse the impairment of receivables and intensify collection. As a result, a reduction in receivables turnover and the normalization of overdue obligations were achieved.

Direct credit origination methodologies were reviewed and adjusted, and the new statistical model for SME granting was implemented, among other actions.

Forecast and scenario models were enhanced, and policies and methodologies were updated concerning the risk management of local and foreign financial intermediaries and microenterprise credit-oriented entities.

Finally, methodological and policy adjustments were made to manage credit exposure in derivative transactions, given the effects of greater exchange rate volatility on the parameters for calculating it.

## 7.4. Market Risk Management System (SARM)

During 2022, the market risk limits were updated based on the behavior of volatilities, the structure of the Bank's investment portfolios, and the changes derived from the accounting reclassification of some positions in Colombian sovereign debt securities. Moreover, the stress scenarios were reviewed and updated with data from the pandemic period and the most recent price and rate volatilities.



## 7.5. Liquidity Risk Management System (SARL)

In 2022, the structure of the Bank's liquidity portfolio was modified, and consequently, the limits for managing associated risks were adjusted. Similarly, the stress scenarios were reviewed and revised, considering vital information from the COVID-19 pandemic period, and the prospective analysis by liquidity risk scenario was consolidated.

During the year, continuous and exhaustive monitoring of liquidity indicators was maintained to support the management of maturities and the attainment of new funding, as was the case of the credit with MIGA guarantee for USD 300 million, denominated in Colombian pesos.

## 7.6. Operational Risk Management System (SARO)

In 2022, all the Bank's operational risks and controls were reviewed through self-assessments of risks and controls. All reported operational risk events were managed to bolster the organization's processes and controls.

The entire organization was trained in operational risk management, addressing, among others, business continuity and fraud and corruption prevention.

Progress was made in authorizing the historical basis of events by the Financial Superintendence of Colombia to use an internal loss indicator associated with Bancóldex's losses due to operational risk.

Lastly, it should be noted that the Bank's operational risk profile continues to be low-moderate, being within the residual risk area approved by the Board of Directors.

## 7.7. Strategic Risk Management System (SARE)

As a result of joint work between different areas and the process leaders who implement the

corporate strategy, all the Bank's strategic risks, controls, treatments, and action plans were reviewed and updated. Thus, the strategic risk profile within the residual risk area approved by the Board of Directors was updated. No strategic risks were identified in the "critical" residual zone during the evaluated period.

## 7.8. Information Security and Business Continuity (SGSI)

As part of the continuous improvement and considering good practices (ISO/IEC 27002 standard), the Information Security Management System was reviewed and updated in the chapters on human resource safety, security, and organizational security.

Within the annual awareness and training plan on information security, cybersecurity, and personal data protection, conferences were held with different contents and audiences. Some were supported by external experts, such as the Cyber Incident Response Team (CSIRT, for its acronym in Spanish), the Government, and the Forensic Team of the Superintendence of Industry and Trade (SIC, for its acronym in Spanish).

Regarding personal data protection, the flowcharts of employee, supplier, and customer databases were reviewed and updated. The new participants, technologies, and data processed from these databases were identified throughout the data life cycle. Developments, PQR (requests, complaints, and claims), and incidents were reported before the National Registry of Databases (RNBD, for its acronym in Spanish).

## 7.9. Environmental and Social Risk Management System (SARAS)

In 2022, the Bank continued with the project to strengthen the Environmental and Social Risk Management System (SARAS, for its acronym in Spanish). During the year, the capacity-building phase was carried out at each level of the organization, according to their involvement in the system. The pilot test phase was concluded to validate the methods and tools designed for the

large company, SME, and rediscount direct credit segments. International expert consultants with the help of technical cooperation supported this process.

Finally, due to the joint work on environmental and social risks and sustainable development, a work plan was designed to address climate change risks and opportunities per the requirements of Circular 031/2021 issued by the Financial Superintendence of Colombia.

## 7.10. Money Laundering and Terrorist Financing Risk Management System (SARLAFT)

In 2022, Bancóldex continued reinforcing its money laundering and terrorist financing risk prevention system (SARLAFT, for its acronym in Spanish). It also updated and maintained the support tools, incorporating the adjustments required by the Financial Superintendence of Colombia in External Circulars 027/2020 and 011/2022, especially policies and procedures on due diligence of customer data based on risks, end beneficiary data, and identification of Politically Exposed Persons (PEP). Adjustments were made to various methodologies to strengthen the management, prevention, and control of such risks in the Bank's businesses and operations.

Customers and transactions were monitored, alerts and unusual events were managed, and suspicious transaction reports and other regulatory reports on SARLAFT were made promptly, meeting specific requirements of competent authorities.

The new electronic format for registering and updating customers with electronic signatures for individuals and legal entities was implemented as part of the Bank's digital transformation strategy.

The SARLAFT Manual was updated, including the adjustments required by current regulations. SARLAFT training was provided to Bank officials on updates to the system, the Manual, due diligence

of customer and counterparty data, alert management, cases, and irregularities.

Similarly, the assessment of risk factors, the ML/TF risk profile by risk factor, associated risks, and the Bank's consolidated inherent and residual risk were updated and monitored, keeping the latter within the level approved by the Board of Directors.

### System for compliance with FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard)

As provided in the FATCA, for 2022, the Bank retained its status as a participating Foreign Financial Institution (FFI) before the United States Internal Revenue Service (IRS) and transmitted the CRS report according to the regulations on TD products. Bancóldex updated the FATCA due diligence on intermediaries and financial institutions to which the Bank is related or with which it makes transactions and met the requirements of other local and international financial entities on FATCA and CRS by the OECD (Organization for Cooperation and Economic Development).

## 8. INTERNAL CONTROL SYSTEM

Bancóldex's Internal Control System (ICS) is aligned with applicable international standards and current internal control practices (MECI [Standard Internal Control Model] in the MIPG<sup>6</sup>, CIC [Internal Accounting Control], Internal Control Standard COSO® 2013), including a control policy that considers the control lines scheme. These frameworks are compatible with the requirements for the "Internal Control System" of financial institutions surveilled by the Financial Superintendence of Colombia in the Basic Legal Circular<sup>7</sup>. Such models are oriented to an ongoing improvement of the organization's governance, risk, and control, seeking to optimize or mature the appropriate control practices in the applicable

<sup>6</sup> MIPG: Acronym in Spanish for integrated planning and management model, Decree 1499/2017.

<sup>7</sup>Part I, Title I, Chapter IV.

processes, elements, and components of management systems.

In 2022, as part of managing the independent assessment process, the Bank's Internal Comptroller's Office performed the Annual Audit Plan under risk-based priorities approved by the Audit Committee of the Board of Directors. It also made governance, control, and risk assessments by management system, process, and activity, as well as selective verifications of regulatory compliance regarding the entity's strategic and operational activities.

The Audit Committee of the Board of Directors was kept informed about the results, recommendations, and improvement opportunities derived from the internal audit management and learned about their impact. It was an actively interested party in monitoring the actions of the relevant improvement plans, verifying the adoption of such recommendations.

Concerning the assessments from external control entities, the Bank received a financial audit visit on the 2021 term by the Comptroller General of the Republic during the first half of 2022. It resulted in a favorable opinion on the Bank's financial statements and budgetary management and the verification of the previous improvement plan, with the consequent expiration of the 2021 account. This audit made an administrative observation that resulted in two improvement actions, which were fully addressed and closed during the 2022 term. As of the reporting date, the General Comptroller of the Republic was initiating a Financial Audit for 2022.

The Bank managed and fulfilled commitments derived from the improvement plans signed with other control entities, such as the Stock Market Self-Regulator (AMV, for its acronym in Spanish), the Financial Superintendence of Colombia, and the General Archive of the Nation, which have been established and monitored by the relevant authorities.

At the end of 2022, 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 internal control system or the entity's strategic objectives.

## 9. BANCÓLDEX'S LEGAL STATUS



At the end of 2022, Bancóldex maintained its legal status as a national mixed economy company attached to the Ministry of Finance and Public Credit. It is organized as a bank credit establishment, not assimilated to the rule of state industrial and trading companies, independent of the state's share in its capital. However, its nature as a public entity maintains a legal status of private law regarding its acts and contracts under the applicable legal and regulatory provisions, which allows its competitiveness in financial support activities for entrepreneurs.

Regarding the regulations issued in 2022, which are related to the activity of Bancóldex, the following should be highlighted:

- i. Law 2184/2022 promotes sustainability, appreciation, and transmission of knowledge of Colombia's artistic trades, creative and cultural industries, crafts, and cultural heritage. It also fosters access to resources to finance projects and strengthen the marketing of goods and services through specific lines of INNpulsa, Emprender Fund, National Guarantee Fund, and Bancóldex.
- ii. Law 2250/2022 outlines the unique legal framework for mining legalization, formalization, financing, and marketing and some special environmental regulations. Bancóldex, among other entities, will be part of a mining promotion fund created under the same law.
- iii. Decree 1459/2022 modifies definitions related to leasing, low amount credit, and the network use agreement.
- iv. Decree 1533/2022 amends Decree 2555/2010 regarding the rules for identifying

and managing significant exposures and risk concentration of credit institutions.

- v. External Circular 5/2022 issued by the Financial Superintendence of Colombia provides instructions for adopting the green taxonomy in Colombia.
- vi. External Circular 8/2022 issued by the Financial Superintendence of Colombia provides instructions for issuing bonds related to sustainable performance.
- vii. External Circular 20/2022 issued by the Financial Superintendence of Colombia defines the content of the prospectus to authorize issuances of specific allocation bonds, taking as a reference the international standards of the International Capital Market Association for issuances of green, social, and sustainable bonds.

Furthermore, as of the reporting date, Bancóldex, together with Fiducoldex, the Central Bank, and the Ministry of Foreign Affairs, among other entities, is involved in three ordinary labor proceedings by attachés, deputies, and directors of commercial offices of Colombia abroad, who provided their services between 1967 and 1992. Their claims are based on the recognition of pension contributions by the entities above.

Finally, and without prejudice to the requirements of the Management System for Money Laundering and Terrorist Financing Prevention, it is stated that Bancóldex's managers did not hinder the free circulation of invoices issued by suppliers. This statement is made under Paragraph 2, Section 87 of Law 1676/2013, "Whereby access to credit is promoted, and regulations 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



Complete information on the Bank regarding corporate governance can be found in the annual corporate governance report available on the entity's website under "Information of Interest to Shareholders and Investors."

The following activities were carried out in this regard during 2022:

i) Consolidating corporate governance:

The Bank's 2022-2026 strategic plan, drawn up by the Board of Directors and Management in 2021, included the consolidation of corporate governance as a lever for growth, mainly to implement Decree 1510/2021 and address the recommendations received in the external consultancy of the corporate governance system in 2020.

For this, a proposal was made with the Corporate Governance Committee and the Board of Directors. It was shared and discussed with the Grupo Bicentenario and other key interlocutors, which would achieve the proposed aim through an amendment to the bylaws.

Consequently, the General Meeting of Shareholders held in March 2022 approved this proposal, which contemplated, among others, the following:

- Minimum profile of Board of Directors members: Suitability requirements are established for members, individually and as a collegiate body, including diverse knowledge, experience, and gender.
- Definition of independence: A reinforced definition of independence is adopted in addition to the definition of Law 964/05 and the lines to be filled by members with this capacity.
- Staggering rules to preserve knowledge and balance the renewal of the Board of Directors.
- Term of Board of Directors members: The term of office is set.

- Decisions of a qualified majority in the Board of Directors: For particular decisions, such as strategic plan, material related-party transactions, material change on the orientation of financial support to the business sector, appointment and removal of the President of the Bank.
- Formalization of the profile of the President of the Bank with the highest standards of suitability and experience.
- Term of the statutory auditor: It is made consistent with the term of Board of Directors members elected by the General Meeting of Shareholders and the policy of Grupo Bicentenario.

- ii) Following up on compliance with Bancóldex's corporate governance system.
- iii) Following up on the 2022-2026 corporate strategy performance.
- iv) Monitoring corporate indicators and the performance of Senior management and reviewing the results of the Great Place to Work organizational climate survey.
- v) Analysis and recommendations about the Bank's sustainability strategy, efficient resource management strategy, digital transformation, and communications. These functions will be permanent for the Committee, starting in 2023.
- vi) Annual refresher session for the Board of Directors members of Bancóldex and its affiliate Fiducoldex, organized by the Colombian Institute of Corporate Governance and the Center for Advanced Management Studies. The issues subject to update were digital transformation/cultural transformation with Olga San Jacinto, board of directors member of Evo Bank (100% digital bank), Nazca Capital, Astará, ExGoogle GEO Commerce, Google Maps & Business Director Americas. Soft skills from the role of a board of directors member with Humberto Sandoval, Human Talent Consultant.



# 11.

## SOCIAL AND ENVIRONMENTAL SUSTAINABILITY





Bancóldex has a social and environmental risk management system (SARAS) approved by the Board of Directors. It aims to identify and assess credit operations' environmental and social risks and establish mitigation measures to minimize possible losses derived from their occurrence. Information on this risk management system is found in Section 7.9 hereto.

The Bank supports the growth of the Colombian business sector, ensuring the protection of the environment and the well-being of society in present and future activities. It strives for the rational use of natural resources in its operation to produce the most negligible environmental impact. Bancóldex designs financial and non-financial products for climate change mitigation and adaptation with social benefits.

The system integrates the initiative of the trade, industry, and tourism sector on implementing the National Action Plan for Human Rights and Business, in coordination with the Presidential Council for Human Rights, to contribute to respect for human rights in business activities.

In 2022, Bancóldex prepared its 2021 sustainability report based on the GRI (Global Reporting Initiative) standards. The historical reports have been available on the website since 2012. Likewise, during the first regional recognition ceremony of the GRI's Competitive Business Program, Bancóldex, in partnership with the Ministry of Finance and Public Credit, was honored for being part of the entities with state capital that make their sustainability reporting under this international initiative.

Bancóldex is part of the group of banks involved in preparing the sustainability report for banks in Colombia, which will be published by the Colombian Banking and Financial Institutions Association (Asobancaria) at the next banking convention.

In 2022, the Bank set the goal of achieving carbon neutrality in its internal operations by 2024. For this, it intends to reduce greenhouse gas emissions during 2022 and 2023 through four lines of action: reduction of emissions caused by the consumption of energy, fuel, paper, and water; the circular economy of organic and inorganic waste;

implementation of sustainable purchases, and cultural transformation. Due to this initiative, the Bank was recognized by 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.

## 12. RELATED-PARTY TRANSACTIONS



As of the date of this report, the Bank keeps its operations duly instrumented and complies with the regulations that govern them. The procedures performed by the entity with its partners and managers conform to the institution's general policies. These operations are duly specified in Note 31 (Related Parties) to the financial statements.

The Bank did not enter into transactions or operations with partners or managers whose characteristics differ from those with third parties, nor did it provide free or compensated services, nor loans without interest or any consideration, except those of a labor nature, as 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% interest. In 2022, Bancóldex received dividends from Fiducoldex for 2021 in the amount of \$75,856,000.



Bancóldex has a shared services framework agreement with Fiducoldex. It is intended to take advantage of the synergies between the Bank and its affiliate, provided that this does not imply, in any case, the delegation of its professionalism. During 2022, the Bank carried out its management operations directly with Fiducoldex, such as taking out the global bank policy.

Lastly, it should be noted that independence in business management and decision-making is a premise of their relationship, which is limited by the benefit the customer may obtain from each entity's products and services.

## 14. OTHER CAPITAL INVESTMENTS



At the end of December 2022, Bancóldex invested in the Latin American Export Bank (Bladex; 1.34 %) and the National Guarantee Fund (FNG, for its acronym in Spanish; 4.19 %).

## 15. INTELLECTUAL PROPERTY AND COPYRIGHT



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

It also has internal control procedures that seek to ensure satisfactory compliance with such standards.

## 16. PERFORMANCE OF DISCLOSURE AND CONTROL SYSTEMS



To comply with the provisions of Sections 46 and 47 of Law 964/2005, Banco de Comercio Exterior de Colombia S.A. Bancóldex certifies that the financial statements and other relevant reports for the public do not contain flaws, inaccuracies, or misstatements that prevent knowing the actual economic position or the transactions made. Additionally, the disclosure and control systems used by the entity to incorporate the information contained in such financial statements and relevant reports to the public are adequate, based on reliable information, and subject to audits by the Bank's internal comptroller and the statutory audit under the supervision of the Audit Committee.



17.

PROSPECTS  
FOR 2023



By 2023, the Bank will continue implementing its corporate strategy to have a more significant impact, strengthen direct placement with MSMEs, and consolidate service in the regions. It will continue to act as a public policy instrument to promote the National Government's inclusion policies, supporting micro-entrepreneurs in the popular economy with innovative mechanisms such as neo-credit and credit lines under particular conditions.

The Bank will continue to partner with businesspeople in their modernization processes and strengthen and deepen service in the regions, emphasizing those with less use of credit. It will be complemented by an offer of non-financial services so that companies can access knowledge contributing to their growth.

In 2023, the Bank's disbursement goal is \$6.5 trillion, of which 16 % will be aimed at directly serving SMEs (\$1 trillion) with products such as leasing and credit.

The Bank has set out to achieve these objectives through the following lines of action:

- 1. Productivity of MSMEs:** In 2023, Bancóldex will continue to support microentrepreneurs with credit products through rediscount credit and the neo-credit platform. The direct portfolio aimed at SMEs will be reinforced by placing products such as leasing and direct credit.

As a complement to credit, the offer of non-financial services will be broadened to meet the needs of MSMEs and have a more significant impact.

- 2. Sustainable development:** Bancóldex is committed to sustainable development. In 2023, it will seek to support 160 SMEs in financing their green investment projects and help more than 30,000 women micro-entrepreneurs with less than \$5 million in loans.

Within the Bank's sustainable development strategy, institutional strengthening will continue to be promoted based on a climate change strategy incorporating TCFD<sup>8</sup> standards. It will also implement the green taxonomy of the Financial Superintendence of Colombia that will support the classification mechanism of green operations.

Additionally, with the support of the Inter-American Development Bank (IDB), work will be done to identify possible products for Bancóldex to bridge the gaps in financing women entrepreneurs.

- 3. Support for company internationalization:** By 2023, the Bank will continue to support the internationalization of companies. The goal has been set to support 100 exporting companies with financial and non-financial portfolios for internationalization.

- 4. Bancóldex as a public policy instrument:** Aligned with the reindustrialization policy led by the Ministry of Trade, Industry, and Tourism, the Bank aims to launch lines of credit for technological transformation of SMEs by 2023.

- 5. Regionalization:** Bancóldex will continue implementing its regionalization strategy, for which service will be increased in municipalities where companies have less credit access. The goal is to impact 35,000 companies.

By 2023, the Bank's goal is to structure four transformational projects that impact the provinces of the Pacific and Atlantic coasts.

- 6. Non-financial services:** In 2023, Bancóldex will enhance its offer of non-financial products and services. In

<sup>8</sup> TCFD: Task Force on Climate-Related Financial Disclosures

technical assistance, the goal is to provide more than 340 companies with technical support that drives their growth.

To accomplish the proposed goals in 2023, the Bank will reinforce credit processes to make them more efficient and agile. Work will be done on the Bank's human talent digital transformation to overcome the challenges it brings.

## Financial perspectives

The year 2023 considers a scenario with high levels of uncertainty, given the changes that the country is experiencing.

Under this scenario and to ensure financial sustainability and growth, the following strategic actions seek to guarantee profit generation and impact:

1. The increase in the Bank's financial margin will be based on an ambitious strategy to maintain its portfolio balance in a liquidity environment with high costs. Disbursements of \$6.5 trillion are expected to achieve a portfolio growth of 3%.
2. Liability structure in Colombian pesos: To adjust the funding structure in Colombian pesos following the expectation of placements for 2023 concerning terms and rates, deposit activity will be concentrated in the terms of the short part of the curve (up to 18 months), where there is greater efficiency in funding costs. However, care will be taken to keep regulatory liquidity levels above the minimum required.
3. Per the funding strategy, the Bank expects to continue obtaining funding through borrowing structures in the international market that will allow lower financial costs than those in the local market.

4. Bancóldex will continue to meet its foreign currency funding needs in through the negotiated limits that Bancóldex has with correspondent banking and multilateral organizations.
5. Efficient spending: Bancóldex continues with its commitment and task of austerity in expenditures. Therefore, operating expenses<sup>9</sup> are budgeted with an increase of 15% compared to 2021, including the resources requested for the entity's strategic projects and technological developments to conduct the business in 2023. Of note is that this 15% growth is mainly impacted by 13% inflation, which would lead to an actual spending growth of 2%.

## 18. SUBSEQUENT EVENTS



Management is unaware of any significant event between the closing date of 2022 and the presentation date of this report that could affect its scope or interpretation.

**Javier Díaz Fajardo**  
President

<sup>9</sup>Tax exclusive.