Banco de Comercio Exterior de Colombia S.A. – Bancóldex

Financial Statements for the years ended on December 31, 2019 and 2018, and Statutory Auditor's Report

INDEPENDENT AUDITORS' REPORT

To the Assembly
Name of the Company

Auditor's opinion

Name of Auditor

Day, month and year

(Expressed in Colombian pesos, unless otherwise indicated)

1. REPORTING ENTITY

Banco de Comercio Exterior de Colombia S.A.– BANCÓLDEX (Colombia´s Foreign Trade Bank) is a national partially state-owned company, incorporated as a bank credit institution. It is attached to the Ministry of Commerce, Industry and Tourism, established and organized pursuant to Colombian law as of January1, 1992, in accordance with Law 7 and Decree 2505 of 1991. Its initial term is 99 years as of December 30,1992, and, pursuant to Resolution Number 0652 of April 15, 1996 issued by the Financial Superintendence of Colombia, the term was extended to December30, 2091.

Articles 58 and 94 of Law 795 of January 14, 2003 ratify the legal nature of the Bank, exempt it from the compulsory investment scheme and authorize it to rediscount leasing transactions.

Bancóldex' corporate purpose is to finance, mainly but not exclusively, activities linked to exports and domestic industry by acting as a discount or acceptance house rather than as a direct intermediary.

It may also carry out credit operations, including financing Colombian export buyers, discounting credits granted by other financial institutions, granting and receiving endorsements and collateral in legal or foreign currency and performing other activities authorized by the Organic Statute of the Financial System and current regulatory standards.

Bancóldex is domiciled in Bogotá, D.C. It does not have any branches or agencies and it operates with the following number of staff members:

	2019	**2018**
Bancóldex	276	276
Bank of Opportunities Investment Program	19	19
Total	**295**	**295**

The statutory reforms have been as follows:

Deed Number	Date	Reform
1372	November 23, 1993	Whereby a transitory paragraph was added to Article 66 of Corporate Bylaws.
1578	December 29, 1993	Whereby the capital is reduced and shareholding is adjusted.
520	May 19, 1995	Whereby Article 45 of Corporate Bylaws is modified.
2229	May 7, 1996	Whereby several Articles of Corporate Bylaws related to Law 222, 1996 were modified.
3254	June 24, 1998	Whereby several Articles of the statutes related to the Commercial Code reform were modified, the Bank's authorized capital was expanded and an extraordinary accounting cutt-off is carried out at June 30, 1998.
1254	April 30, 1999	Whereby several articles of the statutes were updated according to the current law.
3798	September 3, 2001	Whereby several articles of the statutes were updated according to the current law.
2904	July 9, 2002	Whereby Article 50 of the estatutes was modified based on the advice provided by the FInancial Superintendence of Colombia regarding the Good Government Code.
4568	October 6, 2004	Whereby Article 6, related to the Bank' business purpose was modified, restating its nature as a second- tier Bank.
2339	June 26, 2008	Whereby Articles 6, 19, 21, 22 and 76 regarding the Bank's corporate bylaws, were modified.
1366	April 22, 2009	Whereby a statutory reserve is established.
1264	May 23, 2012	Whereby authorized capital was increased due to equity revaluation account capitalization.
789	April 18, 2013	Whereby estatutory reserve is decreased.
931	April 25, 2014	Whereby Articles 46 and 49 of Corporate Bylaws were updated to maintain coherence with Articles 206 and 437 of the Commercial Code.
850	April 20, 2015	Whereby changes in Country Code Survey were implemented, which was modified through External Circular Letter Number 028 of 2014 issued by the Financial Superintendence of Colombia.

Bancóldex owns 89.32% of *Fiduciaria Colombiana de Comercio Exterior S.A.* – Fiducóldex (Colombian Foreign Trade Trust), a national indirect partially state-owned company. Fiducóldex is subject to inspection and surveillance by the Financial Superintendence of Colombia and was incorporated through Public Deed number 1497 of October 31, 1992, issued at Notary Office 4 of Cartagena (Bolívar) (operating license included in Resolution Number 4535 of November 3, 1992, issued by the Financial Superintendence of Colombia). Its headquarters are located in Bogotá, D.C. and its corporate purpose is to enter into a business trust agreement with the Nation (represented by BANCÓLDEX) in order to promote Colombian exports and fulfill other purposes established in Decree 663 of 1993 such as conducting all sorts of business trust agreements, as well as performing all operations, businesses, actions, orders and services related to normal trust activities.

Similarly, as of May 28, 2003, Bancóldex determined a control situation over ARCO Grupo Bancóldex S.A. (formerly Leasing Bancóldex S.A.), an indirect partially state-owned company. Bancóldex owns 87.45% of said company, which is not attached to or affiliated with any Ministry and has similar status as a Colombian national industrial and commercial company. ARCO Grupo Bancóldex S.A., located in the city of Bogotá D.C., was set up as a financing company, subject to inspection and surveillance by the Financial Superintendence of Colombia, incorporated through Public Deed number 1557 of 1994 issued at Notary Office 4 of Bogotá (operating license included in Resolution Number 718 of 1994issued by the Financial Superintendence of Colombia). The two aforementioned investments are detailed in note 8.

2. PRESENTATION STANDARDS

2.1. Accounting standards applied – The accompanying separate financial statements of the Bank, in accordance with the current provisions established by Law 1314 of 2009, which was regulated, compilated and updated by Decree 2483 of 2018 and prior Decrees, were prepared based on the Accounting and Financial Reporting Standards (NCIF) accepted in Colombia. These standards are based on the International Financial Reporting Standards (IFRS), together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB) as of December 31, 2017.

Moreover, in compliance with the law, decrees and other existing regulations, the Bank applies the following accounting criteria that differ from IFRS issued by IASB:

2.1.1 Decree 2420 of December 14, 2015 – Whereby the parties responsible for preparing financial information and which may be classified as public interest entities that receive, manage or administer public resources, shall not apply IAS 39– Financial Instruments: Recognition and Measurement; and IFRS9– Financial Instruments, regarding the handling of the credit portfolio and impairment, and the classification and valuation of investments. Subsequently, IFRS 9 was adopted within Decree 2131 of 2016, repealing IAS 39.

Therefore, in accordance with the Basic Financial and Accounting Circular Letter issued by the Financial Superintendence of Colombia, the credit portfolio is registered at historical cost and its impairment is determined by the reference models established in Chapter II. Investments are classified as: negotiable investments, investments to be held until maturity and available-for-sale investments. They are valued at their market value or fair exchange price.

2.1.2 External Circular Letter Number 36 of 2014 by the Financial Superintendence of Colombia establishes that assets received as payment in kind or returned assets must be registered in accordance with the Payments Management System for Assets Received as Payment in Kind established by the Basic Financial and Accounting Circular Letter (External Circular Letter number 100 of 1995).

2.2. Applying standards incorporated in Colombia as of January 1, 2019

2.2.1 Impact on applying IFRS 16 Leases – This standard focuses on identifying the right of use within lease contracts, which would mainly affect the lessee accounting records given that the distinction previously made between finance and operating leases is removed. This implies the recognition that the asset in question has both a right-of-use asset and a lease liability.

Moreover, IFRS 16 - Leases applies to all lease contracts and establishes the principles that the Bank will apply to provide useful information to financial statement users about the nature, amount, timetable and uncertainty of leases and cash flows arising from this type of contracts.

Impact of the new definition of lease

The Bank has determined to implement a practical solution available for the transition to IFRS 16under a retrospective approach. Hence, the definition of lease as per IAS 17 and IFRS 4 Interpretations Committee continues to apply to contracts entered into or modified before January 1, 2019. Consequently, the requirements of IFRS 16 have been applied only to contracts concluded or modified as of their initial application date. The change in the definition of lease refers mainly to the notion of control. IFRS 16 determines whether a contract contains a lease depending on whether the customer has the right to direct the use of an identified asset throughout the period of use in exchange for consideration. This contrasts with the *risks and benefits* approach of IAS 17 and IFRS 4 Interpretations Committee.

Impact of lessee accounting records

Previous operating leases - IFRS 16 changes the way the Bank accounts for leases previously classified as operating leases under IAS 17, which remained off the balance sheet. By applying IFRS 16 to all leases (except for leases listed below), the Bank:

Recognizes right-of-use assets and lease liabilities in the balance sheet, which are initially measured at the present value of future lease payments.

Recognizes depreciation of right-of-use assets and interest on lease liabilities in the profit and loss statement.

As for short-term leases (with a 12-month term or less) and low value assets (such as computers, small office products and telephones), the Bank has chosen to recognize a lease expense using the straight-line method, as permitted by IFRS 16. This expense is recorded as leases in the profit and loss statement.

Information about the initial impact of adapting IFRS 16 in the Bank’s financial statements, the movement recorded, and the final balance of the initial impact is detailed below:

Right-of-use assets and liabilities represent the registration of real estate lease contracts that correspond to the Bank’s regional branches and were recognized as of January 1, 2019. Balances as of December 31, 2019 do not match with notes *16* and *19.2* as they were recorded under IAS 17 as finance leases in 2018.

Impact on assets, liabilities and equity	Adjustement at January 1, 2019	IFRS Movement 16 at December 31, 2019	Year ended at December 31, 2019
Right-of-use assets	$ 2.055.345	$ 205.535	$ 1.849.810
Total effect on net assets	**$ 2.055.345**	**$ 205.535**	**$ 1.849.810**
Lease liabilities - right of use	$ 1.536.061	$ 104.458	$ 1.431.603
Decommissioning provision	$ 90.000	$ -	$ 90.000
Total effect on net liabilitites	**$ 1.626.061**	**$ 104.458**	**$ 1.521.603**
Effect on accounting equity (enhancements)	$ 429.285	$ 429.285	$ 429.285
Total effect on equity	**$ 429.285**	**$ 429.285**	**$ 429.285**
Effect on annual profit and loss		**$ 101.077**	**$ 101.077**

Impact on profit and loss statement	Year ended at December 31, 2019
Decrease in expenses due to operating leases	$ (222.828)
Increase in asset depreciation due to right-of-use	205.535
Increase in financial expenses	118.370
Effect on annual profit and loss (1)	**$ 101.077**

(1) As of December 31, 2019, operating leases decreased by $222,828. This was offset by an increase in depreciation expenses of right-of-use assets and financial expenses worth $323,904.

2.3. Preparation basis – In its statutes, the Bank has committed to closing its accounts, preparing and publishing general-purpose financial statements once a year on December 31. For legal purposes in Colombia, the main financial statements are the individual or separate financial statements.

The Bank has applied accounting policies and significant accounting judgments, estimations and assumptions described in Notes 3 and 4.

Financial statements were produced based on historical costs, except the following important headings which are measured at fair value in the balance sheet.

- Investments at fair value with changes in profit and loss – representative debt instruments
- Investments at fair value with changes in OCI – representative debt instruments

- Investments at fair value with changes in OCI – equity instruments
- Derivative financial instruments
- Liabilities designated at fair value with changes in profit and loss
- Real estate subsequently measured through revaluation model

2.3.1 Functional and presentation currency – In accordance with the application of International Accounting Standard 21 "The effects of changes in foreign exchange rates", the Bank considers Colombian peso (COP) as the functional and presentation currency of the financial statements, since it is the currency of the primary economic environment where the Bank operates, and it is also the currency that influences the expense and income structure.

All balances and transactions denominated in currencies other than Colombian peso are considered "foreign currency".

2.3.2 Going concern **–** The financial statements were prepared on a going-concern basis. It was determined that there is no uncertainty on the facts, events or conditions that could cast significant doubt upon the entity's ability to continue to operate normally. The judgments used to determine that the Bank is a going concern relate to the evaluation of the current financial situation, current intentions, operation profits and access to financial resources in the financial market. The impact of these factors on future operations was also considered, and no one situation was determined which could demonstrate the infeasibility of the Bank as a going concern.

2.3.3. Accrual accounting basis **–** The Bank prepares its financial statements, except for information related to cash flows, using the accrual accounting basis. Thus, the Bank recognizes items such as assets, liabilities, equity, income and expenses when they fulfill the recognition definitions and criteria set forth in the conceptual framework of International Financial Reporting Standards.

2.3.4 Materiality – The Bank shall determine the relative importance of the figures to be presented in the financial statements as per their function or nature. That is, if a specific item lacks relative importance, it will be added with other items, given that it is not necessary for the Bank to provide a specific disclosure required by an IFRS if the information lacks relative importance.

2.3.5 Presentation consistency – The Bank shall maintain the presentation and classification of the items disclosed in the financial statements from one period to another, except if there is a revision of activities which is of significant importance to the presentation of financial statements, or if it is demonstrated that it would be more appropriate to use another presentation or classification; considering the criteria defined according to the Bank's current policies.

Disclosure regarding criteria and estimates used to recognize each component group of assets and liabilities will be shown in the note related to accounting policies. When it may be required for comprehensibility purposes, the importance of using these estimates and hypotheses that may affect the amounts presented in the financial statements shall be stipulated in the details of the explanatory notes produced for each group of components that require a segregated description in terms of the value judgments used relevant to the presentation of the financial statements.

3. MAIN ACCOUNTING POLICIES

The main accounting policies defined to prepare these financial statements, including any accounting instruction from the Financial Superintendence of Colombia detailed below, have been regularly applied to the periods presented in these financial statements, unless otherwise stated.

3.1. Foreign currency transactions – In order to present the financial statements, assets and liabilities in functional currency are expressed in Colombian pesos, using the exchange rates prevailing at the cut-off date of the balance sheet. Income and expense items are converted into the exchange rates at the date of the transactions.

On December 31, 2019 and 2018, the exchange rates were $3,277.14 and $3,249.75 respectively.

3.2. Cash and cash equivalents – Cash equivalents are intended to hedge short-term obligations and represent securities that are readily convertible into cash and do not result in a significant change in their value. A financial instrument will be a cash equivalent item, only if it is held to use the surplus and not for investment purposes. The Bank recognizes as cash and cash equivalents, for cash flow statement, the value of the resources it holds for immediate availability such as securities on hand, bank deposits (local and foreign accounts).

3.3. Money market operations – *Initial measurement:* The Bank will recognize a financial asset at fair value, which is usually the value agreed at the beginning of the transaction. Transaction costs will be directly recognized in the profit and loss statement. *Subsequent measurement*: The Bank will subsequently recognize the financial assets at amortized cost using the effective interest rate method.

3.4. Financial assets – Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value with changes in profit and loss, which are measured at fair value and whose transaction costs are directly recognized in profit and loss. All financial assets are recognized and derecognized at the trade date when a purchase or sale of a financial asset is conducted.

The Bank classifies its financial assets in the following categories: i) financial assets measured at fair value with changes in profit and loss, ii) financial assets measured at amortized cost, iii) and financial assets measured at fair value with changes in OCI. Classification depends on the business model used to acquire the financial instruments. The administration office determines the classification of its financial instruments at initial recognition.

- *Financial assets at fair value with changes in profit and loss* – Financial assets are classified at fair value with changes in profit and loss when the financial asset is held for trading or designated at fair value with changes in profit and loss.

  A financial asset is held for trading if:

  - It has been mainly acquired for short-term sale; or

  - At initial recognition, it is part of a financial instrument portfolio managed by the Bank and there is evidence of a recent short-term benefit pattern; or

  - It is a derivative that has not been designated or effective as a hedging instrument or financial collateral.

- Financial assets other than financial assets held for trading may be designated at fair value with changes in profit and loss at initial recognition if:

  - Such designation significantly eliminates or reduces a measurement or recognition inconsistency that may arise; or

  - The financial asset is part of a managed group of financial assets or liabilities or both, and its performance is assessed on a fair value basis in accordance with the risk management or investment strategy documented by the Company, and the information about the Company is provided internally on that basis; or

  - It is part of a contract that contains one or more embedded instruments, and IAS 39 allows the entire combined contract to be designated at fair value with changes in profit and loss.

Financial assets at fair value with changes in profit and loss are recorded at fair value, recognizing any profit or loss arising from the new measurement in the profit and loss statement. The net profit or loss recognized in profits or losses incorporates any interest or dividend earned on the financial asset and is included under "Other profits or losses" item.

- *Investments measured at amortized cost* – These are held-to-maturity investments, non-derivative financial assets with fixed or determinable payments and fixed maturity dates, which the Bank has the positive intention and ability to hold to maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method minus any impairment.

- *Financial assets measured at fair value which changes in OCI* – These are available-for-sale financial assets, non-derivative instruments that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value with changes in profit and loss.

Quoted redeemable instruments held by the Bank that are traded in an active market are classified as available-for-sale financial assets and are expressed at fair value at the end of each reporting period. The Bank also has unquoted investments that are not traded in an active market but are also classified as available-for-sale financial assets and expressed at fair value at the end of the reporting period (since the Administration office considers that fair value may be measured reliably). Changes in the book value of available-for-sale monetary financial assets, related to changes in exchange rates and interest income calculated using the effective interest rate method, are recognized in profits or losses. Other changes in the book value of the available-for-sale financial assets are recognized in other comprehensive income and are accumulated under the heading of investment revaluation reserve. At the time of sale of the investment or if it is determined that it is impaired, the previously accumulated profit or loss in the investment revaluation reserve is reclassified to accumulated profits or losses.

Dividends on available-for-sale equity instruments are recognized in profits or losses when the Bank's right to receive dividends is established.

The fair values of available-for-sale monetary financial assets denominated in foreign currency are determined in that foreign currency and converted at the exchange rate prevailing at the end of the period. Other foreign exchange profits and losses are recognized in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price and whose fair value cannot be measured reliably, and related derivatives cancelled upon delivery of such unquoted equity investments are measured at cost minus any impairment loss identified at the end of each reporting period.

- *Loans and accounts receivable portfolio* – These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The portfolio is recognized by its fair value (amount disbursed); and transaction costs are directly recognized in profit and loss. Furthermore, interests are recognized on a linear basis during the term of the instrument.

  Interest income is recognized by applying the current interest rate, except for short-term accounts receivable when the effect of not discounting is not significant, by suspending the interest accrual on delinquent portfolio for two months or more depending on the type of loan and its rating, and by creating a provision for all of them. Non-accrued interests are controlled through debtor contingent accounts.

  The Bank monitors them on an ongoing basis for evaluation; those derived from the loan portfolio and others are treated separately.

- *Impairment of financial assets* – Financial assets other than those designated at fair value with changes in profit and loss are run for impairment at the end of each reporting period. A financial asset is impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset; and estimated future cash flows of the financial asset have been affected.

  For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence of impairment.

  For all other financial assets, objective evidence of impairment may include:

  - significant financial difficulty of the issuer or counterparty; or
  - breach of contract, such as delinquency or failure to pay interests or equity; or
  - the borrower is likely to go into bankruptcy or financial reorganization; or
  - the disappearance of an active market for that financial asset due to financial difficulties.

  For certain categories of financial assets, such as trade accounts receivable, impairment is assessed on a collective basis. The Bank's past experience regarding payment collection, an increase in the number of overdue payments in the portfolio that exceed the average credit period of 60 days, as well as observable changes in local and national economic conditions related to default on payments may be included among the objective evidence that an accounts receivable portfolio may be impaired.

  For financial assets recorded at amortized cost, the amount of impairment loss is the difference between the book value and the present value of the future estimated cash flow of the asset, discounted at the original effective interest rate of the financial asset.

  For financial assets recorded at cost, the amount of the impairment loss is measured as the difference between the book value of the asset and the present value of the estimated discounted cash flow at the current market return rate for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

The book value of the financial asset is directly reduced by the impairment loss for all financial assets except for trade accounts receivables, where the book value is reduced through an impairment account. When a trade account receivable is considered uncollectible, it is written off against the impairment account. The subsequent recovery of the amounts previously written off is turned into credits against the impairment account, if they occur within the same period, otherwise, it will be recorded as a recovery in income. Changes in the book value of the impairment account are recognized in the profit and loss statement.

When an available-for-sale financial asset is considered as impaired, accumulated profits and losses previously recognized in other comprehensive income are reclassified to profit or loss for the period.

Regarding financial assets recorded at cost, if the amount of the impairment loss decreases in a subsequent period and it may be objectively related to an event occurring after the impairment was recognized, the impairment loss previously recognized is reversed with changes in profit and loss provided the book value of the investment at the date the impairment is reversed does not exceed the amount that would have resulted from the amortized cost had the impairment not been recognized.

Regarding available-for-sale equity securities, impairment losses previously recognized in profit and loss are not reversed through profit and loss. Any increase in the fair value after an impairment loss is recognized in other comprehensive income and is accumulated under the investment revaluation reserve item. Regarding available-for-sale debt securities, impairment losses are reversed in profit and loss if an increase in the fair value of the investment may be objectively related to an event occurring after recognition of the impairment loss.

- *Derecognition of financial assets* – The Bank will derecognize a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers substantially all the risks and rewards incident to ownership of the financial asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards incident to ownership and continues to retain control of the transferred financial asset, the Bank will recognize its share of the asset and the associated obligation for the amounts it would have to pay. If the Bank retains substantially all the risks and rewards incident to ownership of a transferred financial asset, the Bank will continue to recognize the financial asset and will also recognize a collateral loan for income received.

  In the total derecognition of a financial asset, the difference between the book value of the asset and the sum of the consideration received or receivable, as well as the cumulative profit and loss that had been recognized in other comprehensive income and accumulated in equity, is recognized in profits or losses.

  In case of partial derecognition of a financial asset (i.e., when the Bank retains an option to reacquire part of a transferred asset), the Bank allocates the previous book value of the financial asset between the part it continues to recognize under ongoing share and the part it will no longer recognize, based on the relative fair value of these parts at the date of transfer. The difference between the book value allocated to the part that will no longer be recognized and the sum of the consideration received by the other part that will no longer be recognized and any cumulative allocated profit or loss that would have been recognized in other comprehensive income is recognized in profit or loss. The cumulative profit or loss that would have been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that will no longer be recognized.

3.5. Investment financial assets - The provision of criteria applicable to the presentation, classification and valuation of investments is designated according to local applicable regulations, since the entities subject to inspection and surveillance by the Financial Superintendence of Colombia are obliged to value and account for investments in debt securities, participative securities and investments in securities and other economic rights in accordance with Chapter 1 of the Basic Accounting and Financial Circular Letter. Therefore, its provisions will be used regarding the requirements applicable to the issuance of the Bank's separate financial statements. Moreover, numeral 2.8 of Title 9 of the Basic Legal Circular Letter was amended through External Circular Letter Number 041 of 2015 issued by the Financial Superintendence of Colombia in order to clarify the minimum information to be reported when brokering derivative financial instruments.

- *Purpose of investment valuation* – The main purpose of investment valuation is the accounting registry and disclosure at fair value of financial instruments at which a given security could be traded on a given date as per its particular characteristics and within the prevailing market conditions on that date.

- *Definition of fair value* – The measurement of fair value requires the Bank to assess the valuation concepts as well as the criteria and techniques defined by applicable regulations. Therefore, fair value is defined as the fair exchange price at which a security could be traded on a given date in accordance with its particular characteristics and within the prevailing market conditions at the measurement date by the Financial Superintendence of Colombia in the Basic Accounting and Financial Circular Letter.

  The international financial reporting standard defines fair value as the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. For practical purposes and considering the principles mentioned above, the Bank will consider as fair value all measures of value that most accurately represent the market conditions at the valuation date, as well as all measures of value that jointly represent the price that market participants would grant or grant at the measurement date.

- *Price Provider* – The Bank will value the investments considering the regulatory standards by basing its valuation on the inputs provided by PRECIA S.A. (formerly INFOVALMER) - Price Provider, authorized as per the instructions set out in Chapter IV of Title IV of Part II of the Basic Legal Circular Letter of the Financial Superintendence of Colombia.

- *Criteria for investment valuation* – The valuation is carried out as per regulatory models established for investments, based on the valuation inputs provided by the price provider and following the valuation guidelines given in chapters I and XVIII of the Basic Accounting and Financial Circular Letter. Investments are classified into marketable investments, held-to-maturity investments or available-for-sale investments. Marketable investments and available-for-sale investments are classified into debt securities or participative securities.

It generally applies to any type of asset that may be part of the investment portfolio. The way those investments are classified, valued and accounted is detailed below:

Classification	Characteristics	Valuation	Accounting
Debt financial instruments	Portfolio to manage investments in fixed-income and variable-income debt securities in order to obtain profits due to fluctuations in the market value and in the purchase and sale of such securities.	Valuation of securities is conducted daily. Prices determined by PRECIA S.A. (formerly INFOVALMER) price provider are used for valuation. In cases where there is not fair value at valuation day, valuation should be conducted exponentially from the internal return rate. The fair market exchange value or price of the respective security should be calculated by adding the present value of future cash flows for yields and capital. In the case of securities traded abroad, when the price provider appointed as the official price provider for the corresponding segment does not have a valuation methodology for these investments, the dirty price of purchase (BID) published by an information supply platform at 16:00, official Colombian time, is used as an alternative source of information.	Accounting should be performed in Investment accounts at Fair Value with changes in Profit and Loss in the Single Financial Reporting Catalogue (CUIF) for monitoring purposes. The difference between the current fair value and the immediately preceding fair value is recorded as goodwill and negative goodwill, and its offsetting entry affects the profit and loss of the period. This procedure is carried out daily.
Instruments at amortized cost	Securities and any general type of investments the Bank may have a serious purpose for as well as the legal, contractual, financial and operational capacity to hold until maturity or until the redemption period expires. Liquidity operations may not be undertaken on these investments, as well as monetary market operations (simultaneous repurchase agreements or repo or temporary transfer	Exponentially, based on the internal return rate calculated at the time of purchase on a 365-day year basis. This procedure is carried out daily.	Accounting should be performed in the Investments accounts at Amortized Cost of the Single Financial Reporting Catalogue (CUIF) for Monitoring purposes. The present value is accounted as investment goodwill and its offsetting entry is recorded in the profit and loss of the period. The uncollected receivable returns are

	of securities), except in the case of forced or obligatory investments subscribed in the primary market and provided that the counterparty of the operations is the Central Bank of Colombia, the General Office for Public Credit and National Treasury or entities supervised by the Financial Superintendence of Colombia. Similarly, they may be provided as collateral in a central counterparty clearing house in order to support the accepted operation performance for offsetting and settlement and/or as collateral for monetary market operations.		recorded as investment goodwill and their collection is accounted as negative goodwill. This procedure is carried out daily.
Investments accounted at fair value with changes in OCI – debt securities	As per the business model, this portfolio manages fixed-income investments to obtain contractual cash flows and perform sales when circumstances require. Securities classified as available-for-sale investments may be provided as collateral in a central counterparty clearing house to support accepted operation performance for offsetting and settlement. Similarly, monetary market operations (simultaneous repurchase agreements or repo operations or temporary transfer of securities) may be carried out with these investments and provided as collateral for these types of operations.	Prices determined by PRECIA S.A. (formerly INFOVALMER) price provider are used. In cases for which there are not fair exchange prices at valuation day, valuation should be conducted exponentially from the internal return rate. This procedure is carried out daily.	Accounting should be performed in the Investments account at Fair Value with Changes in Other Comprehensive Income (OCI) of the Single Financial Reporting Catalogue (CUIF) for Monitoring purposes. The difference between the present value at valuation day and the immediately preceding present value (calculated from the Internal Return Rate, on the date of purchase on a 365-day year basis) is recorded as goodwill or negative goodwill of the investment with a credit or charge to accounts in the profit and loss statement.

			The difference between the market value and the present value is recorded in the Unrealized Profit or Loss (OCI) account. This procedure is carried out daily.
Investments accounted at fair value with changes in OCI – participative securities	This category includes investments in subsidiaries, branches, associates, shares in Private Equity Funds and joint ventures that grant the Bank the title of issuer joint owner.	Pursuant to article 35 of Law 222 of 1995, investments in subsidiaries should be accounted in the books of the parent or holding company using the equity method in separate financial statements. In cases when the standards of the Code of Commerce or other legal provisions do not provide the accounting treatment of investments in subsidiaries, branches, associates and shares in joint ventures, they should comply with the provisions set out in IAS 27, IAS 28 and IAS 11, as appropriate.	The valuation effect of the share corresponding to the investor is accounted in the respective Unrealized Profit or Loss (OCI) account the investment is charged or credited. Dividends distributed in kind or in cash should be recorded as income, adjusting the corresponding Unrealized Profit or Loss account (maximum up to their accumulated value) and, if necessary, the value of the investment in the amount of the surplus on that account.

- *Equity investments with changes in Other Comprehensive Income (OCI)* – The Bank values these investments by increasing or decreasing the acquisition cost in the percentage share corresponding to the investor over subsequent variations in the respective issuer's equity. Therefore, the variation in the issuer's equity is calculated on the certified financial statements as of November 30 each year.

- *Investments in participative securities in trust rights* – The Bank values these investments with the information provided by PRECIA S.A. (formerly INFOVALMER), the respective management company (value of unit).

- *Reclassification of investments* – Investments may be reclassified in accordance with the following provisions:

  a. *From held-to-maturity investments to marketable investments* – Reclassification is applicable when any of the following circumstances occur:

     - Significant impairment in the conditions of the issuer, its parent, subsidiaries or related parties;

- Changes in the regulation that prevent from keeping the investment;

- Merger processes that involve investment reclassification or execution to maintain the previous risk position of interest rates or to adjust to the credit risk policy previously established by the merged entity;

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

b. *From available-for-sale investments to marketable investments or to held-to-maturity investments* - Reclassification is applicable when:

   - The composition of the significant activities of the business is redefined as a result of circumstances such as variations in the economic cycle or market niche where the Bank is operating in or in its risk appetite;

   - Adjustment assumptions are materialized in the management of investments that have been previously defined in the business model;

   - The investor losses its capacity as the parent or holding company, and such circumstance also involves the decision to alienate the investment in the short term as of that date;

   - Significant impairment in the conditions of the issuer, its parent, branches or related parties;

   - Changes in the regulation that prevent from keeping the investment;

   - Merger processes that involve investment reclassification or execution to maintain the previous risk position of interest rates or to adjust to the credit risk policy previously established by the merged entity.

   When the available-for-sale investments are reclassified to marketable investments, the result of the investment reclassification should be recognized and held in the OCI as unrealized profit or loss until the corresponding investment is sold. Securities that are reclassified to be part of marketable investments may not be reclassified again. As of the reclassification date, they should be valued at the internal return rate of the previous day of reclassification.

   When the available-for-sale investments are reclassified to held-to-maturity investments, unrealized profit or loss recognized in OCI should be paid off against the recorded value of the investment since the effect of the fair value will no longer be realized given the decision to reclassify the held-to-maturity category. The investment is recorded as if it had always been classified in the held-to-maturity category.

- *Investment repurchase rights* – These are restricted investments that represent collateral for investment repurchase agreements. The Bank retains the economic rights and benefits associated with the security and all the risks inherent to it although it transfers legal ownership when carrying out a monetary market operation. These securities continue to be valued daily and accounted in the balance sheet or profit and loss statement as per the methodology and procedure applicable to investments classified as marketable, held-to-maturity and available-for-sale, according to the category in which they are classified prior to the acquisition of the repurchase agreement.

- *Investments delivered as collateral* – These are investments in debt securities that are delivered as collateral to support operations performance accepted by a central counterparty clearing house for offsetting and settlement. These securities are valued daily and accounted in the balance sheet and profit and loss statement as per the methodology and procedure applicable to the category in which they were classified before they were delivered as collateral.

- *Impairment or losses due to credit risk rating* – The price of marketable or available-for-sale investments for which there is not fair exchange prices at the valuation day, and the price of held-to-maturity investments should be adjusted at each valuation date based on the credit risk rating, as per the following criteria:

  - The rating of the issuer or the security concerned, if any.

  - The objective evidence that impairment loss has been incurred or may be incurred on the amount of these assets. This criterion is applicable even to record greater impairment than that which results by taking just the rating of the issuer or/and the security, if so required based on the evidence.

  The amount of the impairment loss shall always be recognized in the result for the period, regardless of whether the respective investment has any amount recorded in Other Comprehensive Income, except public debt securities issued by the Central Bank of Colombia.

- *Securities of unrated issuers or issues* – Securities that do not have an external rating or that are issued by unrated entities will be rated as follows:

Category	Risk	Characteristics	Provisions
A	Normal	They comply with the terms agreed in the security and have adequate capacity to pay capital and interests.	Not applicable.
B	Acceptable	These are issues that present uncertainty factors that may affect the ability to continue fulfilling debt services adequately. Also, its financial statements and other available information present weaknesses that may affect its balance sheet.	In the case of debt securities, the value for which they have been accounted cannot exceed eighty percent (80%) of the net nominal value of amortizations conducted at valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) for which they have been accounted cannot exceed eighty percent (80%) of the acquisition cost.

Category	Risk	Characteristics	Provisions
C	Appreciable	These are issues that present high or medium probability of default to timely pay capital and interests. Also, its financial statements and other available information present deficiencies in its balance sheet so they involve investment recovery.	In the case of debt securities, the value for which they have been accounted cannot exceed sixty percent (60%) of their net nominal value of amortizations made until the valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) for which they have been accounted cannot exceed sixty percent (60%) of the acquisition cost.
D	Significant	These are issues with breaches in the terms agreed in the security. Their financial statements and other available information present deficiencies in its balance sheet.	In the case of debt securities, the value for which they have been accounted cannot exceed forty percent (40%) of their net nominal value of amortizations made until the valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) for which they have been accounted cannot exceed forty percent (40%) of the acquisition cost.
E	Uncollectible	Issuers which given their financial statements and other available information, investment is considered uncollectible.	A provision is created for the entire value of these investments.

- *Securities from issues or issuers that have external ratings* – Debt securities that have one or more ratings and those debt securities rated by external rating agencies recognized by the Financial Superintendence of Colombia may not be accounted for an amount exceeding the following percentages of their net nominal value of amortizations made at the valuation date.

  The respective issuer’s rating is used to estimate provisions on term deposits.

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

If provisions on investments classified as held-to-maturity, for which a fair value may be established, are greater than those estimated with the previous rule, the latter shall be applied.

Such provision corresponds to the difference between the recorded investment value and the fair value, if lower. If the investment or issuer has ratings from more than one rating agency, the lowest rating should be considered if they were issued within the last three (3) months, or the most recent rating if there is a longer period between one rating and another.

3.6. Credit portfolio and leasing operations – Criteria applicable to the presentation, classification, assessment and evaluation of the credit portfolio, credit risk, restructuring, portfolio provision and provision for credit losses, amongst others, will be recognized according to the policies and practices enacted by the Financial Superintendence of Colombia. Credits granted under different authorized modalities are recognized in portfolios in accordance with the provisions of Chapter II of the Basic Accounting and Financial Circular Letter (CBCF) of the Financial Superintendence of Colombia. The resources used to grant credit are own resources, public resources through deposits or resources from other external and internal financing sources. Loans are recorded at the disbursement value, except the rediscount commercial portfolio, which is recorded as a discount.

Classification of the credit portfolio – Classification of the Bank's credit portfolio includes the following types:

- *Commercial Credit* – These are credits granted to natural or legal persons to develop organized economic activities different from microcredits. For the purposes of provision estimation models, the commercial portfolio is divided into the commercial portfolio under the rediscount mechanism and the direct commercial portfolio.

  The rediscount portfolio is a conventional mechanism for the allocation of second-tier bank resources. It refers to the repurchase or discount of securities from entities of the Colombian financial system that have performed the initial discount of the security to natural or legal persons. This only applies to funding business activities of the Bank. Promissory notes are currently rediscounted if they have been signed (by legal or natural persons with productive activities) before an eligible financial entity with a valid and available credit limit in the bank, which the financial entity in turn transfers through endorsement.

  The direct commercial portfolio is a credit line delivered in Colombian pesos or foreign legal tender aimed at Colombian financial intermediaries with a current credit limit available at the Bank so that they, in turn, perform active credit operations in legal tender as expressly authorized by Colombian legislation and which are directed to financing business sector operations.

The commercial discount portfolio is a financial instrument that implies purchasing at a discount and without recourse (removing the seller's responsibility to pay in the event of default by the party accepting the invoice) up to a percentage of the value of securities derived from domestic commercial operations for the sale of goods or services on credit. These operations are covered by an insurance policy issued by an eligible insurance company that is duly authorized by the Bank.

- *Consumer and Housing Credit* – This arises exclusively from credit to officials and ex-officials which, for the latter, is granted prior to their withdrawal.

Evaluation and rating of the credit portfolio – With the issuance of External Circular Letter number 032 of November 2014 by the Financial Superintendence of Colombia for the rating and generation of provisions, rediscount banks must develop internal methodologies for rediscount operations. Regarding direct commercial credit operations, consumption, housing and microcredit, they must adopt the reference models of the aforementioned Superintendence.

In accordance with External Circular Letter number 032 of 2014, as of December 2015, operations will be rated based on the methodologies mentioned above and in line with the portfolio type in each of the following risk categories:

Direct Commercial Portfolio – Commercial portfolio contracts must be classified in one of the following credit risk categories: AA, A, BB, B, CC, and Default.

Delinquency and risk profile criteria are included in the assignment of credit ratings.

Commercial rediscount portfolio – Rediscount operations must be classified exclusively to calculate allowances in the following categories: A1, A2, A3, A4 or A5 with the greatest risk profile being A5.

Delinquency and risk profile criteria are included in the assignment of credit ratings.

Consumer portfolio – The Bank's consumer portfolio is classified in the following segments:

- General – Automobiles: credit granted for the acquisition of automobiles.
- General – Other: credit granted for the acquisition of consumer goods other than automobiles.

The consumer portfolio rating per risk category varies according to the segments mentioned above and it is determined by a score named "Z", which considers the following variables: default level at the moment of calculating the provision, maximum default level recorded in the last three years, default levels in the last three quarters, regardless of whether there is active credit in the Bank and regardless of the type of collateral: adequate collateral, pledge or mortgage.

In accordance with the "Z" score calculated in the previous point, the rating is assigned as per credit risk categories using the following table and considering that the lower the score obtained, the better the risk category rating.

Score up to rating	General Automobiles	General - others
AA	0.2484	0.3767
A	0.6842	0.8205
BB	0.81507	0.89
B	0.94941	0.9971
CC	1	1

Provisions – As of December 2015, and as a result of the adoption of External Circular Letter number 032 of 2014 by the Financial Superintendence of Colombia, the Bank modified the provisions framework (which is based on the guidelines established in Chapter II of External Circular Letter number 100 of 1995 by the Financial Superintendence of Colombia) for the administration of credit risks for each of the portfolios, as per the following annexes of the foresaid chapter:

- Housing portfolio – General regime for assessment, rating and provisioning of the credit portfolio (Annex 1)
- Direct commercial portfolio – Commercial portfolio reference model – MRC (Annex 3)
- Consumer portfolio – Consumer portfolio reference model – MRCO (Annex 5)
- Rediscount commercial portfolio – Internal methodology. Individual provisions of entities authorized to perform rediscount operations. (Annex 6)

In order to estimate the commercial portfolio (direct and rediscount) and consumer portfolio provisions, the models include some common aspects detailed below:

Pro-cyclical individual component and counter-cyclical individual component: The individual provision is the sum of two individual components:

Pro-cyclical individual component (PIC): This corresponds to the share of the credit portfolio individual provision which reflects the current credit risk of each debtor.

Counter-cyclical individual component (CIC): This corresponds to the share of the credit portfolio individual provision which reflects the possible changes in the credit risk of the debtors as the impairment of said assets increases. This share is represented to reduce the impact on the balance sheet when this situation occurs.

The pro-cyclical individual component (PIC) and the counter-cyclical individual component (CIC) require default probability matrices A and B. The matrices defined in Annex 3 are used for the direct commercial portfolio, which adopts the commercial portfolio reference model of the Financial Superintendence of Colombia. The matrices defined in the Bank's own methodology, which are detailed below, are used for the rediscount commercial portfolio. The consumer portfolio uses the matrices defined in Annex 5 of the abovementioned External Circular Letter number 100 of 1995.

Definition of cumulative or non-cumulative phase: In order to determine the methodology to be applied and calculate the pro-cyclical and counter-cyclical components, the Bank performs a monthly evaluation of the indicators established by the Financial Superintendence of Colombia (related to impairment, efficiency, credit portfolio growth and the balance sheet of the entity). Once determined, these indicators will decide the calculation methodology for the components of the credit portfolio individual provisions. In accordance with these same indicators, the Bank applied the cumulative phase calculation methodology on December31, 2019 and 2018.

Expected loss model: The assessment of expected loss or individual provision under the reference models (direct commercial portfolio and consumer portfolio) and under the internal methodology (rediscount commercial portfolio) is determined using the following formula:

EXPECTED LOSS = [Probability of default] x [Exposure of the asset at default] x [Loss given default]

Probability of Default (PD): This is the probability that, twelve months after the cut-off date of the financial statements, debtors of a given portfolio enter into default (in accordance with the cases described in paragraph b, number 1.3.3.1 of Chapter II, External Circular Letter number 100 of 1995). The probability of default is established in accordance with the matrices indicated below.

Exposure of the asset at default: This corresponds to the value at risk with the debtor, comprised of the current balance of capital, interest and other accounts receivable.

Loss Given Default (LGD): This is defined as the economic impairment the Bank would incur if one of the default situations referred to in paragraph b, number 1.3.3.1 of Chapter II, External Circular Letter number 100 of 1995 occurs. LGD for debtors classified in the category of default will be gradually increased depending on the days passed following their classification in such category.

Therefore, the application of models and the establishment of provisions will be carried out as follows:

Direct commercial portfolio – The methodology of the Financial Superintendence of Colombia (Chapter II of the Basic Accounting and Financial Circular Letter, Annex 3) is applied for the direct commercial credit portfolio. The calculation is made by considering the following criteria:

Classification: The model requires debtors to be classified by level of assets in accordance with the following table:

Classification of commercial portfolio by level of assets

Business size	Level of assets
Large Businesses	Over 15,000 Current Legal Monthly Minimum Wages
Medium Businesses	Between 5,000 and 15,000 Current Legal Monthly Minimum Wages
Small Businesses	Fewer than 5,000 Current Legal Monthly Minimum Wages

Probability of Default (PD): This is taken from the reference model of the Financial Superintendence of Colombia:

	Large Business		Medium Business		Small Business		Natural Persons	
Rating	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Loss Given Default (LGD): The LGD per collateral type is as follows:

Type of Collateral	**LGD**	**Days after default**	**New LGD**	**Days after default**	**New LGD**
Subordinated credit	75%	270	90%	540	100%
Eligible financial collateral	0-12%	-	-	-	-
Commercial and residential real estate	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property leasing assets	45%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Other adequate collateral	50%	360	80%	720	100%
Non-adequate collateral	55%	270	70%	540	100%
No collateral	55%	210	80%	420	100%

Rediscount commercial portfolio – Pursuant to External Circular Letter number 032 of 2014, the Bank designed its own methodology to calculate provisions for the rediscount commercial credit portfolio. This methodology is based on the general guidelines of the commercial portfolio reference model established by the Financial Superintendence of Colombia. The inputs to estimate the probability of default are derived from the historical data on the Bank's customers. Moreover, the estimation of the probability of default is based on the internal risk rating and a probability of default that is calculated for the financial system. Thus, the probabilities of default for each risk rating are obtained from the transition matrix generated for each default category. Given the lack of "default" history of the Bank's debtors, a "theoretical default" based on expert criteria was defined for the first estimation using the methodology.

Probability of Default (PD): This is assigned depending on the rating and percentages of the table below. PD is calculated based on the Bank's history; these percentages are dynamic; hence, an annual update was carried out in 2019

2019

Internal Rating	Rating	Matrix A	Matrix B
1	A1	0.63%	0.94%
2+	A2	0.83%	1.12%
2	A2	1.28%	1.80%
3+	A3	2.03%	2.83%
3	A3	2.24%	4.58%
4	A3	3.64%	7.58%
5	A4	5.80%	13.26%
6- Default	A5	100.00%	100.00%

2018

Internal Rating	Rating	Matrix A	Matrix B
1	A1	0.80%	1.27%
2+	A2	1.22%	1.92%
2	A2	1.75%	2.78%
3+	A3	2.57%	4.04%
3	A3	2.90%	5.08%
4	A3	4.67%	7.96%
5	A4	7.33%	11.81%
6- Default	A5	100.00%	100.00%

Loss Given Default (LGD): This corresponds to 45% for all rediscount operations. This percentage corresponds to the one suggested by Basel for preferential credits to bank entities that do not have collateral through a recognized collateral.

Consumer portfolio:

Probability of Default (PD): This is assigned in accordance with the risk rating and the segment of each debtor as per the following table:

	General - Automobiles		General – Others	
Rating	**Matrix A**	**Matrix B**	**Matrix A**	**Matrix B**
AA	0.97%	2.75%	2.10%	3.88%
A	3.12%	4.91%	3.88%	5.67%
BB	7.48%	16.53%	12.68%	21.72%

B	15.76%	24.80%	14.16%	23.20%
CC	31.01%	44.84%	22.57%	36.40%
Default	100.00%	100.00%	100.00%	100.00%

Loss Given Default (LGD): The LGD per collateral type is as follows:

Type of Collateral	LGD	Days after default	New LGD	Days after default	New LGD
Eligible financial collateral	0-12%	-	-	-	-
Commercial and residential real estate	40%	360	70%	720	100%
Property leasing assets	35%	360	70%	720	100%
Non-property leasing assets	45%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Other adequate collateral	50%	270	70%	540	100%
Non-adequate collateral	60%	210	70%	420	100%
No collateral	75%	30	85%	90	100%

The General Shareholders Meeting of March, 2017 approved the transfer of the sum of the general provision (produced in 2015 through the excess commercial portfolio provision derived from the application of Circular Letter number 032 of 2014) to an additional individual provision, which is assigned to some debtors in accordance with the methodology approved by the Board of Directors of the Bank. The additional individual provision may be used to cover greater requirements for individual regulatory provisions, where required. Consequently, the amount currently recorded in the general provision corresponds exclusively to housing loans.

Portfolio write-offs – Credit portfolios that are considered irrecoverable according to the Administration office or whose recovery is deemed remote or uncertain are susceptible to being written off, after having exhausted relevant collection options, in accordance with the judgments issued by lawyers and collection companies, previously approved by the Board of Directors.

In all write-off credit cases, the Bank will continue to carry out relevant credit collection actions, demonstrating due diligence, until the date when accounting restructuring is performed.

All credit losses requests to be submitted to the Board of Directors must be accompanied by concepts from the following Bank departments:

- Report and recommendation of the Vice-President of Operations and Technology, indicating the background of the debenture, the collection actions carried out to recover the credit and the impact on the Bank’s profit and loss statement.

- Judgment of the Legal Department on the legal inadmissibility carried out to recover the debenture.
- Judgment of the Vice-President of Risk presenting the financial report of the debtor and the risk levels as per economic indicators, in line with the internal methodology applied to analyze the opportunity of servicing the debt and the degree of recoverability of said portfolio.

Effect of adequate collateral on the constitution of individual provisions – As of December 2015, models incorporate the effect of collateral for direct commercial portfolio, rediscount commercial portfolio and consumer portfolio. Only adequate collateral should be considered to calculate housing provisions; and 100% of its value will be used.

3.7 Derivative financial instruments -

3.7.1 Financial derivatives - A derivative is a financial instrument or another contract whose value changes over time in response to a given underlying variable (a specified interest rate, the price of a financial instrument, an exchange rate for foreign currency, etc.). It does not require an initial net investment or an investment lower than would be required by another type of contract for which a similar response to changes in the market conditions could be expected, and it is liquidated at a future date.

Bancóldex negotiates financial instruments for business purposes such as forward contracts, future contracts and cash operations in order to develop its operations; and it negotiates future contracts for hedging purposes. Derivative operations are recognized at fair value. Subsequent changes in the fair value are adjusted by being charged or credited to profit and loss, as the case may be, unless the financial instrument is designated as hedge.

The derivative financial instrument is valued by considering the counterparty credit risk (CVA – Credit Valuation Adjustment) or the credit risk of the entity itself (DVA – Debit Valuation Adjustment). The difference in the calculation of the derivative financial instrument under risk-free circumstances and the risk-adjusted derivative financial instrument will be shown in the CVA or DVA adjustment, as appropriate.

It was decided to incorporate credit risk into the methodology to measure derivative instruments on the premise of affecting the discount rate within the valuation of said instruments at the corresponding closing date.

3.7.2 Embedded derivatives - An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary similarly to a standalone derivative. Derivatives included in hybrid contracts with a financial asset host within the scope of IFRS 9are not treated separately.

Hybrid contracts are classified and subsequently measured at amortized cost or fair value, as appropriate.

Derivatives incorporated in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives if they meet the definition of a derivative, and their risks and characteristics are not closely related to those of the host contract. Contracts and host contracts are not measured at fair value with changes in profit and loss.

If the hybrid contract is a quoted financial liability, the Company usually assigns the hybrid contract at fair value with changes in profit and loss instead of separating the embedded derivate.

An embedded derivative is classified as a non-current asset or liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is higher than 12 months and it is not expected to pay it or settle it within 12 months.

There are not embedded derivatives as per the analysis undertook by the Bank and its subsidiaries.

3.8. Hedge accounting – The Bank and subsidiaries designate some hedging instruments, which include derivatives, embedded derivatives and non-derivatives regarding foreign currency risk, as a fair value hedge, cash flow hedge or hedge of the net investment in a foreign operation. Foreign currency risk hedge of a firm commitment may be accounted as a cash flow hedge.

At the inception of the hedging relationship, the Bank and subsidiaries document the relation between the hedging instrument and the hedged item, along with their risk management objectives and strategy to undertake hedging transactions. Moreover, at the inception of the hedge and on an ongoing basis, the Bank and subsidiaries document if the hedging instrument is effective to offset changes in fair values or cash flows of the hedged item attributable to the hedged risk. This is possible when hedging relationships fulfill the hedging effectiveness requirements below:

i) There is an economic relationship between the hedged item and the hedging instrument;

ii) The effect of credit risk does not control value changes resulting from that economic relationship; and

iii) The hedging relationship is the same as the one resulting from the hedged item amount actually covered by the Bank and subsidiaries and the hedging instrument amount actually used by the Bank and subsidiaries to hedge the hedged item amount.

If a hedging relationship fails to fulfill the hedging effectiveness requirement related to the hedging relationship, but the risk management objective for this hedging relationship is the same, the Bank and subsidiaries adjust the hedging relationship of the hedging relationship (i.e. the hedge is rebalanced) so that it fulfills the rating criteria again.

The Bank and subsidiaries designate the complete change in the fair value of a forward contract (i.e. it includes forward contract elements) as the hedging instrument for all hedging relationships that involve forward contracts.

Note 8 includes details on the fair value of derivative instruments used for hedging purposes.

Cash flow hedges –

The portion of changes in the fair value of derivatives that is determined to be an effective hedge for cash flows shall be recognized in other comprehensive income and accumulated as cash flow hedge reserve. The ineffective portion in profit or loss of the hedging instrument shall be recognized immediately in the profit and loss of the period in the “other profits and losses” item.

Securities previously recognized in other comprehensive income and accumulated in equity are reclassified to profit and loss of the periods when the hedged item affects the profit and loss in the same line of the recognized hedged item. Nonetheless, if the hedge of a forecast transaction subsequently generates the recognition of a non-financial asset or liability, profits or losses previously recognized in other comprehensive income and accumulated in equity are transferred and included in the initial measurement of the non-financial asset or liability cost.

Hedge accounting shall be discontinued when the Bank and subsidiaries cancel the hedging relationship, when the hedging instrument expires or is sold, terminated or exercised, or the hedge fails to fulfill the requirements established for hedge accounting. The profit or loss that has been recognized in other comprehensive income and accumulated in equity shall remain in equity and is recognized when the forecast transaction is recognized in profit and loss. Any profit or loss accumulated in equity is recognized immediately as profit or loss when the forecast transaction is not expected to occur.

3.9. Non-current assets held for sale – Non-current assets and asset disposal groups are classified as held for sale if their book value is recoverable through a sales transaction and not through continued use.

This condition is considered as fulfilled only when the Bank has a formal plan for its sale, which is highly likely, and the asset (or asset disposal group) is available for immediate sale in its current status only subject to common terms that are adapted to the sale of these assets (or asset disposal group). Non-current assets held for sale will be held for a maximum of one year from the classification date. However, there are facts and circumstances that may extend the period beyond one year. The extension of the period required to complete the sale does not prevent the asset from being classified as held for sale if the delay is caused by facts or circumstances beyond the control of the Bank and there is enough evidence demonstrating that the Bank remains committed to its plan to sell the asset.

They will be recognized at the lower value between their book value or fair value minus sales costs. If the asset was acquired as part of a business combination, it will be measured according to its fair value minus sales costs. Sales cost only includes directly attributable incremental costs, excluding financial costs and income tax expenses. The subsequent measurement of non-current assets held for sale will be given by the initial recognition value, minus all sales costs that arise, which are not charged in the initial measurement, and subsequent value impairment losses of the asset.

In subsequent measurement, the value of non-current assets held for sale will be affected by the measurement of the calculation of the applicable provision according to the methods determined by the Financial Superintendence of Colombia, considering the exception mentioned in External Circular Letter number 036 of 2014.

Non-current assets are reclassified from being held for sale to being held for use if they cease to fulfill the criteria required to be classified as held for sale. In the case of fixed assets that were previously transferred to the category of available for sale and those that require classification as held for use once again, this will be measured again at the lower value between their recoverable value and the book value that would have been recognized if the asset had never been classified as held for sale.

Goods received as payment in kind – Goods received as payment in kind are assets for which the value is expected to be recovered through their sale and not through their use. All payments in kind for immovable and moveable goods will be recognized under this category, unless it is specified that they are for use or restrictions are identified on the availability of the asset, in which case, their classification within other asset classes will be assessed.

The Bank, as a rediscount entity, follows the general regulations established by the Financial Superintendence of Colombia in order to calculate provisions according to the contents of Chapter III of External Circular Letter number 100 of 1995 of this entity.

For every payment in kind received, the Bank immediately incorporates 100% of the provision.

Rules concerning the legal sales period – The sale of goods received as payment in kind must be carried out within two years after their acquisition. Nonetheless, they may be recorded as fixed assets when necessary for the ordinary course of business and they fulfill the asset investment limits. Deferral of their transaction may be requested before the Financial Superintendence of Colombia. In any case, it must be presented prior to the expiration of the established legal period.

The respective request must demonstrate that even when management procedures for the transfer have been diligently followed, it has not been possible to sell the asset. In any case, under no circumstance may the extension of the period exceed two years as of the expiry date of the initial legal term. During this period, the labors relevant to the realization of these non-performing assets must also be continued.

3.10. Property and equipment – Property and equipment items will be registered if it is likely that future economic profits associated with the goods flow towards the Bank and the cost of the item can be measured reliably. As described in the last criterion for initial recognition, it will be necessary to identify all the property and equipment costs at the moment they are incurred.

Initial measurement: Initial recognition of property and equipment is at cost, and this cost will be the cash equivalent at the recognition date in book value, adding attributable costs.

It will also include import duties, non-recoverable indirect taxes and commercial deductions and reductions, and estimates related to the costs of the dismantling and withdrawal of goods, which may include rehabilitation of the place where the asset is located and the debenture incurred by the Bank either when it acquired the asset or as a result of having used the asset for purposes other than the productive operation of the Bank.

In order to capitalize on improvements, it will be necessary for costs to increase the useful life, its capacity or the asset value. The repairs and/ or maintenance performed on the property and equipment which only repair or maintain the asset and therefore maintain the asset conditions in terms of useful life or expected future economic profits, for example, derived from the use of the item itself, must be recognized as expenses of the period when they are incurred. Therefore, they will have a net effect on the profit and loss statement.

Implementation costs cannot be capitalized as part of property and equipment cost, except where it is necessary to incur these costs to return the asset to its usual operation conditions, which, in all cases, will require the corresponding analysis prior to its recognition.

Subsequent measurement: After their recognition as an asset, elements of property or equipment will be measured as follows:

Group description	Method
Building	Revaluation Model
Land	Revaluation Model
Fixtures	Cost Model
Computer equipment	Cost Model
Network and communication equipment	Cost Model

Machinery and equipment	Cost Model
Furniture	Cost Model
Transport vehicles	Cost Model
Goods on gratuitous loan	Cost Model
Art and cultural goods	Cost Model

Depreciation – The depreciation of an asset begins in the month the asset is found in the location and necessary conditions to operate as intended by the management office.

The depreciation charge for each period will be recognized in the profit and loss statement of the period, using the straight-line method and based on the estimated useful lives that the Bank faithfully considers represent the time limit when it is expected that an item classified in this asset group would provide economic profit.

The real useful life corresponds to the period when the asset is expected to be used. The accounting policy describes the residual value as "the estimated value that the entity may currently obtain through the liquidation of an item, after deducting the estimated costs for this disposal if the asset has already matured and fulfilled other expected conditions at the end of its useful life".

The Bank will check, at least at the close of each financial period, whether the useful life or residual value has undergone changes caused by internal and external factors (market, obsolescence, legal operative environment, among others).

According to the appraisal carried out at the Bank's offices in December, 2017 (based on International Valuation Standards), it was determined that the useful life is 100 years and the remaining useful life on the appraisal date is 62 years.

The useful lives and residual values determined by the Bank are:

Group description	**Residual %**	**Useful Life**	
Buildings	15%	100 Years	
Fixtures	10%	5 Years	12 Years
Computer equipment	10%	2 Years	5 Years
Network and communication equipment	10%	2 Years	6 Years
Machinery and equipment	10%	6 Years	14 Years
Furniture	10%	5 Years	12 Years
Transport vehicles	10%	10 Years	20 Years
Land	0%	0 Years	0 Years
Goods on gratuitous loan	0%	0 Years	0 Years

Art and cultural goods	0%	0 Years	0 Years

Moveable goods whose acquisition value is equal to or less than (50 UVT) are depreciated at the latest the month after they were acquired, regardless of their useful life.

Fall in the price of property and equipment – The book value of a property or equipment item is derecognized when no further associated economic benefits are expected in the future and the profits or losses of removal are recognized in the profit and loss statement of the period.

Impairment of property and equipment – Evaluations will be performed based on impairment evidence once there is evidence on the value impairment of non-financial assets or, at least, at the end of every reporting period. If there is evidence of impairment, the Bank will analyze if there is indeed impairment by comparing the net book value of the asset with its recoverable value (the greater value between the fair value minus sales costs and the usage value of the asset). If the book value exceeds the recoverable value, the book value will be adjusted, modifying future charges on account of depreciation, in accordance with its remaining useful life.

3.11. Intangible assets – The Bank shall record intangible assets once the following aspects have been identified. The existence of control, the separability of the asset and the fact that it is expected to produce a future economic benefit. For an asset to be recognized, it is essential that it fulfills all the previously mentioned characteristics.

Initial measurement – Intangible assets are initially measured at cost. However, it depends on how the Bank obtained the asset. An intangible asset may be obtained by different means; separate acquisition, as part of a business combination and through the development or generation of the asset internally developed by the Bank.

- Intangible assets acquired through a separate transaction are measured as the sum of the purchase price, including import duties and non-refundable acquisition taxes, after deducting discounts and reductions, and the cost directly attributable to preparing the asset for its intended use. It is also possible that a group of complementary intangible assets may be recognized as a single asset, provided that the individual assets have similar useful lives.

- In business combinations, the cost value shall correspond to its fair value on the acquisition date.

- In the case of internally generated intangible assets, only the costs of the asset’s development stage shall be recognized as intangible. Costs derived from the research phase shall be recognized as an expense in the period when they are incurred.

Amortization should be adjusted to allocate the revised book value of the intangible asset, minus any residual value on a systematic basis throughout its useful life.

Subsequent measurement - In subsequent recognition, intangible assets are amortized using the straight-line method throughout their estimated useful lives. The Bank shall assess whether the useful life of an intangible asset is finite or indefinite. The finite useful life of an intangible asset is amortized, whereas an intangible asset with an indefinite useful life is not amortized. After considering the determining factors to estimate the useful life of an intangible asset, the time measurement that best represents the expected term of use of the asset shall be used.

The Bank determines that intangible assets with a finite useful life are amortized based on the estimation of their useful life as follows:

Group description	Method	% Residual	Useful life	
Licenses	Cost model	0%	1 year	15 years
Software and applications	Cost model	0%	1 year	15 years

Licenses with individual costs whose value is equal to or less than 50 Tax Value Units (UVT) shall be amortized in the same period as they were acquired.

Intangible assets shall be derecognized on sale or when no future economic benefits are expected from their use or sale. The resulting profit or loss is the difference between the book value and the recoverable amount of the intangible asset.

3.12. Other non-financial assets – There are assets for which it is not possible to find similar recognition and measurement criteria that would enable them to be classified within one of the available financial asset categories or groups. These assets shall be classified into the category of other assets, and they include art and cultural goods and prepaid expenses, amongst others.

Art and cultural goods – In its initial measurement, the Bank establishes the following approach for art and cultural goods:

a. If the asset was purchased by the Bank, it is measured at its cost;
b. If the asset was donated to the bank, it is recorded at the market value (if there is an active market) or at its replacement value, if practicable;
c. If it is not possible to obtain its fair value reliably, its cost shall be zero.

Art and cultural goods should be measured at cost minus any impairment loss in their subsequent recognition.

3.13. Impairment of non-financial assets - Identification of evidence of impairment should provide sufficient detail on the scenarios that, according to the management office, could or may potentially cause a reduction in the value of the assets; and thus, present it as a reduction in the book balance.

The criteria used to determine impairment indicators should aim at detailing possible internal or external events that lead to a loss in the value of the asset or in the expected economic benefits from its disposal. This evidence of impairment should be considered at least once by the end of the accounting period or when the relevant information for decision-making is submitted.

An impairment loss occurs when the book value of an asset exceeds the recoverable amount. Identification of the impairment value of assets requires that the Bank consider and carry out an assessment of the impairment indicators. At the end of each reporting period, the entities shall assess whether there is any evidence of impairment of the value of any asset. If evidence is found, the Bank shall estimate the recoverable amount of the asset.

Impairment indicators may obey to observable internal or external sources of significant changes that cause a considerable impairment loss in the book value of non-financial assets. The following factors shall be considered as impairment indicators: changes in the legal, economic, technological or market environment where the asset is operated; or changes in the market for which it is intended, internal reports indicating that the economic performance of the asset is, or shall be, worse than expected; changes in the market rates or rates of return that may affect the measurements of the recoverable amount (e.g. Increase in financing costs), evidence of obsolescence or physical impairment of an asset, changes in strategies (e.g. Office closures), significant changes in the market for Bank's assets (e.g. Effects of demand, competition or other economic factors). Impairment indicators are not limited to those previously mentioned.

Once an impairment loss has been recognized, depreciation or amortization charges on the asset shall be adjusted in future periods in order to systematically allocate the revised book value of the asset over its useful life.

If there is any evidence that an asset is impaired, the recoverable amount shall be estimated for the individual asset. However, if it is not possible to estimate the recoverable amount of the individual asset, the entities shall determine the recoverable amount of the cash-generating unit to which the asset belongs (the cash-generating unit of the asset).

3.14. Financial liabilities – An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or other financial assets, and when it is estimated to be or may be settled within a variable number of the own equity instruments. Financial liabilities are recognized and measured at amortized cost, except for those financial derivatives which are measured at fair value according to the IFRS 9 applicable requirements.

- *Financial liabilities at amortized cost* – All financial liabilities are classified as measured subsequently at amortized cost using the effective interest method, except for those derivative financial instruments that are measured at fair value with changes in profit or loss. The amortized cost of financial liabilities in term deposit certificates, subordinated bonds and financial obligations is determined based on the nominal value of the obligation, including interest expenses payable as transaction costs are not associated since they are not material.

- *Financial liabilities at fair value with changes in profit or loss* – During initial recognition, any inconsistency in measurement (accounting mismatch), which could arise from using different measurement criteria, shall be eliminated or significantly reduced. Bancóldex has chosen to designate the measurement of derivatives at fair value with changes in profit or loss, considering the availability of the information concerning the valuation of these instruments.

Bancóldex' initial recognition shall classify the issues of debt instruments as financial liabilities measured at amortized cost. Additionally, based on a cost/benefit and materiality analysis according to the provisions of the Conceptual Framework, transaction costs are recognized directly in the profit and loss statement of the period when they are incurred.

In subsequent measurements, Bancóldex shall measure the issues of debt instruments at amortized cost by using the effective interest method.

Derecognition of financial liabilities: Financial liabilities shall be derecognized by the Bank if, and only if, the Bank's obligations expire, are canceled or fulfilled. The difference between the book value of the financial liability derecognized and the consideration paid or payable is recognized in profits or losses.

3.15. Income taxes – Income tax expense includes current and deferred taxes. The Bank shall recognize, with some exceptions, the liabilities or assets arising from the deferred tax calculation. The balance method shall be used to calculate the amount of a deductible deferred tax for those transactions or recognitions for which an expectation of future taxable income is identified. Accounting valuation to be considered shall be the book value, while tax valuation shall be the tax base, whose value shall be represented in the different reconciling items and the different operations carried out by the Bank. The applicable tax rate should be used for the period when the tax is expected to be paid or settled in accordance with current regulations. At the date of issuance of this policy, the provisions of the Colombian Tax Statue shall be applied, which for all legal purposes shall have a direct relation over the measurement of the amounts to be calculated for current of deferred taxes.

Law 1819 of 2016 established the general income tax rate at 33% for years 2019 and 2018. Moreover, it created a 4% surcharge to the income tax and related taxes for the 2018 taxable year.

Financing Act 1943 of 2018 established the liquidation of some additional points to the income tax equivalent to 4%, 3% and 3%for the years 2019, 2020, 2021, respectively for financial entities. Nonetheless, the Constitutional Court of Colombia declared paragraph 7 of Article 80 of the aforesaid Law unconstitutional through Sentence number C-510/19 of file number D-13166, which established the liquidation of the additional points in question.

- *Current tax* – Current tax includes the expected tax payable or receivable over the year's taxable income or loss and any adjustment related to previous years. It is measured using the approved tax rates or whose approval process is practically completed at the balance date, considering the provisions of Law 1819 of 2016.

- *Deferred Tax* – Deferred tax calculation is based on the assessment of temporary differences, using the balance method. These differences arise from the recorded value of an asset or liability in the balance sheet and the tax base value. Current and deferred taxes should be recognized as income or expense and should be included in the income statement. Current and/or deferred taxes should be recognized outside the profit and loss statement in recognized transactions, during the same period or in a different one, also outside the profit and loss statement.

The criteria applied to recognize deferred tax assets arising from the offsetting of unused tax losses and credits are the same as the criteria used to recognize deferred tax assets arising from deductible temporary differences. If the Bank were to maintain a history of recent losses, it shall recognize a deferred tax asset generated from unused tax losses or credits, only when it has sufficient taxable temporary differences, or if there is other convincing evidence that there will be sufficient future taxable income against which such losses or credits could be charged.

3.16. Contingent Provisions and Obligations – These are recognized when the Bank:

- Has a present obligation due to a past event;
- Might have to dispose of resources that include economic benefits to settle the obligation;
- Can make a reliable estimation of the obligation value.

The amount recognized as a provision should be the best estimate of the disbursement required to settle the present obligation at the end of the reporting period. The best estimate of the disbursement required to settle the present obligation shall be the rationally assessed value that the entity would have to pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that date.

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the best available estimate. When it is no longer possible that resources including economic benefits will flow out of the entity to meet the obligation, the provision should be reversed and used to hedge only the disbursements for which it was originally recognized. Provisions on legal disputes shall be determined based on the probability established by the legal area for each proceeding described in the note of judgments and estimates.

Onerous Contracts – A provision is recognized due to present obligations arising from this type of contracts, where unavoidable costs of performance are required and determined by implied obligations that are greater than the expected benefits.

In order to determine the existence of onerous contracts the Bank assesses the following points:

- From the point of view of compliance with the obligations of the entity conducting the assessment, has the contract not been executed under normal conditions in compliance with the initial parameters agreed between the parties?
- Have the market prices of the product or service contracted had significant adverse variations for the entity in the market that may suggest the existence of an onerous contract?
- Has the income of the entity conducting the assessment, income which is directly or indirectly related to the contract, had or is expected to have a significant decrease, or have the costs of its care had a significant increase in such a way that may suggest the existence of an onerous contract?

3.17. Employee benefits – Employee benefits comprise all types of benefits provided to employees or to those who depend on or are beneficiaries of employees, and may be paid in full. Employee benefits shall be classified into short-term benefits and long-term benefits.

Short-term benefits: Benefits that are expected to be fully settled before the twelve months after the end of the annual reporting period. A liability and an expense are recognized as a result of contractual obligations acquired with the employee. Incurred liabilities shall be recognized without being discounted and at the amount at the measurement date.

The Bank's contractual or constructive obligation shall be limited to the recognition of the amount agreed with the employee and shall be calculated based on a reliable estimate of the amounts to be paid; the expense is generated only on the basis of the occurrence of the consideration since the services rendered by the employees do not increase the amount of the benefits.

In accordance with Colombian labor law, different Bank employees are entitled to short-terms benefits such as salaries, vacation time, legal and extralegal bonuses, severance pay and interests on severance pay under labor regulations of Law 50 of 1990. These benefits granted to employees shall be recognized once all requirements of enforceability are met, not only as required by law but also with respect to those extralegal benefits determined by the Bank and in consideration. However, regarding conditions such as contract type, type and amount of salary, service time, amongst other particularities, they will be handled as established in the internal policies of the entity. Therefore, the recognition is expected to take place once the employee expresses his/her intention to dispose of the benefits, either by the end of the terms determined by law or by a final settlement of his/her employment contract.

Long-term benefits: Long-term benefits are amortized over a period greater than 12 months after the date of disbursement.

3.18. Other liabilities – It mainly records deferred payment letters of credit, deferred payments, income received in advance, the latter corresponding to securities received to address special agreements for financing loan portfolio operations with interest rate differential; as well as liabilities under Agreements representing resources received from Ministries, Governments and Municipalities for financing lines with rate differentials.

3.19. Leases – According to IAS 17 as of December 31, 2018, it is a type of contract usually entered into between two parties, where one party (the lessor) is supposed to give the other party (the lessee) the right to use an asset for its own benefit. This implies that the lessee is obliged to pay to the lessor a sum of money for a given period of time, as mutually agreed by contract.

Leases are classified according to the same characteristics of the contract, i.e. their identification is based on the economic substance rather than on their legal form. The classification of a lease is made at the inception of the lease and it is not changed during its term, unless the lessee and the lessor agree to change the terms of the lease, in which case the classification of the lease should be reassessed. All risks and rewards of ownership of the asset are transferred to the lessee in financial leases, while operating leases have a residual nature, i.e. when the requirements to qualify a lease as a financial lease are not met, it shall be considered as an operating lease. The classification of contracts under financial or operating leases depends on the circumstances of each party and may be, therefore, qualified differently by the parties.

Operating lease: This is the lease that is exclusively subject to the use of one type of property and, in any case, the rental fee shall be accounted for in its entirety as an expense, and no value shall be taken to the asset or liability since it is limited only to the transfer of the right of use.

Financial lease: Financial leases shall recognize the assets acquired under a financial lease contract as assets; and the obligations associated to such contract as liabilities. Assets and liabilities shall be recognized at amounts which, at the inception of the lease, are equal to the fair value of the leased good. If lower than the fair value, they shall be recognized at the present value of the minimum lease payments. This type of lease leads to financial expenses in the profit and loss statement of each period, and they correspond to the agreed interest rate.

Lease recognition, measurement and presentation principles for lessees and lessors are established as indicated in IFRS 16 - *Leases* as of January 1, 2019.There are not significant changes in the lessor accounting treatment according to this standard; changes apply to lessee accounting.

Company as lessor: Leases are classified as financial leases when all risks and rewards incident to ownership are substantially transferred to the lessee under the lease terms. All other leases are classified as operating leases.

Amounts owed by lessees under financial leases are recorded as amounts receivable at the Company's net investment amount in the leases item. Income from financial leases is allocated in accounting periods to reflect a regular constant rate of return in the Company's outstanding net investment regarding leases.

Rental income under operating leases is recognized by using the straight-line method during the term corresponding to the lease. Initial direct costs incurred when negotiating and agreeing on an operating lease are added to the book value of the leased asset and recognized during the lease term on a linear basis.

Company as lessee: The Company shall assess whether or not the contract contains a lease at the inception of the contract. A contract contains a lease if it transfers the right to direct the use of an identified asset throughout the period of use in exchange for consideration.

At the beginning of the lease, the Company shall recognize a right-of-use asset and a lease liability, except for short-term leases (12-month term or less) and leases whose underlying asset is a low value asset (such as tablets, laptops, small office products and telephones). For these leases, the Company recognizes lease payments as an expense by using the straight-line method throughout the lease term.

The right-of-use asset is initially measured at cost; the cost of the right-of-use asset shall comprise:

(a) The amount equal to the lease liability at initial measurement.

(b) Lease payments made at or before the commencement date, less any lease incentives received.

(c) Initial direct costs incurred by the lessee, which may include commissions, legal fees (if they are contingent at the moment the lease arises) and collateral proceeding costs.

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease; unless those costs are incurred to produce inventories. The lessee incurs in obligations as a result of those costs either at the commencement date or as a result of having used the underlying asset throughout a given period.

The lessee shall recognize the costs involved in dismantling and removing the underlying asset as part of the cost of the right-of-use asset when it incurs in an obligation as a result of those costs.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by the rate implicit in the contract. If this rate cannot be readily determined, the Company shall use the rate of increase for lessee’s loans.

Lease payments included in the lease liability measurement consist in:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives received;
- Variable lease payments that depend on a rate, which are initially measured by using the rate at the commencement date;

After the commencement date, the lessee shall measure its right-of-use asset by using the cost model. The Bank shall implement the provisions established in the asset impairment policy to determine whether the value of a right-of-use asset has been impaired and to record the impairment.

If the lease transfers the ownership of the underlying asset to the lessee at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

After the commencement date, the lessee shall measure a lease liability by:

(a) Increasing the book value to reflect the interest on the lease liability.

(b) Reducing the book value to reflect the lease payments made.

(c) Measuring again the book value to reflect new measurements or specified lease adjustments, and to reflect the in-essence fixed lease payments that had been reviewed.

After the commencement date, the lessee shall recognize in the profit and loss statement of the period (unless the costs may be included as an increase in the value of other assets):

(a) The interest on the lease liability.

(b) Variable lease payments not included in the lease liability measurement for the period when the event or condition occurs and generates such payments.

3.20. Investments in associates: The Bank shall have investments with significant influence if these investments directly or indirectly have (for example through subsidiaries) a share equal to or greater than 20%of the voting power over the investee, but less than 50%.

During the initial recognition, the investment in an associate shall be recorded at cost, and the book value shall increase or decrease to recognize investor's share in the profit and loss statement of the investee's period after the acquisition date.

3.21. Revenue recognition – Revenues are measured at the fair value of the consideration received or receivable, represent amounts receivable for services rendered and are net of discounts and taxes.

The Bank recognizes revenue when:

- Their amount can be measured reliably
- It is possible that future economic benefits shall flow to the Bank.

Dividend and interest income

Dividends: Investment dividend income is recognized once the shareholders rights to receive this payment have been established (provided that it is probable that economic benefits shall flow to the company and that ordinary income can be measured reliably).

Interests: Interest income on a financial asset is recognized when the Bank is likely to receive the economic benefits associated with the transaction and when the amount of income from ordinary activities can be measured reliably. Interest income is recorded on a time basis, in accordance with the outstanding capital and the applicable effective interest rate, which is the discount rate that exactly matches the estimated cash flows receivable or payable over the expected life of the financial instrument with the net book value of the financial asset on initial recognition.

3.22. Operating segments –The Bank manages and analyses the entity's performance in terms of financial results by business segments. The factors used to identify the operating segments are based on the financial products the Bank promotes to boost the business and economic growth of Colombian companies and to manage their financial margin.

In order to comply with the provisions of IFRS 8 – Operating Segments, the Bank has identified the following segments, which are periodically assessed by the Board of Directors in order to allocate resources and assess their profitability.

The products and/or concepts included within each of the segments are the following:

- Portfolio in pesos: It includes the commercial portfolio in pesos, including discount operations on documents in pesos, portfolio of employees and former employees.

- Foreign currency portfolio: It includes the commercial portfolio in foreign currency, including discount operations of documents in foreign currency.

- Investment portfolio: It includes securities managed by the Bank's Treasury in treasury securities in national or foreign currency and Colombian private debt securities, specifically those issued by issuers supervised by the Financial Superintendence of Colombia.

- Treasury Products: It includes operations with derivatives (from speculation and hedging), restatement of own position (exchanges), cash operations and currency trading.

- Commissions: It includes products of international banking operations, guarantee of issues, guarantee shared with the National Guarantee Fund, micro-insurance, amongst others.

- Other products: It includes investments in private equity funds, investments in affiliates and subsidiaries, other assets and new products developed by the Bank, whose share is less than 10% of the asset or income.

In accordance with the foregoing, the main factors considered in the profit management methodology defined by the Bank are explained below:

I. Loan portfolio

The Bank's general segmentation policy for profit management of the portfolio bases on the "Profit Management Methodology" defined by the Bank for internal monitoring, which is managed, reviewed and analyzed by different areas and even at different levels of the organization.

During the first instance (first layer of the analysis), the factors considered by the Bank to identify portfolio operating segments base on the classification by currencies (COP and USD), and on the subsequent grouping of the portfolio lines promoted by the Bank.

This differentiation is very important and it is independently considered when making pricing and profitability models, since the type of support to companies and the destination of resources are converted into funding for each type of portfolio (COP and USD). Regarding the COP portfolio, the Bank is funded mainly in the capital market and with its own resources (equity), while as for the USD portfolio, the Entity obtains resources from multilateral entities and the Correspondent Bank.

Additionally, the loan portfolio requires available resources to address credit loans, as well as the debt service. Hence, the management net of the required liquidity is included within the credit business margin.

II. Investments

The Bank leads the treasury operation to portfolio management with two objectives: managing medium-term liquidity and obtaining profitable and reasonable benefits through trading financial assets framed within the risk guidelines established by the Board of Directors.

III. Treasury Products

This segment includes products managed by the Bank's Treasury other than its fixed-income investment portfolio. For derivative products, the Bank's Treasury Department may carry out derivative transactions to hedge the financial risks associated with its balance sheet structure in order to offer hedging to third parties or as part of its trading strategy, and in accordance with established risk parameters and limits. It also includes results of exchange differences, in which cash and currency trading operations are identified; and results generated by the Bank's own position.

IV. *Commissions*

This segment includes all international banking operation commissions, guarantees of issues and other commissions collected and paid that do not correspond to other business segments.

V. *Others*

This category includes Private Equity Funds and equity investments; it also groups together all those concepts whose generation of income and expenses are not particularly defined within the policies of the Bank's main margin generation segments.

4. USE OF ESTIMATES AND JUDGEMENTS

The Bank's Management provided criteria, judgments and estimates for preparing these financial statements in accordance with the understanding and applicability of the technical regulatory framework to prepare the financial information; and instructions issued by the Financial Superintendence of Colombia. Different types of estimates and judgments were used for applying accounting policies. The management office implemented these value judgments on the analysis of assumptions that were based meaningfully on historical experience and factors considered as relevant to determine the book value of certain assets and liabilities. Some of such assets and liabilities in fact were not clear and therefore required further efforts for their analysis and interpretation. Significant judgments and estimates are described below and are considered important for submitting the current financial statements.

Judgments - The preparation of financial statements as demanded by IFRS required judgments on how to apply accounting policies issued by the Bank; due to the significant effect they have on the amounts recognized in the financial statements. The Bank shall disclose the judgments enforced other than those referred to in the estimates made when applying the entity's accounting policies.

Information on significant professional judgments and key sources of estimation uncertainty is useful in assessing the balance sheet. Critical judgments pronounced in applying accounting policies, which significantly impact the financial statements are described below:

a. *Classification of assets and liabilities* - The designation of assets and liabilities was carried out according to the business model of each financial instrument. Such designation determined that financial assets are classified in the following categories: financial assets measured at fair value with changes in OCI (debt instruments and equity instruments), financial assets measured at fair value with changes in profit and loss. Financial liabilities are classified in the fair value and amortized cost categories.

b. *Estimates* - The estimates were calculated by considering complex or subjective transactions, often applied to the assessment of inherently uncertain issues, in such a way that the results may vary between these and other estimates. Estimates are reviewed periodically and should any correction be required; the Bank shall prospectively make the necessary changes by specifying their effect on the disclosure of each group or element of the financial statements.

c. *Leases* - The applicability of IFRS 16 - *Leases* includes judgments to determine whether the Bank manages the good in use, the period when it is managed, the measurement of the right to use the related asset and liability as per the contract terms, the discount rate; and the separation of the contract components at the recognition of these operations.

Assumptions and uncertainties in estimates – Information on assumptions and other key sources regarding the uncertainty in estimates used at the date of submission of the current financial statements are disclosed in order to indicate the most important judgments that shall enable financial statement users to better understand how accounting policies are applied.

These key assumptions and other sources of estimation uncertainty refer to estimates that provide the most reliable and understandable information presented in the financial statements. The foresaid judgments regarding the fair value of financial instruments, employee benefits, income taxes, investments, property reassessment, equipment, and provisions are listed below:

a. *Fair value* - The fair value of an asset or liability is the estimated amount of the consideration that would be agreed upon by two parties being in sound mind, willing and acting in full freedom and not as the result of a forced sale or liquidation. For practical purposes, and based on the above definition, the Bank shall consider as fair value any measures of value that more accurately represent the market conditions at the valuation date, as well as any measures of value that together represent the price that market participants would grant at the measurement date.

b. *Loan portfolio impairment* – While following the standards of the Financial Superintendence of Colombia, the Bank reviews the loan portfolio regularly to assess whether impairment should be recorded with charges to profit and loss of the period by following the guidelines established in Chapter II of the Basic Accounting and Financial Circular Letter.

In order to estimate provisions of the commercial portfolio (direct and rediscount) and consumer portfolio, the models incorporate some common aspects described in note 3.6.

Moreover, the Bank carries out a general provision with charges to profit and loss for housing credit portfolio of 1% from the total amount of this portfolio according to the instructions from the Financial Superintendence of Colombia.

The Bank estimates that loan portfolio provisions as of December 31, 2019 and 2018, are enough to hedge possible losses that may arise in current loans during these dates.

c. *Employee benefits* - Based on IAS 19 - *Employee Benefits*, all forms of consideration granted by the Bank in return for services provided by employees are divided into two categories for accounting recognition purposes:

i) Short-term benefits - In accordance with Colombian labor laws, such benefits correspond to severance payments, interest on severance payments, vacation time, vacation premiums, legal and extra-legal premiums, aids and parafiscal contributions to State entities, all of which are amortized within 12 months after disbursement. These benefits are accumulated through the accrual method with charges to profit and loss.

ii) Long-term benefits - Long-term benefits are amortized over a period greater than 12 months after disbursement. Housing and vehicle loans at preferential interest rates compared to those offered by the market are among the long-term benefits the Bank grants to its employees.

In order to receive these benefits, employees should meet the requirements established in the Bank’s internal manuals.

d. *Income tax* - The Bank assesses the realization of deferred income tax assets over time. They represent a tax on recoverable income through future deductions from taxable income and are recorded in the balance sheet. Deferred tax assets may be recoverable to the extent that tax benefits may be received. As of December 31, 2019, and 2018, the Bank estimates that deferred income tax assets shall be recoverable based on their estimated future taxable income. Deferred tax liabilities recorded as taxable differences in the deferred tax calculation shall reflect income tax amounts payable in future periods.

e. *Investments* – Impairment of the Bank's investments is calculated according to the instructions of the Financial Superintendence of Colombia published in Chapter I-1 of the Basic Accounting and Financial Circular Letter. Impairment is calculated based on the investment rating in securities of unrated issues or provisions and securities of issues with external ratings. (See detail in Note 3 - Main accounting policies in investment financial asset policy).

f. *Revaluation of property and equipment* - The Bank measures lands and buildings at their revalued amounts and the changes at fair value are recognized in other comprehensive income.

The Bank updates the fair values of buildings, lands and investment properties every 3 years.

g. *Provisions and contingencies* - A contingency should be classified on the basis of a reliable estimate of the probability of an occurring incident or event. The Bank shall disclose a brief description of its nature for each kind of contingent liability at the end of the reporting period unless the possibility of any outflow of resources in settlement is remote. When an inflow of economic benefits becomes probable, the Bank shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, whenever feasible, an estimate of their financial impact. Contingency estimates are based on the criteria adopted by IFRS as detailed below.

The Bank's provisions are determined based on the probability established by the legal area for each event, fact or legal process as follows: no provision is recognized for processes with a probability of occurrence between 0% and 49%; provision is recognized according to the established guidelines for processes with a probability of occurrence between 50% and 100%.

Recognition of Obligations and Disclosure of Liabilities CGN (1)	**Risk of Loss Rating- ANDJE (2)**	**Homologation under IFRS**	**Provision**	**Disclosure**
Probable	High	Probable	√	√
Possible	Medium	Possible (eventually)	x	√
Remote	Low	Remote	x	x

(1) General Accounting Office of the Nation

(2) National Agency for State Legal Defense

5. STANDARDS ISSUED BY IASB WHICH ARE NOT YET IN FORCE IN COLOMBIA

5.1. Incorporated in Colombia as of January 1, 2020 – According to Decree2270 of 2019, as of January 1, 2020, the following standards shall enter into force in the technical regulatory framework that contains some amendments issued by IASB in 2018, enabling it to be implemented at an earlier date:

Financial Reporting Standard	Subject of the Amendment	Details
IFRIC 23 – Uncertainties over Income Tax Treatments		This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. Under these circumstances, an entity shall recognize and measure its current or deferred tax assets or liabilities by applying the requirements of IAS 12 on the basis of taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined by applying this interpretation. Entered into force worldwide January, 2019
IAS 1 – Presentation of Financial Statements	Amendment, definition of material	The information is material if it may reasonably be expected that its omission, deviation or concealment may influence the decisions made by the primary users of general-purpose financial statements regarding such financial statements, which provide financial information about a specific reporting entity. Entered into force worldwide January, 2020
IAS 19 – Employee benefits	Plan amendment, reduction or settlement	In cases when the plan is amended, reduced or settled, the current service cost and net interest for the period after the new measurement must be determined by implementing the assumptions used for the new measurement. Moreover, amendments have been included to clarify the effect that an amendment, reduction or settlement of the plan would have on the requirements regarding the asset ceiling. Entered into force worldwide January, 2019
Conceptual Framework 2019	General amendment	It contains definitions of concepts related to: Measurement: including the factors considered when measurement bases are selected. Presentation and disclosure: including information on when to classify an income or expense in other comprehensive income. No recognition: includes a guideline on when assets or liabilities should be removed from financial statements.

Financial Reporting Standard	Subject of the Amendment	Details
		Moreover, it updates the definitions of asset and liability and criteria to include them in the financial statement. The definition of some concepts is also clarified. Entered into force worldwide January, 2020

The Bank anticipates that the adoption of these standards and interpretations issued by IASB incorporated in Colombia as of January 2020 will not have a material impact on the financial statements.

5.2. Issued by IASB and not incorporated in Colombia – The following standards have been issued by IASB but have not yet been incorporated by Decree in Colombia:

Financial Reporting Standard	Subject of the amendment	Details
IFRS 17 Insurance Contracts	New standard issued	It establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the standard scope. It aims at ensuring that an entity provides relevant information that reliably represents its insurance contracts. This information provides a basis for financial statement users to assess the effect that insurance contracts have on the balance sheet, financial performance and cash flows of the entity. To enter into force worldwide January, 2021
IFRS 10 – Consolidated Financial Statements IAS 28 – Investments in Associates and Joint Ventures	Sale or contribution of assets between an investor and its joint venture or associate	Amendments to IFRS 10 and IAS 28 concerning situations where there is a sale or contribution of assets between an investor and its joint venture or associate. Specifically, amendments establish that profits or losses resulting from the loss of control of a subsidiary that does not have a business in a transaction with an associate or joint venture recorded through the equity method are recognized in profits or losses only

Financial Reporting Standard	Subject of the amendment	Details
		to the extent of unrelated investors' interests in that associate or joint venture. Similarly, profits and losses resulting from the new measurement of investments held in any aforementioned subsidiary (that has become an associate or joint venture recorded through the equity method) at fair value are recognized in profits or losses only to the extent of unrelated investors' interests in the new associate or joint venture. The effective date of amendments has not yet been established by IASB; however, early application of amendments is allowed.

The Bank shall quantify the impact on the financial statements once the Decree incorporating them in the Colombian Technical Regulatory Framework is issued.

6. FAIR VALUE ESTIMATION

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

An active market is a one where asset or liability transactions are carried out with the right frequency and volume to provide price information on an ongoing basis. A dirty price includes the accrued and outstanding interests on the security from the issuance date or last interest payment to either the compliance date of the purchase-sale transaction or the valuation date. The fair value of financial assets and liabilities not traded in an active market is determined through valuation techniques determined by the price provider.

Valuation techniques used for non-standardized financial instruments such as options, foreign currency swaps and over-the-counter (OTC) derivatives market include the use of interest rate or currency valuation curves constructed by price providers from market data and extrapolated to the specific conditions of the instrument that is valued, discounted cash flow analysis, option pricing model and other valuation techniques commonly used by market participants that use market data fully and place as little reliance as possible on specific data of entities.

The Bank calculates the fair value of fixed-income instruments and derivatives daily using price and/or input information provided by official price provider PRECIA S.A. (formerly INFOVALMER). This provider has been authorized after due compliance with the standards applicable to price providers for valuation in Colombia, including its purpose, operating regulations, approval process of valuation methodologies and required technological infrastructure, among other aspects. After evaluating the methodologies of the price provider PRECIA S.A. (formerly INFOVALMER), it is concluded that the fair value calculated for derivative instruments based on prices and inputs delivered by the price provider is appropriate.

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

Fair value hierarchy is based on the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities which the entity may access at the measurement date.

- Level 2 inputs are different from the quoted prices included in Level 1, which may be observable for the asset or liability either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy where the fair value measurement is entirely classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Therefore, the importance of an input is assessed in relation to the fair value measurement in its entirety.

Financial instruments quoted on markets that are not considered active but are valued using quoted market prices, quotations from price providers or alternative price sources supported by observable inputs are classified in Level 2.

A Level 3 fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs. Assessing the importance of a particular input to the fair value measurement in its entirety requires professional judgment, and consideration of specific factors of the asset or liability.

The Bank deems as observable data the market data that is already available, distributed or regularly updated by the price provider, reliable and verifiable; data that does not have ownership rights, and is provided by independent sources that actively participate in the relevant market.

a. *Fair value measurements on a recurring basis*

These are measurements that IFRS accounting standards require or allow in the Balance Sheet at the end of each accounting period. The Bank’s assets and liabilities (by class) measured at fair value as of December 31, 2019 and 2018 on recurring basis and within the fair value hierarchy are shown in the following table:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value with changes in profit and loss - Debt instruments				
Colombian pesos				
Treasury bonds- TES	$ 591.253.670	$ -	$ -	$ 591.253.670
Other national issuers- financial institutions	-	10.275.750	-	10.275.750
Investments at fair value with changes in OCI - Equity instruments				
Colombian pesos				
National issuers- private equity funds	110.105.763	-	-	110.105.763
Foreign currency				
Foreign issuers- private capital funds and Bladex	64.972.427	-	-	64.972.427
Investments at fair value with changes in OCI - Debt instruments				
Colombian pesos				
Treasury bonds - TES	336.851.175	-	-	336.851.175
Foreign currency				
Treasury bonds - TES - Yankee Bonds	195.610.507	-	-	195.610.507
Investments in subsidiaries and affiliates	-	-	118.533.296	118.533.296
Investments in associated companies	-	-	142.968.934	142.968.934
Trading derivative financial instruments				
Forward contracts				
Rights to purchase on currency	-	130.621.371	-	130.621.371
Rights to sell on currency	-	1.374.156.279	-	1.374.156.279
Purchase obligations on currency	-	(127.248.670)	-	(127.248.670)
Sale obligations on currency	-	(1.321.830.739)	-	(1.321.830.739)
Credit Valuation Adjustment-CVA	-	(9.475)	-	(9.475)
Futures contracts				
Rights to purchase on currency	-	3.351.417.625	-	3.351.417.625
Rights to sell on currency	-	3.314.371.790	-	3.314.371.790
Purchase obligations on currency	-	(3.351.417.625)	-	(3.351.417.625)
Sale obligations on currency	-	(3.314.371.790)	-	(3.314.371.790)
Derivative financial instruments for hedging				
Futures contracts				
Right to sale on currency	-	67.000.423	-	67.000.423
Sale obligations on currency	-	(67.000.423)	-	(67.000.423)
Non-financial assets				
Investment properties	-	-	6.413.244	6.413.244
Total recurring fair value assets	$ 1.298.793.542	$ 65.964.516	$ 267.915.475	$ 1.632.673.532
Liabilities				
Trading derivative financial instruments				
Forward contracts				
Rights to purchase on currency	-	(1.966.633.469)	-	(1.966.633.469)
Rights to sell on currency	-	(160.632.032)	-	(160.632.032)
Purchase obligations on currency	-	2.044.505.834	-	2.044.505.834
Sale obligations on currency	-	163.116.810	-	163.116.810
Debit Valuation Adjustment-DVA	-	(10.599)	-	(10.599)
Total recurring fair value liabilities	$ -	$ 80.346.544	$ -	$ 80.346.544

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value with changes in profit and loss - Debt instruments				
Colombian pesos				
Treasury bonds- TES	$ 594.418.288	$ -	$ -	$ 594.418.288
Other national issuers- financial institutions	-	29.925.337	-	29.925.337
Investments at fair value with changes in OCI - Equity instruments				
Colombian pesos				
National issuers	90.373.568	-	-	90.373.568
Foreign currency				
Foreign issuers	49.199.566	-	-	49.199.566
Investments at fair value with changes in OCI - Debt instruments				
Colombian pesos				
Treasury bonds - TES	240.763.710	-	-	240.763.710
Foreign currency				
Treasury bonds - TES	163.273.031	-	-	163.273.031
Investments in subsidiaries and affiliates	-	-	112.305.586	112.305.586
Investments in associated companies	-	-	115.396.653	115.396.653
Trading derivative financial instruments				
Forward contracts				
Rights to purchase on currency	-	3.728.407.527	-	3.728.407.527
Rights to sell on currency	-	134.491.923	-	134.491.923
Purchase obligations on currency	-	(3.607.620.973)	-	(3.607.620.973)
Sale obligations on currency	-	(133.089.847)	-	(133.089.847)
Credit Valuation Adjustment-CVA	-	(1.556)	-	(1.556)
Futures contracts				
Rights to purchase on currency	-	2.581.448.985	-	2.581.448.985
Rights to sell on currency	-	2.298.153.460	-	2.298.153.460
Purchase obligations on currency	-	(2.581.448.985)	-	(2.581.448.985)
Sale obligations on currency	-	(2.298.153.460)	-	(2.298.153.460)
Derivative financial instruments for hedging				
Futures contracts				
Rights to purchase on currency	-	1.866.706	-	1.866.706
Rights to sell on currency	-	50.433.571	-	50.433.571
Purchase obligations on currency	-	(1.866.706)	-	(1.866.706)
Sale obligations on currency	-	(50.433.571)	-	(50.433.571)
Non-financial assets				
Investment properties	-	-	6.413.244	6.413.244
Total recurring fair value assets	$ 1.138.028.162	$ 152.112.410	$ 234.115.483	$ 1.524.256.056
Liabilities				
Trading derivative financial instruments				
Cash operations				
Rights to purchase on currency	-	(19.498.500)	-	(19.498.500)
Purchase obligations on currency	-	19.503.930	-	19.503.930
Forward contracts				
Rights to purchase on currency	-	(280.577.822)	-	(280.577.822)
Rights to sell on currency	-	(3.500.434.335)	-	(3.500.434.335)
Purchase obligations on currency	-	281.578.622	-	281.578.622
Sale obligations on currency	-	3.583.370.992	-	3.583.370.992
Debit Valuation Adjustment - DVA	-	(4.475)	-	(4.475)
Total recurring fair value liabilities	$ -	$ 83.938.412	$ -	$ 83.938.412

b. Determination of fair values

The price provider receives the information from all external and internal sources of negotiation and registration within the fixed schedules according to the methodologies approved by the Financial Superintendence of Colombia. In order to determine the hierarchy level 1 and 2 of the fair value, an instrument-by-instrument assessment is carried out according to the calculation type information reported by PRECIA S.A. (formerly INFOVALMER), the expert judgment of the Front and Middle Offices which issue their concepts by considering the following aspects: Continuity in the historical publication of prices, circulation amount, record of operations performed, number of price contributors as a measurement of depth, market knowledge, steady quotations by one or more counterparties of the specific security, and *bid-offer spreads*, amongst others.

The methodologies applicable to the most common derivative instruments are:

- Valuation of foreign currency forwards: The provider publishes curves assigned according to the currency of origin of the underlying. These curves are made up of nominal rates for the past due period associated with forward exchange rate contracts.

- Valuation of bond forwards: In order to determine the valuation of the forward at a given date, the theoretical future value of the bond is calculated from its price on the valuation day and the risk-free rate of the reference country of the underlying. Then, the present value of the difference between the theoretical future value and the bond price agreed in the forward contract is obtained by using the risk-free rate of the reference country of the underlying to the term of days for expiration of the contract for the discount.

- Valuation of swap operations: The provider publishes curves assigned according to the underlying, basis swap curves (exchange of payments associated with variable interest rates), domestic and foreign curves, implicit curves associated with forward exchange rate contracts.

- Valuation of OTC options: The provider publishes curves assigned according to the currency of origin of the underlying, the forward exchange rate curve of the domestic currency which is subject of the operation, implicit curves associated with forward exchange rate contracts, swap curves assigned according to the underlying, matrix and implicit volatility curves.

7. CASH AND CASH EQUIVALENTS

As of December 31, 2019, and 2018, the cash balance and cash equivalent is as follows:

	Dec 31, 2019	Dec 31, 2018
Legal tender		
Cash	$ 6.906	$ 6.812
Central Bank of Colombia (1)	29.913.769	17.126.388
Banks and other financial entities	19.609.398	97.687.681
	49.530.073	114.820.881
Foreign Currency		
Banks and other financial entities	7.529.660	7.726.286
	7.529.660	7.726.286
	$ 57.059.733	$ 122.547.167

(1) These funds are allocated to the Nation under the borrowing contract entered into between Bancóldex and the Inter-American Development Bank (IDB), through which Bancóldex pledges the income it receives from the collection of the credit portfolio up to an amount of 120% of the six-month debt service for loan agreements 2080/OC-CO and 2193/OC-CO, and 130% for agreements 2983/TC-CO, 3003/TC-CO, 3661/TC-CO, 2949/OC-CO and 4439 /OC-CO.

As of December 31, 2019, and 2018, there were not reconciling items in legal or foreign currency with more than 30 days pending for adjustment.

8. FINANCIAL INSTRUMENTS

Assets arising from financial instruments include investments at fair value with changes in profit and loss, investments at amortized cost and investments at fair value with changes in Other Comprehensive Income, equity instruments measured by their equity variation and derivative financial instruments.

As of December 31, 2019, and 2018, the balance of the investment portfolio is as follows:

BLANK SPACE

	Dec 31, 2019		Dec 31, 2018	
	Interest rate (%)	Value	Interest rate (%)	Value
Investments at fair value with changes in profit and loss - debt instruments				
Legal tender				
Securities issued by the Nation				
Ministry of Finance TES - FIXED RATE	5,41	$ 591.253.670	5,48	$ 591.446.880
Ministry of Finance TES -RVU	-	-	2,21	2.971.408
	5,41	591.253.670	5,46	594.418.288
Securities issued by entities monitored by the Financial Superintendence				
Term Deposit Certificates TDCs - FTD	7,45	4.987.500	-	-
CPI Bonds	7,61	5.288.250	5,63	7.643.775
FTD Bonds	-	-	6,30	22.281.562
	7,53	10.275.750	6,13	29.925.337
	5,44	$ 601.529.420	5,49	$ 624.343.625
Investments at fair value with changes in OCI - debt instruments				
Legal tender				
Securities issued by the Nation				
Ministry of Finance TES - FIXED RATE	5,50	$ 336.851.175	5,96	$ 240.763.710
Foreign currency				
Securities issued by the Nation				
Yankee Bonds	4,06	195.610.507	5,47	163.273.031
	4,97	$ 532.461.682	5,76	$ 404.036.741

	Dec 31, 2019	Dec 31, 2018
Investments at fair value with changes in OCI- equity instruments		
Banco Latinoamericano de Exportaciones S.A. - BLADEX	$ 34.230.169	$ 27.466.442
Private Equity Funds [(3)]	140.848.021	112.106.692
Minus: Impairment	-	(2.824.694)
	$ 175.078.190	$ 136.748.440
Investments accounted using the equity method[(4)]		
Segurexpo de Colombia S.A.	$ 10.465.891	$ 9.340.069
Fondo Nacional de Garantías S.A. - F.N.G.	132.503.043	106.056.584
	$ 142.968.934	$ 115.396.653
Investments in subsidiaries [(5)]		
Fiduciaria Colombiana de Comercio Exterior S.A. - FIDUCOLDEX	$ 50.757.337	$ 51.138.017
Arco Grupo Bancoldex S.A.	67.775.959	61.167.569
	$ 118.533.296	$ 112.305.586

(1) Debt securities – provided as collateral in money market operations

As of December 31, 2019, and 2018, the investments in debt securities with changes in OCI provided as collateral in money market operations amounted to $0 and $12,210,500 respectively.

(2) Debt securities – provided as collateral in operations with the Central Counterparty Clearing House

As of December 31, 2019, and 2018, the investments in debt securities with changes in OCI provided as collateral to support the operations with the Central Counterparty Clearing House amounted to $157,084,405 and $87,097,949 respectively.

(3) Investments at fair value with changes in OCI – Equity Instruments

The information of investments the Bank holds in Private Equity Funds is as follows:

December 31, 2019

Entity	Investment commitment	Contingency	Capital Collection	Redemption	Invested	Valuation	% Executed	Fair value
Escala	$ 14.000.000	$ 668	$ 10.999.332	$ 17.118	$ 13.999.332	$ 4.771.215	100,00	$ 3.606.788
Aureos	11.000.000	3.988.052	10.658.800	17.235.898	7.011.948	(972.606)	63,74	1.901.992
Progresa Capital	3.723.480	-	3.723.480	1.491.748	3.723.480	599.117	100,00	1.714.128
Colombia Ashmore	37.686.200	40	37.686.161	17.592.203	37.686.160	(19.994.574)	100,00	58.355.203
Amerigo Ventures Colombia	4.193.000	602.425	3.589.762	279.864	3.590.575	379.990	85,63	2.832.489
Velum Early Stage Fund I	7.468.230	364.901	7.182.581	342.523	7.103.329	(4.291.995)	95,11	11.132.054
Mas equity fund III Colombia	21.000.000	8.196.858	12.839.409	283.813	12.803.142	1.774.648	60,97	10.780.948
Ashimore Andino II	15.000.000	2.305.319	14.238.579	2.489.165	12.694.681	(8.032.749)	84,63	19.782.162
Fund of Funds Bancóldex (*)	45.000.000	45.000.000	-	-	-	-	-	-
	$ 159.070.910	$ 60.458.263	$ 100.918.104	$ 39.732.332	$ 98.612.647	$ (25.766.954)	61,99	$ 110.105.764

December 31, 2019

Entity	Investment commitment	Contingency	Capital Collection	Redemption	Invested	Valuation	% Executed	Fair value	
	USD	USD	USD	USD	USD	USD		USD	COP
MGM Sustainable Energy Fund L.P.	4.000	-	4.121	279	4.000	(86)	100,00	3.485	$ 11.420.082
Darby Latin American Private Debt Fund Iii, L.P.	5.000	2.525	4.189	1.714	2.475	168	49,50	2.307	7.559.637
Angel Ventures Pacific Alliance Fund I Limited Par	5.000	2.737	573	27	2.263	250	45,26	2.013	6.596.153
Acumen Latin America Early Growth Fund Lp	1.500	815	2.263	-	685	68	45,67	615	2.016.790
Allvp Fund Iii, Lp	3.000	1.963	905	-	1.037	76	34,57	961	3.149.595
	18.500	8.040	12.051	2.020	10.460	476	56,54	9.381	$ 30.742.257
Total Private Equity Funds									$ 140.848.021

(*) Fund of Funds: After having optimally designed the investment vehicle, its regulatory framework, and socialized it with local key stakeholders, the Bank introduced the Fund of Funds to the market in April 2019, as a regular development of Bancóldex Capital Program. It mainly focused on venture capital and aimed at securing resources worth USD 30 million in the short term. This goal was achieved during the second half of the year by linking entities such as iNNpulsa Colombia, ColCiencias, a multilateral entity and a private investor (under the process of formalizing its investment commitment). These stakeholders, along with Bancóldex, represent resources of over USD 38 million.

December 31, 2018

Entity	Credit Risk Rating (*)	Investment commitment	Contingency	Capital Collection	Redemption	Invested	Valuation	Impairment	% Executed	Fair value
Aureos	2	$ 14.640.381	$ 3.988.052	$ 2.092.110	$ 16.333.081	$ 18.425.191	$ 1.454.170	$ 177.314	125,85	$ 3.546.279
Escala	3	11.000.001	668	10.982.214	17.118	10.999.332	(6.281.188)	470.103	99,99	4.701.024
Progresa Capital	2	3.723.480	-	2.670.726	1.280.283	3.951.009	(357.037)	115.685	106,11	2.313.690
Colombia Ashmore	1	37.686.200	40	32.493.670	12.482.552	44.976.222	17.195.486	993.783	119,34	49.689.156
Amerigo Ventures Colombia	1	4.192.187	1.389.406	2.619.746	322.466	2.942.212	(653.270)	39.330	70,18	1.966.476
Velum Early Stage Fund I	1	7.547.482	618.327	6.726.258	327.197	7.053.455	4.635.841	227.242	93,45	11.362.099
Mas equity fund III Colombia	1	21.036.267	15.742.109	4.675.044	36.267	4.711.311	(849.982)	76.501	22,40	3.825.062
Ashimore Andino II	1	15.000.002	4.348.901	10.404.436	230.438	10.634.874	2.565.345	259.396	70,90	12.969.782
		$ 114.826.000	$ 26.087.503	$ 72.664.204	$ 31.029.402	$ 103.693.606	$ 17.709.365	$ 2.359.354	90,30	$ 90.373.568

December 31, 2018

Entity	Credit Risk Rating (*)	Investment commitment USD	Contingency USD	Capital Collection USD	Redemption USD	Invested USD	Valuation USD	Impairment COP	% Executed	Fair value USD	Fair value COP
ALLVP FUND III, LP	1	3.000	3.000	-	-	-	-	$ -	-	-	$ -
Microcarbon Development Fund Lp	1	3.937	-	3.937	121	4.058	(169)	77	103,07	3.768	12.243.715
Darby latin american private debt	1	5.000	3.113	1.887	273	2.160	(90)	46	43,20	1.797	5.839.460
Acumen latin american early gro	2	1.500	1.163	337	-	337	-	16	22,47	315	1.022.630
Angel Ventures pacific alliance fund II	1	5.000	4.071	929	144	1.073	(73)	17	21,46	808	2.627.319
		18.437	11.347	7.090	538	7.628	(332)	$ 156	41,37	6.688	$ 21.733.124
Total Private Equity Funds											$ 112.106.692

(*) Credit Risk Rating: The credit risk of investments made by Bancóldex Capital in Equity Funds is rated based on an internal methodology duly approved by the Financial Superintendence of Colombia in June 2009.

(4) Investments in Associates

During 2019 and 2018 the investments of Fondo Nacional de Garantías S.A. and Segurexpo de Colombia S.A. were measured using the equity method as required by Decree 2496 of 2015.

The information of investments in associates as of December 31, 2019 and 2018 is as follows:

December 31, 2019

Entity	Country	% Share	Initial balance	Dividends received in cash	Profit and Loss	Other comprehensive income Profit/ (Loss)	Final balance
Segurexpo de Colombia S.A.	Colombia	49,63	$ 9.340.069	$ -	$ 1.177.839	$ (52.017)	$ 10.465.891
Fondo Nacional de Garantías S.	Colombia	25,73	106.056.584	-	26.213.301	233.158	132.503.044
			$ 115.396.653	$ -	$ 27.391.140	$ 181.141	$ 142.968.934

December 31, 2018

Entity	Country	% Share	Initial balance	Dividends received in cash	Profit and Loss	Other comprehensive income Profit/ (Loss)	Final balance
Segurexpo de Colombia S.A.	Colombia	49,63	$ 9.129.194	$ 90.802	$ 271.976	$ 29.701	$ 9.340.069
Fondo Nacional de Garantías S.	Colombia	25,73	110.800.407	-	(4.510.924)	(232.899)	106.056.584
			$ 119.929.601	$ 90.802	$ (4.238.948)	$ (203.198)	$ 115.396.653

(5) Investments in Subsidiaries

The information of investments in subsidiaries as of December 31, 2019 and 2018 is as follows:

December 31, 2019

Entity	Country	% Share	Initial balance	Dividends received in cash	Profit and Loss	Other comprehensive income Profit/ (Loss)	Final balance
Fiduciaria Colombiana de Comercio Exterior S.A. - FIDUCOLDEX	Colombia	89,32	$ 51.138.017	$ 2.138.404	$ 2.501.561	$ (743.837)	$ 50.757.337
Arco Grupo Bancoldex S.A.	Colombia	87,45	61.167.569	-	6.496.137	112.253	67.775.959
			$ 112.305.586	$ 2.138.404	$ 8.997.698	$ (631.584)	$ 118.533.296

December 31, 2018

Entity	Country	% Share	Initial balance	Dividends received in cash	Profit and Loss	Other comprehensive income Profit/ (Loss)	Final balance
Fiduciaria Colombiana de Comercio Exterior S.A. - FIDUCOLDEX	Colombia	89,32	$ 48.844.216	$ 4.704.013	$ 6.475.146	$ 522.668	$ 51.138.017
Arco Grupo Bancoldex S.A.	Colombia	87,45	57.147.830	-	5.116.627	(1.096.888)	61.167.569
			$ 105.992.046	$ 4.704.013	$ 11.591.773	$ (574.220)	$ 112.305.586

The information of the fair value of trading derivative instruments as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Trading Forward Contracts		
Active Position		
Rights to purchase foreign currency	$ 130.621.371	$ 3.728.407.527
Rights to sell foreign currency	1.374.156.279	134.491.923
Foreign currecy purchase obligations	(127.248.670)	(3.607.620.973)
Foreign currecy sale ogligations	(1.321.830.739)	(133.089.848)
Credit Valuation adjustment -CVA	(9.475)	(1.556)
Total Forward contracts - active position	$ 55.688.766	$ 122.187.073
Passive position		
Rights to purchase foreign currency	$ 1.966.633.469	$ 280.577.822
Rights to sell foreign currency	160.632.032	3.500.434.335
Foreign currecy purchase obligations	(2.044.505.834)	(281.578.622)
Foreign currecy sale ogligations	(163.116.810)	(3.583.370.992)
Debit Valuation adjustment -DVA	10.599	4.475
Total Forward contracts - passive position	$ (80.346.544)	$ (83.932.982)

Cash Operations

Rights to purchase foreign currency	$ -	$ 19.498.500
Rights to sell foreign currency	-	-
Foreign currecy purchase obligations	-	(19.503.930)
Foreign currecy sale ogligations	-	-
Total Cash Operations	$ -	$ (5.430)

	Dec 31, 2019	Dec 31, 2018
Trading Futures Contracts		
Rights to purchase foreign currency	$ 3.351.417.625	$ 2.581.448.985
Rights to sell foreign currency	3.314.371.790	2.298.153.460
Foreign currecy purchase obligations	(3.351.417.625)	(2.581.448.985)
Foreign currecy sale ogligations	(3.314.371.790)	(2.298.153.460)
Hedging Futures Contracts		
Rights to purchase on currency	$ -	$ 1.866.706
Rights to sell on currency	67.000.423	50.433.571
Purchase obligations on currency	-	(1.866.706)
Sale obligations on currency	(67.000.423)	(50.433.571)
Total Futures Contracts	$ -	$ -

Creditworthiness of debt securities - Creditworthiness information of debt securities is presented below according to the international risk rating assigned by recognized rating agencies:

	2019	2018
Investment grade	$ 1,123,715,352	$ 1,006,098,804
No rating	10,275,750	22,281,562
Total	$ 1,133,991,102	$ 1,028,380,366

As of December 31, 2019, and 2018, 99.1% and 97.8%, respectively, of investments is placed in investments with international investment grade rating. It is worth highlighting that these investments are placed in the Nation's debt securities. This reflects low credit risk exposure in line with the conservative credit risk profile defined by the Board of Directors.

Creditworthiness information of the counterparties with whom derivative operations are performed is presented below according to the international risk rating assigned by recognized rating agencies:

Investment grade	$ 50,780,613	$ 86,625,145
No rating	36,477,390	164,238,552
Total	$ 87,258,003	$ 250,863,697

As of December 31, 2019, and 2018, 58.2% and 34.5%, respectively, of exposure is placed in counterparties with international investment grade rating; and the remaining with no rating is mostly held by local pension and severance funds.

The credit exposure of positions in non-deliverable forward (NDF) USD / COP for the end of 2019 showed a significant decrease of 346% compared to 2018. This is explained by a high volume of maturities and a decrease of the trading volume in the last month of the year.

The summary of the financial assets by due dates as of December 31, 2019 and 2018 is presented below:

December 31, 2019

	Up to 3 moths	Over 3 months and less than 1 year		Over 1 year			Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 años	
Trading investments							
Securities issued by the Nation - TES	$ 9.918.300	$ 49.045.000	$ 21.566.880	$ 226.137.650	$ 116.746.450	$ 167.839.390	$ 591.253.670
Term Deposit Certificates issued by monitored entities	-	5.288.250	-	4.987.500	-	-	10.275.750
Investments available for sale							
Securities issued by the Nation - TES	-	-	66.285.040	2.179.640	103.228.440	165.158.055	336.851.175
Securities issued by the Nation - Yankee Bonds	-	-	-	-	-	195.610.507	195.610.507
	$ 9.918.300	$ 54.333.250	$ 87.851.920	$ 233.304.790	$ 219.974.890	$ 528.607.952	$ 1.133.991.102

December 31, 2018

	Up to 3 moths	Over 3 months and less than 1 year		Over 1 year			Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 años	
Trading investments							
Securities issued by the Nation - TES	$ -	$ 115.671.860	$ 45.085.140	$ 144.579.900	$ 162.728.068	$ 126.353.320	$ 594.418.288
Term Deposit Certificates issued by monitored entities	10.413.100	-	6.523.512	12.988.725	-	-	29.925.337
Investments available for sale							
Securities issued by the Nation - TES	-	-	-	69.171.560	2.173.560	169.418.590	240.763.710
Securities issued by the Nation - Yankee Bonds	-	-	-	-	-	163.273.031	163.273.031
	$ 10.413.100	$ 115.671.860	$ 51.608.652	$ 226.740.185	$ 164.901.628	$ 459.044.941	$ 1.028.380.366

Impairment of investments – Information of the movement in the impairment of investments is as follows:

	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of the period	$ 2.824.694	$ 2.710.093
Constitutions (charges to profit and loss)	-	409.725
Recoveries (credits to profit and loss) *	(2.824.694)	(295.124)
Balance at the end of the period	$ -	$ 2.824.694

(*) The Bank dismantled the provision from Private Equity Funds in 2019. It was authorized by the Financial Superintendence of Colombia on September 25, 2019.

BLANK SPACE

9. OTHER FINANCIAL ASSETS

The balance of money market operations includes the following as of December 31, 2019 and 2018

	Dec 31, 2019				Dec 31, 2018			
	Interest rate (%)	Trading term (Days)	Value USD	Value	Interest rate (%)	Trading term (Days)	Value USD	Value
Legal tender								
Interbank								
Financial corporations	4,11	3	-	$ 5.001.142	-	-	-	$ -
Foreign Currency								
Overnight								
Banks	1,80	3	7.001	22.942.274	2,43	7	46.513	151.154.138
Other financial entities	1,65	3	26.002	85.213.450	2,55	7	25.008	81.266.769
	1,68		33.003	$ 113.156.866	2,47		71.521	$ 232.420.907

BLANK SPACE

10. LOAN PORTFOLIO AND FINANCIAL LEASING OPERATIONS, NET

The information of the loan portfolio by modality is as follows:

	Dec 31, 2019		
Portfolio and accounts receivable in legal tender:	**Capital**	**Interest**	**Accounts receivable**
Adequate Collateral of commercial portfolio:			
Current	$ 164.917.975	$ 1.063.420	$ 3.210
1 to 3 months overdue	791.589	-	-
3 to 6 months overdue	454.275	-	1.242
6 to 12 months overdue	202.984	11.781	2.961
Over 12 months overdue	445.937	10.809	21.371
	166.812.760	1.086.010	28.784
Other Collateral - commercial portfolio			
Current	4.539.469.523	13.955.144	889
1 to 3 months overdue	138.519	2.005	47
3 to 6 months overdue	451.053	11.140	1.940
6 to 12 months overdue	1.772.013	94.455	14.114
Over 12 months overdue	28.153.927	1.189.138	97.393
	4.569.985.035	15.251.882	114.383
Adequate Collateral of consumer portfolio:			
Current	1.485.565	4.130	1
	1.485.565	4.130	1
Other Collateral of consumer portfolio:			
3 to 6 months overdue	41.606	-	-
	41.606	-	-
Adequate Collateral of housing portfolio:			
Current	16.383.229	41.184	687
1 to 4 months overdue	655.106	4.537	216
4 to 6 months overdue	115.426	-	274
6 to 12 months overdue	31.287	-	46
	17.185.048	45.721	1.223
Total legal tender	4.755.510.014	16.387.743	144.391
Portfolio and accounts receivable in foreign currency:			
Adequate Collateral of commercial portfolio:			
Current	13.217.563	11.683	-
	13.217.563	11.683	-
Other Collateral - commercial portfolio			
Current	1.930.755.649	22.246.372	-
	1.930.755.649	22.246.372	-
Total foreign currency	1.943.973.212	22.258.055	-
Total portfolio and gross accounts receivable	6.699.483.226	38.645.798	144.391
Impairment of portfolio and accounts receivable	(159.788.170)	(1.706.257)	(130.477)
Total portfolio and accounts receivable, net	$ 6.539.695.056	$ 36.939.541	$ 13.914

	Dec 31, 2018		
Portfolio and accounts receivable in legal tender:			
	Capital	**Interest**	**Accounts receivable**
Adequate Collateral of commercial portfolio:			
Current	$ 24.950.774	$ 845	$ 292
1 to 3 months overdue	1.225.204	8.333	-
3 to 6 months overdue	671.650	10.357	1.527
6 to 12 months overdue	110.535	2.581	24.469
Over 12 months overdue	10.758.486	701.946	1.826
	37.716.649	724.062	28.114
Other Collateral - commercial portfolio			
Current	4.275.815.978	16.699.316	2.380
1 to 3 months overdue	96.592	12.731	519
3 to 6 months overdue	112.443	5.766	7.885
6 to 12 months overdue	1.455.087	61.694	46.267
Over 12 months overdue	22.565.633	426.736	33.536
	4.300.045.733	17.206.243	90.587
Adequate Collateral of consumer portfolio:			
Current	1.461.639	4.244	109
	1.467.397	4.346	1.057
Other Collateral of consumer portfolio			
3 to 6 months overdue	39.715	-	-
	56.531	1	-
Adequate Collateral of housing portfolio:			
Current	17.839.356	42.111	591
1 to 4 months overdue	302.505	1.325	772
	18.141.861	43.436	1.363
Total legal tender	4.357.428.171	17.978.088	121.121
Portfolio and accounts receivable in foreign currency:			
Adequate Collateral of commercial portfolio:			
Current	11.811.874	-	-
	13.025.558	-	-
Other Collateral - commercial portfolio			
Current	2.152.896.538	19.914.655	-
	2.152.896.538	19.914.655	-
Total foreign currency	2.165.922.096	19.914.655	-
Total portfolio and gross accounts recei	6.523.350.267	37.892.743	121.121
Impairment of portfolio and accounts recei	(173.546.925)	(1.670.543)	(113.036)
Total portfolio and accounts receivable,	$ 6.349.803.342	$ 36.222.200	$ 8.085

The information of the loan portfolio by classification of the portfolio according to Chapter II of the CBFC is as follows:

Dec 31, 2019

					Impairment		
	Capital	Interest	Other Items	Collateral	Capital	Interest	Other Items
Housing loans							
A - Normal	$ 16.963.842	$ 44.990	$ 876	$ 50.696.606	$ 169.637	$ 450	9
B - Acceptable	74.492	731	27	120.830	2.384	23	1
C - Appreciable	146.714	-	320	709.794	14.671	-	32
	17.185.048	**45.721**	**1.223**	**51.527.230**	**186.692**	**473**	**42**
Adequate Collateral for Consumer Loans							
A - Normal	1.485.564	4.130	1	3.955.693	30.639	85	0
	1.485.564	**4.130**	**1**	**3.955.693**	**30.639**	**85**	**0**
Other Collateral for Consumer Loans							
A - Normal	-	-	-	-	-	-	-
C - Appreciable	-	-	-	-	-	-	-
D - Significant	41.607	-	-	-	41.607	-	-
	41.607	-	-	-	**41.607**	-	-
Adequate Collateral for Commercial Loans							
A - Normal	171.951.923	1.073.738	3.210	435.374.956	1.554.720	11.761	35
B - Acceptable	1.141.404	-	-	-	19.862	-	-
C - Appreciable	214.075	1.365	-	454.750	21.615	200	-
D - Significant	340.032	22.590	12.177	4.205.009	304.794	20.545	11.619
E - Unrecoverable	6.382.889	-	13.397	7.006.319	6.382.889	-	13.397
	180.030.323	**1.097.694**	**28.785**	**447.041.034**	8.283.880	32.506	25.051
Other Collateral for Commercial Loans							
A - Normal	6.466.708.014	36.181.975	5.645	456.934.680	120.869.764	399.041	239
B - Acceptable	2.374.398	8.583	889	1.551.748	132.027	690	42
C - Appreciable	976.250	10.957	-	-	125.374	1.408	-
D - Significant	4.029.650	185.567	8.218	706.188	3.362.182	164.394	8.197
E - Unrecoverable	26.652.372	1.111.172	99.631	6.428.126	26.584.155	1.107.660	96.906
	6.500.740.684	**37.498.253**	**114.382**	**465.620.741**	**151.073.503**	**1.673.193**	**105.384**
General Impairment (Provision)							
Housing					171.850		
	$ 6.699.483.226	$ 38.645.798	$ 144.391	$ 968.144.699	$ 159.788.170	$ 1.706.257	$ 130.477

Dec 31, 2018

	Capital	Interest	Other Items	Collateral	Impairment Capital	Impairment Interest	Impairment Other Items
Housing Loans							
A - Normal	$ 17.915.733	$ 43.256	$ 630	$ 49.089.110	$ 179.157	$ 433	6
B - Acceptable	99.391	180	2	292.575	3.181	6	-
C - Appreciable	126.738	-	731	623.512	12.674	-	73
	18.141.862	**43.436**	**1.363**	**50.005.197**	**195.012**	**439**	**79**
Adequate Collateral for Consumer Loans							
A - Normal	1.465.763	4.302	109	3.414.433	30.252	89	0
D - Significant	1.634	45	948	26.390	1.634	45	948
	1.467.397	**4.347**	**1.057**	**3.440.823**	**31.886**	**134**	**948**
Other Collateral for Consumer Loans							
A - Normal	15.862	-	-	-	462	-	-
C - Appreciable	954	-	-	-	187	-	-
D - Significant	39.715	-	-	-	39.715	-	-
	56.531	-	-	-	**40.364**	-	-
Adequate Collateral for Commercial Loans							
A - Normal	38.506.185	845	-	216.750	239.954	10	-
B - Acceptable	638.676	8.333	292	1.696.987	50.799	1.025	36
C - Appreciable	561.075	10.357	-	-	26.667	1.330	-
D - Significant	316.675	2.581	8.022	425.223	109.025	2.133	6.729
E - Unrecoverable	10.719.597	701.946	19.800	6.464.800	10.719.597	701.946	19.800
	50.742.208	724.062	28.114	**8.803.760**	11.146.042	706.444	26.565
Other Collateral for Commercial Loans							
A - Normal	6.422.544.393	36.548.290	2.380	573.691.174	137.101.380	449.001	55
B - Acceptable	4.725.897	37.283	-	2.394.471	356.743	2.762	-
C - Appreciable	258.212	2.725	-	454.750	37.919	400	-
D - Significant	4.788.767	104.011	46.842	508.125	3.831.160	82.774	44.021
E - Unrecoverable	20.625.000	428.589	41.365	6.810.212	20.625.000	428.589	41.368
	6.452.942.269	**37.120.898**	**90.587**	**583.858.732**	**161.952.202**	**963.526**	**85.444**
General Impairment (Provision)							
Housing					181.419		
	$ 6.523.350.267	$ 37.892.743	$ 121.121	$ 646.108.512	$ 173.546.925	$ 1.670.543	$ 113.036

Distribution of the portfolio by geographic zones and economic sector - The loan portfolio is distributed in the following areas and economic sectors as of December 31, 2019 and 2018:

December 31, 2019

Economic Sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	FOREIGN	WEST	SANTANDERES	SOUTH - EAST	Grand total
Artistic, entertainment and recreational activities	$ 4.260.628	$ 6.716.905	$ 479.194	$ 3.646.948	$ 1.365.286	$ -	$ 2.330.588	$ 237.676	$ 336.517	$ 19.373.742
Lodging and catering activities	16.228.133	39.260.393	12.669.103	40.836.824	10.952.331	-	19.969.880	9.535.466	3.932.797	153.384.927
Household activities as employers	-	-	127.083	-	-	-	-	667	2.222	129.972
Administrative services and support activities	8.265.070	28.500.584	6.116.190	5.184.098	7.477.976	-	11.104.579	6.995.193	904.834	74.548.524
Financial and insurance activities	128.895.678	551.452.351	14.446.741	16.075.514	23.309.170	744.790.859	249.622.994	87.823.616	1.027.138	1.817.444.061
Real Estate activities	13.167.742	22.703.776	2.430.554	20.847.936	2.896.606	-	12.364.782	2.554.701	72.202	77.038.299
Professional, scientific and technical activities	19.990.537	68.690.410	11.532.105	14.417.822	5.681.535	-	19.222.321	8.738.961	2.554.872	150.828.563
Public administration-defence; social security	43.306	1.657.611	40.259	100.000	1.419.270	-	83.333	11.916	-	3.355.695
Agriculture, livestook, forestry and fishery	8.789.017	19.060.114	13.235.164	30.946.218	8.924.062	-	11.148.805	15.208.423	1.939.341	109.251.144
Employees	-	18.712.219	-	-	-	-	-	-	-	18.712.219
Human health care and social assistance	27.869.503	26.189.859	15.397.020	38.065.954	7.218.275	-	38.228.731	18.962.846	1.385.716	173.317.904
Wholesale and retail trade; vehicle repair	136.384.239	278.540.634	131.329.413	131.599.252	58.313.211	149.858.509	169.811.857	127.145.482	52.159.123	1.235.141.720
Construction	22.831.106	85.948.677	17.972.186	43.614.441	9.728.465	-	18.220.312	16.765.595	3.284.415	218.365.196
Water distribution, waste water treatment and disposal	-	-	43.171	-	-	-	-	-	-	43.171
Teaching	6.867.760	17.382.681	11.296.546	5.707.439	2.247.102	-	4.699.373	8.366.691	1.322.343	57.889.934
Mining and quarrying activities	12.604.681	10.961.356	4.626.541	463.145	35.576	-	250.200	4.473.760	638.437	34.053.696
Manufacturing industries	386.402.033	255.606.039	92.448.220	58.303.873	103.359.993	206.101.052	167.531.393	62.693.687	6.383.290	1.338.829.581
Information and communication	22.407.629	237.264.513	1.818.287	25.003.159	1.411.671	-	9.121.397	655.224	1.500.500	299.182.380
Extraterritorial organizations and bodies	-	78.535	194.417	2.338	-	-	-	88.500	-	363.790
Other activities related to services	38.418.787	15.831.739	12.415.974	2.776.855	10.462.926	-	86.240.523	3.354.067	2.413.420	171.914.292
Water supply; waste water, waste and decontamin.	2.021.381	2.249.787	4.790.960	11.691.626	589.032	-	666.278	1.287.334	447.286	23.743.683
Energy supply, gas, steam, air conditioning	83.333	13.538.019	4.403.640	26.190.617	-	-	68.992.258	612.775	212.845	114.033.487
Transport and storage	77.442.705	208.444.749	90.943.093	107.697.511	14.352.348	-	57.306.769	34.764.607	17.585.464	608.537.247
Grand total	**$ 932.973.268**	**$ 1.908.790.950**	**$ 448.755.862**	**$ 583.171.571**	**$ 269.744.836**	**$ 1.100.750.420**	**$ 946.916.372**	**$ 410.277.186**	**$ 98.102.762**	**$ 6.699.483.226**

December 31, 2018

Economic Sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	COSTA ATLANTICA	EJE CAFETERO	FOREIGN	WEST	SANTANDERES	SOUTH - EAST	Grand total
Artistic, entertainment and recreational activities	$ 4.024.104	$ 8.955.246	$ 1.000.895	$ 3.717.094	$ 1.158.880	$ -	$ 2.399.383	$ 265.527	$ 156.715	$ 21.677.844
Lodging and catering activities	25.452.305	39.598.152	11.596.556	28.206.618	6.589.200	-	19.656.043	9.617.325	3.983.957	144.700.155
Household activities as employers	-	-	104.000	2.480	-	-	-	19.010	4.889	130.379
Administrative services and support activities	15.013.503	46.856.026	7.439.570	6.604.249	10.529.933	-	13.371.153	5.590.602	682.559	106.087.596
Financial and insurance activities	128.674.318	286.103.254	38.955.219	5.802.756	16.664.923	635.185.022	257.007.745	102.433.046	1.041.806	1.471.868.087
Real Estate activities	11.037.175	32.862.386	3.211.780	15.946.146	3.578.124	-	11.277.950	3.937.797	116.806	81.968.164
Professional, scientific and technical activities	22.658.605	64.260.814	10.970.483	11.707.682	4.532.681	63.602	17.184.953	12.778.528	1.605.505	145.762.853
Public administration-defence; social security	77.778	2.912.488	61.809	-	1.689.047	-	-	2.500	-	4.743.622
Agriculture, livestook, forestry and fishery	10.066.643	37.916.152	12.400.717	32.965.515	7.567.308	-	18.147.578	2.584.916	1.482.724	123.131.552
Employees	-	19.665.788	-	-	-	-	-	-	-	19.665.788
Human health care and social assistance	33.699.671	29.469.776	11.854.533	43.945.991	9.786.411	-	36.767.469	19.973.532	835.950	186.333.333
Wholesale and retail trade; vehicle repair	194.649.781	366.514.843	123.278.160	122.821.088	70.915.034	93.500.905	175.155.543	136.543.981	31.480.251	1.314.859.586
Construction	36.724.858	75.859.172	18.955.712	45.968.827	14.956.790	-	22.428.285	23.260.908	2.580.234	240.734.787
Teaching	8.805.912	22.197.796	5.677.767	3.011.450	2.809.036	-	5.384.938	5.994.678	410.951	54.292.529
Mining and quarrying activities	4.394.523	12.149.858	4.930.476	387.265	998.913	-	428.928	3.082.565	100.000	26.472.528
Manufacturing industries	320.889.987	243.453.785	95.332.134	106.568.831	86.669.017	208.507.353	215.318.343	66.311.255	1.621.392	1.344.672.098
Information and communication	16.282.053	25.585.571	1.663.778	40.508.819	1.026.368	-	7.081.130	2.390.068	313.620	94.851.406
Extraterritorial organizations and bodies	-	14.583	-	-	-	-	-	6.417	-	21.000
Other service activities	7.324.522	56.296.708	15.637.332	13.806.075	10.344.488	-	75.394.946	5.341.054	555.989	184.701.113
Water supply; waste water, waste and decontamin.	2.146.776	1.862.880	5.396.985	12.841.126	223.980	-	2.411.228	1.521.200	498.011	26.902.185
Energy supply, gas, steam, air conditioning	832.976	282.049.994	19.167	14.161.775	-	-	15.191.667	1.443.733	362.583	314.061.894
Transport and storage	65.828.221	202.584.848	75.961.633	156.360.873	13.990.968	-	59.171.172	30.825.637	10.988.415	615.711.767
Grand total	**$ 908.583.711**	**$ 1.857.170.118**	**$ 444.448.708**	**$ 665.334.659**	**$ 264.031.101**	**$ 937.256.881**	**$ 953.778.453**	**$ 433.924.278**	**$ 58.822.358**	**$ 6.523.350.267**

December 31, 2019

Economic sector	COMMERCIAL	CONSUMER	HOUSING	FINANCIAL LEASING	TOTAL	% SHARE
Artistic, entertainment and recreational activities	$ 19.373.742	$ -	$ -	$ -	$ 19.373.742	0,29%
Lodging and catering activities	151.763.626	-	-	1.621.300	153.384.926	2,29%
Household activities as employers	129.972	-	-	-	129.972	0,00%
Administrative services and support activities	74.548.525	-	-	-	74.548.525	1,11%
Financial and insurance activities	1.814.568.013	-	-	2.876.048	1.817.444.061	27,13%
Real Estate activities	75.723.925	-	-	1.314.375	77.038.300	1,15%
Professional, scientific and technical activities	150.337.712	-	-	490.851	150.828.563	2,25%
Public administration-defence; social security	3.355.695	-	-	-	3.355.695	0,05%
Agriculture, livestook, forestry and fishery	107.020.092	-	-	2.231.053	109.251.145	1,63%
Employees	-	1.527.170	17.185.049	-	18.712.219	0,28%
Human health care and social assistance	173.317.905	-	-	-	173.317.905	2,59%
Wholesale and retail trade; vehicle repair	1.234.904.478	-	-	237.240	1.235.141.718	18,44%
Construction	218.338.855	-	-	26.341	218.365.196	3,26%
Water distribution, waste water treatment and disposal	43.171	-	-	-	43.171	0,00%
Teaching	57.889.934	-	-	-	57.889.934	0,86%
Mining and quarrying activities	34.053.696	-	-	-	34.053.696	0,51%
Manufacturing industries	1.337.063.855	-	-	1.765.726	1.338.829.581	19,98%
Information and communication	299.182.380	-	-	-	299.182.380	4,47%
Extraterritorial organizations and bodies	363.790	-	-	-	363.790	0,01%
Other service activities	171.914.292	-	-	-	171.914.292	2,57%
Water supply; waste water, waste and decontam.	23.743.683	-	-	-	23.743.683	0,35%
Energy supply, gas, steam, air conditioning	114.033.487	-	-	-	114.033.487	1,70%
Transport and storage	608.515.156	-	-	22.091	608.537.247	9,08%
Total	**$ 6.670.185.982**	**$ 1.527.170**	**$ 17.185.049**	**$ 10.585.025**	**$ 6.699.483.226**	

December 31, 2018

Economic sector	COMMERCIAL	CONSUMER	HOUSING	FINANCIAL LEASING	TOTAL	% SHARE
Artistic, entertainment and recreational activities	$ 21.677.844	$ -	$ -	$ -	$ 21.677.844	0,33%
Lodging and catering activities	142.984.271	-	-	1.715.885	144.700.155	2,22%
Household activities as employers	83.879	-	-	46.500	130.379	0,00%
Administrative services and support activities	105.714.450	-	-	373.146	106.087.596	1,63%
Financial and insurance activities	1.468.992.040	-	-	2.876.048	1.471.868.087	22,56%
Real Estate activities	80.653.789	-	-	1.314.375	81.968.164	1,26%
Professional, scientific and technical activities	145.272.002	-	-	490.851	145.762.853	2,23%
Public administration-defence; social security	4.743.622	-	-	-	4.743.622	0,07%
Agriculture, livestook, forestry and fishery	120.765.776	-	-	2.365.776	123.131.552	1,89%
Employees	-	1.523.927	18.141.861	-	19.665.788	0,30%
Human health care and social assistance	186.333.333	-	-	-	186.333.333	2,86%
Wholesale and retail trade; vehicle repair	1.314.608.183	-	-	251.403	1.314.859.586	20,16%
Construction	240.541.647	-	-	193.140	240.734.787	3,69%
Teaching	54.292.529	-	-	-	54.292.529	0,83%
Mining and quarrying activities	26.472.528	-	-	-	26.472.528	0,41%
Manufacturing industries	1.342.717.122	-	-	1.954.976	1.344.672.098	20,61%
Information and communication	94.851.406	-	-	-	94.851.406	1,45%
Extraterritorial organizations and bodies	21.000	-	-	-	21.000	0,00%
Other service activities	184.701.113	-	-	-	184.701.113	2,83%
Water supply; waste water, waste and decontam.	26.902.185	-	-	-	26.902.185	0,41%
Energy supply, gas, steam, air conditioning	314.061.894	-	-	-	314.061.894	4,81%
Transport and storage	615.683.587	-	-	28.180	615.711.767	9,44%
Total	**$ 6.492.074.200**	**$ 1.523.927**	**$ 18.141.861**	**$ 11.610.279**	**$ 6.523.350.267**	

Portfolio by monetary unit –

December 31, 2019			
Modalities	**Legal tender**	**Foreign currency**	**Total**
Commercial	$ 4.736.797.795	$ 1.943.973.212	$ 6.680.771.007
Consumer	1.527.171	-	1.527.171
Housing	17.185.048	-	17.185.048
	$ 4.755.510.014	$ 1.943.973.212	$ 6.699.483.226

December 31, 2018			
Modalities	**Legal tender**	**Foreign currency**	**Total**
Commercial	$ 4.337.762.382	$ 2.165.922.096	$ 6.503.684.478
Consumer	1.523.928	-	1.523.928
Housing	18.141.861	-	18.141.861
	$ 4.357.428.171	$ 2.165.922.096	$ 6.523.350.267

Portfolio by maturity period –

	December 31, 2019					
	From 0 to 1 year	**From 1 to 3 years**	**From 3 to 5 years**	**From 5 to 10 years**	**Over 10 years**	**Total**
Commercial	$ 1.930.577.981	$ 2.477.625.775	$ 1.225.025.253	$ 1.007.786.040	$ 39.755.958	$ 6.680.771.007
Consumer	14.953	331.526	1.180.692	-	-	1.527.171
Housing	9.346	28.928	2.778	7.270.136	9.873.860	17.185.048
	$ 1.930.602.280	$ 2.477.986.229	$ 1.226.208.723	$ 1.015.056.176	$ 49.629.818	$ 6.699.483.226

	December 31, 2018					
	From 0 to 1 year	**From 1 to 3 years**	**From 3 to 5 years**	**From 5 to 10 years**	**Over 10 years**	**Total**
Commercial	$ 1.769.947.862	$ 2.340.134.096	$ 1.264.459.027	$ 846.445.209	$ 282.698.283	$ 6.503.684.478
Consumer	72.418	211.724	1.208.786	31.000	-	1.523.928
Housing	-	51.547	45.083	6.759.703	11.285.528	18.141.861
	$ 1.770.020.280	$ 2.340.397.367	$ 1.265.712.896	$ 853.235.912	$ 293.983.811	$ 6.523.350.267

Restructured loans - Information on restructured loans as of December 31, 2019 and 2018 is as follows:

	December 31, 2019								
Commercial	**Number of loans**	**Capital balance**		**Interest balance and other**		**Capital Impairment**		**Interest impairment and other**	
Category B	20	$	315.230	$	2.713	$	9.124	$	129
Category E	3		6.074.000		137.366 *		6.074.000		1.659
Total	**23**	$	6.389.230	$	140.079	$	6.083.124	$	1.788

	December 31, 2019								
Consumer	**Number of loans**	**Capital balance**		**Interest balance and other**		**Capital Impairment**		**Interest impairment and other**	
Category B	**1**	$	41.606	$	568 *	$	41.606	$	-

	December 31, 2018								
Commercial	**Number of loans**	**Capital balance**		**Saldo intereses y otros**		**Capital Impairment**		**Interest impairment and other**	
Category B	5	$	841.552	$	3.385	$	83.984	$	473
Category D	1		57.443		4.765		31.594		2.621
Total	**6**	$	898.996	$	8.150	$	115.577	$	3.094

(*) $135,707 interest is recorded in contingent accounts for commercial portfolio and 100% of interest is recorded in contingent accounts for consumer portfolio in December 2019.

Portfolio Write-offs – There were not any portfolio write-offs in 2019. Information on the portfolio write-offs as of December 31, 2018 is as follows:

	December 31, 2018		
	Capital	**Interest**	**Other items**
Commercial	$ 827.858	$ 64.327	$ 43.374

Recovery of written-off portfolio - Information on the capital recovery of the written-off portfolio is as follows:

	Dec 31, 2019	**Dec 31, 2018**
Commercial	$ 74.784	$ 2.446.440

Impairment of loan portfolio - Information on the impairment of loan portfolio is as follows:

	Commercial	Consumer	Housing	General impairment (Provision) (1)	Total
Balance at December 31, 2017	$ 212.854.445	$ 39.218	$ 183.209	$ 177.649	$ 213.254.521
Expenses	54.335.981	55.548	42.941	3.770	54.438.240
Write-offs	(827.858)	-	-	-	(827.858)
Recovery	(93.264.325)	(22.516)	(31.138)	-	(93.317.979)
Balance at December 31, 2018	**173.098.243**	**72.250**	**195.012**	**181.419**	**173.546.925**
Expense	54.762.252	53.862	34.952	-	54.851.066
Write-offs	-	-	-	-	-
Recovery	(68.503.114)	(53.867)	(43.271)	(9.569)	(68.609.821)
Balance at December 31, 2019	**$ 159.357.381**	**$ 72.245**	**$ 186.693**	**$ 171.850**	**$ 159.788.170**

(1) The amount currently recorded in the general provision corresponds exclusively to housing loans.

BLANK SPACE

11. COMMERCIAL ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE, NET

The information on commercial accounts receivable and other accounts receivable, net, as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Interest and financial component	$ 38.645.798	$ 37.892.743
Commissions	21.179	226.445
Debtors	473.735	1.423.098
Payments from customers (note 10)	144.391	121.121
Advance payments to contracts and suppliers	39.620	17.620
To employees	384.662	480.292
Performance bond (1)	15.815.478	47.531.127
Bank of Opportunities Investment Program	462.088	5.479
Other debtors (2)	831.305	1.751.019
Derivative operations settlement - CRCC (3)	18.040.421	18.292.085
Derivative operations settlement -OTC	8.292.925	66.750
	Dec 31, 2019	**Dec 31, 2018**
Autonomous equity Reimbursable expenses	156.874	101.284
Miscellaneous	609.336	149.076
	83.917.812	108.058.137
Minus impairment of accounts receivable:		
Loan portfolio (note 10)	(1.836.734)	(1.783.579)
Other	(1.079.018)	(71.688)
	(2.915.752)	(1.855.267)
	$ 81.002.060	$ 106.202.870

(1) Represented mainly in deposits held in guarantee of Forward - OTC operations with entities abroad.

(2) $924,875 was recovered on accounts receivable for the reimbursement of social security contributions in 2019. The periods 2012, 2013, 2014, 2015 and 2016 amounted to $1,737,071 as of December 31, 2018, generated by the collection procedures made to the Pension Subsystem. $1,374,661 was the total amount recovered in 2018 and 2019.

(3) The Central Counterparty Clearing House (CRCC) settles and reports daily the result of clearing for this type of operations so that the participating entities register the accounts receivable and/or payable. See the liability section in Note 20.

The information on the impairment of accounts receivable as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of the period	$ 1.855.267	$ 2.373.780
Constitutions (charges to profit and loss)	1.821.698	995.829
Write-offs	-	(107.701)
Recoveries (credits to profir and loss)	(761.213)	(1.604.118)
OCI (IFRS 9) (*)	-	197.477
Balance at the end of the period	$ 2.915.752	$ 1.855.267

(*) The Bank applies the simplified approach and recognizes expected credit losses over the life of other accounts receivable measured at cost and amortized cost.

12. OTHER NON-FINANCIAL ASSETS

The information on other non-financial assets as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Expenses paid in advance (1)	$ 7.100.061	$ 7.474.359
Letter of credit for deffered payment	1.577.648	-
Art and culture assets	33.216	33.216
Assets granted as loan for use (commodatum)	14.489	14.489
Taxes	171.166	196.510
Other	1.222	83
	$ 8.897.802	$ 7.718.657

(1) The information and movement of the expenses paid in advance is as follows:

	Dec 31, 2018	Charges	Amortization	Dec 31, 2019
Insurance	$ 223.075	$ 375.855	$ 354.332	$ 244.597
Commisions (*)	6.679.911	6.825.311	7.284.308	6.220.914
Other	571.373	1.522.920	1.459.743	634.550
	$ 7.474.359	$ 8.724.086	$ 9.098.383	$ 7.100.061

	Dec 31, 2017	Charges	Amortization	Dec 31, 2018
Insurance	$ 185.088	$ 360.254	$ 322.268	$ 223.075
Commisions (*)	$ -	7.053.080	373.169	6.679.911
Other	526.851	1.535.031	1.490.509	571.373
	$ 711.939	$ 8.948.366	$ 2.185.946	$ 7.474.359

(*) Corresponds to guarantees paid in advance to the Nation to endorse the credits received from IDB.

13. NON-CURRENT ASSETS HELD FOR SALE, NET

Non-current assets held for sale correspond to real and personal property received in payment and returned from credit portfolio debtors, and other non-current assets correspond to vehicles transferred from the group of property and equipment.

The Bank intends to sell these assets immediately; therefore, it has established special sales programs through real estate agents; an administration and sale contract with an agent specialized in the real estate sector; and publication of notices of sale of property at Bancóldex' website.

13.1. Goods received in payment: As of December 31, 2019, the Bank has 13 goods received in payment which include: 7 real estate properties for housing (4 houses and 3 apartments) and 6 real estate properties for uses different from housing (1 commercial premise, 2 land lots, 2 offices and 1 warehouse).

As of December 31, 2018, the Bank had 13 goods received in payment which included: 1 movable property (vehicle), 7 real estate properties for housing (4 houses and 3 apartments) and 5 real estate properties for uses different from housing (1 commercial premise, 2 land lots, 1 office and 1 warehouse).

The information on goods received in payment as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019			
	Cost	Provision	% Prov.	Total
Real estate for housing	$ 5.599.062	$ (5.599.062)	100,00	$ -
Real estate for uses different from housing	5.757.168	(5.757.168)	100,00	-
Total	**$ 11.356.230**	**$ (11.356.230)**		**$ -**

	Dec 31, 2018			
	Cost	Provision	% Prov.	Total
Real estate	$ 80.500	$ (80.500)	100,00	$ -
Real estate for housing	5.599.062	(5.599.062)	100,00	-
Real estate for uses different from housing	5.706.374	(5.706.374)	100,00	-
Total	**$ 11.385.936**	**$ (11.385.936)**		**$ -**

The information about the movement of goods received in payment as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of the period	$ -	$ -
Additions (1)	50.794	9.156.814
Sales (2)	75.550	-
Provision expenses	(50.794)	(9.156.814)
Provision recovery	(80.500)	-
Loss in assets sale	4.950	-
Balance at the end of the period	$ -	$ -

(1) Additions in 2019 correspond to 43.37% allocation of a real estate property located in the municipality of Yumbo, Valle del Cauca. 9 goods were received as payment in kind in 2018. 4 correspond to real estate properties other than housing located in Bogotá, Tocancipá, Puerto Lopez and Plato Magdalena and 5 real estate properties for housing, which correspond to 3 apartments located in Bogotá, Bucaramanga and Santa Marta and 2 houses located in Chía and Bucaramanga.

(2) The vehicle received as payment in kind in 2017 was sold in 2019.

In 2019, the Bank hired independent firms with the capacity and experience to perform commercial appraisals, which were carried out in June, July and August. Nonetheless, the appraisal update had no impact on the measurement of separate financial statements.

13.2. Returned goods: As of December 31, 2019, the Bank has two returned goods: one housing real estate property (house) and another real estate property for use other than housing (1 land lot). As of December 31, 2018, the Bank had one returned property for use other than housing (1 land lot).

The information on goods returned as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019			
	Cost	Provision	% Prov.	Total
Real estate for uses different from housing	$ 3.379.429	$ (3.379.429)	100,00	$ -
Total	**$ 3.379.429**	**$ (3.379.429)**		**$ -**

	Dec 31, 2018			
	Cost	Provision	% Prov.	Total
Real estate for uses different from housing	$ 2.981.526	$ (2.981.526)	100,00	$ -
Total	**$ 2.981.526**	**$ (2.981.526)**		**$ -**

The information on the movement of goods returned as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of the period	$ -	$ -
Additions	397.902	2.981.526
Provision costs	(397.902)	(2.981.526)
Balance at the end of the period	**$ -**	**$ -**

13.3. Other non-current assets held for sale - During the first quarter of 2018, the Bank transferred the group of vehicles in property and equipment to the group of non-current assets held for sale. The Bank managed the sale plan of these assets in 2018 and 2019. One of the assets classified in this group was sold in 2019 and a purchase-sale agreement was concluded for a vehicle; 50% of the amount was received from the sale and the balance shall be received when the ownership document with the new owner's information is issued.

The information about these assets as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Initial balance	$ 35.039	$ -
Additions	-	148.039
Sales	(26.500)	(113.000)
Other comprehensive income	(26.456)	(113.000)
Profit	26.500	113.000
Final balance	**$ 8.583**	**$ 35.039**

The costs of assets held for sale such as administration, maintenance, utilities, property taxes and fees, among others, are recognized as expenses in the period when they are incurred. The 2019 and 2018 amounts amounted to $360,382 and $95,514, respectively.

14. PROPERTY AND EQUIPMENT, NET

The information on properties, plant and equipment, net, as of December 31, 2019 and 2018 is as follows:

Cost of properties, plant and equipment:

	Land	Buildings	Machinery	Transport Vehicles	Goods and Accessories	Office Furniture	Computer Equipment	Networks and Communication Equipment	Total
Cost									
Balance at January 1, 2018	$ 2.801.343	$ 29.405.423	$ 2.579.627	$ 655.018	$ 53.039	$ 2.983.863	$ 1.229.820	$ 2.153.282	$ 41.861.415
Acquisitions	-	-	56.621	-	-	26.382	-	-	83.003
Write-downs	-	-	(407)	-	-	-	(27.434)	-	(27.841)
Transfers	-	-	-	(575.118)	-	-	-	-	(575.118)
Balance at December 31, 2018	2.801.343	29.405.423	2.635.841	79.900	53.039	3.010.245	1.202.386	2.153.282	41.341.459
Acquisitions	-	-	8.313	-	-	1.512	-	-	9.825
Write-downs	-	-	(209.555)	-	(7.631)	-	(34.367)	(1.231)	(252.784)
Balance at December 31, 2019	$ 2.801.343	$ 29.405.423	$ 2.434.599	$ 79.900	$ 45.408	$ 3.011.757	$ 1.168.019	$ 2.152.051	$ 41.098.500

Accumulated depreciation and net book value of properties, plant and equipment:

	Land	Buildings	Machinery	Transport Vehicles	Goods and Accessories	Office Furniture	Computer Equipment	Networks and Communication Equipment	Total
Accumulated depreciation									
Balance at January 1, 2018	$ -	$ (33.549)	$ (1.583.247)	$ (655.018)	$ (47.918)	$ (1.989.203)	$ (1.112.000)	$ (1.653.125)	$ (7.074.060)
Depreciation	-	(402.598)	(137.186)	-	(579)	(153.331)	(27.128)	(184.141)	(904.963)
Write-downs	-	-	407	-	-	-	27.409	-	27.816
Transfer	-	-	-	575.118	-	-	-	-	575.118
Balance at December 31, 2018	-	(436.147)	(1.720.026)	(79.900)	(48.497)	(2.142.534)	(1.111.719)	(1.837.266)	(7.376.089)
Depreciation	-	(402.598)	(129.161)	-	(496)	(128.135)	(11.993)	(123.317)	(795.700)
Write-downs	-	-	192.054	-	7.401	-	33.201	1.231	233.887
Balance at December 31, 2019	$ -	$ (838.745)	$ (1.657.133)	$ (79.900)	$ (41.592)	$ (2.270.669)	$ (1.090.511)	$ (1.959.352)	$ (7.937.902)
Net book value									
Balance at December 31, 2018	2.801.343	28.969.276	915.815	-	4.542	867.711	90.667	316.016	33.965.370
Balance at December 31, 2019	$ 2.801.343	$ 28.566.678	$ 777.466	$ -	$ 3.816	$ 741.088	$ 77.508	$ 192.699	$ 33.160.598

The main movements that were registered in 2019 are described below:

Machinery - The movement that occurred in this account is mainly due to the purchases made during the year and derecognition of obsolescence assets, which were measured according to the cost model.

Buildings - The movement that occurred in this account is mainly due to the depreciation recorded during the year.

Office equipment - The movement that occurred in this account is mainly due to the purchases and depreciation accumulated during the year.

Computer equipment - The movement that occurred in this account is mainly due to the depreciation recorded during the year and derecognition of obsolescence assets, which were measured according to the cost model.

Impairment of properties and equipment - It is to be noted that no impairment indicators were identified for each comparative date of presentation of the current financial statements. Similarly, the Bank has not observed internal or external indicators that reflect a significant extent of impairment of the fixed assets represented in movable and immovable properties. Therefore, the values represented in the financial statements correspond to the cost amount adjusted to the projection of the expected useful life for each group of assets represented in buildings, machinery, appliances and accessories, among others, classified as properties and equipment.

As of December 31, 2019, and 2018, the assessment carried out by the Bank indicates that there is no evidence of impairment of its properties and equipment.

As of December 31, 2019, and 2018, there are not restrictions on the ownership of the properties and equipment.

The Bank will review the revalued cost every three years. Therefore, it will carry out this measurement in 2020 to determine if it is necessary to set a new revalued cost to be determined by an expert appraiser, who will use the techniques established in the International Valuation Standards (IVS). If there is reasonable assurance of the increase or decrease in the value of the buildings, the new revalued cost must be determined.

Additionally, the bank must determine whether there are impairment indicators for this type of assets and the rest of the property and equipment items. In such situation, the impairment test must be prepared. However, if the asset does not show indicators of impairment, it is not necessary to conduct such test.

15. INVESTMENT PROPERTIES

The information of investment properties as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019 Buildings and Land	Dec 31, 2018 Buildings and Land
Cost	$ 210.655	$ 210.655
Revaluation	6.202.589	6.202.589
Total	**$ 6.413.244**	**$ 6.413.244**

As of December 31, 2019, and 2018, there was not any movement affecting the cost and/or depreciation of investment properties.

As per the provisions established in the accounting policy, the Administration office is expected to carry out a technical appraisal to Bancóldex' facilities in 2020 considering that the last measurement of the fair value of such properties was made in December, 2017 by TINSA Colombia Ltda., an independent firm that has capacity and experience in performing valuations on the sites and types of assets that were appraised. There are not restrictions on the disposal or income in the realization of investment properties.

The amounts recognized in income and expenses as of December 31, 2019 and 2018 are detailed below:

	Dec 31, 2019	Dec 31, 2018
Lease income	$ 770.879	$ 744.989
Direct costs	(55.541)	(47.883)
Total	**$ 715.338**	**$ 697.106**

16. FINANCIAL LEASING

The information of the financial lease as of December 31, 2019 and 2018 is as follows:

	Computer equipment	Vehicles	Machinery and equipment	Real estate	Total
Cost:					
Balance at December 31, 2017	1.411.471	155.900	-	-	1.567.371
Acquisitions	997.746	636.000	188.816	-	1.822.562
Write-downs	(426.758)	-	-	-	(426.758)
Balance at December 31, 2018	1.982.459	791.900	188.816	-	2.963.175
Acquisitions	436.465	169.990	-	2.055.345	2.661.800
Write-downs	(112.652)	(155.900)	-	-	(268.552)
Balance at December 31, 2019	$ 2.306.272	$ 805.990	$ 188.816	$ 2.055.345	$ 5.356.423

	Computer equipment	Vehicles	Machinery and equipment	Real estate	Total
Accumulated amortization					
Balance at December 31, 2017	451.620	6.062	-	-	457.682
Amortization expense	483.782	148.777	5.245	-	637.804
Write-downs	(426.758)	-	-	-	(426.758)
Balance at December 31, 2018	508.644	154.839	5.245	-	668.728
Amortization expense	692.017	150.727	62.939	205.535	1.111.218
Write-downs	(112.652)	(39.529)	-	-	(152.181)
Balance at December 31, 2019	$ 1.088.009	$ 266.037	$ 68.184	$ 205.535	$ 1.627.765
Net book value					
Balance at December 31, 2018	1.473.815	637.061	183.571	-	2.294.447
Balance at December 31, 2019	$ 1.218.263	$ 539.953	$ 120.632	$ 1.849.810	$ 3.728.658

As per IFRS 16, it corresponds to contracts classified as finance leases, which are recognized at the beginning of the lease and are included in the balance sheet as property and equipment for own use and are initially accounted for in assets and liabilities simultaneously for a value equal to the fair value of the asset received in lease or by the present value of the minimum payments of the lease, if lower.

According to the analysis carried out to goods and services contracts within the scope of IFRS 16, the five real estate properties took in lease for the operation of regional offices were included as right-of-use assets. Similarly, financial leases are held for computer equipment contracts executed mainly with the companies Prointech Holding SAS and IBM of Colombia. Financial leasing contracts of vehicles were executed with ARCO Grupo Bancóldex and the machinery and equipment contract was signed with the firm Datecsa S.A.

The amounts of the obligations payable derived from financial lease agreements can be found in Note 19.2.

17. INTANGIBLE ASSETS

As of December 31, 2019, and 2018, the balance of this account is broken down as follows:

	Licenses	Computer Programs	Total
Cost			
Balance at january 1, 2018	$ 5.685.486	$ 15.849.048	$ 21.534.534
Acquisitions	819.112	1.818.779,00	2.637.891
Write-downs	(72.703)	- 68.498,00	(141.201)
Transfers (*)	1.642.287	(1.642.287)	-
Balance at December 31, 2018	8.074.182	15.957.042	24.031.224

	Licenses	Computer Programs	Total
Acquisitions	27.496	600.709	628.205
Write-downs	(86.986)	(38.185)	(125.171)
Balance at December 31, 2019	$ 8.014.692	$ 16.519.566	$ 24.534.258
Accumulated amortization			
Balance at January 1, 2018	5.391.955	7.556.598	12.948.553
Amortization expense	273.783	864.989	1.138.772
Write-downs	(72.703)	-	(72.703)
Balance at December 31, 2018	5.593.035	8.421.587	14.014.622
Amortization cost	532.623	1.094.081	1.626.704
Write-downs	(86.986)	(38.185)	(125.171)
Balance at December 31, 2019	$ 6.038.672	$ 9.477.483	$ 15.516.155
Net book value			
Balance at December 31, 2018	2.481.147	7.535.455	10.016.602
Balance at December 31, 2019	$ 1.976.020	$ 7.042.083	$ 9.018.103

(*) The transfer of the group of software programs and applications to licenses corresponds to the activation of the software used for the development of the savings account project, which entered production on December 14, 2018. The Bank does not have intangible assets with restricted ownership as of December 31, 2019 and 2018.

18. LIABILITIES FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

The information on financial instruments at amortized cost as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Term Deposit Certificates		
Issued for 6 months or less	$ 91.185.226	$ 117.789.919
Issued for within 6 months or 12 months or less	-	55.182.400
Issued for a period equal to or greater than 18 months	1.703.900.777	1.614.036.094
	1.795.086.003	1.787.008.413

	Dec 31, 2019	Dec 31, 2018
Savings deposits (1)	181.205.304	-
Special collateral deposits	71.231.692	81.599.341
Purchased interbank funds (2)	146.820.485	-
Simultaneous operations (3)	16.356.385	12.202.706
Ordinary bonds for a period equal to or greater than 18 months (4)	1.245.103.276	1.507.871.517
	1.660.717.142	1.601.673.564
	$ 3.455.803.145	$ 3.388.681.977

(1) In order to better blend the cost of funds and diversify the Bank’s funding instruments, Bancóldex introduced the Savings Account product during the first quarter of 2019. The resources collected in this new instrument allowed for the replacement of TDCs, which imply a greater term and financial cost. The target market of Bancóldex’ savings account is the institutional segment, which is mainly made up by Pension Funds, Trust companies and Insurance entities.

(2) The information on purchased interbank funds is as follows:

	Dec 31, 2019				Dec 31, 2018			
	Interest rate (%)	Trading term (Days)	USD Value	Value	Interest rate (%)	Trading term (Days)	USD Value	Value
Legal Tender								
Interbank Banks	4,11	9	-	$ 55.022.841	-	-	-	$ -
Foreign Currency								
Overnight Banks	1,85	14	28.012	91.797.644	-	-	-	-
			28.012	$ 146.820.485			-	$ -

(3) The information on simultaneous operations is as follows:

	Dec 31, 2019			Dec 31, 2018		
	Interest rate (%)	Trading term (Days)	Value	Interest rate (%)	Trading term (Days)	Value
Legal Tender						
Simultaneous						
Other financial entities	4,25	3	$ 16.356.385	4,25	7	$ 12.202.706
			$ 16.356.385			$ 12.202.706

(4) The information on the conditions of the bonds is as follows:

Issue	Issue Amount	Batches	Placement Date	Issue Date	Expiration Date (*)	Interest Rate
Ninth Issue	$ 261.110.000	Batch 1	Sep 6, 2012	Sep 6, 2012	Sep 6, 2019	Indexed to CPI
	238.890.000	Batch 1	Sep 6, 2012	Sep 6, 2012	Sep 6, 2022	Indexed to CPI
	500.000.000					
Authorized Amount	3.000.000.000					
First Issue	200.000.000	Green Bonds	Aug 9, 2017	Aug 9, 2017	Aug 9, 2022	Fixed Rate

Issue	Issue Amount	Batches	Placement Date	Issue Date	Expiration Date (*)	Interest Rate
Second Issue	400.000.000	Social Impact Bonds	May 24, 2018	May 25, 2018	Aug 9, 2022	Indexed to IBR
			May 24, 2018	May 25, 2018	May 24, 2021	Fixed Rate
			May 24, 2018	May 25, 2018	May 24, 2023	Indexed to CPI
Third Issue	400.000.000	Orange Bonds	Nov 29, 2018	Nov 29, 2018	Nov 29, 2021	Indexed to IBR
			Nov 29, 2018	Nov 29, 2018	May 24, 2021	Fixed Rate
Used Amount	**1.000.000.000**					
Total Issues	**$ 1.500.000.000**					

(*) Corresponds to the last expiration date of the batches of each issue.

- Issue of Green Bonds: In August 2017, Bancóldex successfully completed its first issue of Green Bonds through the Colombian Stock Exchange for an amount worth $200 billion and a 5-year term. It obtained demands for 2.55 of the issue value and a cut-off rate of 7.10% EA.

  This is the first issue of this type that takes place in the Colombian stock market, which seeks to channel resources from the capital market and direct them exclusively to projects of the business sector that generate environmental benefits. Some of those benefits are optimization in the use of natural resources, the use and correct handling of waste from production processes, the increasingly-efficient consumption of energy and the incorporation of sustainable practices that include the replacement of inefficient or fossil fuel-based technologies with clean technologies in all economic sectors. This issue received technical cooperation from the Inter-American Development Bank (IDB) and the Secretariat of State for Economic Affairs of Switzerland (SECO).

- Issue of Social Impact Bonds: In May 2018, Bancóldex successfully completed its first issue of Social Impact Bonds through the Colombian Stock Exchange for an amount worth $400 billion and a term of 3 and 5 years. It obtained demands for 4.17 of the issue value and a cut-off rate of IBR+1.15% and T.F. 6.05% for 3 years; and CPI+2.85% for 5 years.

  This is the first issue of this type that takes place in the Colombian stock market and its main objective is to promote Financial Inclusion for Micro and Small Enterprises while focusing on financing rural companies, women who own companies and victims of the armed conflict who own companies. These projects contribute significantly to social development in Colombia mainly by meeting objectives such as generating income and increasing employment, reducing income inequality, promoting financial inclusion, and promoting integration and generating jobs in groups vulnerable to social exclusion. This issue received technical cooperation from the Inter-American Development Bank (IDB) and the Secretariat of State for Economic Affairs of Switzerland (SECO).

- Issue of Orange Bonds: In November 2018, Bancóldex successfully carried out the first issue of Orange Bonds in the world through the Colombian Stock Exchange for an amount worth $400 billion and a term of 2 and 3 years. It obtained demand for 2.89 of the issue value and a cut-off rate of IBR+0.92% and CPI+2.20% respectively.

This is the first issue of this type that takes place in the Colombian and global public stock market; and it is aligned with Bancóldex' orange strategy, following its directive to boost business growth and seek to generate value through sustainable economic models for companies in the cultural and creative sector, as well as to generate opportunities for these Colombian companies to venture into new markets to increase their productivity and competitiveness standards. The projects financed or refinanced with the resources of this Orange Bond will support the efforts made by the National Government to promote the growth of the creative and cultural industry. This form of financing seeks to help this type of companies access formal credit, diversify their sources of resources and improve their investment prospects. It is important to mention that these Orange Bonds contribute to the fulfillment of the Sustainable Development Goals (SDG) of the 2030 Agenda.

The summary of financial liabilities by due dates at the remaining term as of December 31, 2019 and 2018 is as follows:

December 31, 2019

	Up to 3 months	Over 3 months and less than 1 year		Over 1 year		Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	
Instruments at amortized cost						
Term deposit certificates	$ 438.075.248	$ 348.315.302	$ 487.853.355	$ 420.476.221	$ 100.365.877	$ 1.795.086.003
Securities issued - General bonds	-	-	150.041.837	994.374.508	100.686.931	1.245.103.276
	$ 438.075.248	$ 348.315.302	$ 637.895.192	$ 1.414.850.729	$ 201.052.809	$ 3.040.189.280

December 31, 2018

	Up to 3 months	Over 3 months and less than 1 year		Over 1 year		Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	
Instruments at amortized cost						
Term deposit certificates	$ 471.623.769	$ 343.229.724	$ 125.408.542	$ 746.409.671	$ 100.336.707	$ 1.787.008.413
Securities issued - General bonds	-	-	262.418.581	702.710.597	542.742.339	1.507.871.517
	$ 471.623.769	$ 343.229.724	$ 387.827.123	$ 1.449.120.268	$ 643.079.046	$ 3.294.879.930

19. BANK LOANS AND OTHER FINANCIAL OBLIGATIONS

19.1. Bank Loans and other obligations at amortized cost: The information on bank loans and other financial obligations as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Acceptances	$ -	$ 1.353.001
Bank loans and other financial obligations (1)		
Credits	443.653.928	533.737.789
International Organizations	102.912.475	131.083.839
Inter-American Development Bank	1.784.148.915	1.850.078.319
Andean Development Corporation	822.592.253	687.131.030
	3.153.307.571	3.202.030.977
	$ 3.153.307.571	$ 3.203.383.978

(1) The information on bank loans is as follows:

	Dec 31, 2019			Dec 31, 2018		
Foreign Currency	Interest rate (%)	Value USD (thousands)	Value in COP	Interest rate (%)	Value USD (thousands)	Value in COP
Short Term						
Toronto Dominion Bank Canadá	2,34	51.902	$ 170.088.866	3,23	21.943	$ 71.308.865
The Bank Of Nova Scotia Canadá	2,00	9.087	29.780.576	3,18	17.627	57.284.893
Citibank USA	2,35	14.941	48.964.373	-	-	-
Sumitomo Mitsui Banking Corp U	2,34	29.422	96.420.412	3,19	18.663	60.651.444
Banco Latinoamericano de Exportaciones Bladex	2,38	20.082	65.810.837	4,29	40.337	131.083.839
Bank of Montreal Canadá	-	-	-	2,94	10.441	33.932.156
Banco del Estado de Chile	-	-	-	3,10	60.521	196.677.255
Wells Fargo Bank NA USA	2,62	30.026	98.399.702	3,78	35.044	113.883.176
	2,38	155.460	509.464.765	3,47	204.576	664.821.628

	Dec 31, 2019			Dec 31, 2018		
	Interest rate (%)	Value USD (thousands)	Value in COP	Interest rate (%)	Value USD (thousands)	Value in COP
Medium term						
Development Bank of Latin America CAF Venezuela	3,76	43.029	141.011.501	4,74	50.222	163.208.302
Instituto de Crédito Oficial del Reino de España	2,44	11.321	37.101.638	0,00	0	0
	3,49	54.350	178.113.139	4,74	50.222	163.208.302

Long term						
Interamerican Development Bank Usa	2,73	448.280	1.469.076.454	3,13	569.299	1.850.078.319
Development Bank of Latin America CAF Venezuela	2,31	207.980	681.580.752	3,10	161.219	523.922.729
	2,60	656.260	2.150.657.206	3,13	730.518	2.374.001.047
Total Foreign Currency	2,61	866.071	$ 2.838.235.110	3,28	985.316	$ 3.202.030.977
Legal tender						
Medium term						
Interamerican Development Bank USA	5,27	0	315.072.461	0,00	0	0
Total Credits	2,47	866.071	$ 3.153.307.571	3,26	985.316	$ 3.202.030.977
Short term	2,38	155.460	509.464.765	3,47	204.576	664.821.628
Medium term	4,63	54.350	493.185.600	4,74	50.222	163.208.302
Long term	2,31	656.260	2.150.657.206	3,10	730.518	2.374.001.047
	2,47	866.071	$ 3.153.307.571	3,26	985.316	$ 3.202.030.977

The summary of bank loans by due dates as of December 31, 2019 and 2018 is as follows:

December 31, 2019

	Up to 3 months	Over 3 months and less than 1 year		Over 1 year			Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 years	
Bank loans and other financial obligations							
Foreign banks	$ 206.556.270	$ 194.375.996	$ 42.721.663	$ -	$ -	$ -	$ 443.653.929
Andean Development Corporation	352.668.443	328.912.309	-	141.011.501	-	-	822.592.253
Inter-American Development Bank	-	-	-	-	315.072.461	1.469.076.453	1.784.148.914
International organizations	65.810.837	-	-	-	37.101.638	-	102.912.475
	$ 625.035.550	$ 523.288.305	$ 42.721.663	$ 141.011.501	$ 352.174.099	$ 1.469.076.453	$ 3.153.307.571

	December 31, 2018						
	Up to 3 months	Over 3 months and less than 1 year		Over 1 year			Total
	Over 1 month and less than 3 months	Over 3 months and less than 6 months	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 years	
Bank loans and other financial obligations							
Foreign banks	$ 226.749.896	$ 193.104.716	$ 113.883.176	$ -	$ -	$ -	$ 533.737.788
Andean Development Corporation	360.637.638	163.285.091	-	-	163.208.302	-	687.131.031
Inter-American Development Bank	-	-	-	-	-	1.850.078.319	1.850.078.319
International organizations	-	-	-	131.083.839	-	-	131.083.839
	$ 587.387.534	$ 356.389.807	$ 113.883.176	$ 131.083.839	$ 163.208.302	$ 1.850.078.319	$ 3.202.030.977

19.2. Financial leasing liabilities*:* As of December 31, 2019, and 2018, the balance of this account is broken down as follows:

	31 Dic. 2019	31 Dic. 2018
Initial balance	$ 2.443.043	$ 1.225.506
Additions	2.142.516	1.822.562
Interest taxation	372.683	305.070
Minus Payments	(1.487.695)	(950.881)
Restatement	192	40.786
Final balance	$ 3.470.739	$ 2.443.043

The information on financial lease as of December 31, 2019 and 2018 is as follows:

Dec 31, 2019				
Type of Asset	**Weighted average interest rate**	**Capital**	**Interest**	**Total**
Computer equipment	2,24%	$ 115.145	$ -	$ 115.145
Vehicles	DTF + 3.7	600.187	2.217	602.404
Machinery and equipment	1,68%	133.238	-	133.238
Real Estate	0,72%	1.431.603	-	1.431.603
		$ 2.280.173	$ 2.217	$ 2.282.390

Dec 31, 2019

Type of Asset	Weighted average interest rate	Capital USD	Capital COP	Interest COP	Total
Computer equipment	0,84%	363	$ 1.188.349	$ -	$ 1.188.349
			$ 1.188.349	$ -	$ 1.188.349
Total Financial Lease in $			$ 3.468.522	$ 2.217	$ 3.470.739

Dec 31, 2018

Type of Asset	Weighted average interest rate	Capital	Interest	Total
Computer equipment	6,92%	$ 256.786	$ -	$ 256.786
Vehicles	DTF + 3.73	685.229	2.514	687.743
Machinery and equipment	1,68%	184.955	-	184.955
		$ 1.126.970	$ 2.514	$ 1.129.484

Type of Asset	Weighted average interest rate	Capital USD	Capital COP	Interest COP	Total
Computer equipment	3,26%	404	$ 1.313.559	$ -	$ 1.313.559
			$ 1.313.559	$ -	$ 1.313.559
Total Financial Lease in $			$ 2.440.529	$ 2.514	$ 2.443.043

Computer equipment contracts are executed mainly with the companies Prointech Holding SAS and IBM of Colombia, while the contracts of vehicles were executed with ARCO Grupo Bancóldex and the machinery and equipment contract was signed with the firm Datecsa S.A. Lease contracts for real estate properties correspond to leased offices for the operation of regional offices located in Barranquilla, Medellín, Pereira, Cali and Bucaramanga.

19.3. Reconciliation of liabilities arising from financing activities - The following table details the changes in liabilities arising from the Bank's financing activities, including changes and no changes in cash. The liabilities arising from financing activities are those for which the cash flows were used and they will be classified in the cash flow statement of the Bank as cash flows from financing activities.

December 31, 2019

	Dec 31, 2018	Cash flows from financing activities	Taxation	Payment of capital and interest	Restatement	Income for the year	Other Comprehensive Income	Dec 31, 2019
Financial lease	$ 2.443.043	$ 2.142.516	$ 372.683	$ 1.487.695	$ (192)	$ -	$ -	$ 3.470.739
Loans and other financial obligations	3.202.030.977	2.039.997.357	91.378.227	2.180.763.910	(664.920)	-	-	3.153.307.571
Liabilities of derivative financial instruments	83.938.412	(3.591.868)		-	-	-	-	80.346.544
Equity dividends in cash	1.495.145.916	(95.853.254)	-	-	-	126.833.936	40.094.286	1.566.220.884
	$ 4.783.558.348	$ 1.942.694.751	$ 91.750.910	$ 2.182.251.605	$ (665.112)	$ 126.833.936	$ 40.094.286	$ 4.803.345.738

December 31, 2018

	Dec 31, 2017	Cash flows from financing activities	Taxation	Payment of capital and interest	Restatement	Income for the year	Other Comprehensive Income	Dec 31, 2019
Financial lease	$ 1.225.506	$ 1.822.560	$ 305.071	$ 950.881	$ 40.787	$ -	$ -	$ 2.443.043
Loans and other financial obligations	2.047.906.039	1.474.491.146	64.620.795	593.741.289	208.754.286	-	-	3.202.030.977
Liabilities of derivative financial instruments	27.638.244	56.300.168		-	-	-	-	83.938.412
Equity dividends in cash	1.491.898.876	(80.021.158)	-	-	-	107.632.899	(24.364.701)	1.495.145.916
	$ 3.568.668.665	$ 1.452.592.716	$ 64.925.866	$ 594.692.170	$ 208.795.073	$ 107.632.899	$ (24.364.701)	$ 4.783.558.348

BLANK SPACE

20. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

The information on accounts payable as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Commissions and fees	$ 289.790	$ 116.763
Costs and expenses payable	31.002	101.108
Dividends [1]	2.334.891	2.277.512
Committed buyers	2.250	-
Suppliers	1.303.977	2.138.986
Withholding and labor contributions (2)	5.061.736	4.918.958
Accounts payable to employees	146	638
Accounts payable NPV Premium not used [3]	1.070.704	1.678.345
Future contracts settlement - CRCC [4]	18.088.080	19.532.263
	Dec 31, 2019	**Dec 31, 2018**
PTP Agreement payable [5]	620.196	620.196
392 MINCIT Agreement payable [6]	2.166.286	3.926.000
Payables in Foreign Currency [7]	7.203.151	677.427
Miscellaneous	679.068	1.432.635
	$ 38.851.277	$ 37.420.831

(1) The information on dividends payable is as follows. In regards to the Ministries, it corresponds to the deferred heading as established by Decree 378 of 2016:

	Dec 31, 2019	Dec 31, 2018
Ministry of Commerce, Industry and Turism	$ 33.834	$ 33.834
Ministry of Finance and Public Credit	2.024.846	2.024.846
Private entities	276.211	218.832
	$ 2.334.891	$ 2.277.512

(2) The information on withholdings and labor contributions is as follows:

		Dec 31, 2019			Dec 31, 2018
Withholding at source payable	$	3.170.100		$	3.247.923
As sales tax		123.727	-		63.848
As industry and commerce		31.741	-		25.781
As other contributions		1.445	-		294
Family Compensation Fund, ICBF and SENA		238.039	-		229.426
Withholding and payroll contributions		1.252.599	-		1.260.980
Other		244.085	-		90.706
	$	5.061.736		$	4.918.958

(3) It corresponds to the value of the resources not used by the beneficiaries of loans of the credit lines created with the benefit mechanism in the reduction of the loan rate; and it is presented at the moment when the client prepays or settles the entire obligation with Bancóldex for final maturity and the client did not request the benefit. These unsolicited resources are returned to the contributor of the agreement that gave the resources for this type of operations.

(4) The Central Counterparty Clearing House (CRCC) daily settles and reports the result of clearing for this type of operations so that the participating entities register the accounts receivable and/or payable. See the asset section in Note 11.

(5) Under Inter-administrative Framework Agreement 375, signed between Bancóldex and the Ministry of Commerce, Industry and Tourism, a transfer was received through Resolution number 1946 of October 27, 2016, for an amount worth $1,500,000 coming from the budget support of the National Planning Department (DNP), for the PRODUCTIVE TRANSFORMATION PROGRAM – PTP (currently, *Colombia Productiva*) with the objective of contracting the development of the second stage of the Economic Complexity Atlas for Colombia (DATLAS 2.0). The aim is to enhance and enrich the tool, allowing the alignment of the information it provides with the new strategy of the Ministry of Commerce, Industry and Tourism. Resources up to $879,804 have already been executed. *Colombia Productiva* along with the Ministry of Commerce, Industry and Tourism and the DNP are validating which initiatives to strengthen and update the DATLAS will be addressed with the remaining resources.

(6) Agreement 392 was signed between Bancóldex and the Ministry of Commerce, Industry and Tourism on October 27, 2017. It aims at implementing non-financial services in the form of consulting programs, training, specialized advice, education, structuring of projects and the generation of valuable information and knowledge for the decision-making levels of companies and organizations so that they may promote competitiveness and foster the strengthening of the business fabric of the country and its regions. The Bank received $5,023,000 on March 22, 2018. 13 initiatives/programs are being developed with these resources and they will be completed by March 31, 2020.

(7) The final settlement of the NDFs (Non-Deliverable Forward) is disclosed as accounts payable in foreign currency, made with foreign counterparts (Offshore) and other financial charges from correspondents, derived from operations of issued securities.

21. EMPLOYEE BENEFITS

The information of the balances by employee benefits as of December 31, 2019 and 2018 is as follows. It should be noted that the Bank only has short-term benefits for employees:

	31 Dic. 2019	31 Dic. 2018
Payroll payable	$ 160.825	$ 56.464
Severance	869.257	865.136
Interest on severance	101.419	103.102
Vacations	3.080.497	2.937.594
	$ 4.211.998	$ 3.962.296

22. ESTIMATED LIABILITIES AND PROVISIONS

The information on provisions as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Labor claims	$ 326.087	$ 323.751
Other	90.000	-
	$ 416.087	$ 323.751

22.1. Labor lawsuits: Information on these provisions as of December 31, 2019 is as follows:

	Dec 31, 2019	Dec 31, 2018
Balance at the beginning of period	$ 323.751	$ 742.102
Constitutions	2.336	939
Withdrawals (*)	-	419.290
Balance at the end of period	$ 326.087	$ 323.751

(*) Corresponds to the withdrawal of the proceedings of Tomás Uribe Mosquera and Daniel Montañéz due to the fact that during 2018 an appeal for cassation was resolved on these processes. The withdrawal amounted to $102,777 and $316,513, respectively.

As of December 31, 2019, there were labor proceedings and a contentious administrative proceeding from some third parties against the Bank. December 2020 was determined as the estimated disbursement date for those proceedings that have provisions. However, it is not possible to determine an exact disbursement schedule because the proceedings must go through the different instances.

Information on the processes in effect as of December 31, 2019 and 2018 with possible (medium) and/or likely (high) rating is as follows:

Type of proceedings	Parties	General Information	Proceedings status	Dec 31, 2019	Dec 31, 2018
LABOR PROCEEDING	CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX and others.	Nature: Ordinary labor proceeding for an undetermined amount. (11001310501420070021-01) Identification: Supreme Court of Justice	Appeal decision against the Bank was issued. Currently, the process is being held in the Supreme Court of Justice; extraordinary appeal for cassation was effected. Ruling is pending. New Reporting Judge november 2019.	106.998	106.232
LABOR PROCEEDING	HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX	Nature: Ordinary labor proceeding for an undetermined amount. Identification: Supreme Court of Justice. (11001310501520060052201)	Appeal decision against the Bank was issued. Currently, the process is being held in the Supreme Court of Justice; extraordinary appeal for cassation was effected. Ruling is pending.	219.089	217.519
Total				326.087	323.751

22.2. Other provisions: The information on other provisions as of December 31, 2019 is as follows:

	Dec 31, 2019
Balance at the beginning of period	$ -
Constitutions	90,000
Withdrawals	-
Balance at the end of period	$ 90,000

Corresponds to the estimated provision within the implementation of IFRS 16 on costs to be incurred at dismantling or restoring the place where the real estate properties under lease for regional offices are located.

23. OTHER LIABILITIES

The information on other liabilities as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Unearned Income (1)	$ 93.708.336	$ 86.719.679
Interest arising from restructuring proceedings	2.081	-
Letter of credit - deffered payment	1.577.648	-
Income received for third parties	74.287	63.853
Miscellaneous - Agreements (2)	18.378.324	15.818.479
	$ 113.740.676	$ 102.602.011

(1) The information on anticipated income is as follows:

	Dec31, 2018	Charges	Amortization	Dec 31, 2019
Interest	$ 86.615.419	$ 69.105.905	$ 62.012.988	$ 93.708.336
Commissions	104.260	-	104.260	0
	$ 86.719.679	$ 69.105.905	$ 62.117.248	$ 93.708.336

	Dec31, 2017	Charges	Amortization	Dec 31, 2018
Interest	$ 76.961.241	$ 61.580.862	$ 51.926.684	$ 86.615.419
Commissions	1.118.676	-	1.014.416	104.260
	$ 78.079.917	$ 61.580.862	$ 52.941.100	$ 86.719.679

The interest corresponds to the amortization of the anticipated income of the agreements that calculate VPN in the specific lines of credit for this purpose.

Commissions are generated by guarantees issued with clients.

(2) These balances correspond mainly to the resources received from Ministries, Governor's and Mayors' Offices to finance lines with rate differentials. As of December 31, 2019, and 2018, there were 114 and 66 agreements, respectively.

24. EQUITY

24.1. Share capital: Information on capital as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Ministry of Commerce, Industry and Turism	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit	83.420.180	83.420.180
Private entities	2.993.357	2.993.357
	$ 1.062.556.872	$ 1.062.556.872

The number of subscribed and paid-in shares is as follows:

	Dec 31, 2019	Dec 31, 2018
Ministry of Commerce, Industry and Turism Ordinary (Type "A" Shares)	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit Ordinary (Type "A" Shares)	83.420.180	83.420.180
Private investors (Type "B" Shares)	2.080.683	2.080.683
Private investors (Type "C" Shares)	912.674	912.674
	$ 1.062.556.872	$ 1.062.556.872

The shares of the C series have a minimum annual preferential dividend equivalent to 3.5% of the equity value of the share at the beginning of the year, charged to the profits the General Assembly decrees for calculation. This minimum preferential dividend will be effective in principle for eight (8) years. At the end of such period, the Bank will compare the average value of the share registered in the Colombian Stock Exchange during the twelve (12) months prior to the month of the comparison, against the average equity value of the share during the same period.

If the average value on the Stock Exchange is equal to or greater than 110% of the average equity value, the privilege will be extinguished and, as a result, the preferred minimum dividend will be suspended. Otherwise, the privilege will be extended for five (5) years, at the end of which the Bank will perform again the comparison of average values in the same order. If the average value in the stock market continues to be less than 110% of the average equity value, the privilege will be extended for three (3) successive periods of two (2) years, under the understanding that at the end of each of such periods the Bank will perform the comparison of average values. If the indicated periods have expired and the average value in the Stock Market continues to be less than 110% of the average equity value, the privilege will be extended for one (1) more year, after which it shall be extinguished.

The extinction of the privilege, regardless of the moment it occurs, will cause these shares to become ordinary and give rise to the consequent substitution of the securities. If the General Assembly provides for the recognition of a dividend higher in value to the preferential minimum, the payment of the latter shall prevail over the former.

Regarding the settlement of the privilege enshrined in the preceding paragraphs, Bancóldex will proceed in accordance with the following formula:

Minimum Preferential Dividend = Equity Value of the Share at the beginning of year N x 3.5%.

Where:

Equity Value of the Share at the beginning of Year N = Total equity as of December 31 of year N - 1 / Total shares outstanding.

The payment of the anticipated minimum preferential dividend is ordered by the General Assembly of Shareholders of the Bank and charged to the net profits of the respective period. Therefore, notwithstanding the provisions established in section 2 of Article 381 of the Commercial Code, the payment dates of the preferred dividend correspond to the dates indicated by such instance and, in the event that the Bank does not yield profits in a given fiscal year, or they are not enough to meet the foresaid payment, the total or partial value of the unpaid dividend will be accumulated to be paid from the net profits of the following period. If there are not profits during the foresaid fiscal year, or if they are not sufficient, they will be accumulated in the same manner and so on.

An economic privilege was established for the shareholders of the "C" series and for a period of eight (8) years starting in 1994. It consists in an annual preferential minimum dividend equivalent to 3.5% of the equity value of the share at the beginning of the year, charged to the profits decreed by the General Assembly for its calculation. By decision of the General Assembly of Shareholders of August 21, 2002, March 31, 2008, March 22, 2013 and March 26, 2018, the privilege has been extended for a term of five more years; taking into account that the listing value is a simple reference to know whether the privilege is extended or not, in principle for five years and then for three successive periods of two years. The General Shareholders Assembly ordered to take zero (0) as the listing value in stock exchanges and continue with the privilege for five additional years.

24.2. Reserves*:* The information on reserves as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Legal		
Net profit appropriation	$ 158.599.780	$ 147.833.262
Statutory		
Protection - Equity Funds	49.346.690	49.346.690
Occasional		
Tax provisions (*)	32.514.234	31.501.107
	$ 240.460.704	$ 228.681.059

(*) The increase in 2019 corresponds to the constitution of the reserve of the investment portfolio worth $1,013,127.

Legal reserve: As per legal provisions, every credit establishment must constitute a legal reserve, appropriating ten percent (10.0%) of the net profits of each year until reaching fifty percent (50.0%) of the subscribed capital. The legal reserve cannot be used to pay dividends or to cover expenses or losses during the time the Bank has undistributed profits.

Statutory and occasional reserves: They are approved by the General Shareholders Assembly. Law 1819 of December 29, 2016 in section 10 of article number 376, validity and derogations, repealed Article 1, Decree 2336 of 1995, which set forth the obligation to establish tax reserves, on fiscally unrealized income. However, the General Shareholders Assembly approved the constitution of an occasional reserve supported by tax regulations, on unrealized profits, such as valuation of investment portfolio, valuation of private equity funds and valuation of operations with financial derivatives.

25. OTHER INCOME

The information on other income is as follows:

	Dec 31, 2019	Dec 31, 2018
Provision recovery		
Loan portfolio (Note 10)	$ 68.609.821	$ 93.317.979
Accounts Receivable (Note 11)	761.213	1.604.118
Written-off goods (1)	74.784	2.446.440
Reversal of impairment loss (2)	2.947.252	295.184
Lease of own assets	1.720.540	1.646.013
Sale of non-current assets	26.500	113.000
Sale of property and equipment	7.513	64
Income from F.N.G	470.882	294.034
Reimbursement of expenses from previous	3.795	1.755.099
Other	1.891.063	3.923.835
	$ 76.513.363	$ 105.395.766

(1) The recovery is represented in the legal allocation of a real estate property from client Cordicargas S.A. for 2019. It is worth $50,794 and cash received from Banco Santos Brasil worth $23,990. It corresponds to a payment in kind received from Procol de Colombia S.A. for 2018.

(2) The Bank dismantled the provision from Private Equity Funds in 2019. It was authorized by the Financial Superintendence of Colombia on September 25, 2019. A provision was reimbursed for an amount worth $2,645,904.

(3) In the case of 2018, it is mainly represented by the reimbursement of social security contributions of periods 2012, 2013, 2014, 2015 and 2016 worth $1,737,071, generated by the collection procedures carried out with the Pension Subsystem. The amounts of accounts receivable can be found in Note 11.

BLANK SPACE

26. OTHER EXPENSES

The information on other expenses is as follows:

	Dec 31, 2019	Dec 31, 2018
Contributions and affiliations	$ 2.123.042	$ 1.774.466
Insurance	336.991	266.692
Maintenance and repairs	3.283.688	4.002.507
Office adaptation and installation	368.128	328.355
Fines and sanctions	892	8.575
Equity method (1)	-	4.510.925
Cleaning and surveillance services	602.077	592.235
Temporary services	322.354	227.978
Advertising and publicity	276.977	177.147
Public relations	59.833	70.641
Public services	603.613	616.183
Travel expenses	411.981	277.145
Transport	548.956	451.111
Supplies and stationery	34.604	47.461
Publications and subscriptions	286.416	174.621
Photocopying service	1.636	3.872
Digitalization services	53.380	64.476
Reference books	2.987	1.679
Business lunches	74.616	68.854
Cafeteria supplies	64.915	96.693
Cleaning supplies	61.861	53.990
Legal and notarial expenses	8.134	11.953
Courier and shipping services	125.612	169.661
Télex data transmission. tas. SWIFT	1.623.533	1.569.498
Building administration fee	1.136.044	620.429
Minor fixtures	9.564	13.813
Commercial information	657.540	668.045
Storage and security of digital files	88.488	69.101
Bancóldex Contact Center	568.850	595.119
Stock exchange registration fees	117.700	75.900
Alternate contingency processing services	59.091	60.069
Institutional notices and advertisements	52.988	53.260
Corporate communications	67.175	54.110
Withholdings assumed	131.831	93.743
VAT assumed by Bancóldex	1.361	-
Prior period expenses	42.622	119.551
Business Training and Business Support activities	184.299	309.752
Goods received as payment	270.783	95.514
Returned goods	89.598	45.348
Other minor expenses	156.784	54.196
	$ 14.910.944	$ 18.494.668

(1) As per the provisions of Note 8, the provisions of section 6.2.1 of Chapter 1-1 of External Circular Letter 100 of 1995 by the Financial Superintendence of Colombia were applied to the investment in Associates -Segurexpo and Fondo Nacional de Garantías y Subsidiarias- Arco Grupo Bancóldex and Fiducoldex: investments in subsidiaries, associates and joint ventures must comply with the provisions of IAS 27, IAS 28 and IFRS 11, as applicable. These investments are measured by the equity method, that is, the Bank recognizes in the profit and loss of the period its share in the profit and loss of the period of the associate and subsidiary, in accordance with its respective share.

Information as of December 31, 2019 and 2018 is as follows:

	31 Dic. 2019	31 Dic. 2018
Fondo Nacional de Garantías	$ -	$ 4.510.925

27. CURRENT TAX LIABILITIES AND DEFERRED TAX ASSETS AND LIABILITIES

The fiscal provisions applicable to the Bank stipulate the income tax rate for years 2019 and 2018 at 33%. A further tax surcharge of 4% is established for 2018. Thus, the expense for income tax and surcharge for years 2019 and 2018 are determined at 33% and 37%, respectively.

Income tax recognized in profit or loss

	Dec 31, 2019	Dec 31, 2018
Current tax:		
Compared to current year	$ 110.115.833	$ 47.899.541
	110.115.833	47.899.541
Deferred tax:		
Compared to current year	(76.306.831)	12.939.175
Adjustments to deferred taxes attributed to changes in tax laws and rates	1.648.447	(1.296.649)
	(74.658.384)	11.642.526
Total tax expense related to continuing operations	$ 35.457.449	$ 59.542.067

The reconciliation between profit before taxes and the taxable net income for 2019 and 2018, is as follows:

	Dec 31, 2019	Dec 31, 2018
Income before tax from continuing operations	$ 162.291.386	$ 167.174.966
Income tax expense calculated at 33% and 37%	53.556.158	61.854.738
	Dec 31, 2019	**Dec 31, 2018**
Effects of non-deductible expenses when determining taxable income	3.752.346	3.236.667
Income (loss) on realization of investments	134.969	455.701
Income (loss) on realization of derivatives	(3.512.994)	(4.862.764)
Non-taxable income under equity method	(11.783.109)	(713.324)
Tax-exempt reimbursement when determining taxable profit	(1.079.157)	(1.240.960)
Effects of tax-exempt or non-taxable income - Dividends	(2.537.017)	(2.005.404)
Unrealized restatement of assets and liabilities	(3.871.227)	(7.820.697)
Other	2.902.095	10.638.111
Tax discount (ICA)	(2.104.615)	-
Income tax expense by ordinary income system	35.457.449	59.542.067
Income tax expense by presumptive income system recognized in profit or loss (related to continuing operations)	$ 35.457.449	$ 59.542.067

The income tax was settled by the ordinary income system.

As per the provisions of IAS 12, section 58 (a), current and deferred taxes should be recognized as income or expense and be included in the profit and loss, except to the extent that they arise from transactions or events recognized outside profit and loss, either in other comprehensive income or directly in equity.

Reconciliation of the nominal tax rate and the effective rate - The reconciliation of the effective tax rate is made using the following regulatory parameters, which were in force at the end of the December 31, 2019 and 2018 periods.

Current tax liabilities

	Dec 31, 2019	Dec 31, 2018
Current tax liabilities	$ 110.115.833	$ 47.899.541
Advance payments and retentions	(31.193.642)	(22.262.989)
Total Income tax payable	$ 78.922.191	$ 25.636.552

Income tax recognized directly in equity

	Dec 31, 2019	Dec 31, 2018
Deferred tax from transactions with equity participants:		
Profit (loss) from exchange difference on foreign investments	$ 133.949	$ 105.212
Profit (loss) on capital fund valuation	8.944.913	4.039.217
Unrealized profit (loss) of available-for-sale investments	18.700.426	7.071.970
Cost of uncontrolled investments	102.519	1.610.114
Revaluation of assets	2.661.130	2.661.130
Impairment - IFRS 9	71.092	-
Hedging derivatives	(1.428.613)	(1.290.163)
Financial Leasing contract	(154.542)	-
Total profit tax recognized in other comprehensive income	$ 29.030.874	$ 14.197.480

Deferred tax balances - The analysis of the deferred tax assets / liabilities presented in the Balance Sheet is as follows:

	Dec 31, 2019	Dec 31, 2018
Deferred tax assets		
Accrued expenses	$ 120.009	$ 92.337
Loss on valuation of derivatives	30.455.592	-
Unrealized exchange difference in Foreign Exchange liabilities	34.443.745	32.523.168
Other assets	32.946	-
Leased properties	1.032.602	-
Impairment - IFRS 9	362.639	-
Decommissioning	32.400	-
Hedging derivatives - OCI	1.428.613	-
Other assets	154.542	1.969.159
Total deferred asset (*)	68.063.087	34.584.664

	Dec 31, 2019	Dec 31, 2018
Deferred tax liabilities		
Investment portfolio valuation	23.211	3.288.041
Profit in valuation of derivatives	3.814	3.621.062
Valuation of returns from Equity Funds	3.858.285	4.129.130
Exchange difference in Foreign Exchange investments	794.243	794.243
Cost of movable and immovable properties	8.139.175	8.910.097
Unrealized exchange difference in Foreign Exchange assets	5.652.046	40.349.090
Financial obligation - leased properties	1.147.936	
Other deferred tax liabilities - equity	30.614.029	15.487.643
Total deferred liabilities (*)	50.232.739	76.579.306
Total	$ 17.830.348	$ (41.994.642)

(*) Deferred tax assets and liabilities present an increase compared to the previous year. It was generated by the expense and income from restatement of assets and liabilities in foreign currency, not carried out fiscally.

Dec 31, 2019	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Deferred tax (liabilities) / asset related to:				
Derivatives	$ (2.331.981)	$ 34.077.331	$ 138.450	$ 31.883.800
Property, plant and equipment	(8.248.339)	109.164	-	(8.139.175)
Revaluation	(2.661.130)	-	-	(2.661.130)
Other assets	(17.908)	47.443	-	29.535
Financial leases	649.461	383.141	-	1.032.602
Unrealized exchange difference in Foreign Exchange assets and liabilities	(7.825.922)	36.617.621	-	28.791.700
Financial assets at fair value through profit or loss	(3.288.041)	3.264.830	-	(23.211)
Available-for-sale financial assets	(7.071.967)	-	(11.628.456)	(18.700.423)
Valuation of equity funds	(8.168.346)	270.846	(4.905.697)	(12.803.198)
Exchange difference on foreign operations	(899.454)	-	(28.737)	(928.191)
Provisions	92.336	60.072	-	152.408
Cost of Foreign Exchange investments	(1.610.116)	-	1.507.596	(102.520)
Other financial liabilities	(613.236)	(534.703)	154.542	(993.397)
Impairment - IFRS 9	-	362.639	(71.092)	291.547
Total	$ (41.994.642)	$ 74.658.384	$ (14.833.394)	$ 17.830.348

Dec 31, 2018	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Deferred tax (liability) / asset related to:				
Derivatives	$ 1.310.308	$ (4.866.014)	$ 1.223.725	$ (2.331.981)
Property, plant and equipment	(9.151.694)	903.355	-	(8.248.339)
Revaluation	(2.926.747)	-	265.617	(2.661.130)
Other assets	31.000	(48.908)	-	(17.908)
Financial leases	397.108	252.353	-	649.461
Intangible assets	916.712	(916.712)	-	-
Unrealized exchange difference in Foreign Exchange assets and liabilities	-	(7.825.922)	-	(7.825.922)
Financial assets at fair value through profit or loss	(3.358.830)	70.789	-	(3.288.041)
Available-for-sale financial assets	(14.224.051)	-	7.152.084	(7.071.967)
Valuation of equity funds	(9.057.225)	946.376	(57.497)	(8.168.346)
Exchange difference on foreign operations	(682.699)	79.426	(296.181)	(899.454)
Provisions	71.517	20.819	-	92.336
Cost of Foreign Exchange investments	(2.877.959)	-	1.267.843	(1.610.116)
Other financial liabilities	(355.147)	(258.089)	-	(613.236)
Total	$ (39.907.707)	$ (11.642.526)	$ 9.555.591	$ (41.994.642)

28. CONTINGENCIES

As of December 31, 2019, and 2018, the Bank has initiated or been subject to legal proceedings. The claims of the proceedings were assessed based on analysis and opinions from deputy lawyers and the following contingencies were determined:

Gain contingencies (lawsuits filed against the Bank)

Labor proceedings **–** As of December 31, 2019 and 2018, labor lawsuits were recorded for an amount of $387,388 and $100,000, respectively.

The information on labor lawsuits is as follows:

Type of Process	Parties	General Information	Process Status	Dec 31 , 2019	Dec 31 , 2018
WORK	**OLGA CÁRDENAS DE MICHELSEN (Pension deputy of Arturo Michelsen) VS. BANCOLDEX and Others**	Naturaleza: Ordinary labor proceeding for an undetermined amount Identification: Labor Court 15 of Bogotá. Labor Court 9 of the Sentencing Section. (110013105015-2002-00431-01)	The extraordinary appeal for cassation in favor of the Bank was settled. It was notified on January 23, 2019. Absolute value	-	-
WORK	**JAVIER ENRIQUE MÚNERA OVIEDO VS. BANCOLDEX**	Nature: Ordinary labor proceeding for an approximate amount of $100,000 Identification: Supreme Court of Justice 08001310500120040023801	An appeal decision in favor of the Bank was issued. The plaintiff lodged an appeal for cassation. Bancoldex lodged an objection.	**100.000**	**100.000**
WORK	**HERNÁN OSORIO JIMÉNEZ VS. BANCOLDEX**	Nature: Ordinary labor proceeding for an undetermined amount. Identification: Supreme Court of Justice (110013105004-2010-00406-00)	An appeal decision in favor of the Bank was issued. An appeal for cassation was lodged. Absolute value	-	-
WORK	**JORGE MARIO JARAMILLO CARDONA VS BANCÓLDEX AND OTHERS**	Nature: Ordinary labor proceeding for an undetermined amount. Identification: Labor Court 8 of Bogotá. (11001310500820190068000)	Proceeding notified to the Bank.	**287.388**	-
WORK	**ANDRÉS ESPINOSA FENWARTH VS. BANCOLDEX and Colpensiones**	Nature: Ordinary labor proceeding for an undetermined amount. Identification: Labor Court 34 of Bogotá. (11001310503420180003600)	The Bank's legal representative notified the lawsuit, which was answered. A Compulsory Joint Litigation was notified before the Ministry of Foreign Affairs. Absolute value	-	-
Total				**387.388**	**100.000**

Contentious Administrative Proceeding – As of December 31, 2019 and 2018, the following lawsuit is pending litigation:

Type of Process	Parties	General Information	Process Status
CONTENTIOUS - ADMINISTRATIVE	**EVERFORM S.A. Isidoro Esquenazi Cheres and Jose Esquenazi Malca VS. BANCOLDEX S.A. and others**	Nature: Direct Relief. Identification: – Administrative Court of Valle del Cauca / Judge: Jhon Erick Chaves Bravo 76-001-23-33-005-2014-01266-00	The process was forwarded to Civil Court 5 of Cali due to lack of jurisdiction. The first process hearing will be carried out on March 17, 2020.

Loss contingencies (lawsuits filed by the Bank)

Labor proceedings – As of December 31, 2019 and 2018, the assessment result of claims corresponding to legal proceedings amounted to $1,202,334 and $1,029,672, respectively.

The information on labor proceedings is as follows:

Parties	General Information	Process Status	Dec 31, 2019	Dec 31, 2018
BANCOLDEX VS. ALIANSALUD E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 5 of Bogotá. 11001310500520190017300	The lawsuit was answered by the Health Provider and ADRES (Social Security System Fund Administrator). Hearings set forth in Articles 77 and 80 of CPTSS (Procedural Code of Labor and Social Security) were scheduled for March 30, 2020.	68.275	68.275
BANCOLDEX VS. CAFESALUD E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 15 of Bogotá. 11001310501520190017100	A lawsuit was filed on March 6, 2019. The file was forwarded to the administrative judges of Bogotá on June 04, 2019. An appeal for reversal was filed on June 07, 2019. The lawsuit was not admitted and a request for rectification was submitted. Cafesalud S.A. was subject to liquidation. A financial claim complaint was submitted on September 30.	565.515	565.515
BANCOLDEX VS. COMPENSAR E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 12 of Bogotá. 11001310501220190016500	A lawsuit was admitted on May 2, 2019 and Compensar Health Provider was notified. The lawsuit was answered. A reform of the lawsuit was carried out and a request to link the Social Security System Fund Administrator to the process was submitted. The reform of the lawsuit was answered by the Health Provider.	132.811	132.811
BANCOLDEX VS. SURA E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 25 of Bogotá. 11001310502520190018500	Defendants were notified about the process. The Health Provider answered.	55.701	55.701

Parties	General Information	Process Status	Dec 31, 2019	Dec 31, 2018
BANCOLDEX Vs. FAMISANAR E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 36 of Bogotá 11001310503620190022900	Amendment for the lawsuit was filed.	61.374	61.374
BANCOLDEX VS. SANITAS E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 32 of Bogotá 11001310503220190072300	A lawsuit was filed.	145.997	145.997
BANCOLDEX VS. COOMEVA E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 31 of Bogotá 11001310503120190050100	The lawsuit was answered by the Social Security System Fund Administrator.	47.225	-
BANCOLDEX VS. Cruz Blanca E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 27 of Bogotá. 11001310502720190016800	The Health Provider received a summons. Cruz Blanca Health Provider was subject to liquidation and the Bank submitted a financial debt complaint.	19.024	-
BANCOLDEX VS. ADRES	Nature: Ordinary labor proceeding. Identification: Small Claims Labor Court 10 of Bogotá. 11001310501020190033300	A hearing was scheduled for March 25, 2020.	130	-
BANCOLDEX VS. Nueva E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 33 of Bogotá. 11001310503320190013700	The lawsuit was notified to defendants.	32.949	-
BANCOLDEX VS. Salud Total E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 38 of Bogotá. 11001310503820190018000	The lawsuit was answered by Salud Total Health Provider - Social Security System Fund Administrator was claimed against.	25.934	-
BANCOLDEX VS. SALUDCOOP E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Labor Court 20 of Bogotá. 11001310502020190019800	The lawsuit was answered by the Social Security System Fund Administrator. Health Provider is being served by notice.	41.099	-
BANCOLDEX VS. Servicios Occidentales de Salud E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Small Claims Labor Court 3 of Cali Valle del Cauca. 760014105003201900415 00	The lawsuit was admitted. A hearing was set for April 8, 2021	6.302	-
Total			**1.202.334**	**1.029.672**

Contentious administrative proceedings **–** As of December 31, 2019 and 2018, the result of assessing claims corresponding to the administrative proceeding against the General Comptroller Office of the Republic amounted to $5,232,227.

Civil proceedings **–** As of December 31, 2019 and 2018, the result of assessing claims corresponding to the proceeding against Carlos Guillermo Rojas Prieto amounted to $17,903.

Executive proceedings **–** As of December 31, 2019 and 2018, the result of assessing claims corresponding to the proceedings amounted to $5,901,080 and $19,879,046, respectively.

The information on executive proceedings is as follows:

Parties	General Information	Process Status	Dec 31, 2019	Dec 31, 2018
BANCOLDEX Vs. Giraldo y Duque S.A. and C.I. Giraldo Duque Ltda. (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 5° of Palmira. 2017-0006	Main debtors were admitted in a reorganization process. Recognition of credits within financial claims rating and grading is pending.	320.833	320.833
BANCOLDEX Vs. ALVARO PIO ARCINIEGAS ESPAÑA (Cartera Internacional C.F.)	Nature: Mortgage Executive Proceeding. Identification: Second Municipal Civil Court of Pasto. 52001400300220170014600	Official notice of a lien placed against real property which is affected by mortgage in favor of the Bank was recorded. Seizure is enacted and a writ delegating the authority to examine evidence to another judge is filed at Pasto inspection to process seizure. Date to process the seizure is pending to be designated. It depends on the decision for an appeal filed by the Bank.	43.793	43.793
BANCOLDEX Vs. Inversiones Quibor S.A.S.	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 1° of Bogotá 11001310300620180040200	A request for precautionary measures was determined, which so far have not been favorable.	-	485.723
BANCOLDEX Vs. MAFICOL Ltda., Grancolombiana de Maderas S.A.S., Jesus Gerardo Soto Espinosa and Gloria Ivonne Prieto Ortiz (Cartera Internacional C.F.)	Nature: Small Claims Singular Executive Proceeding. Identification: Municipal Civil Court 13 of Bogotá 11001400301320170069500	The request for seizure measures was denied. The pronouncement whether judgement proceeds is pending.	-	56.250
BANCOLDEX Vs. Arquitectura y construcciones ARKO S.A.S. (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 5° of Barranquilla. 08001310300520170019100	Debtor was summoned. The legal guardian, Ad Litem, answered the lawsuit without exceptions. The presiding court caught fire at the end of 2019; therefore, terms have been suspended.	-	2.000.000
BANCOLDEX Vs. RED ESPECIALIZADA EN TRANSPORTE REDETRANS S.A.; CARLOS ARTURO LOPEZ VERA; JOSE FAUSTINO LOPEZ VERA AND FAVIO LOPEZ VERA (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. Identificationn: Civil Court 3 of Bogotá. 11001310303520170041000	At the beginning of the reorganization process, debtor declared before the court that the process against guarantors continued A firm judgement that ordered continuation of execution was issued. Actions are being carried out to identify other goods that can be seized from co-debtors.	-	323.815
BANCOLDEX Vs. IKONOS INMOBILIARIA S.A.S, MARIA ANGELICA NIÑA PEÑA, CAMPO ELÍAS LÓPEZ DAZA and DIANA JUDITH LOPÉZ CAICEDO (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 5 of Barranquilla. 2017-279	An investigating hearing and trial were carried out on March 13, 2019. Judgement to continue with execution is issued. The date to seize properties is pending to be set.	1.860.336	1.860.336
BANCOLDEX Vs. COMERCIALIZADORA FUNDIALUMINIOS ALVARO HERNANDEZ GIRALDO MARIA FERNANDA HERNANDEZ MEDINA (Cartera Internacional C.F.)	Nature: Small Claims Singular Executive Proceeding. Identification: Municipal Civil Court 2 of Dosquebradas. 66170400300220170023400	Real estate whose owner is a co-debtor was found and seizure was recorded.	60.092	60.092
BANCOLDEX Vs. TRITURADOS Y PREFABRICADOS	Nature: Singular Executive Proceeding Identification: Civil Court 1° of Neiva 41001310300120170018800	A sentence hearing was carried out on September 23, 2019, which declared unproved exceptions. Execution was ordered (to continue). Defendants were ordered to pay procedural costs.	2.407.407	2.407.407

BANCOLDEX Vs. BD PROMOTORES, COLGRUPO PROMOTOR SAS EN LIQUIDACIÓN and MERCURIO 2011 SAS EN LIQUIDACIÓN	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 15 11001310301520170052300	The main debtor was admitted in a reorganization process. Execution continued with co-debtors, who were summoned.	-	10.449.597
BANCOLDEX Vs. MOLINOS LA AURORA and PROMOCIONES E INVERSIONES LA AURORA	Nature: Large Claims Singular Executive Proceeding. Identification: Municipal Civil Court 63 of Bogotá 11001400306320170091700	The main debtor was admitted in a reorganization process; therefore, execution against co-debtor continues. Notification was sent to the co-debtors.	-	62.500
BANCOLDEX Vs. Alberto Manotas and Vicente Bustamante (Codeudores Construmax S.A.)	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 18 of Bogotá (11001310301820180011700)	The defendants, who were notified, proposed exceptions. The hearing focused on Articles 372 and 373 of C.G.P (General Procedural Code) was set for January 23, 2020.	-	670.270
BANCOLDEX Vs. José Luis Ovalle (Cartera Internacional C.F.)	Nature: Small Claims Mortgage Singular Executive Proceeding (initial) - 20001400300720180021500 Identification: Municipal Civil Court 1 of Valledupar.	Seizure of real estate property is pending for registration before judgement is entered.	50.000	50.000
BANCOLDEX Vs. COSTALAC Ltda. (Codeudor de Colquesos S.A.S.) (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. (08001310300520180012100) Identification: Civil Court 5 of Barranquilla.	Favorable judgement for the Bank; however, precautionary measures have been so far unfavorable . The presiding court caught fire at the end of 2019; therefore, terms were suspended.	-	1.000.000
BANCOLDEX Vs. Reimpex S.A.S. (Internacional C.F.)	Nature: Small Claims Singular Executive Proceeding 05001400302420180049500. Identification: Mucinipal Civil Oral Court 24 of Medellín.	The main debtor was admitted in a reorganization process and an agreement thereof has been confirmed. According to information found in the legal deposit system of the municipal civil execution office and in the Agrarian Bank system, the court confirms that there are no pending monies to deliver in this process either in the original court or in the civil execution office.	88.430	88.430
BANCOLDEX Vs. Centro Internacional de Biotecnología - CIBRE (Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding 11001310300120140052900. Identification: Civil Executive Court 1° of Bogotá. (Civil Court of origin: 1° of Bogotá.	Public auction date was set for January 28, 2020.	270.000	-
BANCOLDEX Vs. Transportes ISGO (Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding 11001400301920190028300 Identification: Municipal Civil Court 19 of Bogotá.	A lawsuit was admitted on April 5, 2019. Precautionary measures were accepted.	92.782	-
BANCOLDEX Vs. Districacharrería la 13 S.A.S. (Internacional C.F.)	Nature: Executive Proceeding Identification: Civil Court 1 of Santa Marta 47001315300120190008300.	A payment order was issued and seizures of the real estates located were recorded.	381.421	-
BANCOLDEX VS Artefacto Constructores S.A.S.	Nature: Executive Proceeding Identification: Municipal Court 08 of Cali. Process No. 76001400300820190043400	A payment order was issued and precautionary measures were recorded.	106.470,00	-
BANCOLDEX VS Comercializadora Seul FD LTDA. - Francisco Oriel Duque Zuluaga	Nature: Mortgage Executive Proceeding Identification: Civil Court 02 of Bogotá 11001310300220190041500	A payment order was issued and notification to defendants is pending.	219.515,00	-
Total			**5.901.080**	**19.879.046**

(*) The variation compared to 2018 is attributable to the changes in estimates from probable to reasonably possible or remote.

29. OPERATING SEGMENTS

The assets and net P&L for Bancóldex' main business segments as of December 31, 2019 and 2018 are presented below:

December 31, 2019

Figures in thousands of Pesos	COP Portfolio	USD Portfolio	Investment Portfolio	Treasury(*)	Commissions	Others	Total
Amountof Primary Related Assets*	4.755.510.013	1.943.973.214	1.133.991.102	225.905.365	-	487.084.385	8.546.464.079
STATEMENT OF INCOME:							
Generated income	317.324.110	95.256.927	59.757.644	4.913.879	-	-	477.252.561
Financial Expenses	203.402.644	72.472.287	7.211.024	-	-	-	283.085.955
Income and/or financial expenses (includes commissions)	(575.991)	(5.960.572)	(635.389)	(1.815.785)	2.228.307	-	(6.759.431)
Gross Finacial Marging	**113.345.475**	**16.824.068**	**51.911.231**	**3.098.094**	**2.228.307**	**-**	**187.407.175**
Balance portfolio provisions	(11.317.840)	(2.515.593)					
Net Finanncial Marging	**124.663.314**	**19.339.661**	**51.911.231**	**3.098.094**	**2.228.307**	**0**	**187.407.175**
Operating Expenses:							
Administrative expenses	36.251.856	14.093.804	7.429.718	4.268.020	1.770.307	3.405.930	67.219.636
Financial corporate tax	11.418.252	2.041.255	537.876	1.101.316	138.681	297.187	15.534.567
Others provisions	1.062.715	-	-	-	-	(2.375.998)	-1.313.283
Operating Profit	75.930.491	3.204.602	43.943.638	(2.271.243)	319.319	(1.327.119)	119.799.688
Net other income/expenses (includes dividends)	470.882	-	-	-	851.867	41.168.948	42.491.698
Profit before tax	76.401.373	3.204.602	43.943.638	(2.271.243)	1.171.186	39.841.829	162.291.385
Income tax							35.457.449
Net Income							**126.833.936**

December 31, 2018

Figures in thousands of Pesos	COP Portfolio	USD Portfolio	Investment Portfolio	Treasury(*)	Commissions	Others	Total
Amountof Primary Related Assets*	4.357.428.170	2.165.922.096	1.028.380.365	477.155.147		392.134.649	8.421.020.428
STATEMENT OF INCOME:							
Generated income	304.532.025	83.119.209	56.431.124	8.407.000		319.138	452.808.496
Financial Expenses	185.612.716	58.881.292	2.832.559	251.000			247.577.568
Income and/or financial expenses	(182.032)	(345.124)	(160.442)	(1.695.922)	1.478.364		(905.156)
Gross Finacial Marging	**118.737.277**	**23.892.793**	**53.438.123**	**6.460.078**	**1.478.364**	**319.138**	**204.325.772**
Balance portfolio provisions	(45.956.691)	4.630.646					(41.326.045)
Net Finanncial Marging	**164.693.969**	**19.262.147**	**53.438.123**	**6.460.078**	**1.478.364**	**319.138**	**245.651.818**
Operating Expenses:							
Administrative expenses	35.075.611	15.445.192	7.643.998	3.942.880	1.763.347	1.585.252	65.456.280
Financial corporate tax	11.089.033	2.098.335	551.247	2.505.602	151.681	231.256	16.627.154
Others provisions	(607.546)					12.252.943	11.645.397
Operating Profit	119.136.366	1.718.619	45.242.878	11.596	(436.664)	(13.750.313)	151.922.482
Net other income/expenses (includes dividends)	-	-	-	-	822.330	14.430.154	15.252.484
Profit before tax	119.136.366	1.718.619	45.242.878	11.596	385.666	679.841	167.174.966
Income tax							59.542.067
Net Income							**107.632.899**

30. RELATED PARTIES

The Bank considered the participation of the related parties in profit generation; the existence of the relationship with related parties such as shareholders, members of the Board of Directors and Directors of the Bank, subordinated entities and entities of the same parent company are clear examples of persons or entities that influence or may have an effect on the P&L and the financial situation of the Bank. It was also considered that the previously listed parties could carry out transactions that other parties, lacking relationship, could not. Therefore, a register is kept with the balances of assets and liabilities resulting from the reconciliation of balances, as well as the income and expenses incurred in each period corresponding to operations with related parties, as explained in detail below:

- *Shareholders:* set of transactions performed as a related party as defined in IAS24.
- *Administrators:* the President and Vice-Presidents of the Bank are considered administrators.
- *Subordinates:* entities over which control is held as per the definition of control of IFRS 10, Fiduciaria Colombiana de Comercio Exterior S.A. – Fiducóldex and Arco Grupo Bancóldex.

Operations with related parties – The Bank may carry out operations and enter into agreements or contracts with related parties, under the understanding that any such operations will be carried out at fair values in accordance with market conditions and rates.

During the periods completed on December 31, 2019 and 2018, none of the following operations were carried out between the Bank and its related parties:

- Consumption loans
- Loans with interest rates different from those that are ordinarily paid or charged to third parties under similar conditions of term, risk, etc.
- Operations whose characteristics differ from those conducted with third parties.

The grouping of balances and operations with shareholders, administrators, subsidiaries and members of the Board of Directors is as follows:

Operations with shareholders

		Dec 31, 2019		Dec 31, 2018
ASSETS				
Investments				
Ministry of Finance and Public Credit	$	1.123.715.352	$	998.455.029
Prepaid expenses				
Ministry of Finance and Public Credit		6.220.914		6.679.911
	$	1.129.936.266	$	1.005.134.940
LIABILITIES				
Dividends payable				
Ministry of Commerce, Industry and Tourism	$	33.834	$	33.834
Ministry of Finance and Public Credit		2.024.846		2.024.846
Miscellaneous				
Ministry of Commerce, Industry and Tourism		5.363.010		4.236.587
Income received in advance				
Ministry of Commerce, Industry and Tourism		3.470		32.888
Other liabilities				
Ministry of Commerce, Industry and Tourism		5.603.491		1.559.657
	$	13.028.652	$	7.887.813

	Dec 31, 2019	Dec 31, 2018
EQUITY		
Subscribed and paid-in capital		
Ministry of Commerce, Industry and Tourism	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit	83.420.180	83.420.180
Unrealized profit and loss in OCI		
Ministry of Finance and Public Credit	37.551.934	20.093.399
	$ 1.097.115.449	$ 1.079.656.914
INCOME		
Other income		
Ministry of Finance and Public Credit	$ -	$ 72.986
Valuation of investments and other income		
Ministry of Finance and Public Credit	76.147.235	73.752.159
	$ 76.147.235	$ 73.825.145
EXPENSES		
Other interests		
Ministry of Finance and Public Credit	$ -	$ 6.470
Valuation of investments		
Ministry of Finance and Public Credit	3.424.855	1.994.629
Commissions		
Ministry of Finance and Public Credit	7.284.308	536.749
Other (Interbank interests on liabilities, Valuation loss)		
Ministry of Finance and Public Credit	4.364.632	4.656.924
	$ 15.073.795	$ 7.194.772

The balances of assets with shareholders correspond to investments that the Bank has made in treasury bonds (TES) issued by the Ministry of Finance and Public Credit, which are acquired in the public market and valued at market prices. The average market rate of TES at the end of December 2019 and2018 was 5.20% and 5.58%, respectively.

Neither free-of-charge services nor paid services were offered between the Bank and the aforementioned shareholders; and neither were interest-free loans, nor operations different from those carried out with third parties.

Operations with administrators

	Dec 31, 2019	Dec 31, 2018
ASSETS		
Loan portfolio		
Housing	$ 489.898	$ 533.467
Consumer	139.267	16.533
Accounts receivable		
Interest receivable	1.635	1.294
Social welfare	10.759	12.080
Other	14.126	34
Provision		
Capital	(7.771)	(5.692)
Interests	(21)	(13)
	$ 647.892	$ 557.702
LIABILITIES		
Accounts payable		
Other	$ -	$ 665
Holidays	306.151	253.710
	$ 306.151	$ 254.375
INCOME		
Portfolio income		
Interests on loans	$ 22.462	$ 11.319
Income - Miscellaneous		
Recoveries	705	985
Profit from real estate sales	7.348	-
Other income	90	-
	$ 30.605	$ 12.303
EXPENSES		
Staff Expenses		
Staff Expenses	$ 3.152.090	$ 3.242.777
Expenses - Miscellaneous		
Assumed Withholdings	-	4.800
Other	68.594	22.813
Provisions	2.848	3.015
	$ 3.223.532	$ 3.273.404

Assets mainly correspond to home loans and auto loans (their account receivable) granted in accordance with the term and rate conditions in force in the internal regulations for home loans and auto loans for the Bank's employees.

Operations with subsidiaries

		Dec 31, 2019		Dec 31, 2018
ASSETS				
Investments				
Fiducoldex S.A.	$	50.757.337	$	51.138.017
Arco Grupo Bancoldex S.A.		67.775.959		61.167.569
Loan portfolio				
Arco Grupo Bancoldex S.A.		137.725.829		154.245.013
Portfolio provisions				
Arco Grupo Bancoldex S.A.		(3.007.924)		(3.901.397)
Portfolio interests				
Arco Grupo Bancoldex S.A.		332.205		475.017
Accounts receivable - Miscellaneous				
Fiducoldex S.A.		13.962		-
Arco Grupo Bancoldex S.A.		89.652		42.807
Provision of accounts receivable				
Arco Grupo Bancoldex S.A.		(7.122)		(11.466)
Property and Equipment by right of use				
Arco Grupo Bancoldex S.A.		539.952		-
	$	254.219.851	$	263.155.560
LIABILITIES				
Lease liabilities				
Arco Grupo Bancoldex S.A.	$	602.404	$	-
Financial obligations				
Arco Grupo Bancoldex S.A.		-		687.743
Accounts payable				
Fiducoldex S.A.		16.991		-
Arco Grupo Bancoldex S.A.		-		9.679
	$	619.395	$	697.422
EQUITY				
Surplus using equity method				
Fiducoldex S.A.	$	12.565.564	$	13.309.400
Arco Grupo Bancoldex S.A.		11.623.303		11.511.050
	$	24.188.867	$	24.820.450

		Dec 31, 2019		Dec 31, 2018
INCOME				
Portfolio income				
Arco Grupo Bancoldex S.A.	$	7.872.605	$	9.039.333
Using equity method				
Fiducoldex S.A.		2.501.561		6.475.146
Arco Grupo Bancoldex S.A.		6.496.137		5.116.627
Provision recoveries				
Arco Grupo Bancoldex S.A.		1.783.259		2.957.171
Lease income				
Fiducoldex S.A.		784.199		764.281
Arco Grupo Bancoldex S.A.		50.301		42.202
Other income				
Arco Grupo Bancoldex S.A.		-		5.213
	$	19.488.062	$	24.399.972
EXPENSES				
Other interests				
Arco Grupo Bancoldex S.A.	$	50.776	$	54.492
Leases				
Arco Grupo Bancoldex S.A.		92.811		88.958
Provisions				
Arco Grupo Bancoldex S.A.		885.441		1.181.818
Other expenses				
Arco Grupo Bancoldex S.A.		150.728		148.776
	$	1.179.755	$	1.474.044

Investments include 89.32% and 87.45% shares held by the Bank in Fiducóldex S.A. and Arco Grupo Bancóldex S.A., respectively.

The loan portfolio corresponds to ordinary loans granted to Arco Grupo Bancóldex, which were given under the general conditions prevailing in the market for similar operations. The weighted average rate of the portfolio with Arco Grupo Bancóldex for 2019 and 2018 is DTF (E.A.) + 1.32%andDTF (E.A.) + 0.88%, respectively.

The other income mainly corresponds to lease payments and reimbursement of shared expenses, received from Fiducóldex and Arco Grupo Bancóldex.

Neither free-of-charge services nor paid services were offered between the Bank and the aforementioned subsidiaries. Neither were interest-free loans, nor operations different from those carried out with third parties.

Operations with members of the Board of Directors

		Dec 31, 2019		Dec 31, 2018
EXPENSES				
Fees	$	692.305	$	515.620
Other		-		743
	$	692.305	$	516.362

It corresponds to fees paid for attending meetings of the Board of Directors, Credit Committee, GAP Committee, Audit Committee and Capital Funds Committees. Neither free-of-charge services nor paid services were offered between the Bank and the members of the Board of Directors. Neither were interest-free loans nor operations different from those carried out with third parties.

31. RISK MANAGEMENT

The Bank's risk management is a "cross-cutting" process throughout the organization. This process is carried out in a comprehensive manner and in compliance with current regulations and internal guidelines defined by the Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks in pursuit of the Bank's financial sustainability; and it is supported by an organizational structure that guarantees the independence of functions among the *front, middle* and *back office* areas. This management is materialized through the interrelation of the Credit Risk Management System (SARC), the Market Risk Management System (SARM), the Liquidity Risk Management System (SARL), the Strategic Risk Management System (SARE), the Operational Risk Management System (SARO) and the Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT). Each of these systems includes policies, methodologies for measuring and monitoring risks, and clear identification of processes and procedures, amongst others.

The Board of Directors is the main body responsible for the Bank's risk management and as such it is responsible for the risk and organizational structure that supports the Bank's management procedures through the different risk systems on an individual and consolidated basis.

The organizational structure includes committees and dedicated areas whose priority is the activities related to risk management. They also support the definition of guidelines and strategies and the monitoring and control of such management. Similarly, the internal audit (on behalf of the Internal Comptroller Officer) and the Tax Auditing Office are informed of the operations carried out by the Bank and regularly submit reports related to their assessments on risk management.

Committees are decision-making bodies that support the Board of Directors for the management of different risk categories:

Body	Risk category	Main functions
Risk Management Committee of the Board of Directors	Credit Risk Operational Risk Liquidity Risk Market Risk Strategic Risk	• Analyze policy proposals to address credit risk, market risk, liquidity risk and operational risk and recommend their adoption or rejection before the Board of Directors. • Approve general guidelines for credit risk management methodologies. • Provide input about the Bank's operational risk profile. • Approve contingency and business continuity plans and arrange necessary resources for their timely implementation.
External Credit Committee	Credit Risk	• Approve the counterparty credit limit for financial entities. • Recommend the approval of direct credit operations to the Board of Directors.
Audit Committee	Credit Risk Operational Risk Liquidity Risk Market Risk AL/FT Risk Strategic Risk	• Analyze audit results for risk management process. • Monitor risk exposure, its implication for the entity, mitigation measures and control measures implemented.
Internal Credit Committee	Credit Risk	• Approve particular issues concerning credit risk management methodologies. • Approve credit limits for small loans.
Portfolio Rating Committee	Credit Risk	• Approve debtors' credit ratings to calculate provisions. • Monitor debtors risk profile.
Asset and Liability Management Committee	Market Risk and Liquidity Risk	• Approve procedures and methodologies for managing market and liquidity risks. • Approve strategies for resource mobilization, resource attraction and hedging. • Monitor the Bank's liquidity position.
Inter-institutional Management and Performance Committee	Operational Risk and Strategic Risk	• Monitor the effectiveness and performance of SARO, MECI, and the Quality Management System by acting as the body that integrates and strengthens these management systems. • Acting as a body that is subordinate to the Board of Directors, recommend and approve risk profile measures, methodologies and

Body	Risk category	Main functions
		procedures for the management of operational risks. • Monitor the Bank's operational risk profile. • Analyze and approve information security policies and business continuity policies. • Recommend, control and monitor the implementation of the Information Security Plan at Bancóldex. • Decision making in administrative processes and document management strategies.
Conglomerate Risk Committee	Credit Risk Operational Risk Liquidity Risk Market Risk SARLAFT Risk Strategic Risk	• Appear before Bancóldex' Board of Directors to propose the general policies on risk management that will apply to the entities of Bancóldex Group. • Monitor exposure to different types of risk, both for each entity of the Group and at a consolidated level.

Risk Appetite Statement - The Bank incorporated the risk appetite statement into the comprehensive risk management system in 2019; and it was approved by the Board of Directors. Accordingly, limits and indicators for consolidated risk and for each type of risk (top-down and bottom up approaches) were defined. Adverse scenarios were considered for such estimations; and the negative impact on profitability, solvency and liquidity levels was established. Moreover, the risk appetite framework includes a governance structure that sets responsibilities and powers to establish action plans and procedures in order to monitor the risk profile built by the Bank.

As far as the Bank is concerned, risk appetite, risk tolerance and risk capacity are determined on the basis of three variables that are essential for financial sustainability: profitability, measured through ROE; capital, measured with the solvency margin; and liquidity, defined in terms of assets required to meet short-term obligations.

The established metrics and limits are reviewed on an annual basis; however, compliance with risk appetite limits is monitored regularly and its results are submitted before the respective authority. Should breaches for the limits defined in the risk appetite framework arise, these should be reported and the relevant authority should suggest actions to correct them.

a) *Credit risk*

Qualitative information – The Bank's credit risk management is aligned with the standards established by the Financial Superintendence of Colombia and the principles are framed within international best practices. Therefore, the Bank has a Credit Risk Management System (SARC) that includes policies, processes and procedures, granting and monitoring methodologies, and audit processes that cover the different products and segments serviced by the Bank.

The policies include the general policies that frame the Bank's credit operation such as business strategy, provisions, write-offs, restructuring, amongst others, as well as specific policies for each one of the Bank's products and segments that define granting and monitoring criteria, maximum credit exposure and guarantees to be demanded.

The Bank has methodologies and credit risk analysis models that support specialized granting and monitoring processes for its different segments. In the case of local credit institutions, foreign financial intermediaries and entities oriented to microenterprise credit, the models are based on the CAMEL methodology and incorporate quantitative, qualitative and prospective analysis aspects. These models include statistical information and are complemented with expert criteria. In line with the above, the Bank has a granting and monitoring methodology for direct loans to companies. It is based on the client's financial information and financial history with the financial system in general, and seeks to assess the payment capacity of the debtor and his capacity for future fund generation.

The Risk Vice-Presidency is responsible for proposing before the Board of Directors the methodologies and models to be applied to originate and monitor loans. These models must be validated periodically in order to measure their effectiveness.

Periodic reports of early warnings, forecasting and scenario analysis continued to be strengthened in all segments during 2019. Policies and methodologies were developed for the segment of microfinance institutions in order to work together with new financial intermediaries such as Fintech companies. Moreover, as part of the Bank's risk appetite statement, and to monitor credit risk appetite, the indicator provision on gross loan portfolio was defined. This indicator is based on the expected loss, which is the metric most widely used in the banking industry to estimate credit risk.

Different stress scenarios were analyzed to determine risk appetite, risk tolerance and capacity limits from base scenarios to pessimistic scenarios.

The Risk Vice-Presidency periodically reports to the Board of Directors and the different Committees the results of the credit risk analyses and the evolution of the risk profile of both the Bank's credit operations and the operations of the counterparties. As part of the follow up and monitoring process, the entire loan portfolio must be graded on a monthly basis by applying the regulatory guidelines, which take into account the financial condition and payment capacity of each debtor. The required provisions are set up according to the score assigned to the loan portfolio.

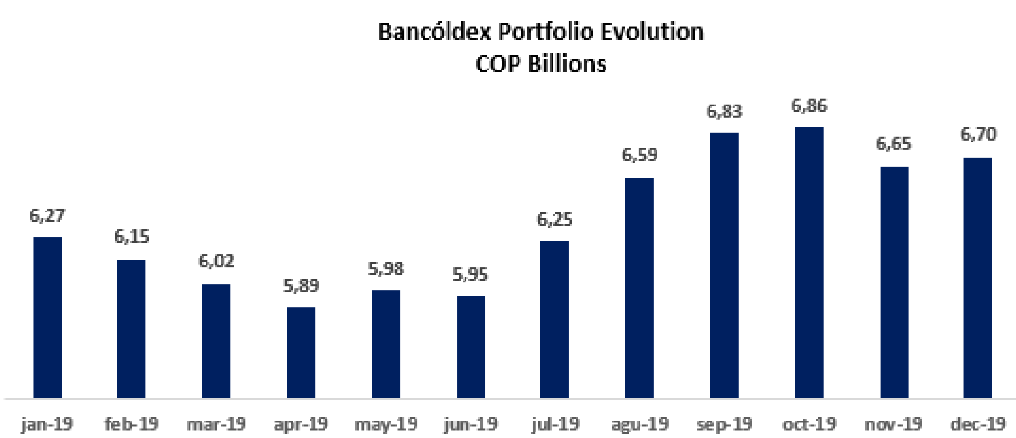
As far as provisions are concerned, the Financial Superintendence of Colombia issued External Circular Letter 032 in November, 2014, whereby the provision scheme applicable to credits and operations performed by rediscount institutions was modified. The results of implementing the provisions contained in this Circular Letter were reflected for the first time in the financial statements for the year ended on December 31, 2015. As per the new regulations and in order to establish the loan loss provision amounts of direct loans and consumer loans, rediscount institutions must implement the corresponding reference model established in Annexes 3 and 5, respectively, of Chapter II of the Basic Accounting and Financial Circular Letter. As for rediscount operations, the aforementioned institutions must design and implement their own methodology to calculate provisions (annex 6). Regarding rediscount operations, the Bank developed its own methodology based on an expected credit loss model that relies on risk parameters such as probability of default and loss given default, whose estimates were based on the historical information of the Bank's debtors. Moreover, it incorporates pro-cyclical and countercyclical components; and it also takes into account systemic risk elements.

The processes and technology adopted by the Bank allow managing any credit operation during the stages of granting, monitoring and recovering. Credits are granted based on global limits (maximum exposure amounts) that result from the implementation of different methodologies.

Quantitative information

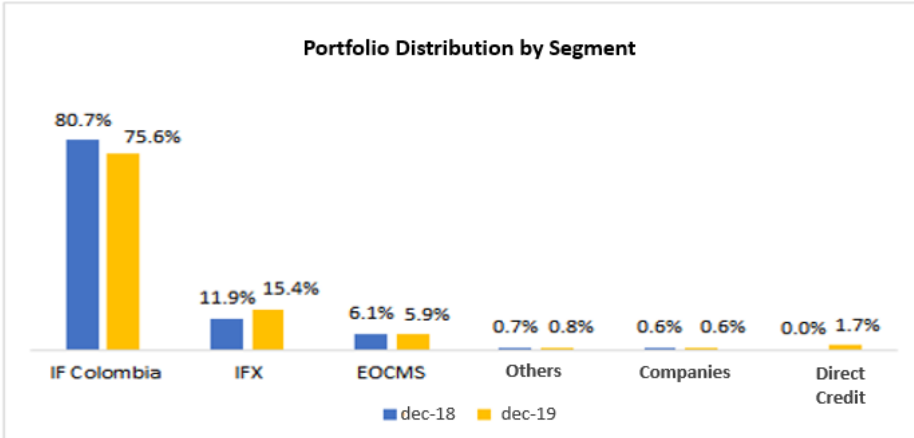
Consolidated exposure to credit risk – The Bank's maximum exposure to credit risk is reflected in the book value of financial assets in the balance sheet as of December 31, 2019 and 2018 as shown below:

	Dec-19	Dec-18
Loan portfolio	6.699.483.227	6.523.350.266
Debt securities	1.133.991.102	1.027.898.466
Equity securities	436.580.420	367.275.373
Derivatives	87.258.002	250.863.697
Financial collateral	88.344.164	67.626.522
Asset money market operations	126.751.734	232.436.852
Maximum credit risk exposure	**8.572.408.649**	**8.469.451.176**



The maximum exposure to credit risk corresponds to its book value at the end of the period, without considering any collateral received or other credit enhancements.

Risk concentration – The Bank monitors the credit risk concentration through different portfolio groupings such as type of entity, type of portfolio, risk category and country, as shown below:



EOCM: entities oriented to microenterprise credit, IFX: foreign banks,

Companies: portfolio received from liquidated financial entities and others: liquidex product operations

Distribution by type of portfolio

Type of portfolio	Dec-19	Dec-18
Commercial	6.680.771.007	6.503.684.478
Consumer	1.527.171	1.523.928
Housing	17.185.048	18.141.861
Total	**6.699.483.226**	**6.523.350.267**

The structure of the Bank's loan portfolio mainly contemplates the commercial loan modality. The commercial portfolio for purposes of provision estimation model is divided into commercial portfolio under the rediscount mechanism and direct commercial portfolio. However, and in compliance with External Circular Letter 054 of 2009 issued by the Financial Superintendence of Colombia, the Bank presents housing and consumer loans, which correspond exclusively to loans granted to officials and former employees prior to retirement.

Distribution by risk rating

Rating	Dec-19	Dec-18
A	6.657.109.345	6.480.447.936
B	3.590.294	5.463.964
C	1.337.038	946.979
D	4.411.288	5.146.791
E	33.035.261	31.344.597
Total	**6.699.483.226**	**6.523.350.267**

Distribution by country

Country	Dec-19	Dec-18
Colombia	5.671.098.103	5.751.079.711
Ecuador	305.148.071	263.296.643
Panama	81.928.500	129.990.000
Costa Rica	81.928.500	159.237.750
Honduras	116.281.775	96.977.012
Guatemala	111.422.760	46.308.938
Peru	45.309.047	36.478.445
Other	286.366.470	39.981.768
Total	**6.699.483.226**	**6.523.350.267**

Portfolio quality indicators

Portfolio quality		**Dec-19**	**Dec-18**
Delinquency	Indicator[1]	0.50%	0.59%
	Hedging (times)	4.8	4.5
Risk Profile	Indicator[2]	0.63%	0.66%
	Hedging (times)	3.8	4.0

1 Delinquency indicator = past-due portfolio / gross portfolio

2 Risk profile indicator = qualified portfolio B-E/ gross portfolio

As of December 2019, the balance of the gross portfolio amounted to $6.7 trillion, registering a 2.7% increase compared to the previous year. The past-due portfolio stood at 0.5% and decreased due to the payment of some obligations corresponding to the portfolio received from International Finance Company in November 2015.[1] The Bank began the collection and standardization process of the received loan portfolio and, as of December 31, 2019, the balance of this portfolio amounts to $39,430 million and 37customers and distributed in several risk categories.

[1]The Bank received a portfolio worth $ 121,993 million represented in 161 clients.

Credit risk management – Other financial instruments – The basic policies and rules for the management of credit operations also cover treasury operations, particularly, for the case of the counterparties with which interbank and derivative operations are carried out, among others. For each one of the positions that make up the investment portfolio, the Bank has established policies and limits that seek to minimize exposure to credit risk. Some of them are:

- *Credit and term limits for each counterparty* – These limits are defined by the External Credit Risk Committee according to the results of the risk-rating model of each counterparty.

- *Trading quotas* – These quotas are verified by the *front* office prior to the closing of operations so that it is ensured that there are available quotas to carry out such operations.

- *Local framework contracts and ISDAs/Credit Support Annex* – These bilateral agreements describe the management of operations between counterparties as per international best practices; and limit the legal and financial risk in the event of default. The risk exposure mitigation mechanisms (*threshold*), the procedures to be carried out in case of default, and the special conditions by type of operation, which apply to derivatives, are agreed upon with these documents.

- *Counterpart alerts* – The Bank has alert indicators that allow the timely identification of changes in the financial situation of the counterparties. The Risk Vice-Presidency submits periodic reports to the External Credit Committee about the financial situation of the counterparties that have an assigned limit to operate.

b) Market risk

Qualitative information – Market risk is understood as the possibility of incurring losses, reducing the financial margin and/or decreasing the economic value of the equity as a result of changes in the price of financial instruments in which positions are held inside or outside of the balance sheet. These changes in the price of instruments may occur as a result of variations in interest rates, exchange rates and other important variables on which the economic value of these instruments depends.

Market risk management – The Bank manages market risk through the identification, measurement, monitoring, and control of the different exposure levels to interest rate risk, exchange rate risk, positions in collective portfolios and share price risk. Market risk management is permanent and generates daily, weekly and monthly reports for the senior management and all employees of the *front*, *middle*, and *back offices* so they may make timely decisions for the adequate mitigation of the assumed risks and guarantee the risk appetite and risk limits approved by the Board of Directors. This type of management is based on the guidelines of the Financial Superintendence of Colombia (Chapter XXI of the External Circular Letter 100) and it is supported by internal methodologies that allow monitoring the exposure of the different products traded in the Bank’s Treasury. This is all consolidated in the Market Risk Management System (SARM) Manual, which defines policies, organizational structure, methodologies, etc.

Moreover, the Bank has the necessary segregation of duties between the *front*, *middle* and *back offices*, which allows them to identify, measure, and analyze the information of the market risks inherent to their different operations.

The Bank's businesses where there is exposure to market risks are as follows: purchase and sale of fixed-income products in legal and foreign currency, positions in the cash and forward market, Bonds and TDCs in the financial sector with indexation in variable rates such as CPI, DTF and IBR. The Bank has a treasury business and derivative financial instruments strategy in order to ensure that the assumed risks do not affect the soundness and stability of the Bank's equity.

The Bank's Risk Vice-Presidency is the body in charge of proposing, developing and ensuring proper compliance with the policies, methodologies, procedures and general guidelines approved by the Board of Directors and the Risk Management Committee of the Board of Directors to carry out the market risk management. It is also responsible for measuring, analyzing and monitoring the risks inherent to the business, as well as for reviewing and assessing regularly the valuation methodologies of the different products traded in the Treasury.

The Board of Directors assigned to the Assets and Liabilities Management Committee the responsibility of approving the maximum levels of exposure to market risks that the Bank may assume in each of the Treasury's products.

In order to know the level of risk assumed from Treasury book operations, the Bank implements the standard value at risk (VaR) methodology established in Chapter XXI of the Basic Accounting and Financial Circular Letter of the Financial Superintendence of Colombia. According to Annex I of such circular letter, the calculation of the total risk value of the investment portfolio results from the sum of the exposure to interest rate risk, share price risk and exchange rate risk. This value is calculated on a daily basis in the Financial Risk Department. The calculated VaR is incorporated into the solvency level as per current regulations.

In addition to regulatory compliance, the Bank uses an internal value-at-risk measurement model, whose results are used as a complementary mechanism for analysis and management. This internal model allows the daily monitoring of the market risk exposure of the Treasury's product portfolio; and the results are permanently reported to the areas and committees involved. The results of the market risk assessment constitute the starting point for daily negotiations. The calculation of the VaR with the internal model is carried out on a daily basis as per the market conditions and risk factors defined in such methodology. This internal model is tested for *back* and *stress testing*, which allows the Bank to know the validity of the model and know how accurate the projections of the losses are, compared with the accounting reality; and determine the possible losses in situations of market *stress*.

Market Risk Appetite – The Bank's market risk appetite is determined based on the Value at Risk (VaR)[1] calculated for all Treasury's products, according to the approved methodology to determine each one of the limits. The VaR is defined as the possibility of incurring economic losses due to fluctuations in interest rates, exchange rates, share prices, among others, which may have a (negative) impact on the profit and loss statement and thus on the solvency level. The Value-at-Risk limit is approved by the Board of Directors.

A *stress* scenario of the Value at Risk (VaR) is considered in order to determine market risk tolerance. This implies the recalculation of the VaR using average volatilities –calculated for tolerance and capacity– of the most relevant reference asset in each portfolio.

A *stress* scenario of the Value at Risk (VaR) is also considered in order to determine market risk capacity. This implies to recalculate the VaR using the maximum historical volatility over the last three years of the most relevant reference asset in each portfolio.

[1] Value at Risk calculated for a one-day time horizon and at a 99% confidence level under the *Risk Metrics* methodology.

Quantitative information – The following table shows the Bank's investment portfolio as of December 31, 2019 and 2018:

	Dec 31, 2019	% Share	Dec 31, 2018	% Share
At amortized cost	0	0	0	0
At fair value with changes in OCI	532.461.682	47%	304.728.291	30%
At fair value	601.529.420	53%	723.652.073	70%
Total	1.133.991.102		1.028.380.364	

At the end of 2019, there was an 11% increase in the total value of the fixed rate investment portfolio compared to the previous year as a business strategy to generate short-term profits, due to the favorable market conditions for profit appropriation.

Maximum, minimum and average amounts of the investment portfolio:

	Year 2019			Year 2018		
Investments	**Maximum amount**	**Minimum amount**	**Average amount**	**Maximum amount**	**Minimum amount**	**Average amount**
At amortized cost	0	0	0	-	-	-
At fair value with changes in OCI	532.461.682	397.285.471	424.273.697	341.477.194	228.232.943	290.359.072
At fair value	662.062.413	382.846.213	541.513.997	749.629.348	535.370.796	671.195.788

Total market risk – The Bank's total exposure to market risk consolidates the exposures to interest rate risk, exchange rate risk, share price risk, and collective portfolio risk.

The total variation of the market risk as well as the variation of its components is shown below:

YEAR 2019				
Modules	**Maximun**	**Minimun**	**Average**	**Year-end Closing**
Interest rate	97.239.756	48.379.576	77.895.094	88.258.998
Exchange rate	4.607.655	35.584	1.757.212	423.626
Share price	2.491.832	1.918.139	2.207.855	2.298.993
Collective portfolios	20.726.850	16.246.123	17.961.773	20.726.850
Total	121.929.424	70.378.185	99.821.934	111.708.467

YEAR 2018				
Modules	**Maximun**	**Minimun**	**Average**	**Year-end Closing**
Interest rate	83.320.775	52.576.958	64.910.903	60.566.907
Exchange rate	1.789.563	48.640	930.229	645.575
Share price	2.647.383	1.811.264	2.273.413	1.868.566
Collective portfolios	17.180.342	14.783.178	15.711.389	16.131.077
Total	103.029.178	71.930.612	83.825.935	79.212.125

Bancóldex’ exposure to market risk registered a 9% increase compared to 2018 due to the higher value of the investment portfolio and the increase of durations, which is reflected on a 31% increase in the interest rate module.

c) *Liquidity risk*

Qualitative information – The process for liquidity risk management is based on the segregation of duties and the enforcement and adoption of best practices and requirements of regulation and control bodies. Accordingly, the Bank’s Treasury manages the cash flow, taking into account the funding costs and short-term cash commitments. The Financial Risk Department develops and implements methodologies to alert, monitor, and project the possible liquidity risk situations. The Operations Department ensures operational compliance with the Bank’s cash movements; and the Internal Comptroller Office guarantees compliance with the rules, policies and processes related to the liquidity risk management system.

In order to measure liquidity risk, the Bank uses the reference methodology of the Financial Superintendence of Colombia, which establishes the degree of exposure to such risk by calculating the Liquidity Risk Indicator (LRI). Similarly, the Bank has a complementary internal model for measuring liquidity, early warning indicators, and stress scenarios.

The early warning system of the Bank seeks to simulate scenarios to guarantee a margin of maneuver to make timely decisions. These alerts are an integral part of the liquidity contingency plan, which provides the tools and procedures to mitigate potential illiquidity situations. Liquidity risk management includes periodic reports (daily, weekly and monthly) to monitor the different indicators and alerts, and as a result, the exposure to this type of risk.

Similarly, the Bank reviews the policies, limits, processes, methodologies and tools on an annual basis for the assessment of the liquidity risk exposure. This is done in order to establish validity and corroborate that they are in accordance with current regulations, the structure of the balance sheet positions and the best market practices. Similarly, validations are made to the internal model through *back testing* in order to establish its level of reliability and, if necessary, make modifications to better suit the reality of the business.

Liquidity Risk Appetite -The Bank incorporated the risk appetite statement during 2019; and it was approved by the Board of Directors. The liquidity risk appetite is established through the level of liquid assets the Bank must have available to meet short-term needs or obligations. Therefore, the 30-day liquidity risk indicator (IRL30) is used. Historical information of the Bank was taken as the basis to define indicators and metrics. Risk appetite limits, tolerance and capacity were established considering 99%, 99.9% and 99.99% confidence levels, respectively.

Quantitative information

Liquid assets – The following table shows the liquid assets to market (discounting *"haircut"*) discriminated by their degree of liquidity; and they show that the Bank has a high share of high-quality assets (which can be delivered in repo operations with the Central Bank).

Discriminated liquid assets

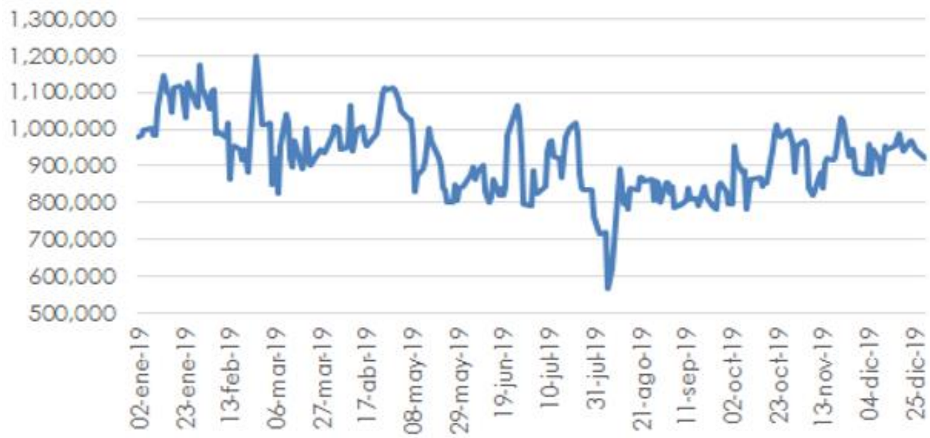
Liquid assets	Dec-19	Dec-18
High liquidity	911.385.440	953.745.394
Available	55.422.431	120.878.290
Investments on high quality securities	855.963.009	832.867.104
Other liquid assets	8.734.388	23.940.269
Total liquid assets	**920.119.828**	**977.685.663**

Liquid assets showed a slight decrease of 5.89% compared to the previous year; and on average they were at a level of $924,026,309 thousand.

High-quality liquid assets – High-quality liquid assets remained at 97%, which indicates that almost all of this type of assets can be used in money market operations with the Central Bank and their "*haircut*" is low.

Similarly, the average holding of high-quality liquid assets increased compared to last year as the portfolio in 2019 increased due to the funds raised through Orange Bonds and the stability of cash flows; and thus the need to attract funds was low. However, ALM and LRI fell in some months given that a substantial number of Bonds and TDCs reached maturity, and also due to a significant increase in the exchange rate in August. This resulted in the need to increase the guarantee portfolio at the Clearing House, and thus decrease the liquid assets portfolio.

HIGH-QUALITY LIQUID ASSETS- HQLA



Liquidity risk indicator

Bancóldex shows a seven-day LRI of $ 895,739,095 thousand as of December 31, 2019, while the same indicator in 2018 showed a result of $ 968,209,164 thousand, which represents a 7.5% decrease. This decrease is explained by the fact that the level of liquid assets decreased at the end of the year. However, the average LRI during 2019 was higher than the one recorded in 2018 ($ 849,580,000 in 2019 compared to $ 715,162,000 in 2018).

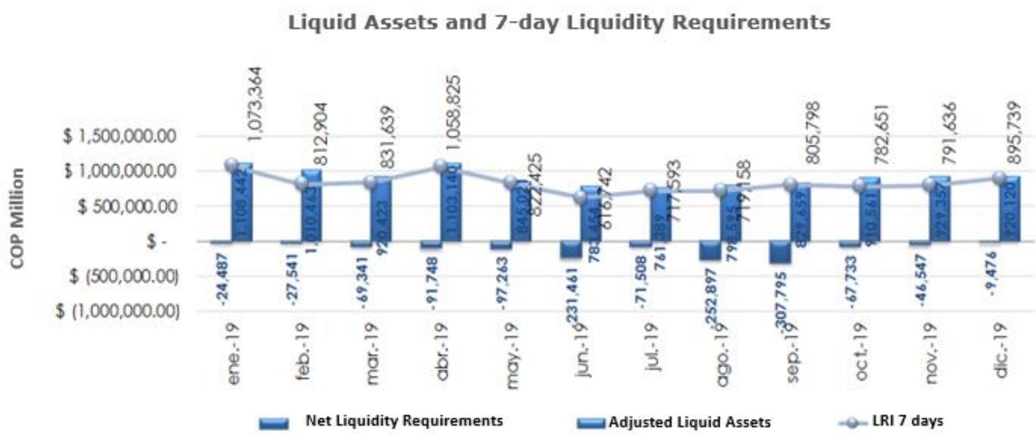
Similarly, there was a stable behavior of the net liquidity requirements during 2019 (average $ 71,803,370 thousand at 7 days and $ 165,611,333 at 30 days). This allowed the Bank to secure the necessary liquid assets to hedge the maturities of TDCs, bonds and credits with the correspondent banking and maintain a significant level of assets to support its credit and treasury activity.

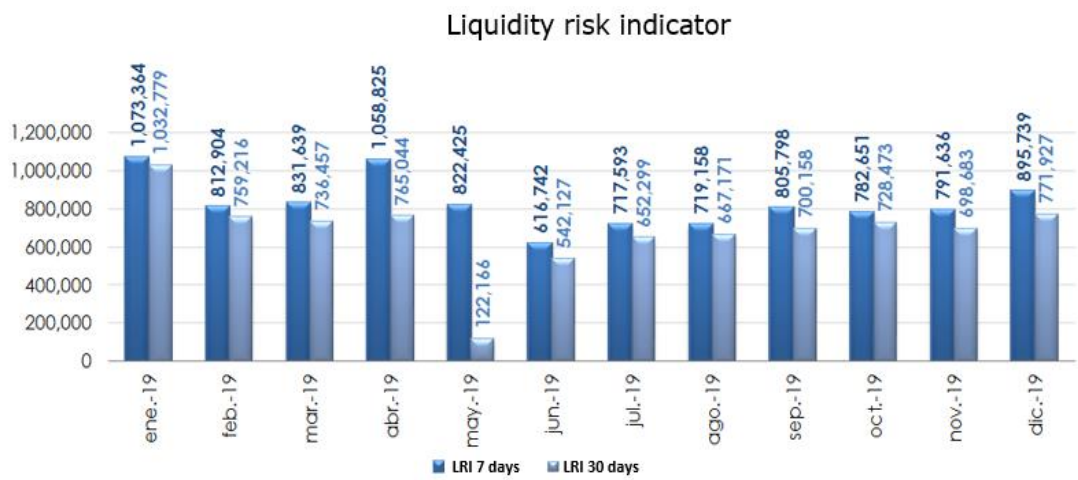
7-DAY LRI	Dec-19	Dec-18
Liquidity risk indicator	895.739.095	968.209.164
Market liquid assets	920.119.828	977.685.663
Net liquidity requirements	24.380.733	9.476.498
LRI	**3,77%**	**10,32%**

30-DAY LRI	Dec-19	Dec-18
Liquidity risk indicator	771.926.618	856.910.060
Market liquid assets	920.119.828	977.685.663
Net liquidity requirements	148.193.210	120.775.603
LRI	**620,9%**	**809,5%**

*Figures in $ thousands

7-day percentage LRI is 3.77%, which indicates that the Bank's liquidity condition is broad to hedge its payment obligations in the short term (37 times). The following graph shows the evolution of liquid assets and the liquidity requirement during the last year, as well as LRI behavior.



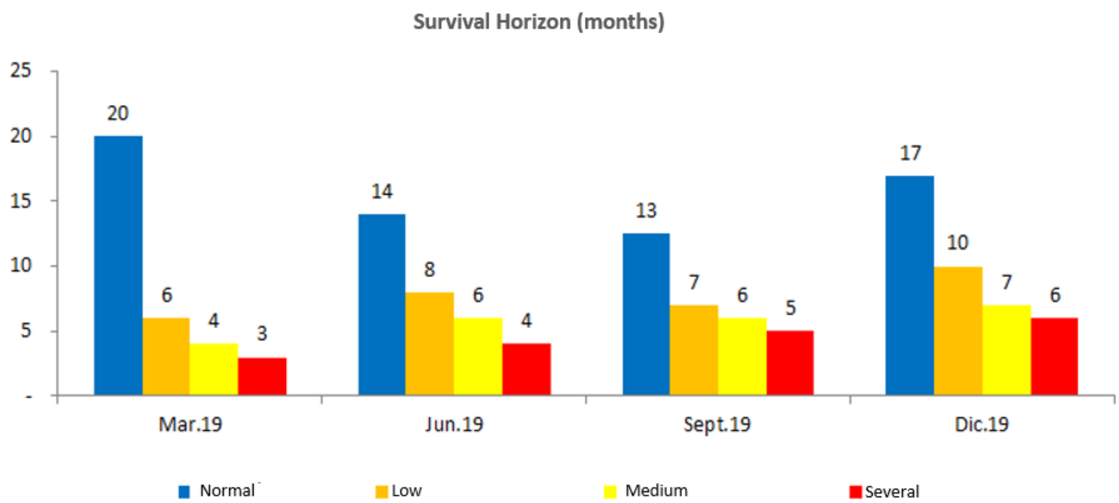


Internal model to measure liquidity risk: Survival Horizon – The survival horizon indicates the time (in months) when the liquid assets hedge the projected payment commitments for a period of time. The survival horizon is calculated based on cash flow projections for a 12-month period, which includes contractual commitments, as well as the annual budget approved by the Board of Directors at the end of each year.

Moreover, this model has a number of alerts defined under different scenarios, namely:

Scenario		Stress Level	Funding Level	Alert
Normal	Normal course of business		100%	12 months

Stress	• TDC Renewal Index = 0% • Limited access to estimated funding	Low	80%	6 months
		Medium	65%	3 months
		Severe	50%	1 month



The internal model indicates that at the end of 2019 the liquidity situation is adequate since liquid resources and portfolio recoveries allow covering the payment of liabilities both in the normal scenario and in the different stress scenarios.

The fulfillment of the projections in question depends mainly on compliance with the budget projected by the Bank and on an adequate modeling of the projected variables included in the projection model (default index, prepayments, seasonal disbursements, TDC renewal index).

d) *Derivatives and structured products*

The Bank performs derivative operations to contribute to profitability, and, in very specific cases, to hedge the financial risks of certain balance sheet items. In this context, forward trading or hedging operations are performed. Such operations are framed within the established risk management guidelines and abide by the policies set by the Board of Directors for these types of operations.

As of the end of 2019, the Bank holds derivative instruments for hedging purposes. These operations are performed to hedge the exchange rate risk position in foreign investments. Therefore, the Bank has adopted a qualitative methodology to assess the hedge effectiveness, which is aligned with the requirements established under IFRS 9, as described below:

- Hedged item
- Nature of the risk to be hedged and type of hedge

- Qualitative assessment of the hedge, namely:
  - Economic relationship: the following elements are assessed to ensure offset between the hedged item and the hedging instrument:
    - The derivative instrument must be denominated in the same currency as the instrument/risk to be hedged and maintain the same exchange equivalent value.
    - The item to be hedged has no expiration date; therefore, the derivative must be rolled over (at the end of the month).
  - Credit risk must not be dominant: the credit risk must not affect the offset between the derivative and the hedged item. In order to eliminate the credit risk, the hedging instruments (NDF) must be traded through the Central Counterparty Clearing House (CRCC).
  - Hedge ratio: the hedging instrument and the item to be hedged must maintain a one-to-one relationship.
  - Prospective test

As of the end of December 2019, the following hedging forward contracts were in force:

Operation Type	Negotiation Date	Compliance Date	Due Date	Negotiation Value USD
Fwd Sale-CRCC	12/18/2019	01/17/2020	01/16/2020	9,697,193
Fwd Sale-CRCC	12/18/2019	01/17/2020	01/16/2020	10,733,378

Throughout the year, the hedging operations carried out demonstrated compliance with effectiveness requirements.

Types of derivative financial instruments – The Bank enters into forward exchange contracts (peso-dollar). The following table shows the value of the derivative contracts in force as of December 31, 2019, and 2018:

	Nominal		**Cleared through the Clearing House**	
	2018	**2019**	**2018**	**2019**
Forward Purchase Contract	1,239	1,681	803	1,018
Forward Sales Contract	1,157	1,516	722	1,026
Net	81.8	164.9	80.9	-8.6

*Figures in USD million

	Year 2018			Year 2019		
Forward	**Maximum amount**	**Maximum amount**	**Minimum amount**	**Average amount**	**Minimum amount**	**Average amount**
Purchase	2,834	2,420	1,461	1,893	1,140	1,991
Sale	2,834	2,394	1,438	1,892	1,143	1,998

*Figures in USD million

The average exposure of purchases and sales was approximately USD 1,892 million. These values are within the limits of the Gross Leverage Position (GLP). The portfolio has maintained an average net exposure of USD 1,026 million. This figure reflects low exposure to exchange rate risk, consistent with the conservative profile established by the Bank for this product.

Measuring Counterparty Risk for USD/COP Forward Contracts traded Over the Counter (OTC) – Within the financial risk management process of forward operations traded OTC, counterparty risk is measured for the derivative financial instruments based on the International Accounting Standards (IAS) and the guidelines and concepts provided by the Basel III rules on Credit Valuation Adjustment (CVA) and Debit Valuation Adjustment (DVA) in such a way that these instruments reflect the credit risk of the counterparty. Therefore, an internal methodology was developed based on the following three aspects:

- Monte Carlo Simulations that allow to estimate the expected exposure (EE) of each one of the NDF OTC operations.
- Probability of Loss Given Default (LGD).
- Probability of Default (PD).

The calculation allows to make a (positive–negative) charge to the fair value of each one of the NDF OTC operations and quantify the risk of each operation taking into account the estimates for each operation and for each one of the third parties with whom the Bank currently carries out operations.

Risk management for derivative operations – The Bank has adopted policies to use derivative financial instruments. The risks assumed with these types of operations are consistent with the general business strategy and they are managed on a structure of defined limits based on the risk profile, the profit budget established for each business unit, and the structure of the balance sheet.

Foreign (peso–dollar) exchange forward transactions are covered by closing the reverse forward operation or through the purchase / sale of the currency on the spot market in order to mitigate the exchange rate risk. Operations are performed within a maximum period of 360 days in order to reduce the interest rate risk.

Moreover, different limits have been set on forward exchange transactions to control exposure.

- A maximum limit on the open position at the end of the day to obtain an adequate match among the positions, either with contracts or with positions on the spot market.
- Counterparty credit exposure limit to mitigate concentration risk.
- Value at Risk (VaR) limit to restrict the maximum exposure to market risks.

Moreover, the Bank monitors and controls the level of business risks on a daily basis through tools and reports. This allows the Bank to quantify the contribution of each risk factor and/or position to the Bank's results and measure the actual risk of the losses borne by this business. Similarly, the bank has determined the negotiation powers by operator, which are assigned to the different hierarchical levels of the Treasury.

e) *Operational risk*

Qualitative information – The policies and methodologies the Bank uses to frame operational risk management are included in the SARO Handbook. Such policies and methodologies follow the bases and guidelines required by the Financial Superintendence of Colombia for the development of an operational risk management system as recorded in External Circular Letter 041 of June 29, 2009, which was set forth in Chapter XXIII of the Basic Accounting and Financial Circular Letter– External Circular Letter 100 of 1995. This Handbook also includes the policies for the implementation and maintenance of the Internal Control System established in Circular Letter 014 of 2009.

The Bank has established its own measurement parameters based on its structure, size, corporate purpose and processes in order to manage Operational Risk effectively. Similarly, it is aligned with the best Operational Risk management practices within an operating model built on the principles developed by the Basel II Committee.

The Bank's SARO base on general and specific policies determined by the Board of Directors, as well as on an organizational structure that guarantees an adequate segregation of duties between *front*, *middle* and *back offices*. Similarly, there are suitable methodologies that allow the identification, measurement, control and monitoring of operational risks.

Since this risk typology is dynamic and susceptible to constant changes in the business and its environment, the Bank has adopted monitoring schemes that facilitate quick identification of new risks and the mitigation of current risks through the execution of action plans. This monitoring will be carried out at least annually or in accordance with operational risk events.

As far as fraud and corruption operational risks are concerned, the guidelines adopted correspond to the principles established by the Transparency Secretariat of the Presidency of the Republic, DNP, DAFP and United Nations Office on Drugs and Crime –UNODC; "Strategies for building the Anticorruption and Citizen Service Plan", a guide published as established by the Anticorruption Statute - Law 1474 of 2011 "Whereby rules aimed at strengthening the mechanisms of prevention, investigation, and punishments of corruption acts and effectiveness of the control in public administration are issued."(Art. 73)

Quantitative information

Identification, measurement, control and monitoring of operational risks – As of December 31, 2019, the Bank's residual operational risk remains concentrated in the "Medium" and "Low" severity levels by 86.5%, which corresponds to the level of acceptable risk defined by the organization. Similarly, Operational Risk Self-assessments of all the Bank's processes were completed; 768 identified risks were mitigated with 1,900 controls; 12.3% of the risks are classified as high risks and 1.2% as critical risks. The Bank has put in place the respective controls for these risks and they are monitored by the Process Leaders and the Governing Bodies designated in the SARO Handbook.

Management of operational risk events – Officials reported the operational risk events that arose in each one of their areas. As of December 31, 2019, 430 events were reported. It should be noted that the event associated with the time to review and approve invoices by the authorization for expenditure of the different areas and processes of the Bank was not considered to establish the figures for this report, which generates reprocesses and delays because such invoices were not processed on time. A study is being conducted to optimize the billing process carried out by the DGC, DOP, DIP, ORO and DSA areas.

As per the current regulations, operational risk events are classified in types A, B and C, as follows:

Event	No.	Share
Type A	7	1.6%
Type B	413	96%
Type C	10	2.3%
TOTAL	**505**	**100%**

The economic losses due to operational risk generated in the events classified as "Type A" during 2019 were COP $ 6.7 million and were accounted for in their respective accounting accounts of operational risk. There were not recoveries, thus the net effect of economic losses is the same.

Support in the development of projects or products – During 2019, the Operational Risk Office participated and supported the development of projects such as Electronic invoicing, Basewarnet, TES NDF, A2censo, among others.

Visits of control and supervision bodies – The requirements submitted by the delegations of the Financial Superintendence of Colombia, Internal Audit and the Tax Auditing Office - Deloitte, who conducted visits for the second half of 2019, were all handled.

f) *Strategic risk*

A Strategic Risk Management System (SARE) was implemented to identify, measure, control and monitor strategic risks. Moreover, it will promote a Strategic Risk prevention culture at the institutional level in line with other quality and risk management systems.

The Bank used the PESTEL method, which is one of the many business analysis techniques, to prepare the strategic risk map. This model can assess the main elements that will have an impact on the strategy.

This tool is a descriptive technique that aims at detailing, to the best possible extend, the impact of the environment where the Bank's strategy will operate. It bases on political, economic, socio-cultural, technological, ecological, legal issues and on other issues that may some how have certain impact.

The PESTEL method is based on a foresight and probability exercise conducted by members of the Senior Management.

g) *Asset Laundering and Financing of Terrorism Risk Management System – SARLAFT -*

Bancóldex continued with the implementation and maintenance of SARLAFT during 2019 to prevent and mitigate the risks of asset laundering and financing of terrorism (AL/FT) in the operations carried out, as well as to strengthen the system. Developments, interface adjustments, and implementations were monitored through the new monitoring system for customers and operations – ACRM (Advanced Compliance Risk Manager). The monitoring of Phase II products and SARLAFT management reports were put into the production phase. Similarly, clients and operations were monitored, alerts and irregularities were managed; and regulatory reports on SARLAFT and the specific requirements of the different competent authorities were performed.

Similarly, the SARLAFT Handbook was updated to include regulatory changes, requirements of control bodies, adjustment of policies, procedures, periodic monitoring, as well as the management against the requirements reported in binding lists. Bank officials also received training on SARLAFT, updates and handbook, client and counterparty due diligence, cases and irregularities; and alert management. Similarly, the assessment of risk factors and AL/FT risk profile was updated and monitored based on risk factors, associated risks and the Bank's consolidated balance sheet. Both inherent and residual risks were considered and the latter remained at the level approved by the Board of Directors.

Finally, the requirements of the Financial Superintendence of Colombia were satisfied and the on-site inspection was conducted within the Comprehensive Monitoring Framework of the foresaid institution to assess the management effectiveness of various systems of the Bank, among them SARLAFT. The assessment results showed that the Bank's SARLAFT is compliant with the regulatory requirements and good practices in the field. However, the Financial Superintendence of Colombia made some non-material recommendations, which were acknowledged and the corresponding activities carried out for their implementation.

h) *System to comply with FATCA (Foreign Account Tax Compliant Act) and CRS (Common Reporting Standard) -*

In compliance with the provision outlined by FATCA, the Bank preserved its status as a participating Foreign Financial Institution (FFI) registered with the United States Internal Revenue Service (IRS) in 2019. Bancóldex also enhanced due diligence procedures on entities acting as intermediaries and financial institutions that had connections or conducted business with the Bank to ensure FATCA compliance. Additionally, actions were taken to respond to the requirements made by other local and international financial entities concerning FATCA and CRS (Common Reporting Standard) of the OECD (Organization for Economic Cooperation and Development).

32. CORPORATE GOVERNANCE

Bancóldex adopted a corporate governance system that has been documented since 2001 in the Good Governance Code, which contains the policies and procedures for proper separation of duties and responsibilities of shareholders, the Board of Directors, Senior Management and control bodies. The Code aims at ensuring information transparency, risk management and the protection of the interests of shareholders, investors and the market in general.

Board of Directors and Senior Management – The Board of Directors is permanently informed of the Bank's processes and businesses. After the General Shareholders' Meeting, the Board is the highest governing body and defines the general risk policies of the entity. Based on such policies, the board establishes a delegation scheme for the approval of the operations to be carried out by the Risk

Management Committee, External Credit Committee, Assets and Liabilities Management Committee, Internal Credit Committee and by the Administration.

Reports to the Board of Directors – The Board of Directors and the Risk Management Committee receive periodic reports on the situation of the Bank's loan placements, monitoring of the financial situation of the different debtors (financial intermediaries, countries, etc.), reports of progress on the Credit Risk Management System Sis (SARC), Market Risk Management System (SARM), Operational Risk Management System (SARO), Liquidity Risk Management System (SARL), Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT), review of policies and methodologies for assessing risks related to credit, market, liquidity and operational risks, compliance with limits, among other risks. The Bank's risk exposure is also reported periodically to the Board of Directors.

In addition to reports on Bancóldex risk management systems, the Bank's Board of Directors receives reports related to the Conglomerate Risk Management System.

Similarly, all the significant risk events detected by the different areas of the Bank are reported to the Board of Directors and Senior Management.

Technological infrastructure – All areas of the Bank have adequate technological support infrastructure. The risk control and management area also has the adequate technological infrastructure to obtain the necessary information for the analysis and monitoring of risk of current operations.

Methodologies for measuring risks – In order to identify the different types of risk, the Bank relies on methodologies and measurement systems that allow to determine its exposure to the risks inherent to the business, as mentioned in the Risk Management section, and which are documented in the respective manuals.

The Risk Vice-Presidency is the area specialized in identifying, monitoring and controlling the risks inherent to the different business classes. The Risk Vice-Presidency assesses credit risk, market risk, liquidity risk, operational risk and country risk. The Legal Vice-Presidency General Secretariat carries out the legal risk assessment.

Organizational structure – The areas that make up the back, middle and front offices are clearly defined at Bancóldex. Similarly, there is an adequate segregation of duties at all levels of the organization and in all operations.

Verification of operations – The Bank has verification mechanisms for the negotiations carried out, such as recording agreements of telephone calls for treasury operations and written communications with the counterparts where the conditions of each negotiation are set forth. Similarly, and in order to comply with operations, funds are received or transferred through systems that provide a high degree of security such as Sebra of the Central bank, SWIFT, Deceval (which manages and safeguards dematerialized collection instruments) and DCV (which manages and safeguards fixed income securities).

The Bank publishes the loan portfolio placement rates in national newspapers on a monthly basis; as well as the financial conditions of the different credit lines and requirements for their access are disclosed through external circular letters.

ViaInternet (wwwbancoldex.com), Bancóldex credit users can obtain information about the operations for which they are responsible, and they can get to know the current financial conditions of the different credit lines.

The Bank transaction systems record the asset and liability operations on the dates of their occurrence, guaranteeing timely and accurate accounting records.

Audit – The Board of Directors is the main management body of the Internal Control System (SCI), which relies on its Audit Committee to ensure the proper functioning of the Bancóldex' SCI and Risk Management Systems. The Board of Directors performs its functions as per the Internal Regulations and as established in the applicable standards, both for State entities in general and for Financial Institutions in particular.

In compliance with its responsibilities, the Audit Committee has been a permanent support and communication channel with the Board of Directors in making decisions regarding the Internal Control System and its continuous improvement.

The Audit Committee held four (4) sessions during 2019to remain informed about the results of the audits, the follow-ups to the improvement plans, the strengths, weaknesses and effectiveness of the Bank's internal control.

Through the works and P&L reports submitted by the Internal Comptroller's Office, the Audit Committee monitored the development and compliance of the different Risk Management Systems applicable to the Bank. In compliance with the Basic Legal Circular Letter from the Financial Superintendence of Colombia, the Audit Committee continued to monitor the Bank's comprehensive risk management upon receiving consolidated reports about the different management systems; i.e., from the point of view of operational risks (SARO), market risks (SARM), liquidity risks (SARL), credit risks (SARC), asset laundering and financing of terrorism risks (SARLAFT), and Information Security risks (ISMS).

The Bank's Internal Control Model, which is integrated as a rule into the Quality and Administrative Development Management Systems of the Integrated Planning and Management Model (MIPG), has allowed the organization to focus on the continuous improvement of the elements of these systems. This is not only consistent with the progress and maturity of the risk management systems applicable to the Bank but also with the Internal Control System regulated by the Financial Superintendence of Colombia in the Part I, Title I, Chapter IV of the Basic Legal Circular Letter. They all show favorable results in the implementation and performance assessments carried out by the different external control bodies.

The Audit function managed by the Bank's Comptroller Office adopted as one of its benchmarks the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors (IIA Global). According to such standards, the audit is governed by principles of Independence, Objectivity, and Authority, and its main purpose is to "improve and protect the value of the organization by contributing to achieve the business goals through assurance and consulting services; and providing the Board of Directors and the organization's administration with an independent assessment to improve the operational effectiveness and the management of strategic, financial, regulatory, and operational risks."

Bancóldex' Audit function is certified internationally under the standards of the aforementioned International Professional Practices Framework of the Institute of Internal Auditors (IIA Global). This means that the assurance and consulting work performed by the Comptroller Office focuses on risks, and aims at strengthening governance, assurance of controls and proper functioning of risk management in all processes, including the processes that correspond to the internal accounting control and to the generation, regulatory compliance, reliability, preservation and security of financial information.

Along with current regulations, the audit works implement –as criteria and reference– the regulatory practices and frameworks or control standards, including COSO, COSO ERM, COBIT, IFRS and ISAs.

The internal Audit team is made up of a certified auditor (CIA Certification issued by IIA), who is devoted to the assurance for risks and processes, and complying with accounting, financial and tax issues. Other professional accountants in the team, as well as administrative and financial professionals of the Comptroller Office, are also aware of the operations related to the business processes of their expertise. Moreover, technology and information security auditors provide assurance for the general controls, governance and risks inherent to applications, databases and role assignments that support both the operation and the accounting information, amongst others. This enables the internal audit to maintain clear and constant overview of the operations, risks, and controls of processes that generate or secure the financial and operational information. The Comptroller Office was also aware of the operations performed by the Bank during 2019 by participating, with the right to speak and vote, in the different Committees established to decide, define, and monitor the strategies and operations.

Audits were carried out in accordance with the Annual Audit Plan, which is known and approved by the Audit Committee of the Board of Directors under the terms outlined in the Basic Legal Circular Letter of the Financial Superintendence of Colombia (Part I, Tile I, Chapter IV – Internal Control System).

Similarly, the corresponding authorities were informed about the impacts and risks resulting from the situations observed, and the relevant recommendations and action plans were submitted as established in the regulations in order to comply with the limits, conditions for the closing of operations, relationship between market conditions and the terms of the operations performed; and parameters and minimum requirements of the different Risk Management Systems applicable to the Bank.

Among some of the aforementioned observations, there are not situations that may systematically or significantly impact the internal control system, the institutional goals or the disclosure of financial information. Information on the audit results is available in the Bank's Documentary System, and its consultation is subject to relevant legal authorizations.

The reports gathered by the Tax Auditing Office for the stated period were known and documented in the Audit Committees held during the year.

The audit cycle base on the risk appetite of the Audit Committee and lasts three years (index coverage of auditable bodies) with annual planning. Review periods by individual work vary depending on the type and objective of each audit work. They, in turn, depend on the risk analysis carried out by the audit both in the annual planning and in the pre-planning stage, and, in any case, they are identified in the Reports.

33. LEGAL CONTROLS

The Bank complied with all legal requirements established for its operation during the2019 and2018 terms.

34. OTHER ASPECTS OF INTEREST

Economic Growth Act –The Constitutional Court declared in October, 2019 the Financing Act (Law 1943 of 2018) to be without force on its entirety due to the lack of awareness on the course of the parliamentary, and the principles of disclosure and consecutiveness; thus, the taxation regulation remained in force until December 31, 2019. Consequently, the National Government issued Law 2010 of 2019 called "Economic Growth Act", which includes, among others, the following provisions effective as of January 1, 2020:

- *Income Tax and Complementary Taxes* – The income tax rate for Colombian entities required to file a tax return will be 32% for the 2020 tax year, 31% for the 2021 tax year, and 30% for the 2022 tax year onwards.

- The presumptive income of the liquid net worth is reduced to 0.5% for 2020 and 0% for 2021 and thereafter. Similarly, taxpayers under the SIMPLE tax regime are not subject to presumptive income.

- Financial entities must pay the following percentage points on income tax and complementary taxes, when the taxable income is equal to or greater than COP $4,272 million: 4% for the 2020 tax year and 3% for the 2022 tax year. 100% of this surcharge must be paid in advance in two equal installments.

- Moreover, the bill includes a 100% deduction of taxes, rates and contributions duly paid during the year that has a causal relationship to the entity's business activity. As far as the Industry, Commerce, and Advertising Tax (ICA) is concerned, the taxpayer may get a tax refund of 50% for the 2020 and 2021 tax years, and 100% for the 2022 tax year and thereafter. The tax on financial movements will be deductible by 50%.

- Withholding at source for dividends or shares received by national companies – As of 2019, dividends and shares paid or credited to national companies shall be subject to withholding at source, when arising from the distribution of distributable profits as well as profits that are not taxed on the shareholder at the special rate of seven point five (7.5%), which will be transferable and charged to the natural person or the investor residing abroad.

- Dividends distributable as well as those taxed on the shareholder, as per the aforementioned standard, will be subject to the rate of 33% for the 2019 tax year, 32% for the 2020 tax year, 31% for the 2021 tax year, and 30% for the 2022 tax year; in which case a 7.5% income tax withholding will be applied on dividends after the reduction of this tax rate.

Grupo Bicentenario - Grupo Bicentenario was incorporated in 2019 through Decree 2111 of November 24, 2019, as outlined in the 2018-2022 national development plan. The plan establishes an entity of the Executive Branch at the national level to be responsible for financial management.

This Decree established a joint-stock company, which once incorporated will constitute a legal person distinct from its shareholders but attached to the Ministry of Finance and Public Credit. This group will be a mixed-economy company under a special regimen and governed by private law.

According to this Decree, the Bank is affiliated to this Financial Group established by the National Government.

Arco Grupo Bancóldex Capitalization – Capitalization worth COP $1,500 million was established. To the date of this report, this determination has been approved by the regulator. Considering that the right of first refusal stated in the Statutes of Arco Grupo Bancóldex expired on January 28, 2020, and regarding the offer for subscription of ordinary shares, Bancóldex accepted the subscription of two million (2,000,000) shares for the total bid value. The capitalization was recorded on January 31, 2020, and it is undergoing the process of legalization before the Chamber and Commerce.

35. EVENTS AFTER THE REPORTING PERIOD

The administration of Banco de Comercio Exterior de Colombia S.A. - Bancóldex has evaluated the subsequent events occurred from January 1 to February 25, 2020, the date when the financial statements were made available for issuance, and determined that no subsequent events have occurred, and which may require the recognition or disclosure of additional information in these statements.

36. APPROVAL OF FINANCIAL STATEMENTS

The issuance of the separate financial statements of Banco de Comercio Exterior de Colombia S.A. - Bancóldex for the year ending on December 31, 2019 was authorized by the Legal Representative and the Board of Directors as recorded in Minutes number 397of the Board of Directors dated February 25, 2020 to be submitted before the General Shareholders' Meeting as required by the Commercial Code.

The financial statements as of December 31, 2018 were approved by the General Shareholders' Meeting as recorded in Minutes number 61 dated March 22, 2019.

BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. - BANCÓLDEX

Certificate to the Financial Statements

For years ended on December 31, 2019 and 2018

We hereby declare that we have previously verified the statements contained in the financial statements of Banco de Comercio Exterior de Colombia S.A. – Bancóldex as of December 31, 2019 and 2018, which have been faithfully taken from the accounting books. Therefore:

- The assets and liabilities of the Bank do exist on the cut-off date; and the recorded operations have been conducted during such period.
- The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations), obtained by or charged to the Bank on the cut-off date.
- All items have been recognized as appropriate amounts.
- The economic facts have been correctly classified, described, and disclosed.

Similarly, the Financial Statements as of December 31, 2019 were authorized for disclosure by the Board of Directors on February 25, 2020. These financial statements will be submitted before the Shareholders' Meeting on March 25, 2020, and they may either approve or disapprove these Financial Statements.

This certification is issued on the twenty-fifth (25th) day of February 2020.

Javier Diaz Fajardo	**Jairo Pedraza Cubillos**
Legal Representative	Accountant