Banco de Comercio Exterior de Colombia S.A. – Bancóldex and Subsidiary Companies

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

INDEPENDENT AUDITORS' REPORT

To the Assembly
Name of the Company

Auditor's opinion

Name of Auditor

Day, month and year

1. REPORTING ENTITY

Banco de Comercio Exterior de Colombia S.A. - BANCÓLDEX is a national partially government-owned corporation, organized as a financial institution. It is adjoined to the Ministry of Commerce, Industry and Tourism, established and organized under Colombian law as of January 1, 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 No. 0652 of April 15, 1996 by the Financial Superintendence of Colombia, the term was extended to December 30, 2091.

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

Bancóldex' corporate purpose is to finance, principally 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 owns 89.32% of *Fiduciaria Colombiana de Comercio Exterior S.A.* – Fiducóldex, a national indirect partially government-owned corporation. Fiducóldex, subject to inspection and surveillance by the Financial Superintendence of Colombia, was incorporated through public deed 1497 of October 31, 1992 issued at Notary Office 4 of Cartagena (Bolívar) (operating license included in Resolution No. 4535 of November 3, 1992 issued by the Financial Superintendence of Colombia). Its Head Offices 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 stipulated 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 fund activities.

Similarly, as of May 28, 2003, Bancóldex determined a control situation over Arco Grupo Bancóldex S.A., an indirect partially government-owned corporation. Bancóldex owns 87.45% of the foresaid corporation, 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 1557 of 1994 issued at Notary Office 4 of Bogotá (operating license included in Resolution No. 718 of 1994 issued by the Financial Superintendence of Colombia). Arco Grupo Bancóldex' corporate purpose is to carry out all kinds of leasing operations which involve personal property and real estate. Similarly, as a Financing Company, it carries out the operations and businesses legally permitted to this

kind of entities such as management, use, trading and investment of savings funds through the raising of funds from the customers to offer them credits, and the possibility to deposit the funds or other forms of credit.

The consolidated financial statements consist of the financial statements of the Bank and those of its subsidiary companies: Fiduciaria Colombiana de Comercio Exterior S.A. – Fiducóldex and Arco Grupo Bancóldex S.A.

The consolidated value of the assets, the liabilities and t

he equity from each entity together with their corresponding share over the consolidated value, which includes the eliminations as of December 31, 2019 and 2018 (figures shown in millions of Colombian Pesos) are presented below:

December 31, 2019	Assets	% Share	Liabilities	% Share	Equity	% Share	Year income	% Share
Bancóldex	$ 8,734,040	92.84	$ 7,000,578	91.46	$ 1,733,462	98.87	$ 116,893	101.32
Fiducóldex	64,953	0.69	8,127	0.11	56,826	3.24	3,194	2.77
Arco Grupo Bancóldex	916,974	9.75	784,278	10.25	132,695	7.57	12,258	10.62
Net effect on Offsets	(308,258)	(3.28)	(138,537)	(1.80)	(169,719)	(9.68)	(16,970)	(14.71)
Consolidated	$ 9,407,709	100.00	$ 7,654,446	100.00	$ 1,753,264	100.00	$ 115,375	100.00

December 31, 2018	Assets	% Share	Liabilities	% Share	Equity	% Share	Year income	% Share
Bancóldex	$ 8,618,806	94.01	$ 6,969,218	92.96	$ 1,649,588	98.70	$ 92,845	99.82
Fiducóldex	64,037	0.70	8,018	0.11	56,019	3.35	5,320	5.72
Arco Grupo Bancóldex	796,310	8.69	675,133	9.01	121,177	7.25	17,092	18.38
Net effect on Offsets	(310,989)	(3.39)	(155,460)	(2.07)	(155,529)	(9.31)	(22,240)	(23.91)
Consolidated	$ 9,168,164	100.00	$ 7,496,909	100.00	$ 1,671,255	100.00	$ 93,017	100.00

2. PRESENTATION BASIS

2.1. Accounting standards applied – The accompanying consolidated financial statements of the Bank and its subsidiary companies, in accordance with the current provisions established by Law 1314 of 2009, which is regulated, compiled and updated by Decree 2483 of 2018 and preceding decrees, were prepared in line with the nationally accepted Accounting and Financial Reporting Standards (NCIF). The latter 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.

The debt financial instruments are classified in the Consolidated Balance Sheet as marketable through profit or loss in accordance with IFRS 9, version 2009.

- The credit portfolio is recorded at its amortized cost in accordance with accounting policy and its provisions are established through the expected loss models under IFRS 9.

- The goods received as payment in kind or the returned goods are assessed according to their respective IFRS 5 classification.

The accounting policies applied, and the significant accounting judgments, estimates and assumptions made by the Entities are described in Notes 3 and 4.

Colombian law requires the Bank to prepare consolidated and separate financial statements. The separate financial statements are used by the shareholders as the basis to allocate dividends and other appropriations. The consolidated financial statements are presented to the General Assembly of Shareholders to report on consolidated management.

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

2.2.1 Impact of the application of IFRS 16, Leases – The Bank and its subsidiaries, as per Decree 2170 of 2017 and Decree 2483 of 2018, began to apply this IFRS as of January 1, 2019. IFRS 16 sets out new requirements or modifications in relation to lease register. It introduces significant changes to accounting records by lessees, removing the distinction between operating leases and financial leases. It also requires the recognition of right-of-use assets and lease liability at the commencement date of all leases, except for those that are considered short-term leases or leases of low-value assets. Contrary to the accounting records by lessees, the requirements for lessor accounting remain substantially unchanged. The initial impact the implementation of IFRS 16 has on the financial statements of the Bank and its subsidiaries is described below:

(a) Impact of the new definition of a lease

The Bank and its subsidiaries have decided to adopt the most suitable solution possible about the transition to IFRS 16 so as to not reassess whether a contract is or contains a lease. Therefore, the definition of a lease under IAS 17 and IFRIC 4 continues to apply to lease contracts entered into or amended before January 1, 2019. Consequently, the requirements of IFRS 16 have been applied only to contracts entered into or amended as of the initial application date. The definition of lease mainly changes with respect to the concept of control. Under IFRS 16, a contract is determined as containing a lease on the basis of whether the contract conveys the right of a customer to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the "risks and rewards" approach applied by IAS 17 and IFRIC 4.

The Bank and its subsidiaries have applied the definition of a lease and the related guidance outlined in IFRS 16 to all contracts entered into or amended on or after January 1, 2019. To start the IFRS 16 application, the Bank and its subsidiaries planned for a project implementation. This plan revealed that the definition of a lease under IFRS 16 does not significantly alter the scope of contracts the Group considers meet the definition of a lease.

(b) Impact on Lessee Accounting

i. Previous operating leases - IFRS 16 changes the way the Bank and its subsidiaries account for leases previously classified as operating leases under IAS 17, which were kept out of the balance sheet. When applying IFRS 16 to all leases (except those mentioned below), the Group:

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

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

- Separates the total amount of cash paid to principal (presented within financing activities) and the interest (presented within financing activities) on the statement of cash flows.

  Under IFRS 16, rights-of-use assets are tested for impairment in accordance with IAS 36.

  For short-term leases (leases with a lease term of 12 months or less) and low-value assets (e.g., computers, small items of office furniture, and telephones), the Bank and its subsidiaries have chosen to recognize lease expense on a straight-line basis, as permitted under IFRS 16. This expense is presented as "other expenses" in the profit and loss statement.

ii. Previous finance leases - The main difference between IFRS 16 and IAS 17 in regards to contracts classified as finance leases is the measurement of the residual value guarantee made by the lessor to the lessee. IFRS 16 requires the Group to recognize as part of lease liabilities only the amount expected to be paid under a residual value guarantee, as opposed to the maximum amount of the guarantee required under IAS 17. This change did not have any material impact on the Group's financial statements.

(c) Accounting impact on lessors

IFRS 16 does not contain material changes on how a lessor accounts for a lease. Under IFRS 16, a lessor continues to classify its leases as finance leases or operating leases and account these two types of leases differently. Furthermore, disclosure requirements in IFRS 16 were changed and enhanced; in particular the requirements about how the lessor manages risks associated with the residual interest of leased assets.

Under IFRS 16, the intermediate lessor must account for a head lease and a sub-lease as two separate contracts. The intermediate lessor shall classify the sublease as a finance lease or operating lease by reference to the right-of-use asset arising from the head lease (rather than by reference to the underlying asset as per IAS 17).

(d) Impact of first-time adoption of IFRS 16

The impact of the implementation of IFRS 16 on each of the entities and the consolidated impact for each item is presented below:

Item	**Bancóldex**	**Arco**	**Fiducoldex**	**Consolidated Impact**
Value of Right-of-Use Assets related to Property, Plant and Equipment	$ 2,055,345	$ 877,729	$ 3,101,672	$ 6,034,746
Value of the lease liability	1,536,060	877,729	3,101,672	5,515,461
Positive book value of equity for the initial application of IFRS 16	429,285	-	-	429,285
Estimated cost of dismantling	90,000	-	-	90,000

2.3. Preparation and measurement basis – The consolidated financial statements were produced based on historical costs, except what concerns the following important headings, which are measured at fair value in the balance sheet:

- Derivative financial instruments.
- Investments designated for measurement at fair value with changes in other comprehensive income of the equity instruments (available for sale) and other debt instruments.
- Liabilities designated at fair value with changes in profit or loss.
- Investment property.
- Property classified as property and equipment.
- The properties and equipment in operating lease. The financial assets and liabilities of the Entities are classified into valid categories that meet the definition of financial assets and liabilities.

2.3.1 Functional and presentation currency– The functional and presentation currency of the Bank and its subsidiaries is the Colombian peso (COP), as it represents more reliably the economic effects of operations related to profit margin, financial instruments, purchase price variance, and costs, among other significant transactions. The financial statements are presented in the Bank's functional currency, the Colombian peso (COP).

2.3.2 Going concern - The consolidated financial statements were prepared on a going concern basis. It was determined that there is not uncertainty on the facts, events or conditions that could cast significant doubt on the entities' ability to continue as a going concern. The judgments applied to determine that the Entities are 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 situation was determined that would demonstrate the infeasibility of the Entities as a going concern.

2.3.3 Accrual basis – The Entities prepare their financial statements, except what concerns the information on cash flows, using the accrual accounting basis. By doing so, the Entities acknowledge items such as assets, liabilities, equity, income and spending, provided that they fulfill the recognition definitions and criteria set forth in the conceptual framework of International Financial Reporting Standards.

2.3.4 Materiality – The Entities shall determine the relative importance of the figures to be presented in the financial statements in accordance with 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 Entities to provide the specific disclosure required by an IFRS when the information lacks relevant importance.

2.3.5 Consistency of presentation – The Entities shall maintain the presentation and classification of the relevant items contained in the consolidated financial statements from one period to another; except if there is a revision of activities which is of significant importance to the presentation of consolidated financial statements, or if it is demonstrated that it would be more appropriate to use another presentation or classification, taking into account the criteria defined according to the current policies of the Entities.

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

2.3.6. Reclassification of account balances in financial statements – For comparative and presentation purposes, some account balances and movements, which Bancóldex' management bodies concluded do not have a material effect on the information, have been reclassified in the Consolidated Balance Sheet, Consolidated Income Statements, Consolidated Statement of Comprehensive Income, and Statements of Changes in Equity for the year that ended on December 31, 2018. The reclassifications detailed in the aforementioned financial statements do not change the total balance of the accounts, nor do they affect the profits reported for year 2018. The changes in the classification were made to present adequate financial information and thus provide information that is readily understood by its users and in line with the applicable technical requirements.

3. MAIN ACCOUNTING POLICIES

Unless otherwise stated, the main accounting policies adopted in the preparation of these consolidated financial statements, as described below, have been applied consistently to all periods presented.

3.1. Consolidation and equity method - In accordance with Colombian legislation and IFRS 10, Entities should prepare consolidated and separate or individual financial statements. Separate or individual financial statements are the basis for the distribution of dividends and other shareholder appropriations. The consolidated financial statements are presented to the General Assembly of Shareholders and show assets, liabilities, equity, income, expenses, and cash flows of the parent company and its subsidiaries as if the group of companies were a single economic entity.

Controlled Entities – In accordance with International Financial Reporting Standard IFRS 10, the Bank is required to prepare consolidated financial statements that integrate the Entities it controls. The Bank shall be considered to control an entity if and only if the following conditions are met:

- The Bank has the power that gives it the current ability to direct the relevant activities of the entity, which affect its returns significantly.
- Exposure or rights to variable returns from its involvement with the participating entity.
- The ability to use its power over the entity to affect the amount of its returns.

As part of the consolidation process, the Bank combines the assets, liabilities, and profit or loss of the Entities it controls; following the homogenization of their accounting policies. Such a process involves the elimination of reciprocal transactions and unrealized profits between them. Minority interests are reported as equity, separately from the Bank's equity.

Homogenization of accounting policies – The Bank homogenizes the accounting policies in order to apply uniform policies to transactions and other similar events occurred under analogous circumstances.

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 Entities recognize as cash and cash equivalents, for cash flow statement, the value of the resources it holds for immediate availability such as securities on hand, and bank deposits (local and foreign accounts).

3.3. Money market operations - *Initial measurement:* The Entities will recognize a financial asset at fair value, which is usually the value agreed upon inception of the transaction. Transaction costs will be directly recognized in the income statement. *Subsequent measurement*: The Entities will subsequently recognize the financial assets at amortized cost using the effective interest rate method.

3.4. Financial assets

All regular purchases or sales of financial assets are recognized and derecognized using the trade date. A regular way purchase or sale is a purchase or sale of a financial asset that requires delivery of the asset within the period established by regulation or by the market.

All recognized financial assets are subsequently measured as a whole at either amortized cost or fair value, according to the classification of financial assets.

3.4.1 Classification of financial assets

Debt instruments that meet the following criteria are subsequently measured at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely principal and interest payments on the outstanding principal amount.

Debt instruments that meet the following criteria are subsequently measured at fair value recognized in other comprehensive income:

- The financial asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling the financial assets;

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount.

By default, all other financial assets are subsequently measured at fair value through profit or loss.

Notwithstanding the foregoing, the Bank and its Subsidiaries may choose the following irrevocable option at the initial recognition of a financial asset:

- The Bank and its Subsidiaries may irrevocably choose to present subsequent changes in the fair value of a capital investment as other comprehensive income if specified criteria are met (see 3.4.1.2); and

- The Bank and Subsidiaries may irrevocably designate a debt investment that meets the amortized cost or the fair value criteria recognized as other comprehensive income measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch (see 3.4.1.3).

3.4.1.1 Amortized cost and effective interest method: The effective interest method is a procedure to calculate the amortized cost of a debt instrument and to allocate interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that are part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses over the expected useful life of the debt instrument or, where appropriate, a shorter period to the gross carrying amount of the debt instrument at initial recognition. For purchased or originated credit-impaired financial assets, the credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses at the amortized cost of the debt instrument at initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Additionally, the gross book value of a financial asset is its amortized cost before any provision for loss adjustment.

Interest income is recognized using the effective interest method for debt instruments subsequently measured at amortized cost and their fair value recognized in other comprehensive income. For financial instruments other than purchased or originated financial assets that are credit-impaired, the interest income is calculated by applying the effective interest rate to the gross book value of a financial asset, except for financial assets that have subsequently become credit-impaired (see 3.4.3). For financial assets that have subsequently become credit impaired, the interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If in subsequent reporting periods the credit risk of the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, the interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Bank and its Subsidiaries recognize the interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset at the initial recognition. The calculation is not reverted back to the gross basis, even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

For financial instruments other than purchased or originated credit-impaired financial assets, the Bank and its Subsidiaries recognize interest income applying the effective interest rate without transaction costs considering that they do not have material effects as Bancóldex is a second-tier bank.

3.4.1.2 Equity instruments designated as measured at fair value recognized in other comprehensive income: The Bank and subsidiaries may irrevocably choose (on an instrument-by-instrument basis) to designate investments in equity instruments at fair value recognized in other comprehensive income. The designation at fair value recognized in other comprehensive income is not permitted if the equity investment is held for trading or if it is a contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together by the Bank and there is evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative liability (except for derivatives that are a financial guarantee contract or a designated and effective hedging instrument). Investments in equity instruments with fair value recognized in other comprehensive income are initially measured at fair value.

Subsequently, they are measured at fair value and gains and losses arising from changes in the fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve. Cumulative gain or loss will not be reclassified to profit or loss on the disposal of equity investments, rather, they will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in income when the Bank's right to receive dividends is established in accordance with IFRS 15 Revenue unless they clearly represent the recovery of a part of the cost of the investment.

3.4.1.3 Financial assets at fair value with changes in profit or loss: Financial assets that do not meet the criteria to be held at amortized cost or at the fair value recognized in other comprehensive income (see 3.4.1.1 and 3.4.1.2) are measured at fair value with changes in profit or loss, namely:

- Investments in equity instruments are classified as measured at fair value through profit or loss unless the Bank and its subsidiaries designate equity investment not classified as held-for-trading or contingent consideration arising from a business combination at fair value in other comprehensive income at initial recognition (see 3.4.1.2).
- Debt instruments that do not meet the criteria of amortized cost or fair value recognized in other comprehensive income (see 3.4.1.1) are classified as at fair value with changes in profit and loss. Additionally, debt instruments that meet the criteria of amortized cost or fair value recognized in other comprehensive income may be designated as at fair value through profit or loss at initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or the recognition of gains and losses on different bases.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period and any fair value gain or loss is recognized in profit or loss provided they are not designated as in hedging relationships (see 3.8).

3.4.2 Foreign exchange gains and losses

The book value of financial assets denominated in foreign currency is determined in that foreign currency and it is then translated at the spot rate at the end of each reporting period, namely:

- Exchange differences for financial assets measured at amortized cost that are not designated hedging relationships are recognized in profit and loss under the heading "other gains and losses".

- Exchange differences in the amortized cost for debt instruments measured at fair value recognized in other comprehensive income that is not designated in a hedging relationship are recognized in profit and loss under the heading "other gains and losses". Other exchange differences are recognized in other comprehensive income in the investment revaluation reserve;

- Exchange differences for financial assets measured at fair value through profit or loss that are not designated in a hedging relationship are recognized in profit or loss under "other gains and losses"; and

- Exchange differences for equity instruments measured at fair value recognized in other comprehensive income are recognized in other comprehensive income in the investment revaluation reserve.

3.4.3 Impairment of financial assets

The Bank and its subsidiaries recognize the provision for expected credit losses for investments in debt instruments measured at amortized cost or at the fair value recognized in other comprehensive income and in loan commitments. Impairment loss is not recognized on investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Bank and its subsidiaries always recognize expected credit losses on the Bank's portfolio over the life of the credit. The expected credit losses recognized on these financial assets are estimated using a provision matrix based on the Bank's and its subsidiaries' historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an evaluation of both current management and forecasting conditions on reporting date, including, where applicable, the time value of money.

The Bank and its subsidiaries recognize expected credit losses over the life of the credit for all other financial instruments when credit risk has increased significantly since the initial recognition. On the other hand, if the credit risk in the financial instrument has not increased significantly since the initial recognition, the Bank and its subsidiaries measure loss provisions for that financial instrument based on the 12 months of expected credit loss over the life of the financial instrument. This is done to assess whether recognition of expected credit loss over the life of the financial instrument is based on a significant increase in default risk or probability of default from the initial recognition rather than on evidence that a financial asset is credit-impaired on the reporting date or that a real default has occurred.

Expected credit loss over the life of the financial instrument represents the expected credit loss that will result from all possible default events over the expected life of a financial instrument. By contrast, 12-month expected credit loss over the life of the financial instruments represents the portion of lifetime expected credit loss over the life of the financial instrument that is expected to result from default events of a financial instrument that are possible within 12 months after the reporting date.

Expected credit losses over the life of other accounts receivable represent the expected credit losses that will result from a significant increase in credit risk or the loss adjustment value at an amount equal to the 12-month expected credit loss if the risk has not increased since its initial recognition. This simplified model applies to other accounts receivable other than those related to credit portfolio.

3.4.3.1 Significant increase in credit risk: To assess whether there has been a significant increase in credit risk for a financial instrument since its initial recognition, the Bank and its subsidiaries compare the risk of default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at initial recognition. In making this appraisal, the Bank and its subsidiaries consider quantitative and qualitative information that is reasonable and bearable, including historical experience and prospective financial information available at no cost or effort. Sources of information about future events include future prospects of the industries where the Bank's debtors and its subsidiaries operate and from reports produced by economic experts, financial analysts, government agencies, relevant expert groups and other similar organizations; and the consideration of various external sources of real-time information and economic forecast related to the Bank's main and subordinate operations.

The following information is particularly taken into account when assessing whether credit risk has increased significantly since initial recognition:

- A significant actual or expected deterioration in the external (if available) or internal credit rating of the financial instrument;

- Significant deterioration of the market (external) indicators of credit risk for a particular financial instrument, for example, a substantial increase in the credit margin, a debtor credit default, the interest rate swap, or the period of time or the extent to which the fair value of a financial asset has been lower than its amortized cost;

- Existing or expected adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet their debt obligations;

- A significant actual or expected impairment in the debtor's operating results;

- Significant increases in credit risk on other financial instruments of the same debtor;

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet their debt obligations.

Regardless of the outcome of the previous assessment, the Bank and its subsidiaries assume that the credit risk of a financial asset has increased significantly since its initial recognition in the event that contractual payments are 30 days past due, unless the Bank and its subsidiaries have reasonable and supportable information that proves otherwise.

Notwithstanding the above, the Bank and its subsidiaries assume that the credit risk in a financial instrument has not increased significantly since its initial recognition if the financial instrument has low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: i) the financial instrument has low credit default risk, ii) the borrower has a strong capacity to meet their contractual cash flow obligations in the near term and iii) Adverse changes in profits and business conditions provided with a longer-term may, but not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Bank and its subsidiaries consider that a financial asset has low credit risk when it has an internal or external investment grade credit rating as per the broadly known definition.

In the case of loan commitments and financial guarantee contracts, the date when the Bank and its subsidiaries become a party of the irrevocable commitment is considered the initial recognition date when the impairment of the financial instrument is assessed. In order to determine whether there has been a significant increase in credit risk since the initial recognition of a credit commitment, the Bank and its subsidiaries consider changes in the risk of default on the loan to which a credit commitment may be related.

The Bank and its subordinates regularly monitor the effectiveness of the criteria applied in order to determine whether there has been a significant increase in credit risk; and review such criteria as deemed appropriate to ensure that significant increases in credit risk may be identified through such criteria before the credit becomes past due.

3.4.3.2 Definition of delinquent credit: The following events constitute default for internal credit risk management purposes of the Bank and its subordinates due to the fact that historical information shows that accounts receivable meeting any of the following criteria are generally not recoverable.

- When the counterparty is in breach of the financial contract; or
- The information gathered internally or from external sources shows that the debtor is unlikely to be able to pay their debts in full to the creditors, including the Bank and its subordinates (without taking into account any collateral held by the Bank and its subordinates).

Notwithstanding the previous analysis, the Bank and subordinates consider that default has occurred when a financial asset is 90 days past due, unless the Bank and its subordinates have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.4.3.3 Impaired financial assets: A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data on the following events:

a) Significant financial difficulty of the issuer or the borrower;

b) A breach of contract, such as a default or past due event (see 3.4.3.2);

c) The lender (s) of the borrower, given economic or contractual reasons related to the borrower's financial difficulty, has granted the borrower a concession (s) that the lender (s) would not consider otherwise;

d) It is probable that the borrower will enter bankruptcy or other financial reorganization; or

e) The disappearance of an active market for that financial asset due to financial difficulties.

3.4.3.4 Write-off policy: The Bank and its subordinates write off a financial asset when there is information indicating that the counterparty is in serious financial difficulty and there is not reasonable expectation of recovery. For example, when the counterparty has been liquidated or has entered bankruptcy proceedings; or in the case of trade accounts receivable, when the balances are due over more than two years, whichever is earlier. The derecognized financial assets may still be subject to compliance activities in accordance with the Bank's recovery procedures and the procedures of its subordinates, following the legal advice when appropriate. Any amount recovered is recognized in profit or loss.

3.4.3.5 Measurement and recording of expected credit losses: The measurement of expected credit losses is a function of the probability of default, the loss caused by the default (i.e. the magnitude of the loss when there is a default) and the exposure at default. The assessment of default probability and default loss is based on historical data adjusted for forward looking as described above. Regarding default exposure for financial assets, this is represented by the gross carrying amount of assets at the reporting date. In the case of credit commitments and financial guarantee contracts, the exposure includes the amount established on the reporting date, together with any additional amount expected to be collected in the future by the default date, which was determined based on historical trends, the understanding of the specific future of the Bank and its subordinates, debtors' financial needs and other relevant information on future prospects.

The expected credit loss for financial assets is estimated as the difference between all the contractual cash flows that are due to the Bank and its subordinates in accordance with the contract and all the cash flows that the Bank and its subordinates expect to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows applied to determine expected credit losses are consistent with the cash flows used in measuring lease receivables in accordance with IFRS 16 Leases.

If the Bank and its subordinates have measured the provision for losses for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but it is determined that the conditions at the reporting date for lifetime expected credit losses have changed, the Bank and its subordinates measure the loss provision in a 12-month period for lifetime expected credit losses at the current reporting date.

The Bank and its subordinates recognize impairment losses or gains on profits of all financial instruments adjusted to their book value through a provision for losses account, except for investments in debt instruments that are measured at reasonable value and recognized in other comprehensive income, for which the provision for losses, other comprehensive income and accumulated in the investment revaluation reserve is recognized, and this does not reduce the book value of the financial asset in the balance sheet.

3.4.4 Derecognition of financial assets

The Bank and its subordinates derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when the financial asset and substantially all risks and rewards of ownership have been transferred to another party. If the Bank and its subordinates do not transfer or retain substantially all the risks and benefits of ownership and continue to control the transferred asset, the Bank and its subordinates recognize the interest on the asset and associated liability for the amount that must be paid. If the Bank and subordinates substantially retain all the risks and rewards of ownership of a transferred financial asset, the Bank and its subordinates continue to recognize the financial asset and also recognize a guaranteed loan for the income earned.

Upon derecognition of a financial asset measured at amortized cost, the difference between the assets book value and the consideration received and receivable is recognized in profit and loss.

3.5. Investment financial assets – The Bank and its subordinates value the majority of their investments using the information provided by the price provider - PRECIA S.A. (formerly INFOVALMER). The supplier provides inputs for the valuation of investments (prices, rates, curves, margins, etc.).

Fair value estimate - In accordance with "Fair Value Measurement" IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

In accordance with the foregoing, the valuations at fair value of the Bank's financial assets and those of its subordinates are carried out as follows:

- The information used for instruments, for which inputs to valuation are published daily, is the information provided by the data vendor - PRECIA S.A. (formerly INFOVALMER), in accordance with previously-approved methods of investment valuation.

- The fair value of financial assets not quoted in an active market is calculated using valuation techniques. The Bank and its subordinates use a variety of methods and make assumptions based on the market conditions existing at each balance date. The valuation techniques used include the use of recent comparable and equal transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques widely used by market participants, making maximum use of market data and minimizing the use of unobservable data.

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 securities in order to obtain profits due to fluctuations in the market value and in the purchase and sale of such securities.	Valuation of marketable 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.	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 for the period.

Classification	Characteristics	Valuation	Accounting
		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.	This procedure is carried out on a daily basis.
Instruments at amortized cost	Securities and any general type of investments the Entities 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 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 collaterals in a central counterparty clearing house in order to	Exponential, 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 conducted 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 recorded as investment goodwill and their collection is accounted as negative goodwill. This procedure is carried out on a daily basis.

Classification	Characteristics	Valuation	Accounting
	support the accepted operations performance for offsetting and settlement and/or as collateral for monetary market operations.		
Available for sale – in equity instruments	This category includes investments in subsidiaries, branches, associates, shares in Private Equity Funds and joint ventures that grant the Entities 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 the separate financial statements. In cases when 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 also, if necessary, the value of the investment in the amount of the surplus on that account.

Fiduciary duty – The Entities value these investments with the information provided by the corresponding trust company or - PRECIA S.A. (formerly INFOVALMER) (value per unit).

Investment repurchase rights – These are restricted investments that represent collateral for investment repurchase agreements. The Entities retain 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.

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. 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 of Bancóldex, which is recorded as a discount.

Classification of the credit portfolio – Classification of the Entities' credit portfolio includes the following types:

- *Commercial Credit* – These are credits granted to natural or legal persons to develop organized economic different from microcredits. The Bancóldex' 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 Bancóldex. 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 Bancóldex, which the financial entity in turn transfers through endorsement.

This portfolio includes:

Agreements: These are credits disbursed by Bancóldex as agreements that include third party contributions. This portfolio consists of the following categories:

- Credits whose interest rate is paid using third party resources as a result of the difference in lending rates offered by the Bank.

- Credits whose interest rate is paid using third party and Bank resources as a result of the difference in lending rates offered by the Bank.

The contributor pays most of the differential between the contractual rate and the market rate.

Discount security: Financial instrument issued at a discount and without resources (removes the seller's obligation to pay if the invoice endorser fails to pay), up to a set percentage of the value of securities issued in national business transactions for goods and services sold on credit, which are covered under an insurance policy issued by an insurance company duly authorized by the Bank.

Portfolio at market rates: A credit line in Colombian pesos or foreign legal tender extended to Colombian financial intermediaries that have a valid credit line at the Bank so that they, in turn, perform active credit operations in legal tender as expressly authorized by Colombian legislation and aimed at financing business sector operations.

Special Credit Lines: These are credits disbursed by the Bank as special credit lines. This line is approved by the Bank and their interest rate also paid directly by the bank. The difference between the market rate and the lending rates of some credit lines will be entirely assumed by the Bank.

Bancóldex largely assumes the resulting difference between the contract rate and the market rate, as follows:

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

For subsidiary Arco Grupo Bancóldex:

- *Consumer*- These are credits that are granted to natural persons to finance the purchase of consumer goods or the payment of non-commercial or business services other than microcredits, regardless of their amount. Credits classified within this category are those of the employee portfolio.

- *Housing*– These are the credits that, regardless of their amount, are granted to natural persons to finance the purchase of new or old homes, or for the construction of individual homes. In accordance with Law 546 of 1999, these credits are denominated in RVU or the legal currency and secured with a first rank mortgage against the value of the financed property.

Accrued interests - Interest income on a financial asset is recognized when it is probable that the Bank will receive the economic benefits associated with the transaction; and the amount of revenue from ordinary activities can be measured reliably. Interest income is recorded on a time basis, and by reference to the principal outstanding and the effective interest rate applicable, which is the discount rate that exactly equals the estimated cash flows receivable or payable throughout the expected life of the financial instrument to the net carrying amount of the financial asset at initial recognition.

Revenue from ordinary activities is recognized in accordance with the following criteria:

The interests are recognized using the effective interest rate method. This method is applied to calculate the amortized cost of an asset and also allocate the interest-bearing revenue or cost during a set period. The effective interest rate is the rate that exactly matches the cash payments or cash receipts estimated while the financial instrument is valid, or, when appropriate, for a shorter period of time, at the net book value of the asset at initial recognition. In order to calculate this rate, it is necessary to estimate the cash flows taking into account all the contract terms of the financial instruments without the future credit losses as well as the initial transaction or approval balance, the transaction costs and the granted premiums minus commissions and the discounts received that made up the effective rate.

From a legal standpoint, default interests are stipulated in the contract and, as such, they can be considered equal to variable interests charged due to the failure to pay the debt. In this sense, these interests are accrued from the signing of the contract, regardless of the future credit losses, as established by the definition of effective interest rate. Therefore, such a balance is part of the debt as a whole, which is individually or collectively evaluated to determine impairment based on the procedures established for that purpose.

Impairment - IFRS 9 Expected loss impairment model– The Entities use the expected loss methodology to measure the impairment of financial assets. Bancóldex Group complies with the IASB requirements contained in IFRS 9 (financial instruments). This standard, which became effective on January 1, 2018, replaced IAS 39.

IFRS 9 replaces the "incurred losses" model of IAS 39 by an expected loss model based on three components of credit losses: Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) under the requirements of IFRS 9.

PD (Probability of Default) – It is defined as the likelihood that a counterparty will not be able to make repayments over a specified period. Bancóldex Group used two methodologies - transition matrices and reference data- to estimate the probability of default for the different credit segments. The transition matrices were used to analyze the most representative part of the portfolio using the risk rating history of the debtors of the entities of the Group. Reference data are used when there is not enough historical data available to estimate the probability of default. Therefore, the historical data of a similar entity is used.

LGD (Loss Given Default) – It is the exposure percentage that is not recovered when the borrower defaults. Different approaches were used to estimate it considering the information available and the behavior of the portfolio. In the case of the Bank, the best practices of the industry (Basel, Financial Superintendence of Colombia and Recovery Rates) were used as reference to estimate the LGD of the most significant segments. In the case of ARCO Grupo Bancóldex, the recovery history of the entity was used.

In accordance with IFRS 9, the credit risk expected loss should be estimated based on a classification of the operations in the following three stages:

Stage 1.- Assets without a significant impairment in their creditworthiness from initial recognition or with a low credit risk at the estimation date. The expected loss will be recognized within a period of 12 months.

Stage 2.- Assets with a significant increase in their creditworthiness from initial recognition or with a low credit risk at the estimation date. The expected loss will be recognized while the asset exists.

Stage 3.- Assets with objective evidence of impairment. The expected loss will be recognized while the asset exists.

The stage of each operation is defined based on the rating changes from initial recognition to the estimation date. The default dates are also taken into account. IFRS 9 defines the maximum number of default days to classify the credits within each stage, as follows:

Stage 1.- 0 to 30 days past due.

Stage 2.- 31 to 90 days past due.

Stage 3.-More than 90 days past due.

Provisions for credit losses and accounts receivable – A credit or an account receivable is written-off as bad debt against the credit portfolio or the accounts receivable when all the collection mechanisms have been used and they are considered unrecoverable. The Board of Directors defines the dates for the approval of the write-offs.

The write-off does not exclude the employees from their liability in the approval and management of the credit, or exclude them from the obligation to recover the credit.

The recovery of bad debt on financial assets previously written-off is recorded in the income statement.

Restructured credits – A credit restructuring process is any exceptional mechanism legally set out to change the initial credit terms in order to allow the debtor to repay the debt when faced with a real or potential impairment of his/her ability to pay. The restructured credits are recorded at the restructuring date at the current value of the future expected cash flows discounted at the original rate of the asset before restructuring.

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.

The Entities negotiate 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 9 are 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 7 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 Entities have 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 Entities and there is enough evidence demonstrating that the Entities remain committed to their 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 the subsequent measurement, the value of non-current assets held for sale will be affected by the measurement and recognition requirements established in IFRS 5 - Non-current assets held for sale and discontinued operations.

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.

Initial measurement - The Entities will measure the goods received as payment in kind (or the groups of assets for their disposal) classified as held for sale at the lower:

- book value; or
- at fair value minus the sales costs.

Subsequent measurement - The Entities will measure the goods received as payment in kind at the lower book value or at fair value minus the sales costs.

If the sale is expected to occur within more than a year, the Entities will measure the sales costs at their current value. Any increase in that value, occurred at any point in time, will be presented in the income statement as a financial cost.

The expenses related to the goods received as payment in kind should be recorded in the income statement. On the other hand, they should be measured at the lower value between the fair value and the book value minus the sales costs.

Impairment of the goods received as payment in kind

The Entities will recognize an impairment loss by the initial or subsequent reductions of the asset value (or of the group of assets for their disposal) up to the fair value minus the sales costs.

On the contrary, the Entities will recognize any earnings due to any subsequent increase derived from the measurement of an asset at fair value minus the sales costs without exceeding the recognized accumulated impairment loss. See Asset Value Impairment Policy.

The Entities will not depreciate (or amortize) the goods received as payment in kind whilst they are classified as held for sale, or whilst they are part of a group of assets for disposal classified as held for sale. However, the interests as well as other expenses attributable to the liabilities of a group of assets for sale will continue to be recognized.

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.

Returned goods – The return of these goods must be recorded at their book value (cost minus accumulated depreciation). These goods are not subject to depreciation.

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 Entities 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 Entities, either when they acquired the asset or as a result of having used the asset for purposes other than productive operation of the Entities.

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 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.

The 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 in the following way for each entity:

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 Entities faithfully consider 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 Entities 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 Entities are:

Bancóldex

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

Subsidiaries

Arco Grupo Bancóldex

Group description	Method	Residual Range %	Useful Life Initial Range	Useful Life Final Range
Buildings	Revaluation Model	1% - 15%	100 years	
Fixtures	Historical Cost Model	1% - 15%	5 years	12 years
Computer equipment	Historical Cost Model	1% - 15%	2 years	5 years
Network and communication equipment	Historical Cost Model	1% - 15%	2 years	6 years
Machinery and equipment	Historical Cost Model	1% - 15%	6 years	14 years
Furniture	Historical Cost Model	1% - 15%	5 years	12 years
Transport vehicles	Historical Cost Model	1% - 15%	10 years	20 years
Land	Historical Cost Model	0%		
Goods on gratuitous loan	Historical Cost Model	0%		
Art and cultural goods	Historical Cost Model	0%		

Fiducoldex

Asset Group	Residual Value	Useful Life
Buildings	It will be the land value	It is based on a technical study.
Furniture and Fixtures	0%	10
Computer equipment	0%	3
Vehicles	0%	5

The Entities review the revaluated cost on a one-year basis to evaluate if a new revaluated cost is required. This new cost will be calculated by a valuer, who will use the techniques established by the International Valuation Standards (IVS). If there is enough evidence of an increase or decrease in the building's value, the new revaluated cost should be calculated.

In such case, if the fair value increases from one period to the other, it will be recognized as part of the property and equipment cost against "Other Comprehensive Income". Similarly, if the fair value decreases, the valuation recorded in Other Comprehensive Income will be derecognized and any excess would be recognized in the profit and loss statement.

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 Entities 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 Entities 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 Entities 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 Entities.

- 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 Entities 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 Entities determine that intangible assets with a finite useful life are amortized based on the estimation of their useful life as follows:

Bancóldex and Arco Grupo Bancóldex

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

Fiducoldex - The subsidiary company pays the licenses in cash. The licenses will be valid for between 3 to 15 years depending on the type of license. The useful lives and the residual value established by the Trust Company is presented below:

Asset Group	Useful life	Residual value
Core	15 years	0
Software (licenses)	3 years	0

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 Entities establish the following approach for art and cultural goods:

a. If the asset was purchased by the Entities, it is measured at its cost;
b. If the asset was donated to the Entities, 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 Entities 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 Entities 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. The Entities have 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.

The Entities' 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.

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 Entities 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 Entities. 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 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.

For the current period of December 31, 2019 and 2018, the tax rates are:

Year	**Income**	**Surcharge**	**Total**
2018	33%	4%	37%
2019	33%	0%	33%

- *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 profit and loss statement.

Deferred taxes relating to items recognized outside the profit and loss statement should be recorded out of the profit and loss account and recognized with the relating transactions, either in the statement of profit and loss or directly in net equity.

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 Entities 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 Entities:

- have 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 Entities assess 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 Entities' 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.

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

The Entities do not settle post-employment benefits. The only termination benefits that shall be settled are those required by the termination of the contract between the employee and the employer, such as the severance payments.

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 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 Group 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 another asset):

(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: Bancóldex 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 Entities recognize revenue when:

- Their amount can be measured reliably

- It is possible that future economic benefits shall flow to the Entities.

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 Entities are 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. Joint ventures – The financial situation analysis carried out by subsidiary Fiducóldex recognizes shares in consortia as a joint venture and as such it shall enter in the accounts assets, liabilities, ordinary activities income and expenses related to the holding of shares.

Fiducóldex recognizes as a joint venture:

- Its assets, including shares in joint assets;
- Its liabilities, including shares in joint liabilities;
- Income from ordinary activities derived from the sale of the joint operation product;
- Its share in the income from ordinary activities derived from the sale operation product;
- Its expenses, including shares in joint expenses;
- The assets, liabilities, income from ordinary activities and joint operation expenses shall be entered in the accounts in accordance with the policies governing Fiducóldex.

Each time Fiducóldex executes a transaction as part of a joint venture, such as an asset sale or an asset contribution, the transaction shall be considered a joint operation. Consequently, the profit and loss corresponding to the transaction shall be recognized according to the percentage of shares held by the other parties in the joint venture.

If these transactions show a reduction of the net realizable value of the assets that will be sold or contributed to the joint venture or show an impairment of the value of these assets, the losses shall be fully recognized by the joint venturer.

Furthermore, Fiducóldex owns a share in a joint venture, a joint company, which is subject to an agreement that stipulates that all the economic activities of the joint company should be jointly managed. The contract requires that the agreement between the parties in respect to the financial and operative decisions should be unanimous.

Fiducóldex records its share in the joint venture using the proportional consolidation method. Fiducóldex combines in the consolidated financial statements the percentage of the assets, liabilities, income and expenses it holds within the joint venture with the corresponding similar items, line by line. The financial statements of the joint venture are prepared for the same period as those of Fiducóldex and the necessary adjustments are performed to homogenize any difference that could exist in regards to the accounting policies of Fiducóldex.

Once the joint management is terminated, Fiducóldex assesses and recognizes its investments at fair value. Any difference between the book value of the investment that was jointly managed and the fair value of the investment held plus the sale proceeds are recognized in the profit and loss account.

When control is exercised over the remaining investment, the investment is entered in the accounts as an associate.

Some of the global policies adopted at each management unit are:

Basic concepts – Consortia are defined as follows in accordance with the provisions of Article 7 of Law 80 of 1993 (General Contracting Statute from the Public Administration).

> *"It is when two or more parties jointly present the same proposal for the awarding, entering into and performance of a contract. These parties jointly comply with the proposal and contract obligations. Consequently, the acts, facts and omissions originating from the implementation of the proposal and of the contract shall affect all its parties".*

Characteristics – The main characteristics of consortia are presented below:

- Mutual assistance agreement
- Pay taxes
- Obtain the Single Tax Register
- Obtain the Tax Identification Number
- Consortia shall be valid until the end of the contractual period, which is usually more than one year.
- It is not a trading company.
- It does not have legal status of its own.

Management unit – Consortium partners form a partnership to optimize their resources taking advantage of their technical, administrative and financial qualities.

This Unit is created to execute the trust contract.

It is responsible for the accounting of the Consortium Partners and of the Trustor based on the contract obligations.

Legal Representation – Consortium Partners shall appoint a Legal Representative, who shall represent the partnership for all purposes. The legal representative shall state the basic rules that govern the relationship between them and their liability.

The Legal Representative shall establish a trust that shall be managed before the Financial Superintendence.

It shall have tax and contractual obligations.

Legal Representation may be changed when so decided by the partners or it might be maintained until the termination of the contract.

Going and liquidated joint operations – The current status of the consortia in which the Trust Fund Company holds shares is as follows:

a. *Operational consortia* – These are those partnerships that comply with the going concern principle, that is, they will remain in business for the foreseeable future or in the long term. This principle should be considered during the preparation of the financial statements under IFRS.

   Furthermore, the partnership management should identify and disclose any situation in the financial statements that could put the partnership at risk.

   On the other hand, the benefits derived from the share of the Trust Fund Company in the consortium shall be recognized line by line by the percentage of the company in the financial statement and in the comprehensive income. That is, they shall be consolidated in proportion to the share of the Trust Fund Company in the consortium.

   However, in order to perform this calculation, the policies of the partnership should be homogeneous to those applied by the Trust Company to prepare the financial statements under IFRS. Otherwise, Fiducóldex should first adjust them to calculate such value.

b. *Consortia undergoing liquidation* – These are consortia that shall be liquidated, or cease operating or end their activity in accordance with the provisions of the trust contract or because they do not have any other alternative.

In this case, such consortia shall be measured in accordance with the policies of the operational consortia.

Details of Fiducoldex' joint ventures are shown below:

Joint Venture	Fiducoldex' percentage share
Fosyga (**)	3.57%
Sayp (**)	10%
Confiar Fonpet	45.5%
Pensiones Cundinamarca 2012 (**)	45%
Colombia Mayor 2013 (**)	22.5%
Ecopetrol PACC	11.25%
Coldexpo Pensiones Cundinamarca 2017	65%
Fondo Colombia en Paz (**)	30%
Fondo de Inversion para la Paz	40%
Fondo Colombia en Paz 2018 (*)	24%
Fondo Colombia en Paz 2019	18%

(*) Joint ventures: Liquidation phase started in 2018.

(**) Joint ventures undergoing liquidation.

3.23. Operating segments - In order to comply with the provisions of IFRS 8 - Consolidated Operating Segments, the Entities have identified the following segments, which describe the activities performed by each Entity of the Group, whose results are permanently and internally followed up by the Board of Directors. The Board is the highest authority in operating decision making and operates through the Financial Vice-Presidency and the Corporate Finance Office.

- *Bancóldex* – The products shall be included within Bancóldex' strategy, whose main purpose is to promote the business and economic growth of Colombian companies through financial and non-financial products that take into account the nature of the activities. The bank carries out such activities as a Development Bank to contribute to the generation of a financial margin.

  The products and/or concepts included within each one of the segments together with their factors are the following:

  - *Credit portfolio*: It includes the credits that the Bank disburses to promote business development. The factors considered 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 which contribute to the financial margin. 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 depend on the demand of resources in the required currency, which also affects the funding for each type of portfolio (COP and USD). As far as the COP portfolio is concerned, Bancóldex is funded in the capital market and with equity. In the case of the USD portfolio, it mainly obtains resources from multilateral entities and the Correspondent Bank.

    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.

  - *Investments and treasury products*: The Bank directs the Treasury operation to portfolio administration with two objectives to identify such segments: managing medium-term liquidity and obtaining profitability and reasonable benefits through trading with financial assets. This is framed within the risk guidelines established by the Board of Directors.

    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 the products to manage the peso and foreign currency liquidity, operations with derivatives restatement of own position (exchanges), the short selling operations, 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, other assets and new products developed by the Bank, whose share is less than 10% of the asset or income.

- *Fiducoldex* – Trust Business: It corresponds to the trust business segment of the Entities. It currently manages assets that exceed $9 trillion invested in partnerships, investment trust, private capital funds, collective investment funds, licenses, management and payment trust, among others. Procolombia, Fontur, Colombia Productiva and INNPULSA, which are part of the Sector of Commerce, Industry and Tourism stand out in this last group.

- *Arco Grupo Bancóldex* – It corresponds to the leasing segment. It takes into account the following grouping factors for the internal follow up on results:

  - *Leasing*: It refers to leasing contract operations. Arco uses these contracts to lease a productive asset to a natural or legal person in exchange for a periodic payment of a fee during an agreed period of time. Upon the expiration of the lease contract, the tenant shall have the right to purchase the asset for the acquisition option value. The main types of leasing are domestic leasing, import leasing, syndicated leasing, lease back, property leasing and infrastructure leasing.

  - *Loan*: This is a segment where a legal or natural person borrows resources to pay them back in installments during a given term. This segment includes ordinary loans and treasury loans. All the operations are commercial and contribute to the strengthening of the productive activities of the economy.

  - *Factoring*: This segment provides trading companies with a set of services, which mainly include credit financing with their clients. The companies assume the default risk in exchange for monetary compensation. The most common type of factoring is the maturity factoring.

  - *Others*: This segment mainly includes the company's investments, which are the investments required by law. It represents 10% of annual income at most.

4. USE OF ESTIMATES AND JUDGMENTS

The Entities' Management provided criteria, judgments and estimates for preparing these consolidated financial statements in accordance with the understanding and applicability of the technical regulatory framework to prepare the financial information. 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.

4.1. Judgments on applying accounting policies - The preparation of consolidated financial statements as demanded by IFRS required judgments on how to apply accounting policies issued by the Entities; due to the significant effect they have on the amounts recognized in the consolidated financial statements. The Entities all 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 consolidated financial statements are described below:

4.1.1 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, financial assets measured at amortized cost and financial assets measured at fair value with changes in profit and loss. Financial liabilities are classified in the fair value and amortized cost categories.

4.1.2. Leases – The applicability of IFRS 16 - *Leases* includes judgments to determine whether the Bank and its subsidiaries manage 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.

4.2. 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 Entities shall prospectively make the necessary changes by specifying their effect on the disclosure of each group or element of the financial statements.

4.2.1 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 consolidated 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 consolidated financial statements. The foresaid judgments regarding the fair value of financial instruments, credit provisions, income taxes, employee benefits, and provisions are listed below.

4.2.2 Fair value of financial assets and liabilities **-** 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 Entities 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.

Measurement criteria include the hierarchy of the different types of fair value that may be calculated, as well as the consideration of the approaches that should be used based on the most suitable valuation technique to express the figures in each component of the financial statements. Fair value is measured for a given asset or liability. Therefore, when measuring the fair value, the Entities shall take into account the characteristics of the asset or liability just as market participants would take them into account when pricing such asset at the measurement date. A measurement at fair value shall entail that the asset or liability is exchanged in an orderly transaction among market participants to sell the asset or transfer the liability at the measurement date based on prevailing market conditions.

The Entities shall use the valuation techniques that are appropriate in the circumstances; and techniques for which sufficient data is available to measure the fair value by maximizing the use of relevant observable input data and minimizing the use of unobservable input data. The market approach, cost approach and income approach are the three valuation techniques widely used.

The fair value hierarchy categorizes the input data of the valuation techniques into three levels to increase the consistency and comparability of fair value measurements and related disclosures. This fair value hierarchy classifies the inputs used for valuation:

- *Level 1:* these inputs are the quoted (unadjusted) prices in active markets for identical assets and liabilities, which the Entities may access at the measurement date.

- *Level 2:* these inputs are different from the quoted prices included in Level and they may be either directly or indirectly observable for assets or liabilities.

- *Level 3:* these inputs are unobservable input data for an asset.

  Fair value measurement – Fair value measurements are performed according to the criteria adopted by the Entities. When estimating the fair value for both assets and liabilities, the Entities use available observable market data. When level 1 and level 2 input data are not available, unobservable data shall be used; and it may at discretion be classified as level 3 input data. The Entities shall use the required analysis to establish measurement criteria backed up by an expert.

4.2.3 Impairment of financial assets – The Entities follow the provisions established in the guidelines defined by the IASB in IFRS 9 (financial instruments) to measure the impairment of financial assets.

IFRS 9 establishes the expected loss model that enables the Entities to estimate losses based on three components of the credit loss: probability of default (PD), exposure at default (EAD) and loss given default (LGD). This standard instructs to calculate the loss expected from credit risk based on a classification of the operations in phases, according to the impairment of the asset from its initial recognition.

The degree of judgment required to estimate the expected credit losses depends on the availability of detailed information.

4.2.4 Employee benefits - Based on IAS 19 - *Employee Benefits*, all forms of consideration granted by the Entities 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 Bancóldex grants to its employees.

In order to receive these benefits, employees should meet the requirements established in the internal manuals of the Entities.

4.2.5 Income tax **–** The Entities assess 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 Entities estimate 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.

4.2.6 Revaluation of property and equipment – The Entities measure lands and buildings at their revalued amounts and the changes at fair value are recognized in other comprehensive income.

4.2.7 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 Entities 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 Entities 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.

The Entities' provisions are determined based on the probability established by the legal area for each event, fact or legal process as follows:

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

(1) General Accountin

(2) g Office of the Nation

(3) 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 – *Decree number 2270 of 2019.* According to this decree, 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. The Entities have analyzed the standards and do not foresee a material impact on the Consolidated Financial Statements.

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. To enter into force worldwide January 2019. Incorporated in Colombia as of January 1, 2020.
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. To enter into force worldwide January 2020
IAS 19 – Employee benefits	Plan amendment, reduction or liquidation	In cases where 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. To enter 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 shall be removed from financial statements. 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. To enter into force worldwide January 2020

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, 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 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 only. The effective date of amendments has not yet been established by IASB; however, early application of amendments is allowed.

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

6. 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	$ 1.045.745	$ 652.206
Central Bank of Colombia (1)	53.206.438	31.034.809
Banks and other financial entities (2)	53.351.211	125.715.983
Foreign currency		
Banks and other financial entities	7.529.660	7.726.286
	$ 115.133.054	$ 165.129.284

(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.

(2) As of December 31, 2019, subsidiary Arco Grupo Bancóldex has restrictions on the amount available generated by seizures made by municipal and government entities worth $789,704.

As of December 31, 2019 and 2018, the Bank and Fiducoldex had no reconciling items in legal or foreign currency with more than 30 days pending for adjustment. Nonetheless, ARCO has the following reconciling items as of December 31, 2019:

The information on reconciling items aged greater than 90 days as of December 31, 2019 is as follows:

	Quantity	Amount
Outstanding checks	7	$ 6,411
Credit notes outstanding in books	1	122

The information on reconciling items aged greater than 30 days as of December 31, 2019 is as follows:

	Quantity	Amount
Outstanding checks	1	$ 3,514
Credit notes outstanding in books	6	12,450

7. 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 and equity instruments measured by their equity variation.

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

	Dec 31, 2019		Dec 31, 2018	
Investments at fair value with changes in profit and loss - debt instruments	Interest rate (%)	Value	Interest rate (%)	Value
Legal tender:				
Securities issued by the Nation				
Ministry of Finance TES - FIXED RATE	5,41	$ 592.861.420	5,48	$ 591.446.880
Ministry of Finance TES - RVU	-	-	2,21	2.971.408
	5,41	592.861.420	5,46	594.418.288
Securities issued by entities monitored by the Financial Superintendence				
Term Deposit Certificates TDCs - FTD	7,41	6.024.930	5,45	664.370
CPI Bonds	7,61	5.288.250	5,63	7.643.775
FTD Bonds	-	-	6,30	22.281.562
	7,53	11.313.180	6,13	30.589.707
	5,44	$ 604.174.600	5,49	$ 625.007.995

	Dec 31, 2019		Dec 31, 2018	
Investments at amortized cost	Interest rate (%)	Value	Interest rate (%)	Value
Legal tender:				
Securities issued by entities monitored by the Financial Superintendence				
Agricultural Development Securities Class A and B	6,00	12.870.053	6,53	11.727.917
	6,00	$ 12.870.053	6,53	$ 11.727.917
Investments at fair value with changes in OCI - debt instruments				
Legal tender:				
Securities issued by the Nation				
Ministry of Finance TES - FIXED RATE (1) (2)	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
Total Debt Instruments		$ 1.149.506.335		$ 1.040.772.653

(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.

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

	Dec 31, 2019	Dec 31, 2018
Investments at fair value with changes in profit and loss - equity instruments		
Participation - pension funds [1]	$ 25.942.735	$ 23.545.387
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 [2]	140.848.021	112.106.692
	$ 175.078.190	$ 139.573.134
Investments accounted using the equity method [3]		
Segurexpo de Colombia S.A.	$ 10.465.891	$ 9.467.961
Fondo Nacional de Garantías S.A. - F.N.G.	132.503.043	106.701.169
	$ 142.968.934	$ 116.169.130
Investments in joint agreements		
Collective investment funds in joint ventures [4]	$ 67.498	$ -
Total Equity Instruments	$ 344.057.357	$ 279.287.651

(1) An investment reserve of $25,942,735 and $23,545,387 has been established for the total investments held by subsidiary Fiducoldex as of December 31, 2019, and 2018, respectively, to guarantee the minimum return as per the current regulations.

Fonpet equalization reserve – Ficucoldex acts as the legal representative of *CONFIAR FONPET* Consortium, which managed initially 10% of FONPET resources, constituted by Fiducoldex and Itau Fiduciaria with shares of 45.5% and 54.5%, respectively, according to agreement number 6-003-2012 of October 2012, entered into with the Ministry of Finance and Public Credit.

In accordance with the provisions of Article number 7 of Decree number 1861, 2012, the consortia that manage FONPET shall form an equalization reserve to guarantee the minimum return on trust fund investments. Thus, Fiducoldex has maintained from its own resources a reserve equivalent to 1% of the total of the resources managed by the organization, based upon the total shares in the consortium, which is calculated on the monthly average of the fair market value of the assets in its portfolio. The aforesaid reserve is calculated based on the provisions set forth in Chapter 1-1 of External Circular Letter 100 of 1995 by the Financial Superintendence of Colombia. This reserve is managed along with the trust funds and should be held until the end of the contract entered into between *CONFIAR FONPET* consortium and the Ministry of Finance and Public Credit.

(2) Investments at fair value with chances in OCI- Equity Instruments

The information on the Private Equity Funds as of December 31, 2019 and 2018 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	Investment USD	Contingency USD	Capital USD	Redemption USD	Invested USD	Valuation USD	Impairment COP	%	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 fun	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.

(3) Investments in Associates

Based on the analysis conducted and supported in the significant influence the bank has on Segurexpo and on the National Guarantee Fund, Bancóldex has classified these investments as investments in associates through the application of IAS 28 and establishes their record under the equity method, allowing adequate measurement and providing accurate information on the current economic situation during 2018.

The information on the 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 comprenhensive income / (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.A. - F.N.G.	Colombia	25,73%	106.056.584	-	26.213.301	233.158	132.503.043
			$ 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 comprenhensive income / (Loss)	Final balance
Segurexpo de Colombia S.A.	Colombia	49,63%	$ 9.129.194	$ 90.802	$ 271.976	$ 157.593	$ 9.467.961
Fondo Nacional de Garantías S.A. - F.N.G.	Colombia	25,73%	110.800.407	-	(4.510.924)	411.686	106.701.169
			$ 119.929.601	$ 90.802	$ (4.238.948)	$ 569.279	$ 116.169.130

(4) Investments in joint arrangements

This corresponds to the share of subsidiary Fiducoldex in investments made by Consorcio SAYP in Collective Investment Funds.

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

	Dec 31, 2018	Dec 31, 2018
Forward Contracts		
Active position		
Rights to purchase on currency	$ 130.621.371	$ 3.728.407.527
Rights to sell on currency	1.374.156.279	134.491.923
Rights to purchase on currency	$ (127.248.670)	$ (3.607.620.973)
Rights to sell on currency	(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

	Dec 31, 2019	Dec 31, 2018
Passive position		
Purchase obligations on currency	$ 1.966.633.469	$ 280.577.822
Rights to sell on currency	160.632.032	3.500.434.335
Purchase obligations on currency	(2.044.505.834)	(281.578.622)
Sale obligations on currency	(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 on currency	$ -	$ 19.498.500
Rights to sell on currency	-	-
Purchase obligations on currency	-	(19.503.930)
Sale obligations on currency	-	-
Total cash operations	$ -	$ (5.430)
Futures Contracts		
Rights to purchase on currency	$ 3.351.417.625	$ 2.581.448.985
Rights to sell currency	3.314.371.790	2.298.153.460
Purchase obligations on currency	(3.351.417.625)	(2.581.448.985)
Sale obligations on currency	(3.314.371.790)	(2.298.153.460)

	Dec 31, 2019	Dec 31, 2018
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:

	dec-19	%	dec-18	%
Investment grade	1.125.323.102	98%	1.017.826.721	96%
No rating	26.980.165	2%	46.491.320	4%
Total	1.152.303.267	100%	1.064.318.041	100%

As of December 31, 2019, and 2018, 98% and 96%, 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 for the Entities.

Forward operations are only performed at Bancóldex. The following table shows information about the creditworthiness of the counterparties with whom these operations are performed, based on the international risk rating assigned by renowned credit rating agencies:

	dec-19	%	dec-18	%
Investment grade	50.780.613	58%	86.625.145	35%
No rating	36.477.390	42%	164.238.552	65%
Total	87.258.003	100%	250.863.697	100%

As of December 31, 2019, and 2018, 58% and 35%, respectively, of exposure is placed in counterparties with international investment grade rating; and the remaining 42% and 65%, respectively, is mostly through local pension funds and severance funds, and trust and insurance companies.

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

	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	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 years	
Investments at fair value with changes in profit and loss- Debt instruments							
Securities issued by the Nation- TES	$ 9.918.300	$ 49.045.000	$ 21.566.880	$ 227.745.400	$ 116.746.450	$ 167.839.390	$ 592.861.420
Term Deposit Certificates issued by monitored entities	-	5.288.250	-	6.024.930	-	-	11.313.180
Investments at amortized cost							
Securities issued by institutions monitored by the Financial Superintendence	4.959.368	7.910.685	-	-	-	-	12.870.053
Investments at fair value with changes in OCI- Debt instruments							
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
	$ 14.877.668	$ 62.243.935	$ 87.851.920	$ 235.949.970	$ 219.974.890	$ 528.607.952	$ 1.149.506.335

	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	Over 6 months and less than 1 year	Between 1 and 3 years	Over 3 years and less than 5 years	Over 5 years	
Investments at fair value with changes in profit and loss - Debt instruments							
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 monitored entities issued by monitored entities	10.413.100	-	6.523.512	13.653.095	-	-	30.589.707
Investments at amortized costs							
Securities issued by institutions monitored by the Financial Superintendence	4.946.806	6.781.111	-	-	-	-	11.727.917
Investments at fair value with changes in OCI- debt instruments							
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
	$ 15.359.906	$ 122.452.971	$ 51.608.652	$ 227.404.555	$ 164.901.628	$ 459.044.941	$ 1.040.772.653

8. 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	4,18	5	-	$ 8.003.644
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	$ 240.424.551

BLANK SPACE

9. LOAN PORTFOLIO AND FINANCIAL LEASING OPERATIONS AT AMORTIZED COST, NET

The information on loan portfolio by modality is as follows:

	Dec 31, 2019	Dec 31, 2018
Portfolio in legal currency		
Adequate Collateral of commercial portfolio:		
Current	$ 822.499.370	$ 606.869.155
1 to 3 months overdue	13.211.896	9.117.759
3 to 6 months overdue	4.044.550	3.007.499
6 to 12 months overdue	6.788.462	17.412.370
Over 12 months overdue	32.210.199	37.687.757
	878.754.477	**674.094.541**
Other Collateral of commercial portfolio		
Current	4.474.630.877	4.173.016.882
1 to 3 months overdue	2.461.695	633.524
3 to 6 months overdue	2.623.123	1.743.418
6 to 12 months overdue	1.992.217	3.444.214
Over 12 months overdue	65.762.662	47.396.766
	4.547.470.574	**4.226.234.803**
Adequate Collateral of consumer portfolio:		
Current	1.646.003	1.642.721
1 to 2 months overdue	-	3.809
3 to 6 months overdue	9.600	243
	1.655.603	**1.646.773**
Other Collateral of consumer portfolio:		
Current	-	16.861
3 to 6 months overdue	39.778	41.658
	39.778	**58.519**
Adequate Collateral of housing portfolio:		
Current	15.250.737	16.027.991
1 to 4 months overdue	507.864	247.569
4 to 6 months overdue	94.819	-
6 to 12 months overdue	24.303	-
	15.877.723	**16.275.559**
Total legal tender	**5.443.798.155**	**4.918.310.195**

	Dec 31, 2019	Dec 31, 2018
Portfolio in foreign currency:		
Adequate Collateral of commercial portfolio:		
Current	13.229.223	11.811.874
1 to 3 months overdue	-	1.213.684
	13.229.223	**13.025.558**
Other Collateral of consumer portfolio:		
Current	1.952.465.877	2.172.449.125
	1.952.465.877	**2.172.449.125**
Total foreign currency	**1.965.695.100**	**2.185.474.683**
Total portfolio and gross accounts receivable	**7.409.493.255**	**7.103.784.878**
Impairment of portfolio and accounts receiva	(87.474.202)	(78.751.273)
Total portfolio and accounts receivable, net	**$ 7.322.019.053**	**$ 7.025.033.604**

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

	December 31, 2019						
	Capital balance	Interest balance	Portfolio at amortized cost	Other	Collateral balance	Capital impairment	Interest impairment
Adequate collateral of commercial portfolio							
Category A	$ 793.111.738	$ 5.462.757	$ 798.574.496	$ 136.549	$ 879.794.161	$ 1.980.328	$ 11.762
Category B	29.540.861	543.911	30.084.772	1.362.076	41.052.041	619.933	-
Category C	12.419.826	1.387.467	13.807.292	537.660	7.043.759	1.134.858	18.776
Category D	30.179.330	4.963.966	35.143.296	2.374.230	23.974.156	10.984.413	83.314
Category E	12.606.750	1.767.093	14.373.843	399.902	21.490.380	6.493.110	751.849
	877.858.505	14.125.194	891.983.699	4.810.418	973.354.497	21.212.642	865.702
Other collateral of commercial portfolio							
Category A	6.380.192.390	40.140.323	6.420.332.713	8.050	469.449.683	28.508.506	346.763
Category B	2.627.606	10.042	2.637.647	960	1.551.748	332.773	933
Category C	6.946.556	591.305	7.537.861	49.290	-	2.894.491	253.658
Category D	6.557.137	1.326.297	7.883.434	238.159	706.188	3.637.346	671.455
Category E	30.538.403	31.006.394	61.544.797	595.046	6.428.126	14.677.306	13.946.225
	6.426.862.092	73.074.360	6.499.936.452	891.505	478.135.744	50.050.422	15.219.034

	December 31, 2019						
	Capital balance	**Interest balance**	**Portfolio at amortized cost**	**Other**	**Collateral balance**	**Capital impairment**	**Interest impairment**
Adequate collateral of consumer portfolio							
Category A	1.638.980	7.023	1.646.003	40	4.479.642	-	-
Category D	9.260	340	9.600	9.600	22.000	6.971	256
	1.648.240	7.363	1.655.603	9.640	4.501.642	6.971	256
Other collateral of consumer portfolio							
Category D	39.433	345	39.778	-	-	29.575	259
			-				
	39.433	345	39.778	-	-	29.575	259
Housing portfolio							
Category A	15.633.696	68.180	15.701.876	1.085	55.541.636	-	-
Category B	56.336	389	56.725	27	120.830	-	-
Category C	118.798	324	119.122	320	709.794	89.099	243
			-				
	15.808.830	68.893	15.877.723	1.432	56.372.260	89.099	243
Total gross portfolio	$ 7.322.217.099	$ 87.276.156	$ 7.409.493.255	$ 5.712.994	$ 1.512.364.144	$ 71.388.709	$ 16.085.493

	December 31, 2018						
	Capital balance	**Interest balance**	**Portfolio at amortized cost**	**Other items**	**Collateral balance**	**Capital impairment**	**Interest impairment**
Adequate Collateral of commercial portfolio							
Category A	596.119.646	4.098.303	$ 600.217.948	165.092	375.255.422	$ 715.496	$ 16
Category B	17.273.665	402.190	17.675.855	1.315.764	12.792.339	268.198	496
Category C	7.651.834	871.851	8.523.686	473.184	6.525.226	833.315	435
Category D	30.522.287	3.934.227	34.456.514	2.485.384	22.873.079	12.450.523	54.932
Category E	15.653.260	10.592.835	26.246.095	566.199	13.292.292	6.560.349	4.375.891
	667.220.692	19.899.406	687.120.098	5.005.623	430.738.358	20.827.881	4.431.769
Other Collateral of commercial portfolio							
Category A	6.294.745.571	40.605.066	6.335.350.637	3.162	589.084.916	22.749.042	228.227
Category B	6.375.496	276.056	6.651.552	3.369	2.394.471	1.592.139	69.049
Category C	2.536.486	252.437	2.788.923	22.857	454.750	1.476.763	167.087
Category D	13.264.807	2.662.527	15.927.334	720.167	508.125	8.447.135	1.532.240
Category E	21.891.927	16.073.557	37.965.484	90.320	6.810.212	10.025.929	7.172.588
	6.338.814.287	59.869.643	6.398.683.930	839.875	599.252.474	44.291.008	9.169.190

	December 31, 2018						
	Capital balance	Interes balance	Portfolio at amortized cost	Other items	Collateral balance	Capital impairment	Interest impairment
Adequate collateral of consumer portfolio							
Category A	1.639.748	6.781	1.646.529	821	3.905.692	-	-
Category D	105	138	243	948	26.390	79	103
	1.639.853	6.919	1.646.772	1.769	3.932.082	79	103
Other Collateral of commercial portfolio							
Category A	15.765	77	15.841	-	-	-	-
Category C	950	69	1.019	-	-	-	-
Category D	40.174	1.484	41.658	-	-	30.130	1.113
	56.889	1.630	58.519	-	-	30.130	1.113
Housing portfolio							
Category A	16.022.314	64.746	16.087.060	860	56.627.784	-	-
Category B	87.362	210	87.572	6	506.588	-	-
Category C	100.875	52	100.927	731	623.512	-	-
	16.210.551	65.008	16.275.559	1.597	57.757.884	-	-
Total gross portfolio	$ 7.023.942.272	$ 79.842.606	$ 7.103.784.878	$ 5.848.865	$ 1.091.680.798	$ 65.149.098	$ 13.602.175

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:

BLANK SPACE

December 31, 2019

Economic sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	ATLANTIC COAST	COFFEE REGION	OVERSEAS	WEST	SANTANDER AND NORTH	SOUTH-EAST	Total
Artistic, entertainment and recreational activities	$ 4.632.611	$ 8.212.027	$ 480.273	$ 3.652.147	$ 1.366.749	$ -	$ 2.335.496	$ 238.283	$ 337.315	$ 21.254.902
Lodging and catering activities	21.549.951	46.929.638	14.315.419	43.613.232	10.976.863	-	23.204.870	9.683.824	3.943.429	174.217.225
Household activities as employers	-	-	127.684	-	-	-	-	667	2.225	130.576
Administrative services and support activities	9.351.637	41.277.557	8.948.288	9.244.056	7.499.048	-	12.520.556	7.089.124	910.347	96.840.613
Financial and insurance activities	128.513.811	561.486.831	14.483.202	16.229.827	23.367.897	754.120.817	252.496.152	88.349.061	1.029.752	1.840.077.350
Real Estate activities	15.134.983	52.551.736	7.591.441	25.050.005	2.905.571	-	13.101.161	3.792.730	72.512	120.200.139
Professional, scientific and technical activities	25.659.545	84.302.025	11.310.048	15.166.702	5.701.554	-	21.716.727	9.686.011	2.606.411	176.149.024
Public administration-defence; social security	43.366	1.664.324	40.327	100.258	1.428.474	-	83.582	11.938	-	3.372.269
Agriculture, livestook, forestry and fishery	15.231.758	19.325.327	14.543.730	31.817.632	8.988.647	-	18.696.908	17.102.276	1.956.281	127.662.560
Employees	2.623.595	17.693.390	9.600	-	-	-	-	21.440	-	20.348.025
Human health care and social assistance	36.460.065	34.506.262	23.430.437	50.020.895	8.568.655	-	39.289.218	18.440.344	2.530.807	213.246.683
Wholesale and retail trade; vehicle repair	170.852.732	348.484.306	149.519.765	153.979.824	61.252.907	152.675.301	183.667.897	138.213.854	51.897.335	1.410.543.921
Construction	29.918.488	126.725.934	20.404.115	58.361.439	9.769.709	-	25.332.123	20.179.658	3.295.164	293.986.630
Water supply; waste water disposal and treatment	-	-	63.299	-	-	-	418.860	-	-	482.159
Teaching	8.243.341	18.135.477	13.736.886	5.729.679	2.263.661	-	4.643.376	10.150.365	1.324.640	64.227.426
Mining and quarrying activities	12.720.310	12.242.658	7.738.141	466.242	35.584	-	250.566	4.490.622	649.084	38.593.207
Manufacturing industries	427.898.740	319.839.541	113.146.270	75.340.475	106.758.376	208.379.197	182.319.470	76.391.510	6.698.527	1.516.772.105
Information and communication	25.369.448	245.584.779	6.362.742	25.361.626	1.415.691	-	9.145.341	1.157.414	1.507.960	315.905.001
Extraterritorial organizations and bodies	-	78.729	194.986	2.346	-	-	-	87.684	-	363.746
Other service activities	39.753.399	16.799.208	12.409.979	2.789.621	10.504.231	-	87.045.492	2.256.381	2.444.353	174.002.664
Water supply; waste water, waste and decontam.	2.037.876	2.258.728	4.804.470	11.770.808	590.880	-	667.109	1.293.278	448.275	23.871.423
Energy supply, gas, steam, air conditioning	83.620	14.362.126	4.414.759	28.585.154	-	-	72.201.905	614.323	213.772	120.475.659
Transport and storage	80.650.638	229.761.413	98.199.022	115.510.500	14.399.672	-	62.446.224	36.379.609	17.644.865	654.991.943
Rentiers - natural persons	137.759	335.263	-	274.757	-	-	-	24.923	1.005.301	1.778.003
Grand Total	**$ 1.056.867.673**	**$ 2.202.557.281**	**$ 526.274.885**	**$ 673.067.224**	**$ 277.794.170**	**$ 1.115.175.315**	**$ 1.011.583.034**	**$ 445.655.321**	**$ 100.518.353**	**$ 7.409.493.255**

December 31, 2018

Economic sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	ATLANTIC COAST	COFFEE REGION	OVERSEAS	WEST	SANTANDER AND NORTH SANTANDER	SOUTH-EAST	Total
Artistic, entertainment and recreational activities	$ 4.397.601	$ 10.340.226	$ 1.004.719	$ 3.711.444	$ 1.165.112	$ -	$ 2.403.453	$ 266.352	$ 157.134	$ 23.446.040
Lodging and catering activities	28.961.112	43.506.109	12.240.466	32.668.356	6.617.599	-	20.546.421	9.709.946	3.999.671	158.249.678
Household activities as employers	-	-	104.901	2.484	-	-	-	19.047	4.896	131.328
Administrative services and support activities	17.835.996	49.983.227	9.256.347	8.230.161	12.432.157	-	15.382.384	5.514.913	683.792	119.318.975
Financial and insurance activities	128.538.757	292.159.616	39.172.168	5.825.355	16.727.082	639.465.356	260.772.327	103.061.923	1.045.119	1.486.767.704
Real Estate activities	12.421.222	57.546.756	8.101.149	19.228.233	3.590.157	-	12.025.896	5.251.485	117.143	118.282.040
Professional, scientific and technical activities	26.180.814	75.490.485	10.630.232	12.323.584	4.546.828	64.817	20.720.541	13.441.517	1.701.268	165.100.086
Public administration-defence; social security	78.578	2.923.067	61.981	-	1.699.612	-	-	2.516	-	4.765.754
Agriculture, livestook, forestry and fishery	10.638.170	38.299.850	12.496.266	33.390.448	7.600.372	-	19.729.204	3.193.309	2.679.253	128.026.872
Employees	2.522.216	17.901.817	4.846	7.503	-	-	-	34.639	10.117	20.481.138
Human health care and social assistance	40.395.893	39.090.270	11.936.325	51.294.635	17.304.584	-	37.687.400	19.462.169	839.077	218.010.353
Wholesale and retail trade; vehicle repair	219.764.408	431.495.770	138.212.932	147.529.314	75.319.795	94.950.033	186.125.945	144.303.869	35.406.663	1.473.108.729
Construction	45.745.611	105.400.970	21.499.563	54.795.247	15.058.182	-	25.531.911	29.407.486	2.591.828	300.030.800
Teaching	10.654.667	23.682.272	7.761.638	3.023.087	2.827.786	-	5.314.034	6.647.309	412.192	60.322.986
Mining and quarrying activities	4.363.613	13.273.514	8.214.126	390.097	1.004.184	-	430.675	3.089.515	101.042	30.866.767
Manufacturing industries	358.472.369	292.288.451	106.943.086	122.128.760	91.824.090	211.196.996	234.265.104	77.217.801	1.758.904	1.496.095.562
Information and communication	19.146.054	30.925.619	1.672.876	40.713.991	1.029.804	-	7.109.405	2.910.307	314.794	103.822.851
Extraterritorial organizations and bodies	-	14.672	-	-	-	-	-	6.404	-	21.076
Other service activities	9.272.049	57.343.569	15.552.031	13.890.716	10.402.650	-	76.374.585	4.682.622	557.370	188.075.593
Water supply; waste water, waste and decontam.	2.156.558	1.870.566	5.436.876	12.930.111	224.932	-	2.413.950	1.528.229	501.200	27.062.422
Energy supply, gas, steam, air conditioning	836.609	285.237.603	19.249	16.529.127	-	-	16.005.231	1.446.846	364.008	320.438.672
Transport and storage	74.043.421	218.249.020	81.062.865	164.594.522	14.040.266	-	64.966.560	32.173.153	11.194.579	660.324.387
Water supply; waste waterdisposal and treatment	27.605	-	20.128	-	-	-	522.361	-	-	570.094
Rentiers - natural persons	223.716	215.514	-	-	-	-	-	25.742	-	464.972
Grand total	**$ 1.016.453.322**	**$ 2.087.023.448**	**$ 491.404.769**	**$ 743.207.175**	**$ 283.415.193**	**$ 945.677.202**	**$ 1.008.327.388**	**$ 463.371.358**	**$ 64.440.051**	**$ 7.103.784.878**

Portfolio by monetary unit

The information on the credit portfolio by monetary unit is as follows:

	December 31, 2019		
Modalities	**Legal tender**	**Foreign currency**	**Total**
Commercial	$ 5.426.225.051	$ 1.965.695.100	$ 7.391.920.151
Consumer	1.695.381	-	1.695.381
Housing	15.877.723	-	15.877.723
Total	$ 5.443.798.155	$ 1.965.695.100	$ 7.409.493.255

	December 31, 2018		
Modalities	**Legal tender**	**Foreign currency**	**Total**
Commercial	$ 4.900.329.345	$ 2.185.474.683	$ 7.085.804.028
Consumer	1.705.291	-	1.705.291
Housing	16.275.559	-	16.275.559
Total	$ 4.918.310.195	$ 2.185.474.683	$ 7.103.784.878

Portfolio by maturity period

The information on the credit portfolio by maturity period is as follows:

	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	$ 2.179.795.366	$ 2.775.912.751	$ 1.293.088.662	$ 1.083.667.017	$ 59.456.354	$ 7.391.920.151
Consumer	100.872	422.273	1.172.236	-	-	1.695.381
Housing	271.280	489.325	383.277	6.399.104	8.334.735	15.877.723
Total	$ 2.180.167.519	$ 2.776.824.350	$ 1.294.644.176	$ 1.090.066.122	$ 67.791.089	$ 7.409.493.255

	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	$ 1.945.874.395	$ 2.511.649.993	$ 1.319.161.447	$ 1.005.527.101	$ 303.591.091	$ 7.085.804.027
Consumer	287.802	565.166	183.202	591.417	77.706	1.705.292
Housing	260.001	321.002	266.461	5.731.107	9.696.989	16.275.559
Total	$ 1.946.422.198	$ 2.512.536.161	$ 1.319.611.109	$ 1.011.849.624	$ 313.365.786	$ 7.103.784.878

Portfolio by stages

The information on the credit portfolio by stages is as follows:

	December 31, 2019			
	Stage I	Stage II	Stage III	Total
Commercial	$ 6.798.761.325	$ 19.927.902	$ 89.670.770	$ 6.908.359.997
Consumer	1.430.034	215.969	49.379	1.695.381
Housing	13.772.189	1.986.412	119.122	15.877.723
Leasing	422.560.519	32.694.589	28.305.046	483.560.154
	$ 7.236.524.067	$ 54.824.871	$ 118.144.317	$ 7.409.493.255

	December 31, 2018			
	Stage I	Stage II	Stage III	Total
Commercial	$ 6.481.701.849	$ 51.925.068	$ 93.648.573	$ 6.627.275.490
Consumer	1.414.095	249.296	41.901	1.705.292
Housing	14.516.601	1.758.959	-	16.275.560
Leasing	410.220.191	20.292.159	28.016.187	458.528.537
	$ 6.907.852.736	$ 74.225.482	$ 121.706.661	$ 7.103.784.878

Restructured loans

Information on restructured commercial loan portfolio 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 C	1	11.543	20	1.136	20
Category D	3	805.495	7.976	296.577	7.246
Category E	3	6.074.000	137.366	6.074.000	1.659
Total	**27**	$ 7.206.268	$ 148.075	$ 6.380.837	$ 9.054

	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	Interest balance and other	Capital Impairment	Interest impairment and other
Category A	1	386.042	140	397	-
Category B	25	1.862.059	35.823	99.962	473
Category C	5	822.669	10.005	39.109	-
Category D	2	3.475.822	31.189	2.276.610	5.695
Total	**33**	$ 6.546.593	$ 77.157	$ 2.416.077	$ 6.168

Provision for credit losses

The information on the provision for credit losses as of December 31, 2019 and 2018 is as follows:

	December 31, 2019			
	Capital	Interest	Portfolio at amortized cost	Other items
Commercial	$ 6.030.144	$ 127.833	$ 6.157.977	$ 894.632

	December 31, 2018			
	Capital	Interest	Portfolio at amortized cost	Other items
Commercial	$ 827.858	$ 482.728	$ 1.310.585	$ 43.374

Provision for credit losses in 2019 is for Arco Grupo Bancóldex. Provision for credit losses in 2018 is for the Bank.

Bad-debt recovery

The information on bad-debt recovery is as follows:

	Dec 31, 2019	Dec 31, 2018
	Written-off portfolio recovery	Written-off portfolio recovery
Commercial	$ 1.410.902	$ 2.759.821

Impairment of loan portfolio

The information on impairment losses on loans is as follows:

	Commercial	Consumer	Housing	Total
Balance at December 31, 2017	**$ 71.722.093**	**$ -**	**$ -**	**$ 71.722.093**
Expenses	42.712.875	31.425	-	42.744.300
Write-offs	(1.353.959)	-	-	(1.353.959)
Recovery	(25.377.943)	-	-	(25.377.943)
Write-downs	412.726	-	-	412.726
Impact on OCI due to IFRS 9	(9.395.944)	-	-	(9.395.944)
Balance at December 31, 2018	**78.719.848**	**31.425**	**-**	**78.751.273**
Expenses	54.136.543	37.182	89.342	54.263.067
Write-offs	(6.157.977)	-	-	(6.157.977)
Recovery	(39.350.736)	(31.425)	-	(39.382.161)
Balance at December 31, 2019	**$ 87.347.678**	**$ 37.182**	**$ 89.342**	**$ 87.474.202**

The increase in the impairment amount is associated to the increase of the credit portfolio.

10. 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
Commissions	$ 2.003.105	$ 1.349.033
Leases	26.964	30.094
Lease of goods under operational leasing	32.033	3.907
Debtors	7.958	1.360.959
Payments from customers	5.826.840	5.847.965
Advance payments to contracts and suppliers	4.266.929	4.844.252
To employees	489.846	600.355
Security deposits (1)	15.815.478	47.531.127
Derivative operations settlement - CRCC (2)	18.040.421	18.292.085
Derivative operations settlement - OTC	8.292.925	66.750
Autonomous equity reimbursable expenses	156.874	106.763
Joint operations	825.105	5.902.787
Miscellaneous	4.469.783	2.616.011
	60.254.259	88.552.086
Minus account receivable impairment	(2.833.213)	(2.406.778)
	$ 57.421.046	$ 86.145.308

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

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

11. 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	$ 7.851.747	$ 8.244.192
Art and culture assets	33.216	33.216
Machinery and equipment available for leasing	5.113.920	4.018.094
Vehicles available for leasing	1.239.227	744.990
Immovable property available for leasing	4.924.878	1.984.354
Joint operations activities	17.008	14.640
Taxes	3.152.640	5.159.443
Other	1.271.066	324.336
	$ 25.181.350	$ 20.523.265

12. NON-CURRENT ASSETS HELD FOR SALE, NET

Non-current assets held for sale include assets received in exchange of a payment, returned assets and assets whose formal sale plan is expected to be completed in less than one year from the moment it has been awarded.

The balance of non-current assets held for sale as of December 31, 2019, and 2018 is as follows:

NON-CURRENT ASSETS HELD FOR SALE

		31 Dic. 2019		31 Dic. 2018
Assets received as payment				
Real estate	$	450.094	$	825.834
Real estate for housing		9.943.728		5.599.062
Real estate for uses different from housing		22.516.945		20.960.702
		32.910.767		27.385.598
Minus: Impairment of goods received as payment		(2.597.751)		(341.887)
Total revalued cost for goods received as payment	$	30.313.016	$	27.043.711

		31 Dic. 2019		31 Dic. 2018
Returned goods				
Machinery and equipment		5.383.376		4.243.181
Vehicles		79.891		1.546.161
Real Estate		32.292.113		37.729.445
		37.755.380		43.518.787
Minus: Impairment of returned goods		(7.038.916)		(8.084.243)
Total revalued amount of returned goods	$	30.716.464	$	35.434.544
Non-current assets held for sale				
Vehicles	$	8.583	$	35.039
Total	$	61.038.063	$	62.513.294

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 form housing (1 commercial premise, 2 land lots, 2 offices, and 1 warehouse). As of December 31, 2018, the Bank has 13 goods received in payment which include: 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 Bank made the necessary arrangements to sell these assets in 2019; and updated the commercial property appraisal in June, July and August. As result of this update, the properties were measured at fair value and $2,193,165 were recognized as impairment loss for assets received in exchange of payment, and returned assets were measured, decreasing impairment loss by $1,989,561. In 2019, the Bank sold the vehicle received in exchange of a payment in 2017.

These assets represent 5.4% and 6.2% of the total asset of subsidiary Arco Grupo Bancóldex as of December 31, 2019, and 2018, respectively. The Group's management is currently in the process of realizing these assets. Regarding the assets received in exchange of payment, the Subsidiary has performed the corresponding appraisals during 2019 and the assets are available for sale. There are insurance policies that cover theft, fire, earthquake, coup, riot, explosion, volcanic eruption, low tension, premises, loss or damage to offices or machinery.

As of December 31, 2019, 9 returned assets and 5 assets received in exchange of a payment were sold, which represented sales worth $6,458,352 and $948,223, respectively; these sales generated net revenue from the profit on sale worth $1,032,339 and $ $77,851, respectively, and a recovery of provisions worth $1,026,528 and $190,524, respectively.

13. PROPERTIES AND EQUIPMENT, NET

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

Cost of properties and equipment

Cost	Land, Buildings and Warehouses	Machinery, Fixtures and Fittings and Office Equipment	Transport Vehicles	Networks and Communication Equipment	Total
Balance at December 31, 2017	$ 58.128.168	$ 8.399.754	$ 919.817	$ 6.706.919	$ 74.154.658
Revaluation	(2.464.046)	-	-	-	(2.464.046)
Acquisitions	-	244.781	162.056	438.867	845.704
Write-downs	-	(407)	(83.000)	(38.511)	(121.918)
Sales	-	-	-	-	-
Transfers	-	-	(575.120)	-	(575.120)
Balance at December 31, 2018	55.664.122	8.644.128	423.753	7.107.275	71.839.278
Revaluation	11.181	-	-	-	11.181
Acquisitions	-	255.616	-	256.170	511.786
Write-downs	-	(217.186)	-	(48.552)	(265.738)
Sales	-	-	-	(17.229)	(17.229)
Balance at December 31, 2019	**$ 55.675.303**	**$ 8.682.558**	**$ 423.753**	**$ 7.297.664**	**$ 72.079.278**

Accumulated depreciation of properties and equipment

	Land, Buildings and Warehouses	Machinery, Fixtures and Fittings and Office Equipment	Transport Vehicles	Networks and Communication Equipment	Total
Accumulated depreciation					
Balance at December 31, 2017	(2.143.465)	(4.834.983)	(815.546)	(5.233.449)	(13.027.443)
Depreciations	(944.677)	(526.828)	(73.184)	(770.407)	(2.315.096)
Write-downs	-	407	63.633	36.523	100.563
Transfers	-	-	576.603	-	576.603
Revaluation	470.496	-	-	-	470.496
Balance at December 31, 2018	(2.617.646)	(5.361.404)	(248.494)	(5.967.333)	(14.194.877)
Depreciación	(946.407)	(513.548)	(65.408)	(569.803)	(2.095.166)
Write-downs	-	199.282	-	64.615	263.897
Balance at December 31, 2019	$ (3.564.053)	$ (5.675.670)	$ (313.902)	$ (6.472.521)	$ (16.026.146)

Net book value of properties and equipment

	Lands, Buildings and Warehouses	Machinery, Fixtures and fittings and Office Equipment	Transport Vehicles	Networks and Communication Equipment	Total
Joint Ventures 2018 (1)					
Cost	-	288.970	-	-	288.970
Depreciation	-	(287.451)	-	-	(287.451)
Joint Ventures 2019 (1)					
Cost	-	97.290	-	-	97.290
Depreciation	-	(83.732)	-	-	(83.732)
Net book value					
Balance at December 31, 2018	$ 53.046.476	$ 3.284.243	$ 175.259	$ 1.139.942	$ 57.645.920
Balance at December 31, 2019	$ 52.111.250	$ 3.020.446	$ 109.851	$ 825.143	$ 56.066.690

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.

Computer, networks and communication equipment – It includes purchases and/or capitalized reimbursements that met the recognition criteria for property and equipment elements.

Revaluation of lands and buildings – Regarding the valuation of properties, subsidiary Fiducoldex determined their fair market value through a comparative market analysis. That is, the appraiser calculated the value of the properties based on quoted prices in active markets, adjusted particularly by differences in the nature, location and/or condition of each property. The adjustment to the value of the warehouse appraised during 2018 amounted to $11,181. This adjustment was made by calculating the restatement rate and taking the value of the warehouse including the value of the land. Since this item is immaterial, the adjustment was made in this term.

Impairment of property, plant 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

Entities have not observed internal or external indicators that reflect a significant extent of impairment of the fixed assets represented in movable and immovable property. 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 property, plant and equipment.

The main movements that were registered in 2018 are described below:

Machinery – The movement that occurred in this account is mainly due to the purchases made during the year and derecognition of assets due to obsolescence, which had been measured at cost according to the cost model and depreciated 100% of their value.

Office equipment – The movement that occurred in this account is mainly due to the purchases made during the year.

Transport vehicles – The movement corresponds to the transfer of nine vehicles that were recognized by the Bank as non-current assets held for sale; during the fiscal year, the sale of seven of them was materialized and the sale of the remaining vehicles is expected to be finalized within the year following the date of classification into the new group.

As of December 31, 2019, and 2018, there are not restrictions on properties and equipment, and they are dully covered by insurance policies.

14. PROPERTY AND EQUIPMENT UNDER OPERATING LEASE

The information on assets leased under operating leasing is as follows:

	Machinery	Real Estate	Total
Cost			
Balance at December 31, 2017	$ 643.582	$ 9.446.810	$ 10.090.392
Revaluation	-	229.324	229.324
Sales (1)	-	(2.777.866)	(2.777.866)
Transfers	-	-	-
Balance at December 31, 2018	643.582	6.898.268	7.541.850
Revaluation	-	(1.350.530)	(1.350.530)
Acquisitions	-	4.119.548	4.119.548
Write-downs (2)	(643.582)	-	(643.582)
Transfers	-	(1.947.104)	(1.947.104)
Balance at December 31, 2019	**$ -**	**$ 7.720.182**	**$ 7.720.182**

	Machinery	Real Estate	Total
Accumulated depreciation			
Balance at December 31, 2017	$ (637.146)	$ (199.209)	$ (836.355)
Depreciation	(6.436)	(88.683)	(95.119)
Sales	-	130.665	130.665
Balance at December 31, 2018	(643.582)	(157.227)	(800.809)
Depreciation	-	(76.426)	(76.426)
Impairment	-	(789.164)	(789.164)
Write-downs	643.582	-	643.582
Transfers	-	21.431	21.431
Balance at December 31, 2019	**$ -**	**$ (1.001.386)**	**$ (1.001.386)**
Net book value			
Balance at December 31, 2018	**$ -**	**$ 6.741.041**	**$ 6.741.041**
Balance at December 31, 2019	**$ -**	**$ 6.718.796**	**$ 6.718.796**

(1) As of December 31, 2018, subsidiary Arco Grupo Bancóldex sold 2 properties that were under operating leases; the sale of these assets amounted to $ 2,727,000, which generated profit on revenue of $79,800 and a net of tax related effect in OCI worth $(1,667,352).

(2) In 2019, as per Deed number 338 by the Board of Directors, subsidiary Arco Grupo Bancóldex authorized to write off machinery leased under operating leasing for a total of $643,582.

Arco Grupo Bancóldex has maintained the necessary measures for the conservation and protection of the properties, equipment and goods leased under operating leases. As of December 31, 2019 and 2018, there are insurance policies that cover theft, fire, earthquake, coup, riot, explosion, volcanic eruption, low tension, premises, loss or damage to offices or vehicles. Property, plant and equipment and assets leased under operating leases were appraised in 2018 and 2017.

The depreciation of assets under operating lease charged to expenses for the years that ended on December 31, 2019 and 2018 is $ 76,426 and $ 95,119, respectively.

The classification and rating of accounts receivable, lease of assets leased under operating lease, payments from customers and others as of December 31, 2019 and 2018 is as follows:

	December 31, 2019			
	Present value of assets under leasing	**Fees and other concepts**	**Provision at present value**	**Provision, fees and others**
A – Normal	2,233,937	118	-	(83)
B – Acceptable	3,360,256	2,413	(789,164)	(803)
D – Significant	1,913,767	38,098	-	(39,190)
	7,507,960	40,629	(789,164)	(40,076)

	December 31, 2018			
	Present value of assets under leasing	Fees and other concepts	Provision at present value	Provision, fees and others
A – Normal	6,741,041	3,907	-	(49)
	6,741,041	3,907	-	(49)

15. INVESTMENT PROPERTIES

The information on 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.

The Bank reviewed the assets for impairment to evaluate if their value had changed due to internal and external factors (market, obsolescence, legal operative environment, among others). As a result of this analysis, it was determined that no impairment loss had occurred or that impairment indicators did not exist due to the aforesaid factors; therefore, as per the provisions established in the accounting policy, the Administration office is expected to carry out a technical appraisal to the Bank's facilities in 2020 considering that the last measurement of the fair value of such properties was made in December 2017 by TINSA Colombia Ltda. This is an independent firm that has the capacity and experience to perform 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, 2019
Lease income	$ 770.879	$ 744.989
Direct expenses	(55.541)	(47.883)
Total	**$ 715.338**	**$ 697.106**

16. FINANCIAL LEASING

The information on 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	917.202	169.990	-	5.649.284	6.736.476
Write-downs	(112.652)	(155.900)	-	(30.397)	(298.949)
Reciprocal transaction written-off	-	-	-	(2.781.634)	(2.781.634)
Balance at December 31, 2019	$ 2.787.009	$ 805.990	$ 188.816	$ 2.837.253	$ 6.619.068

	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	-	(26.680)
Amortization expense	999.560	150.727	62.939	1.316.921	2.530.147
Write-downs	(112.652)	(39.529)	-	(30.397)	(182.578)
Reciprocal transaction written-off	-	-	-	(695.408)	(695.408)
Balance at December 31, 2019	$ 1.395.552	$ 266.037	$ 68.184	$ 591.116	$ 2.320.888
Net book value					
At December 31, 2018	$ 1.473.815	$ 637.061	$ 183.571	$ -	$ 2.294.447
At December 31, 2019	$ 1.391.457	$ 539.953	$ 120.632	$ 2.246.137	$ 4.298.179

It corresponds to contracts classified as financial leases by Bancóldex and its subsidiaries, 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.

17. INTANGIBLE ASSETS

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

	Licences	Computer Programs	Total
Balance at December 31, 2019	$ 1.841.206	$ 9.646.854	$ 11.488.060
Acquisitions /Additions	1.845.862	2.112.326	3.958.188
Write-downs	-	(50.187)	(50.187)
Transfers (1)	1.642.287	(1.642.287)	-
Amortization expense	(1.598.242)	(1.000.862)	(2.599.104)
Balance at December 31, 2018	$ 3.731.113	$ 9.065.844	$ 12.796.957
Adquisiciones	1.318.610	1.008.709	2.327.319
Write-downs	(61.705)	-	(61.705)
Amortization expense	(2.181.059)	(1.292.568)	(3.473.627)
Balance at December 31, 2019	$ 2.806.959	$ 8.781.985	$ 11.588.944

(1) 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 at Bancóldex, which entered production on December 14, 2018.

The Entities do 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 less than 6 months	$ 109.079.648	$ 143.042.777
Issued for a period equal to 6 months and no greater than 12 months	102.729.578	165.123.866
Issued for a period equal to 12 months and no greater than 18 months	224.474.511	202.408.766
Issued for a period equal to or greater than 18 months	1.893.245.354	1.725.860.426
	2.329.529.091	2.236.435.835
Deposits in checkin account	-	-
Savings deposits (1)	181.205.304	-
Special collateral deposits	71.231.692	81.599.341
Purchased interbank funds	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
	$ 3.990.246.233	$ 3.838.109.399

(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)**	**Value USD**	**Value**	**Interes rate (%)**	**Trading term (Days)**	**Value USD**	**Value**
Legal currency								
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:

	December 31, 2019			December 31, 2018		
	Interest rate (%)	**Trading term (Days)**	**Value**	**Interest rate (%)**	**Trading term (Days)**	**Value**
Legal tender						
Simultaneous						
Other finacial institutions	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	September 6, 2012	September 6, 2012	September 6, 2019	Indexed to IPC
	238.890.000	Batch 1	September 6, 2012	September 6, 2012	September 6, 2022	Indexed to IPC
	500.000.000					
Authorized Amount	3.000.000.000					
First Issue	200.000.000	Green Bonds	August 9, 2017	August 9, 2017	August 9, 2022	Fixed Rate
Second Issue	400.000.000	Social Impact Bonds	May 24, 2018	May 25, 2018	August 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 IPC
Third Issue	400.000.000	Orange Bonds	November 29, 2018	November 29, 2018	November 29, 2021	Indexed to IBR
			November 29, 2018	November 29, 2018	May 24, 2021	Fixed Rate
Amount Used	**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.

19. BANK LOANS AND OTHER FINANCIAL OBLIGATIONS

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

	Dec 31, 2019	Dec 31, 2018
Legal tender		
Bank loans and other financial obligations		
Credits	$ 67.554.475	$ 38.109.246
Finagro	13.483.875	6.598.566
Findeter	989.953	-
Inter-American Development Bank	315.072.461	-
	397.100.764	44.707.812
Foreign Currency		
Bank loans and other financial obligations		
Acceptances	-	1.353.001
Foreign banks		
Credits	443.653.928	533.737.789
International bodies	102.912.475	131.083.839
Inter-American Development Bank	1.469.076.454	1.850.078.319
Andean Development Corporation	822.592.253	687.131.029
	2.838.235.110	3.203.383.977
	$ 3.235.335.874	$ 3.248.091.789

The information on bank loans is as follows:

	Dec 31, 2019			Dec 31, 2018		
	Interest rate	Value USD (thousands)	Value in COP	Interest rate	Value USD (thousands)	Value COP
Foreign Currency	(%)			(%)		
Short Term						
Toronto Dominion Bank Canada	2,34	51.902	$ 170.088.866	3,23	21.943	$ 71.308.865
The Bank Of Nova Scotia Canada	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 Canada	-	-	-	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						
Short term						
Banco de Bogotá	6,34	-	21.370.006	7,06	-	23.036.615
Bancolombia	6,27	-	17.351.722	6,39	-	15.072.631
Banco de Occidente	6,24	-	19.653.736	-	-	-
Banco Itaú	6,22	-	9.179.011	-	-	-
Findeter	7,69	-	989.953	-	-	-
Finagro	6,09	-	13.483.875	6,26	-	6.598.566
	6,26	-	82.028.303	6,72	-	44.707.812
Medium term						
Interamerican Development Bank USA	5,27	-	315.072.461	-	-	-
Total legal tender	5,48	0	$ 397.100.764	6,72	0	$ 44.707.812
Total credits		866.071	$ 3.235.335.874		985.316	$ 3.246.738.789
Short term	2,38	155.460	591.493.068	3,47	204.576	709.529.440
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
		866.071	$ 3.235.335.874		985.316	$ 3.246.738.789

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
National banks	18.083.188	63.945.115	-	-	-	-	82.028.303
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
	$ 643.118.738	$ 587.233.420	$ 42.721.663	$ 141.011.501	$ 352.174.099	$ 1.469.076.453	$ 3.235.335.874

	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
National banks	13.594.801	31.113.011	-	-	-	-	44.707.812
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
	$ 600.982.335	$ 387.502.818	$ 113.883.176	$ 131.083.839	$ 163.208.302	$ 1.850.078.319	$ 3.246.738.789

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

Equipment under finance lease	**Dec 31, 2019**	**Dec 31, 2018**
Initial balance	$ 1.888.650	$ 1.213.510
Additions	5.339.462	1.987.562
Interest taxation	517.275	312.384
Minus payments	(3.240.525)	(1.130.089)
Write-offs	192	(535.503)
Restatements	(1.141.625)	40.786
Final balance	$ 3.363.429	$ 1.888.650

At Bancóldex, computer equipment contracts are executed mainly with the companies Prointech Holding SAS and IBM de Colombia, while the contracts of vehicles were executed with ARCO Grupo Bancóldex and the Machinery and Equipment contract was signed with Datecsa S.A.

Financial Leasing Contract No. 101-1000-49848 of May 18, 2018 belongs to Subsidiary Fiducoldex. This contract worth $ 165,000 for an ATV Wagon by Toyota was entered into between Arco Grupo Bancóldex S.A. and Fiduciaria Colombiana de Comercio Exterior (Fiducoldex).

In December 2018, the contract was terminated and that included the option of buying the computers with the last payment of contract No. 015428 of December 18, 2015, entered into with BBVA.

The one-year (renewable) lease contract of one office located in Medellín, one warehouse and two server rooms located in Bogotá belongs to Subsidiary Arco Grupo Bancóldex.

20. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

	Dec 31, 2019	Dec 31, 2018
Commissions and fees	$ 554.374	$ 375.172
Costs and expenses payable	31.002	120.370
Dividends	2.334.891	2.277.512
Leases	14.831	37.413
Committed buyers	2.250	-
Transaction Contributions	625	33.464
Suppliers	5.655.381	6.002.612
Withholding and labor contributions	6.068.935	5.990.759
Insurance	1.127.280	1.036.589
Account payable in joint ventures	282.373	2.123.363
Future contracts settlement - CRCC (1)	18.088.080	19.532.263
Other accounts payable to employees	146	638
Accounts payable NPV Premium not used (2)	1.070.704	1.678.345
PTP Agreement payable (3)	620.196	620.196
392 MINCIT Agreement payable (4)	2.166.286	3.926.000
Payables in Foreign Currency (5)	7.203.151	677.427
Miscellaneous	779.466	2.096.057
	$ 45.999.971	$ 46.528.180

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

(1) The Central Counterparty Clearing House (CRCC) daily settles and reports the result of clearing for this type of operations so that the participating entities (Bancóldex, in this case) register the accounts receivable and/or payable. See the asset section in Note 10.

(2) It corresponds to the value of the resources not used by the beneficiaries of loans of the credit lines created by the Bank 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 requested the benefit. These unsolicited resources are returned to the contributor of the agreement that gave the resources for this type of operations.

(3) 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.

(4) 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.

(5) 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 on the balances by employee benefits as of December 31, 2019 and 2018 is as follows:

	Dec 31, 2019	Dec 31, 2018
Payroll payable	$ 991.433	$ 648.942
Severance	1.417.455	1.421.227
Interest on severance	162.947	166.116
Vacation pay	4.193.507	4.056.070
Vacation bonus	360.134	318.839
Bonuses	48.014	42.512
Other benefits	307.394	281.719
	$ 7.480.884	$ 6.935.425

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 lawsuits [(1)]	$ 326.087	$ 323.751
In Joint ventures [(2)]	549.094	520.632
Other provisions [(3)]	90.000	-
	$ 965.181	$ 844.383

(1) It corresponds to labor proceedings filed by third parties against Bancóldex.

The information on the proceedings against the Bank as of December 31, 2019 and 2018 with probable (high) rating is as follows:

Type of proceedings	Parties	General Information	Proceedings Status	Dec 31, 2019	Dec 31, 2018
LABOR	CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX and others.	Nature: Ordinary labor proceeding for an undetermined amount. (110013105014200700021-01) Identificación: 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	HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX	Nature: Ordinary labor proceeding for an undetermined amount. Identificación: 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

(2) The information on the provisions held by subsidiary Fiducoldex as a result of joint ventures as of December 31, 2019 and 2018 is as follows:

2019	Disputes	Others	Total
Book value at January 1, 2019	$ 518,468	$ 2,165	$ 520,633
Additions (1)	28,461	-	28,461
Reversions, unused amounts (-) (2)	-	-	-
Book value as of December 31, 2019	$ 546,929	$ 2,165	$ 549,094

2018	Disputes	Others	Total
Book value as of January 1, 2018	$ 459,475	$ 48,361	$ 507,836
Additions (1)	324,301	-	324,301
Reversions, unused amounts (-) (2)	(265,308)	(46,196)	311,504)
Book value as of December 31, 2018	$ 518,468	$ 2,165	$ 520,633

The provision recorded as of December 31, 2019 corresponds to Consortium Fosyga, which is composed of a 3.57% share in the financial information of the Consortium, covering 100% of the value of the claims that cover the estimated probable losses related to labor, civil and tax disputes (administrative and government channels).

The main assumptions included in the calculation of the provision are:

Number of Proceeding	Plaintiff	Value of the claim	Provision calculated 100% Dec 2019	Provision of share Dec 2019	Rating
2008-0368	Salud Total EPS	$ 95,606	$ 152,778	$ 5,454	Probable
2009-0268	Sanitas EPS	1,526,864	2,266,125	80,901	Probable
2010-0119	Sanitas EPS	862,453	1,254,927	44,801	Probable
2012-00467	Coomeva EPS	1,153,877	1,568,862	56,008	Probable
2010-00772	Coomeva EPS	196,769	286,312	10,221	Probable
2010-00807	Cafesalud EPS Cruz Blanca EPS Y SaludCoop EPS	6,499,215	9,456,796	337,608	Probable
2012-00616	Sanitas EPS	20,163	27,414	979	Probable
0409-2013	Sanitas EPS	93,295	123,543	4,411	Probable
	Total	$ 10,448,242	$ 15,136,757	$ 540,383	

Consortium FIDUFOSYGA 2005 handles nine legal proceedings against it, of which 8 are rated as probable. This relates to the recognition and payment of default interests that, as per the plaintiff companies, were caused by apparent arrears in payments related to rendered medical services and they should be assumed with charge at FOSYGA' subaccount as per the regulations that rule the area, despite the fact that it was provided by the plaintiff companies; together with the correspondent monetary update resulting from the consumer price index – CPI application.

An amount equivalent to a sum of $39,972,328 is currently accounted in the foresaid proceedings with an accounting provision in the financial reporting of the consortium based on the recommendation given by the Management Unit of the Consortium; and after considering the litigation risk rating provided by the proxies hired to defend the consortium parties interests. They established the loss risk of these legal proceedings assessed as eventual or probable. It is noteworthy that during 2019, three (3) out of twelve (12) legal proceedings handled on default interest recognition in favor of Health Insurance Entities (EPS) were in the end ruled in favor of the Consortium's interest. The value of such 3 proceedings amounted to $1,648,473.

On the other hand, Consortium Sayp recognized the fees of Esguerra Asesorías Jurídicas, Adres and GRM Colombia. Since it corresponds to an estimate, it is recorded as an estimated liability, with a balance through its share in the Trust Fund of $8,712.

The main contingencies, which subsidiary Fiducoldex is a part of as of December 31, 2019, that are assessed as eventual and should be revealed are described below:

Contingent Liabilities:

Sanctioning Process Number 2018-00152 handled by the National Superintendence of Health against Consortium Sayp 2011. It corresponds to a sanction imposed within the sanctioning process, which corresponds to an administrative investigation handled by the National Superintendence of Health against Fiduciaria Previsora and Fiducoldex. As they are parties of Consortium Sayp 2011 in settlement, and as indicated, the sanction is pecuniary and increases by the sum of Seventy times the Statutory Monthly Minimum Wage (70 SMLMV)

However, it is noteworthy that the resolution indicated as priority was not notified properly from the legal perspective of Consortium Sayp 2011 in Settlement, which stopped the appeal of law resources against it. In this context, and to execute the right to due process, a motion to dismissal was submitted on October 31, 2019 in order to take retroactively the effects generated after the issuance of the resolution in question.

Nonetheless, despite of the aforementioned appeal of law resources, the probability of payment of the fine is high, assessing it as eventually.

Proceedings against Fiducoldex (defendant)

Ordinary Labor Lawsuit – ONEIDA MEJIA IGUARIN. *(Fideicomiso Fiducoldex – SAMA)* – The plaintiff started an ordinary labor proceeding in order to obtain the payment of severance and interests on severance pay corresponding to years 2009, 2010, 2011 and 2012 when Ms. Mejia worked for the company SAMA LTDA.

While evidentiary material exists, the legal arguments outlined and the defense strategy adopted have a good chance of proving that the Trust Company does not have to make the payments required by the plaintiff. There is a chance that the office in charge may uphold the claims of the lawsuit.

During 2018, the proxy notes that the hearing date was set through writ dated August 22, 2018 and sets such date for November 6, 2018 at 10:00 a.m. in order to hold the process and judgment hearing. The requested testimonies and the closing arguments shall be received, and the decision due by law shall be issued. Thus, a hearing was held on November 6, 2018, where the closure of the evidential debate was promulgated, the closing arguments were submitted and the first instance sentence was issued IN FAVOR to the Entity's interests.

Considering the prior decision, the proxy of the plaintiff lodged an appeal, which was granted with suspensive effect. Similarly, as part of the dispute, the public-law entity, NATION – MINISTRY OF COMMERCE, INDUSTRY AND TOURISM, was provided the jurisdictional degree of counsel to be jointly processed with the appeal. The proxy states that no procedural actions have been submitted for the end of year 2018.

Ordinary Labor Lawsuit – ALEX ELOY MARTINEZ PINEDO *(Fideicomiso Fiducoldex – SAMA)* - The plaintiff started an ordinary labor proceeding in order to obtain the payment of severance and interests on severance pay corresponding to years 2009, 2010, 2011 and 2012 when Mr. Martinez worked for the company SAMA LTDA.

While the evidentiary material exists, the legal arguments outlined and the defense strategy adopted have a good chance of proving that the Trust Company does not have to make the payments required by the plaintiff. There is a chance that the office in charge may uphold the claims of the lawsuit.

For the term of year 2018, a hearing was held on April 24, 2018, where the remaining evidence was collected, the closure of the evidential debate was promulgated, the closing arguments were submitted and the first instance sentence was issued. It was ACQUITTAL to the Company's interests. Considering such decision, the plaintiff lodged an appeal, which was granted with suspensive effect.

On September 18, 2018, a hearing was set to be held on February 20, 2019 at 3:30 p.m. in order to issue the appeal sentence. The proxy states that no procedural actions have been submitted for the end of year 2018.

(3) Corresponds to the provision estimated by Bancóldex to the implementation of IFRS 16 on costs to be incurred at dismantling or restoring the place where the real estate taken in 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	$ 105.184.324	$ 92.942.035
Interest arising from restructuring proceedings	2.606.356	2.602.306
Deferred credits	602.749	270.328
Letters of credit - deffered payment	1.577.648	-
Credit memos to be applied to obligations upon collection	821.064	1.544.507
Income received for third parties	74.287	63.853
Miscellaneous - Agreements (*)	18.378.324	15.818.479
	$ 129.244.752	$ 113.241.508

(*) These balances correspond mainly to the resources received by Bancóldex from Ministries, Governor's and Mayors' Offices to finance lines with rate differentials. As of Decem

ber 31, 2019 and 2018, there were 114 and 66 agreements, respectively.

24. SHAREHOLDERS' 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 Ordinary (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, Bancóldex 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 Bancóldex 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 Bancóldex 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 Bancóldex 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 Bancóldex 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	$ 169.621.414	$ 157.984.351
Statutory		
Protection - Equity Funds	49.346.690	49.346.690
Occasional		
Protection – Credit portfolio	3.498.144	3.498.144
Tax provisions	32.514.236	31.501.109
	$ 254.980.484	$ 242.330.294

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 Entities have 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 Bancóldex' 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
Recovery of impairment		
Loan Portfolio	$ 30.220.075	$ 16.817.611
Accounts Receivable (1)	4.324.191	1.006.814
Financial leasing operations	6.118.040	8.134.345
Written-off goods	74.784	2.446.440
Reversal of impairment loss	3.248.672	1.288.624
Lease of own assets	1.364.082	1.769.559
Sale of property and equipment (2)	10.532	7.428.441
Activities in joint operations	4.899.024	23.315.441
Income from bad-debt portfolio and deeds in lieu	1.341.847	734.408
Income from prepayments of loan portfolio	-	1.707.362
Income from F.N.G.	470.882	294.034
Reimbursement of expenses from previous	3.795	1.755.099
Other	3.278.669	2.615.425
	$ 55.354.593	$ 69.313.603

(1) In 2019 the Reorganization Agreement of Colquesos under Law 1116 was registered in Bancóldex, which generated an interest impairment recovery worth $ 1,911,506.

(2) In 2018, it is mainly represented by the profit arising from sales of goods received in payment, returned goods and goods for own use. It corresponds to the price of sale minus the net depreciation cost.

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

26. OTHER EXPENSES

The information on other expenses is as follows:

	Dec 31, 2019	Dec 31, 2018
Contributions and affiliations	$ 2.859.415	$ 2.542.422
Legal and notarial expenses	40.596	24.100
Equity method	-	3.907.522
Insurance	2.636.078	2.462.669
Maintenance and repairs	4.788.024	5.349.298
Office adaptation and installation	501.335	368.431
Activities in joint operations	2.775.511	12.535.815

	Dec 31, 2019	Dec 31, 2018
Fines and sanctions	63.368	8.575
Cleaning and surveillance services	1.103.066	1.113.260
Temporary services	551.221	662.805
Advertising and publicity	382.000	248.380
Public relations	70.477	84.824
Utilities	1.110.835	1.170.698
Travel expenses	653.747	611.071
Transport	748.954	737.221
Supplies, stationery and reference books	222.808	261.030
Publications and subscriptions	352.649	222.417
Photocopying service	1.636	3.872
Digitalization services	53.380	64.476
Business lunches	74.616	68.854
Cafeteria supplies	267.230	316.380
Cleaning supplies	61.861	53.990
Courier and shipping services	259.086	369.279
Télex data transmission. tas. SWIFT	1.623.533	1.569.498
Building administration fee	1.551.264	985.393
Minor fixtures	9.564	13.813
Commercial information	871.085	869.794
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	59.347	67.864
Corporate communications	67.175	54.110
Internet and electronic communication services	479.439	409.990
Withholdings and taxes assumed	133.192	93.743
Disaster recovery service	319.319	372.804
Training	-	80.302
Prior period expenses	42.622	119.551
Events and snacks for business training and strategic planning	184.299	309.752
Goods received as payment and returned goods	1.558.191	316.736
Derecognition of portfolio interest IFRS 9 (1)	1.964.028	527.871
Income reversal from prior periods (2)	4.322.080	88.886
Other	1.934.015	2.496.364
	$ 35.531.176	$ 42.364.049

(1) The balance as of December 31, 2019 is represented by the following movements in Bancóldex:

Deudor	Total deuda	Valor restitución	Baja en cuenta intereses
Gestionarsa S.A. en Liquidación Judicial	$ 577,481	$ 397,902	$ 179,579
Frigocauca	4,765,976	2,981,526	1,784,450
	$ 5,343,457	$ 3,379,429	$ 1,964,028

(2) The balance as of December 31, 2019 is mainly represented by the registration of the Reorganization Agreement of Colquesos under Law 1116 in Bancóldex, which generated a difference between the interest recorded in the Separate Financial Statement (under IFRS Colombia) and the Consolidated Financial Statement (under Full IFRS) worth $ 4,308,265.

27. CURRENT TAX LIABILITIES AND DEFERRED TAX ASSETS AND LIABILITIES

The fiscal provisions applicable to the Entities 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	$ 116.050.893	$ 57.321.107
	116.050.893	57.321.107
Deferred tax:		
Compared to current year	(80.011.081)	10.921.295
Adjustments to deferred taxes attributed to changes in tax laws and rates	1.648.447	(1.296.649)
Other - Adjustments to withholdings of Fiducoldex Consortiums	6.748	-
	(78.355.886)	9.624.646
Total tax expense related to continuing operations	$ 37.695.006	$ 66.945.753

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	153.069.319	159.962.816
Income tax expense calculated at 40%	50.512.874	59.186.242
Effects of non-deductible expenses when determining taxable income	6.285.447	7.375.345
Income (loss) on realization of investments	194.338	455.701
Income (loss) on realization of derivatives	(3.512.994)	(4.862.764)
Non-taxable income under equity method	(7.751.694)	(713.324)
Tax-exempt reimbursement when determining taxable profit	(2.409.406)	(2.998.003)
Effects of tax-exempt or non-taxable income - Dividends	(2.537.017)	(2.005.404)
Tax discount (ICA)	(2.597.211)	-
Unrealized restatement of assets and liabilities	(3.871.227)	(7.820.697)
Other	3.381.894	18.328.657
Income tax expense recognized in profit or loss (related to continuing operations)	$ 37.695.006	$ 66.945.753

Bancóldex settled the income tax by the ordinary income system for 2019 and 2018.

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, 2018 and 2017 periods.

Law 1819 of 2016 established the income tax rate at 33% and 34% for 2018 and 2017, respectively. Similarly, a tax surcharge of 4% and 6% is established for the same periods, respectively. The income tax rate and surcharge rate are determined at 37% and 40% for 2018 and 2017, respectively.

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	(4.319.520)	6.970.790
Cost of uncontrolled investments	102.519	1.610.114
Hedging derivatives	(1.428.613)	(1.290.163)
Revaluation of assets	2.664.485	2.661.130
Impairment - IFRS 9	71.092	
Financial Leasing contract	(154.542)	2.661.130
Total profit tax recognized in other comprehensive income	$ 6.014.283	$ 16.757.430

Current tax liabilities

	Dec 31, 2019	Dec 31, 2018
Current tax liabilities	$ 115.423.184	$ 51.761.233
Advance payments and retentions	(34.666.445)	(22.262.989)
Total	$ 80.756.739	$ 29.498.244

Current taxes correspond to the Income Tax and Related Taxes for years 2019 and 2018. The balance due as of December 31, 2019 amounts to $80,756,739, where $78,922,191 correspond to Bancóldex and $ 1,834,548 to subsidiary Arco Grupo Bancóldex. Subsidiary Fiducoldex records a credit balance worth $2,981,475.

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	$ 212.226	$ 124.163
Loss on valuation of derivatives	30.459.003	-
Amortization of Software	88.934	101.031
Cost of movable goods / Machinery under leasing	265.282	2.158.884
Unrealized exchange difference in Foreign Exchange liabilities	34.443.745	32.523.168
Agreements	3.245.165	2.302.272
Investment portfolio	47.330	47.529
Depreciation of fixed assets	141.398	196.109
Impairment - IFRS 9	1.285.573	514.580
Other assets - Deferred charges - Goods received as payment	645.233	581.910
Leased properties	1.134.788	649.461
Provision of goods received as payment and returned goods	1.698.325	-
Impairment of investments	58.971	-
Decommissioning	32.400	-
Investment portfolio valuation - OCI	4.319.520	-
Hedging derivatives - OCI	1.428.613	1.290.163
Financial leasing contracts - OCI	154.542	-
Total deferred asset	79.661.047	40.489.270
Deferred tax liabilities		
Investment portfolio valuation	-	3.205.461
Profit in valuation of derivatives	3.814	3.622.719
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	10.204.636	12.311.395
Non-current assets	4.098.127	4.810.868
Deferred charges	297.986	310.970
Provision of goods received as payment and returned goods	4.698.054	-
Unrealized exchange difference in Foreign Exchange assets	5.652.046	40.349.090
Financial obligation - leased properties	1.147.936	613.233
Loan portfolio	36.758.307	41.166.340
Other deferred tax liabilities - OCI	11.913.603	15.386.463
Total deferred liabilities	79.427.037	126.699.912
Total	$ 234.010	$ (86.210.642)

2019	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Deferred tax (liabilities) / asset related to:				
Derivatives	$ (2.333.131)	$ 34.078.481	$ 138.450	$ 31.883.800
Property, plant and equipment	(13.636.831)	1.273.651	(3.355)	(12.366.535)
Non-current assets	(4.810.868)	712.741	-	(4.098.127)
Machinery under operational leasing	1.907.596	(1.642.312)	-	265.284
Depreciation of fixed assets	(259.468)	(98.365)	-	(357.833)
Other assets	149.627	(18.483)	-	131.144
Financial leases	649.461	485.327	-	1.134.788
Intangible assets	240.826	64.211	-	305.037
Provision of goods received as payment and returned goods	-	(2.999.729)	-	(2.999.729)
Unrealized exchange difference in Foreign Exchange assets and liabilities	(7.825.922)	36.617.621	-	28.791.699
Financial assets at fair value through profit or loss	(3.288.041)	3.347.012	-	58.971
Loan portfolio and accounts receivable	(41.166.339)	4.408.032	-	(36.758.307)
Available-for-sale financial assets	(6.970.790)		11.290.310	4.319.520
Valuation of equity funds	(8.168.346)	270.845	(4.905.697)	(12.803.198)
Portfolio valuation	47.529	(199)	-	47.330
Exchange difference on foreign operations	(899.455)		(28.737)	(928.192)
Provisions (administrative expenses - decommissioning)	124.029	120.596	-	244.625
Cost of Foreign Exchange investments	(1.610.115)		1.507.596	(102.519)
Other financial liabilities	(662.676)	(485.260)	154.542	(993.394)
Impairment - IFRS 9	-	1.285.573	(71.092)	1.214.481
Agreements	2.302.272	942.893	-	3.245.165
Total	$ (86.210.642)	$ 78.362.635	$ 8.082.017	$ 234.010

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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	$ (4.867.164)	$ 1.223.725	$ (2.333.131)
Property, plant and equipment	(14.998.335)	(757.159)	2.118.663	(13.636.831)
Non-current assets	-	(4.810.868)	-	(4.810.868)
Machinery under operational leasing	201.887	1.705.709	-	1.907.596
Depreciation of fixed assets	(118.165)	(141.303)	-	(259.468)
Other assets	58.673	90.954	-	149.627
Financial leases	397.108	252.353	-	649.461
Intangible assets	1.068.753	(827.927)	-	240.826
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)
Loan portfolio and accounts receivable	(44.072.507)	2.906.168	-	(41.166.339)
Available-for-sale financial assets	-	-	(6.970.790)	(6.970.790)
Valuation of equity funds	(9.057.225)	946.376	(57.497)	(8.168.346)
Portfolio valuation	52.161	(4.632)	-	47.529
Exchange difference on foreign operations	(682.700)	79.426	(296.181)	(899.455)

2018	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Provisions	101.066	22.963	-	124.029
Provisions of goods under leasing	(3.965.362)	3.965.362	-	-
Cost of Foreign Exchange investments	(2.877.958)		1.267.843	(1.610.115)
Other financial liabilities	(404.587)	(258.089)	-	(662.676)
Agreements	2.473.955	(171.683)	-	2.302.272
Total	$ (73.871.758)	$ (9.624.647)	$ (2.714.237)	$ (86.210.642)

28. CONTINGENCIES

As of December 31, 2019, and 2018, Bancóldex 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, Bancóldex recorded labor lawsuits 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**	Nature: 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**	-
Type of Process	**Parties**	**General Information**	**Process Status**	**Dec 31, 2019**	**Dec 31, 2018**
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 against Bancóldex:

	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, in Bancóldex.

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 Bogot‡ 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
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

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Parties	General Information	Process Status	Dec 31, 2019	Dec 31, 2018
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 in Bancóldex.

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 in Bancóldex.

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, in Bancóldex.

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

Parties	General Information	Process Status	Dec 31, 2019	Dec 31, 2018
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**

29. BUSINESSES MANAGED BY THE TRUST COMPANY

The value of assets and liabilities corresponding to all businesses managed by subsidiary Fiducoldex as of December 31, 2019 and 2018 is detailed below:

2019

Business category	Number of businesses	Asset	Liability
Administration and Payments			
Real Estate Businesses	5	$ 29,461,728	7,659,014
Businesses of Administration and Payments	93	2,548,815,098	622,435,290
Total Administration and Payments	98	2,578,276,826	630,094,304
Securitizations			
Businesses of Securitization Proceedings	1	83,892,041	58,807,766
Total Securitizations	1	83,892,041	58,807,766
Trust in Guarantee			
Businesses in Trust in Guarantee	38	18,890,589	158,443
Total Trust in Guarantee	38	18,890,589	158,443
Pension Liabilities			
Businesses of Pension Liabilities	9	6,432,134,092	17,346,747
Total pension liabilities	9	6,432,134,092	17,346,747
Collective Investment Fund			
CIFs Fiducoldex	1	175,883,163	167,179
CIFs 60 Moderate	1	34,260,838	26,651
Total Collective Investment Funds	2	210,144,001	193,830
Private Equity Fund			
Áureos Colombia Fund	2	15,605,012	8
Total Private Equity Fund	2	15,605,012	8
Total	$ 151	$ 9,338,942,561	$ 706,601,098

2018

Business category	Number of businesses	Asset	Liability
Administration and Payments			
Real Estate Businesses	3	$ 29,458,670	$ 7,660,483

2018			
Business category	**Number of businesses**	**Asset**	**Liability**
Businesses of Administration and Payments	111	1,813,886,786	309,088,293
Total Administration and Payments	114	1,843,345,456	316,748,776
Securitizations			
Businesses of Securitization Proceedings	1	90,473,885	65,241,286
Total Securitizations	1	90,473,885	65,241,286
Trust in Guarantee			
Businesses in Trust in Guarantee	34	13,130,774	359,180
Total Trust in Guarantee	34	13,130,774	359,180
Pension Liabilities			
Businesses of Pension Liabilities	10	6,034,090,815	18,119,927
Total pension liabilities	10	6,034,090,815	18,119,927
Collective Investment Fund			
CIFs Fiducoldex	1	135,924,245	136,753
CIFs 60 Moderate	1	17,573,327	15,287
Total Collective Investment Funds	2	153,497,572	152,040
Private Equity Fund			
Áureos Colombia Fund	1	29,218,589	8
Total Private Equity Fund	1	29,218,589	8
Total	162	$ 8,163,757,091	$ 400,621,217

30. OPERATING SEGMENTS

The assets and net consolidated P&L of Bancóldex Group for the different businesses as of December 31, 2019 and 2018 are presented below:

December 31,2019 Figures in $ thousands	Business Bancóldex	Arco Bancóldex Group	Trust Managemet Business Fiducoldex	SUB-TOT	Removals		Consolidated Statement
					Debit	Credit	
Amount of Primary Related Assets	8.734.040.218	916.973.582	64.952.849	9.715.966.649	522.302	308.780.000	9.407.708.951
Amount of Managed Assets (Trust Management business)			9.338.942.562	9.338.942.562			9.338.942.562
STATEMENT OF INCOME							
Financial earnigs generated	2.091.396.435	87.165.983	33.398.834	2.211.961.252	10.337.681	9843	2.201.633.414
Financial expenses	1.888.144.420	37.865.906	246.029	1.926.256.355		8.017.624	1.918.238.731
Other Financial income and/or expenses (includes commissions)	-7.140.711	-1.016.119	78.177	-8.078.652			-8.078.652
Gross Financial Marging	**196.111.305**	**48.283.958**	**33.230.982**	**277.626.246**			**275.316.032**
Balance Portfolio provisions	6.530.828	8.195.812	21.279	**14.747.919**	113.473	103.839	14.757.553
Net Financial Marging	**189.580.477**	**40.088.146**	**33.209.703**	**262.878.327**			**260.558.478**
Operating Expenses:							
Administrative Expenses	69.428.082	16.390.782	28.014.385	113.833.249		764.426	113.068.823
Financial Corpoorate tax (*)	15.534.567	2.599.512	1.776.133	19.910.212			19.910.212
Others provisions (**)	5.431.261	0	0	5.431.261			5.431.261
Operating profit	**99.186.567**	**21.097.852**	**3.419.185**	**123.703.605**			**122.148.183**
Net other income/expenses(includes dividens) (***)	44.960.786	956.211	418.855	46.335.851	15.414.716		**30.921.136**
Profit before tax	**144.147.354**	**22.054.063**	**3.838.040**	**170.039.457**			**153.069.319**
Income tax	27.254.453	9.796.405	644.148	37.695.006			37.695.006
Net Income	**116.892.901**	**12.257.658**	**3.193.892**	**132.344.451**		**16.970.138**	**115.374.313**

(*) Includes different income taxes
(**) Includes different portfolio provisions presented net recoveries and ARCO includes the provisions of goods returned of received in payment (BRDP´s)
(***) Includes the other income and expenses not considered in the financial marging and the expenses of BRDP´s

December 31,2018	Business Bancóldex	Arco Bancóldex Group	Trust Managemet Business Fiducoldex	SUB-TOT	Removals		Consolidated Statement
					Debit	Credit	
Amount of Primary Related Assets	8.618.806.058	796.310.261	64.036.729	9.479.153.048	351.156.561	311.340.364	9.518.969.245
Amount of Managed Assets (Trust Management business)			8.163.757.092	8.163.757.092			8.163.757.093
STATEMENT OF INCOME							
Financial earnigs generated	2.289.138.482	81.313.483	47.721.334	2.418.173.299	12.212.986		2.405.960.312
Financial expenses	2.065.220.851	36.844.234	188.408	2.102.253.492		9.093.664	2.093.159.829
Other Financial income and/or expenses (includes commissions)	-936.962	-876.089	75.993	-1.737.058			-1.737.058
Gross Financial Marging	**222.980.669**	**43.593.160**	**47.608.918**	**314.182.748**			**311.063.425**
Balance Portfolio provisions	8.123.482	1.539.389	86.073	9.748.945	125.082	111.696	9.762.331
Net Financial Marging	**214.857.187**	**42.053.771**	**47.522.845**	**304.433.803**			**301.301.094**
Operating Expenses:							
Administrative Expenses	66.962.126	17.180.957	38.188.211	122.331.294	2.712.636	811.696	124.232.234
Financial Corpoorate tax (*)	16.627.154	2.624.206	1.776.133	21.027.492			21.027.492
Others provisions (**)	9.171.953	0		9.171.953			9.171.953
Operating profit	**122.095.954**	**22.248.608**	**7.558.501**	**151.903.064**			**146.869.414**
Net other income/expenses(includes dividens) (***)	23.578.928	5.995.929	724.693	30.299.551	19.918.786		**10.380.765**
Profit before tax	**145.674.882**	**28.244.538**	**8.283.194**	**182.202.614**			**157.250.179**
Income tax	52.830.282	11.152.481	2.962.989	66.945.752			66.945.752
Net Income	**92.844.600**	**17.092.057**	**5.320.205**	**115.256.862**			**90.304.427**

(*) Includes different income taxes
(**) Includes different portfolio provisions presented net recoveries and ARCO includes the provisions of goods returned of received in payment (BRDP´s)
(***) Includes the other income and expenses not considered in the financial marging and the expenses of BRDP´s

31. RELATED PARTIES

The Entities consider 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 are clear examples of persons or entities that influence or may have an effect on the P&L and the financial situation of the Entities. 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 Entities are considered administrators, as well as Directors and Managers of Subsidiary Fiducoldex.

Operations with related parties – The Entities 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 Bancóldex 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 and members of the Board of Directors of the Entities is as follows:

Head Office

Operations with shareholders

	Dec 31, 2019	Dec 31, 2018
ASSETS		
Investments		
Ministry of Finance and Public Credit	$ 1.123.715.352	$ 998.455.029
Provision for investments		
Ministry of Finance and Public Credit	(228.284)	(223.190)
Prepaid expenses		
Ministry of Finance and Public Credit	6.220.914	6.679.911
	$ 1.129.707.982	$ 1.004.911.750

	Dec 31, 2019	Dec 31, 2018
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	-	32.888
Other liabilities		
Ministry of Commerce, Industry and Tourism	5.603.491	1.559.657
	$ 13.025.182	$ 7.887.813
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	16.075.832	27.824.705
	$ 1.075.639.347	$ 1.087.388.220
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	73.787.489
	$ 76.147.235	$ 73.860.474
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
Provisions		
Ministry of Finance and Public Credit	5.094	22.813
	$ 15.078.889	$ 7.217.585

The balances of assets with shareholders correspond to investments that Bancóldex 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 and 2018 was 5.20% and 5.58%, respectively. Neither free-of-charge services nor paid services were offered between Bancóldex 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	$ 571.162	$ 435.931
Consumer	148.096	16.295
Accounts receivable		
Interest receivable	2.705	2.267
Social welfare	10.759	12.080
Other	14.126	34
	$ 746.849	$ 466.606
LIABILITIES		
Accounts payable		
Other	$ -	$ 665
Holidays	306.151	253.710
	$ 306.151	$ 254.375
INCOME		
Portfolio income		
Interests on loans	$ 40.921	$ 28.552
Income - Miscellaneous		
Profit from real estate sales	7.348	-
Other income	90	0
	$ 48.359	$ 28.552
EXPENSES		
Staff Expenses		
Staff Expenses	$ 3.303.825	$ 3.242.777
Expenses - Miscellaneous		
Assumed Withholdings	-	4.800
Other	68.594	22.813
	$ 3.372.418	$ 3.270.389

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

Operations with members of the Board of Directors

	Dec 31, 2019	Dec 31, 2018
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 Bancóldex and the members of the Board of Directors. Neither were interest-free loans nor operations different from those carried out with third parties.

Fiducoldex

	2019	2018
Salaries and other short-term employee benefits	$ 6,122,367	$ 5,397,726
Remuneration granted to the key administration staff	$ 6,122,367	$ 5,397,726

The disclosed amounts are recognized as cost or expense during the reporting period for compensation of the key staff of subsidiary Fiducoldex.

The balance of the transactions with related parties is detailed below:

	2019	2018
Operational expenses		
Foreign Trade Bank - Leases – others	$ 708,729	$ 764,281
Chamber of Commerce of Bogotá - Renewals, enrollments, Certificates	37,017	21,628
	$ 745,746	$ 785,909
Operations with members of the Board of Directors		
Operational expenses		
Fees – Board of Directors	$ 98,546	$ 88,280
Fees – Audit Committee	24,116	29,594
Fees – Risk Management Committee	30,640	24,218
Fees – Investment Committee	4,969	-
	$ 158,271	$ 142,092

		2019		2018
Operations with directors				
Salaries	$	4,490,866	$	4,353,255
Disability		52,910		53,957
Monetary aid for education		608,018		445,380
Holidays		305,075		240,074
Bonuses		10,711		42,358
Allowances and others		371,997		127,834
Special loans		21,876		24,342
Health aid		76,240		63,200
Compensations		161,911		47,326
Maternity leave		22,763		-
	$	6,122,367	$	5,397,726

The disclosed amounts are recognized as cost or expense during the reporting period for compensation of the key staff of subsidiary Fiducoldex.

Arco Grupo Bancóldex

Operations with shareholders – The information on the financial statement headings that include balances or transactions with majority shareholders is as follows:

Operations in companies where Shareholders, Members of the Board of Directors or Company's officials own investments with more than ten per cent (10%) share.

Bancóldex owns 87.45% share.

		2019		2018
Assets:				
Accounts receivable	$	2,217	$	12,193
Vehicle under financial leasing		600,187		685,229
Liabilities:				
Credits from banks and other financial obligations		137,725,825		154,245,010
Interest payable		332,181		474,905
Accounts payable		89,823		42,807
Direct operational expenses (interest on financial obligations, leases, maintenance)		7,928,609		9,086,587
Operational income		50,776		54,492
Debtor accounts (payable)		8,531,013		10,597,341
Creditor accounts (receivable)		204,681,224		216,197,187

The National Guarantee Fund owns a 12.48% share.

		2019		2018
Liabilities:				
Accounts payable	$	58,771	$	79,242
TDCs plus interest		2,018,843		2,018,990
Operational expenses		106,557		95,347
Creditor accounts (receivable)		20,681,535		19,365,449

Operations carried out with administrators - The information on the financial statement headings that include balances or transactions with administrators is as follows:

		2019		2018
Loans to employees	$	281,477	$	315,918
Provisions		2,815		3,157
Liabilities (work)		454,378		210,297
Liabilities (others)		2,630		2,508
Direct operational income		15,973		19,768
Direct operational expenses		1,784,238		1,793,251

Subsidiary Arco Grupo Bancóldex granted credits to the directors under the general procedural manual of loans to employees approved by the Board of Directors. The labor payments comply with the labor policies and standards in force as of December 31, 2019.

Board of Directors – Payments made by subsidiary Arco Grupo Bancóldex to the members of the Board of Directors correspond to fees paid for attending meetings of the Board of Directors and external committees which amounted to $ 207,857 and $ 222,654 for years 2019 and 2018, respectively.

32. RISK MANAGEMENT

Bancóldex Group'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 of each one of the Entities defined by each Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks in pursuit of the organization'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 Operational Risk Management System (SARO), the Information Security and Business Continuity System (SGSI) 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 of each one the subsidiaries is the main body responsible for the risk management and as such it leads the process and decisions on this matter. The respective Board approves the general risk management policies and the organizational structure that supports the Bank's management procedures through the different risk systems.

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 each subsidiary 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. Bancóldex has the following committees; however, there are similar bodies in each one of the subsidiaries, which support all decisions made in each of the Board of Directors.

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.

Body	Risk category	Main functions
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 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 the Bank. • 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 the Bank's 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.

a) Credit risk

Qualitative information – The Bancóldex Group's credit risk management is aligned with the standards established by the Financial Superintendence of Colombia and the International Financial Reporting Standards. 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 Bancóldex Group'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 Group has methodologies and credit risk analysis models that support specialized granting and monitoring processes for its different segments.

Given the fact that the Bancóldex' portfolio almost completely consists in financial intermediaries (local credit establishments, financial intermediaries abroad and micro-enterprise credit entities), the risk rating models are based on the CAMEL methodology and include quantitative and qualitative aspects, as well as prospective analysis. The models also include statistical information and are complemented by expert judgment.

Therefore, subsidiary Arco Grupo Bancóldex relies on a methodology to rate businesses for granting and monitoring purposes. This methodology seeks to assess the debtor's ability to pay and is based on the knowledge of the credit subject, its payment capacity and the characteristics of the contract to be entered into. The characteristics include the financial conditions of the loan, the guarantees, the payment sources and the macroeconomic conditions to which it may be exposed, amongst others. The granting process has established variables for each one of the portfolios, which allow to discriminate credit subjects who fit the Entity's risk profile. The process to segment and discriminate credit portfolios and their possible credit subjects serves as a basis for its rating. The methodologies and procedures implemented in the granting process allow to monitor and control the credit exposure of the different portfolios, as well as the exposure of the aggregate portfolio. Thus, avoiding an excessive concentration of credit by debtor, economic sector, economic group, risk factor, etc.

At Bancóldex and Arco Grupo Bancóldex, 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. The Risk Vice-Presidency regularly reports the results of the credit risk analysis and the evolution of the risk profile of credit operations to the Board of Directors and the different Committees. All the credit portfolio ought to be monthly rated as part of the follow-up and monitoring process by implementing the regulatory guidelines, which take into consideration the financial position and payment capacity of each debtor.

The processes and technology adopted by Bancóldex Group allow managing any credit operation during the stages of granting, monitoring and recovering.

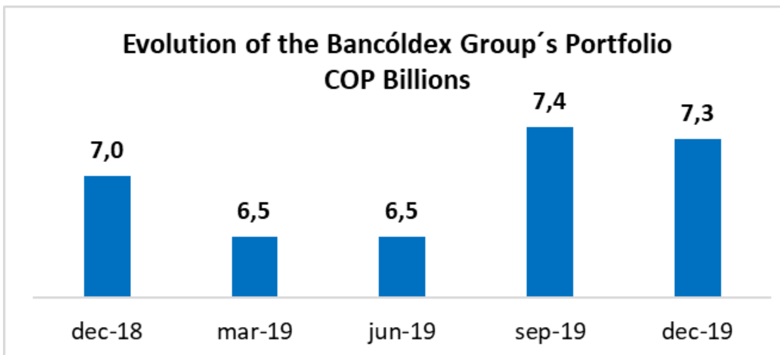
Periodic reports of early warnings, forecasting and scenario analysis continued to be strengthened in all segments during 2019. Policies and methodologies were developed for the segment of microfinance institutions in order to work together with new financial intermediaries such as Fintech.

As for the measurement of the impairment of financial assets, Bancóldex Group follows the provisions established in the guidelines defined by IASB in IFRS 9 (financial instruments). This standard replaced IAS 39 and entered into force on January 1, 2018.

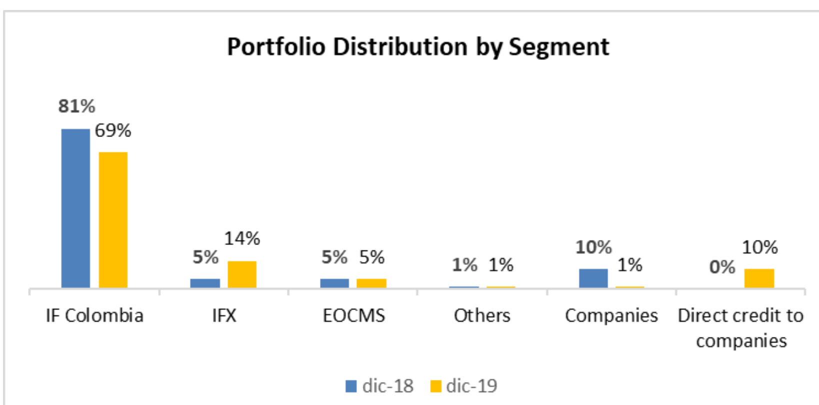
Quantitative information - Consolidated exposure to credit risk. The Bancóldex Group's maximum exposure to credit risk is reflected in the book value of financial assets in the balance sheet as of December 31, 2019 and 2018 as shown below:

	Dec-19	Dec-18
Loan portfolio	7.322.217.098	7.023.942.272
Debt securities	1.136.636.282	1.052.108.224
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	**9.197.787.700**	**8.994.252.940**

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 – Bancóldex Group 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

Distribution by type of portfolio

Type of portfolio	Dec-19	Dec-18
Commercial	7.304.720.594	$ 7.006.034.979
Consumer	1.687.675	1.696.742
Housing	15.808.830	16.210.551
Total	**$ 7.322.217.099**	**$ 7.023.942.272**

The structure of the Bancóldex Group's loan portfolio mainly contemplates the commercial loan modality. Moreover, Bancóldex 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	$ 7.190.528.557	$ 6.908.487.448
B	32.242.959	23.757.874
C	19.513.095	10.323.322
D	36.787.333	43.828.443
E	43.145.155	37.545.185
Total	**$ 7.322.217.099**	**$ 7.023.942.272**

Distribution by country

Country	Dec-19	Dec-18
Colombia	$ 6.295.091.974	$ 6.251.671.717
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	286.366.472	39.981.767
Total	**$ 7.323.477.099**	**$ 7.023.942.272**

Portfolio quality indicators

Portfolio quality		**dec-19**	**dec-18**
Risk Profile	Indicator[1]	1.8%	1.6%
	Coverage (times)	0.5	0.6

1 Risk profile indicator = B-E Rated Portfolio/Gross Portfolio

2 Coverage= Provisions/ B-E Rated Portfolio

As of December 2019, the balance of the gross portfolio amounted to $ 7,323,477 registering an annual increase of 4.2%, due to greater use in the portfolio of abroad intermediaries. The risk profile indicator stood at 1.8% and it partly corresponds to the impairment of the credits of subsidiary Arco Grupo Bancóldex and the obligations of the companies that belong to Internacional Compañía de Financiamiento.

Impairment indicators

Portfolio quality		**dec-19**	**dec-18**
Impairment value $ million	Bancóldex Group	71,729,088	65,149,099
	Bancóldex	47,366,586	40,760,974
	ARCO	24,362,501	24,737,854
Impairment indicator[1]	Bancóldex Group	0.97%	0.95%
	Bancóldex	0.71%	0.63%
	ARCO	3.14%	3.97%

[1] Impairment indicator = Impairment/gross portfolio

The operations that record impairment correspond mainly to operations of subsidiary Arco Grupo Bancóldex, which record a delinquency rate greater than 90 days. As for Bancóldex, these operations correspond to the portfolio received from Internacional Compañía de Financiamiento.

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, Bancóldex Group 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 Bancóldex' Risk Management 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* – Bancóldex Group has alert indicators that allow the timely identification of changes in the financial situation of the counterparties. The Bancóldex' Risk Vice-Presidency submits periodic reports to the Risk Management 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 –Bancóldex Group 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, share price risk and investment fund 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 different bodies of each one of the Entities. 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 Entities. his is all consolidated in the Market Risk Management System (SARM) Manuals of each one of the Entities, which defines policies, organizational structure, methodologies, etc.

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

The Bancóldex Group'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, collective portfolios or investment funds. The subsidiaries must have a business strategy, in order to ensure that the assumed risks do not affect the soundness and stability of the Group's equity.

As far as Bancóldex Group is concerned, the Risk Vice-Presidency at Bancóldex or its equivalent at each one of the subsidiaries 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 of each one of the Entities the responsibility of approving the maximum levels of exposure to market risks that the Entities may assume in each of the Treasury's products.

In order to know the level of risk assumed, Bancóldex Group 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 for credit establishments and Annex II for the trust company. In the case of Bancóldex, e 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; in the case of Arco Grupo Bancóldex, no value at risk was reported since the investments reported are classified at amortized cost, and they are not calculated in the Market Risk Calculation. The value at risk of Bancóldex is calculated on a daily basis in the Financial Risk Department. The calculated VaR is incorporated into the solvency level as per current regulations. Fiducoldex calculates the Value at Risk monthly as per the applicable regulations.

In addition to regulatory compliance, Bancóldex and Fiducoldex use an internal value-at-risk measurement model, whose results are used as a complementary mechanism for analysis and management. These internal models allow 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. Particularly for Bancóldex, 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*. The subsidiaries –given their low market risk level– do not conduct Back and stress testing. Subsidiary Fiducoldex has a value-at-risk model under the Risk Metrics methodology of JP Morgan. The methodologies used to measure VaR are regularly assessed and tested for back-testing to allow determining their effectiveness. Moreover, this subsidiary regularly conducts stress tests and/or awareness of the managed portfolios.

Quantitative information - The following table shows the Bancóldex' investment portfolio as of December 31, 2019 and 2018:

	Dec-19	% Share	Dec-18	% 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		
Investments	**Maximum amount**	**Minimum amount**	**Average amount**
At amortized cost	-	-	-
At fair value with changes in OCI	532.461.682	397.285.471	424.273.697
At fair value	662.062.413	382.846.213	541.513.997

	Year 2018		
Investments	**Maximum amount**	**Minimum amount**	**Average amount**
At amortized cost	-	-	-
At fair value with changes in OCI	341.477.194	228.232.943	290.359.072
At fair value	749.629.348	535.370.796	671.195.788

The investment portfolio of Fiducoldex as of December 31, 2019 and 2018 is presented below:

	Dec-19	% Share	Dec-18	% Share
At amortized cost	-	0%	-	0%
At fair value with changes in OCI	-	0%	-	0%
At fair value	28.587.915	100%	24.209.758	100%
Total	28.587.915		24.209.758	

The value of the investment portfolio at fair value increased by 18% compared to 2018. 54.8% corresponds to *Confiar* stabilization fund – *Fonpet* and the remaining 45.2% corresponds to the investment portfolio.

Mo Maximum, minimum and average amounts of the investment portfolio:

	Year 2019		
	Maximum amount	Minimum amount	Average amount
At amortized cost	-	-	-
At fair value with changes in OCI	-	-	-
At fair value	29.092.733	23.800.552	26.393.745

	Year 2018		
	Maximum amount	Minimum amount	Average amount
At amortized cost	-	-	-
At fair value with changes in OCI	-	-	-
At fair value	28.962.914	24.088.852	26.988.887

Total market risk – Bancóldex Group's total market risk exposure is obtained independently by the applicable regulations.

In the case of Bancóldex, it is calculated as the algebraic sum of the exposures to interest rate risk, exchange rate risk, share price risk and collective portfolio risk in accordance with Annex I of Chapter XXI of the Basic Accounting and Financial Circular Letter.

The total variation of the market risk for Bancóldex 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' market risk exposure increased by 9% compared to 2018, due to the higher value of the investment portfolio and the increase of lengths, which is reflected in a 31% increase in the interest rate module.

Total market risk exposure of Fiducoldex is calculated by implementing the so-called standard methodology established by the Financial Superintendence of Colombia in Annex 2 of Chapter XXI of the Basic Accounting and Financial Circular Latter.

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

	Year 2019			
Risk Factor	**Maximum**	**Minimum**	**Average**	**End of the year**
Interest rate CEC pesos - component 1	6,906	-	2,146	6,548
Interest rate CEC pesos - component 2	1,868	-	581	1,079
Interest rate CEC pesos - component 3	592	-	132	49
IPC Interest rate	89,737	-	26,304	9,093
Collective Portfolios	16,922	6,806	11,901	14,492
Non-Diversified VaR	108,558	6,835	41,065	22,168
Diversified VaR	**91,471**	**6,836**	**32,414**	**13,062**

	Year 2018			
Risk Factor	**Maximum**	**Minimum**	**Average**	**End of the year**
Interest rate CEC pesos - component 1	11,683	-	2,547	2.1
Interest rate CEC pesos - component 2	1,308	-	419	2.4

Interest rate CEC pesos - component 3	2,092	-	512	0.4
Interest rate CEC UVR - component 1	462	-	37	-
Interest rate CEC UVR - component 2	1,865	-	402	-
Interest rate CEC UVR - component 3	104	-	10	-
DTF Interest rate - node 1 (short term)	2,231	-	63	-
IPC Interest rate	13,549	-	3,587	9,093
Collective Portfolios	13,658	8,710	10,441	9,544
Non-Diversified VaR	27,445	10,118	18,019	18,643
Diversified VaR	**16,524**	**5,023**	**10,777**	**14,001**

Fiducoldex' market risk exposure registered a 7.19% decrease from $ 14,001 thousand pesos at the end of December 2018 to $ 13,062 thousand pesos at the end of December 2019.

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 different regulation and control bodies. Accordingly, the Treasury of the different Entities manages the cash flow, taking into account the funding costs and short-term cash commitments. Similarly, the risk areas develop and implement methodologies to alert, monitor and project the possible triggers of the liquidity risk, while the *Back Office* ensures operational compliance with the cash flows of the Entities.

In order to measure liquidity risk, Bancóldex and Arco Grupo Bancóldex use 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). Moreover, Fiducoldex applies an internal methodology for liquidity risk measurement approved by the SFC and a standard methodology for collective investment funds (CIFs) established by the regulatory Body. Similarly, the Entities have a complementary internal model for measuring liquidity, which establishes early warning indicators and stress scenarios.

Bancóldex Group 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 each business.

Furthermore, Bancóldex Group holds regular meetings with the different risk areas of the Entities. The objective of the meetings is to align risk policies and methodologies, as well as to review the main liquidity risk indicators in order to know the status of the Entities and propose possible alternatives over them.

Similarly, Bancóldex submits a quarterly liquidity risk analysis of the Group before the ALM Committee. It includes a report on the risk status of the Entities and gives alerts on their liquidity status.

Moreover, Fiducoldex ensures that the structure of the resources managed is consistent with the cash flow of the trusts managed, so that it allows fulfilling the existing obligations to third parties on time. Therefore, the Entity seeks to invest in securities with a high level of liquidity compared to the other roles of the market.

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 Entities have 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	978.852.960	1.003.895.465
Available	111.077.836	160.240.188
Investments on high quality securities	867.775.124	843.655.277
Other liquid assets	11.146.671	24.604.640
Total liquid assets	**989.999.631**	**1.028.500.105**

It can be seen that most liquid assets of Bancóldex Group (98%) are high quality, 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.

In the case of Bancóldex, 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.

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 at Arco Grupo Bancóldex have increased at the end of 2019 compared to the previous year, given the increase of the renewal index of TDCs in December. However, the liquid assets were, on average, in line with the liquid assets of 2018 ($ 49,000 million). This indicates that they were located in wide and adequate levels to meet the net requirements of the Entity; noting that all of them are high-quality liquid assets.

Liquid assets	Dec-19	Dec-18
High liquidity	63.539.104	48.163.548
Available	51.726.989	37.375.374
Investments on high quality securities	11.812.115	10.788.173
Other liquid assets	-	-
Total liquid assets	**63.539.104**	**48.163.548**

Moreover, the market liquid assets of Fiducoldex showed a strong increase compared to the previous year. This is due to the fact that during November 2019, TIDIS income worth $ 2,876,000 thousand was registered, as well as a positive liquidity requirement (net income) was produced during eight (8) out of the twelve (12) months of the year.

Liquid assets	Dec-19	Dec-18
High liquidity	3.928.416	1.986.524
Available	3.928.416	1.986.524
Other liquid assets	2.412.283	664.371
Total liquid assets	**6.340.699**	**2.650.895**

Liquidity Risk Indicator (LRI)- The Group's Entities calculate the liquidity risk indicator in order to measure the liquidity level of the Entities in the short term and, thus, identify possible alerts over them. Bancóldex and Arco Grupo Bancóldex calculate it by applying the standard model established by the SFC, while subsidiary Fiducoldex implements an internal methodology, since it is not required to use the standard methodology.

Bancóldex registered a 30-day LRI worth $ 771,926,618 thousand as of December 31, 2019, while the same indicator in 2018 registered a result worth $ 856,910,060 thousand, which showed a 9.92% decrease. his 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 ($ 753,849,830 in 2019 compared to $ 662,433,979 in 2018). This liquidity level allowed the Bank to secure the necessary liquid assets to hedge the maturities of TDCs, bonds and credits with the correspondent banking (620.9% coverage) and maintain a significant level of assets to support its credit and treasury activity.

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	**620,90%**	**809,51%**

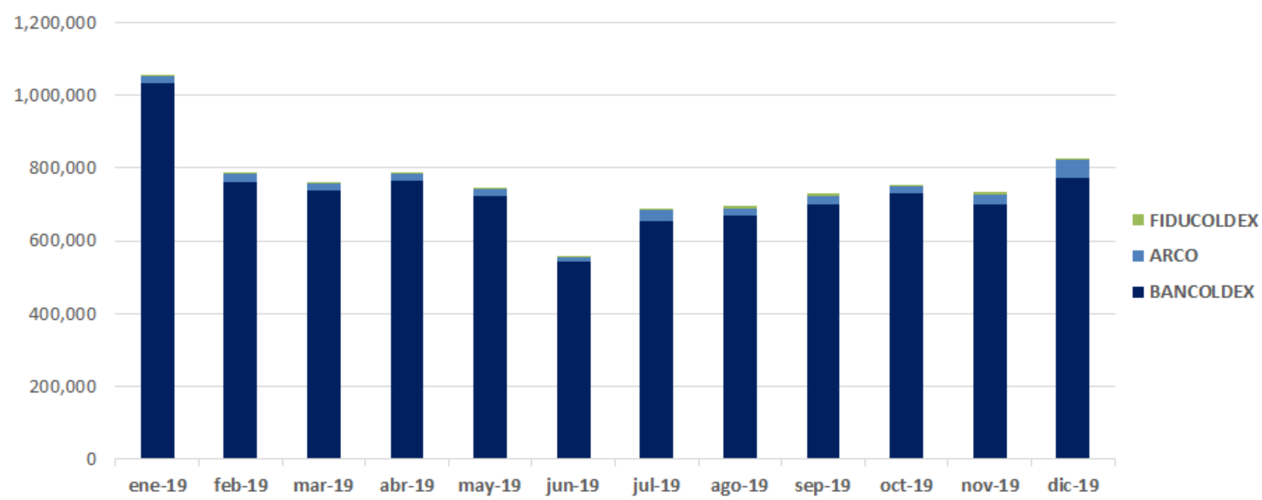
As of December 31, 2019, Arco Grupo Bancóldex registered a 30-day LRI worth $ 49,820,804 thousand; while the same indicator in 2018 registered a result worth $ 33,022,120 thousand, which showed an increase in the liquidity level of the Entity. This is due to a decrease in the liquidity requirement, which reached a level worth $ 13,718,300 thousand, generating a higher level of coverage of liquid assets over net liquidity requirements (from 3.19% in 2018 to 4.63% in 2019). Therefore, the Entity fully complied with the limits required by the regulatory body, allowing the Company to comply with its obligations in the short term in a comprehensive and adequate manner.

30-DAY LRI	Dec-19	Dec-18
Liquidity risk indicator	63.539.104	48.163.548
Market liquid assets	13.718.300	15.141.427
Net liquidity requirements	49.820.804	33.022.120
LRI	**463,00%**	**319,00%**

As of December 31, 2019, Fiducoldex registered a 30-day percentage LRI of -44.03%, which indicates that Fiducoldex' net expenses (minus sign) correspond to 44.03% of the liquid asset. This is equivalent to a coverage of liquid assets over net withdrawals of 2.87 times. Similarly, there was a stable behavior of the net liquidity requirements during 2019 (average $ 2,199,607 thousand). This allowed Fiducoldex to secure the necessary liquid assets to fully, timely and efficiently comply with the obligations expected during the year.

30-DAY LRI	Dec-19	Dec-18
Market liquid assets	6.340.699	2.518.020
Factor of net withdrawals	(2.791.780)	(1.884.506)
LRI (liquidity requirement indicator)	**-44,03%**	**-74,84%**
Hedging of liquid assets /liquidity requirement	**2,27%**	**133,60%**

30-day LRI – Entities



d) *Operational risk*

Qualitative information – The policies and methodologies Bancóldex 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.

Bancóldex Group has established its own measurement parameters based on the structure, size, corporate purpose and processes each Entity 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 SARO of each of the Entities 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 – The main activities developed on the operational risk management system during 2019 are described below:

Identification, measurement, control and monitoring of operational risks – As of December 31, 2019, the Group's residual operational risk profile remains concentrated in the "Medium" severity level which corresponds to the level of acceptable risk defined by the organizations. Similarly, risk and control Self-assessments by maps of all processes of the three entities were completed. 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.

The institutional operational risk map was developed under different perspectives. This map reflects the operational risk profile within the risk level acceptable to the Organization.

Management of operational risk events – Officials reported the operational risk events that arose in each one of their areas. The culture of reporting operational risk events must be improved in the subsidiaries.

The economic losses of the group due to operational risk generated in the events classified as "Type A" during 2019 were approximately $ 24 million and were accounted for in their respective accounting accounts of operational risk.

Support in the development of projects or products - During 2019, the different Units of Operational Risk participated and supported the development of projects of the Entities 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 were all handled.

33. CORPORATE GOVERNANCE

Board of Directors and Senior Management - The Board of Directors of each Entity is permanently informed of the Entities' processes and businesses. After the General Shareholders' Meeting, the Board is the highest governing body and establishes the general management policies of each Entity, mainly in terms of risk level. 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.

Policies and division of functions – The Board of Director of the Entities provides the policies for all business activities.

Reports to the Board of Directors - The Board of Directors and the Risk Management Committee receive periodic reports on the situation of the Entities' loan placements, monitoring of the financial situation of the different debtors (financial intermediaries, countries, etc.), reports of progress on the Credit Risk Management System (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 Entities' risk exposure is also reported periodically to the Board of Directors.

Similarly, the monthly financial statements and the budgetary implementation are reported to the Board of Directors.

In addition to reports on Bancóldex risk management systems, the 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 Entities are reported to the Board of Directors and Senior Management.

Technological infrastructure – All areas of the Entities have adequate technological support infrastructure. The risk control and management areas also have 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 Entities rely on methodologies and measurement systems that allow to determine its exposure to the risks inherent to the business, and which are documented in the respective manuals.

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

Verification of operations – The Entities have 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).

Audit - The Audit Committee is the main management body of the Internal Control System (SCI). Such Committee has ensured the proper functioning of the Entities' SCI and the Risk Management

Administration Systems. The Audit Committee performs its functions as per the Internal Regulation of each Entity and as established in the applicable standards, both for State entities in general and for Financial Institutions in particular.

Through the works and P&L reports submitted by the Internal Comptroller's Office and the Tax Audit Office, the Audit Committee monitored the development and compliance of the different Risk Management Systems applicable to the Entities.

34. LEGAL CONTROLS

The Entities complied with all legal requirements established for their operations during the 2019 and 2018 terms.

35. 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 Entities are 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.

36. EVENTS AFTER THE REPORTING PERIOD

The administration of each Entity evaluated the subsequent events occurred from January 1 to February 25, 2020, the date when the consolidated 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.

37. APPROVAL OF FINANCIAL STATEMENTS

The issuance of the consolidated financial statements of the Entities for the year ending on December 31, 2019 was authorized by the Legal Representative and the Board of Directors as recorded in Minutes number 397 of the Board of Directors dated February 25, 2020 to be submitted before the General Shareholders' Meeting as required by the Commercial Code.

The consolidated financial statements as of December 31, 2018 were approved by the General Shareholders' Meeting as recorded in Minutes number 61 dated March 22, 2019.