



El progreso
es de todos

Mincomercio



ANNUAL REPORT 2019



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and Tourism

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Bogotá
2019

ANNUAL
REPORT 2019

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ABOUT BANCÓLDEX

ABOUT **BANCÓLDEX**

Who We Are

Colombia's business development bank, Bancóldex

supports the country's productive transformation with a focus on MSMEs, boosts exports, and promotes environmental sustainability and creative economy as a public policy instrument of the National Government.



*Bancóldex, promotes
environmental sustainability
and creative economy*

ABOUT BANCÓLDEX

Bancóldex Strategy

As a key stakeholder in promoting business development, Bancóldex

has established four main strategic lines focused on offering both financial and non-financial products that contribute to the country's business development.

- Strategic Lines -



SUPPORT

productivity and competitiveness of MSMEs



FINANCE

foreign trade and internationalization of the business sector



FINANCE

green growth and creative economy in Colombia



ACT

as a public policy instrument to maintain the Colombian business network



ABOUT BANCÓLDEX

Strategic Lines

SUPPORT PRODUCTIVITY AND **COMPETITIVENESS OF MSMEs:**

One of Bancóldex' strategic approaches aims at encouraging entrepreneurship and productivity of Micro, Small and Medium-sized Enterprises (MSME's), as it aligns with the policies defined by the National Government.

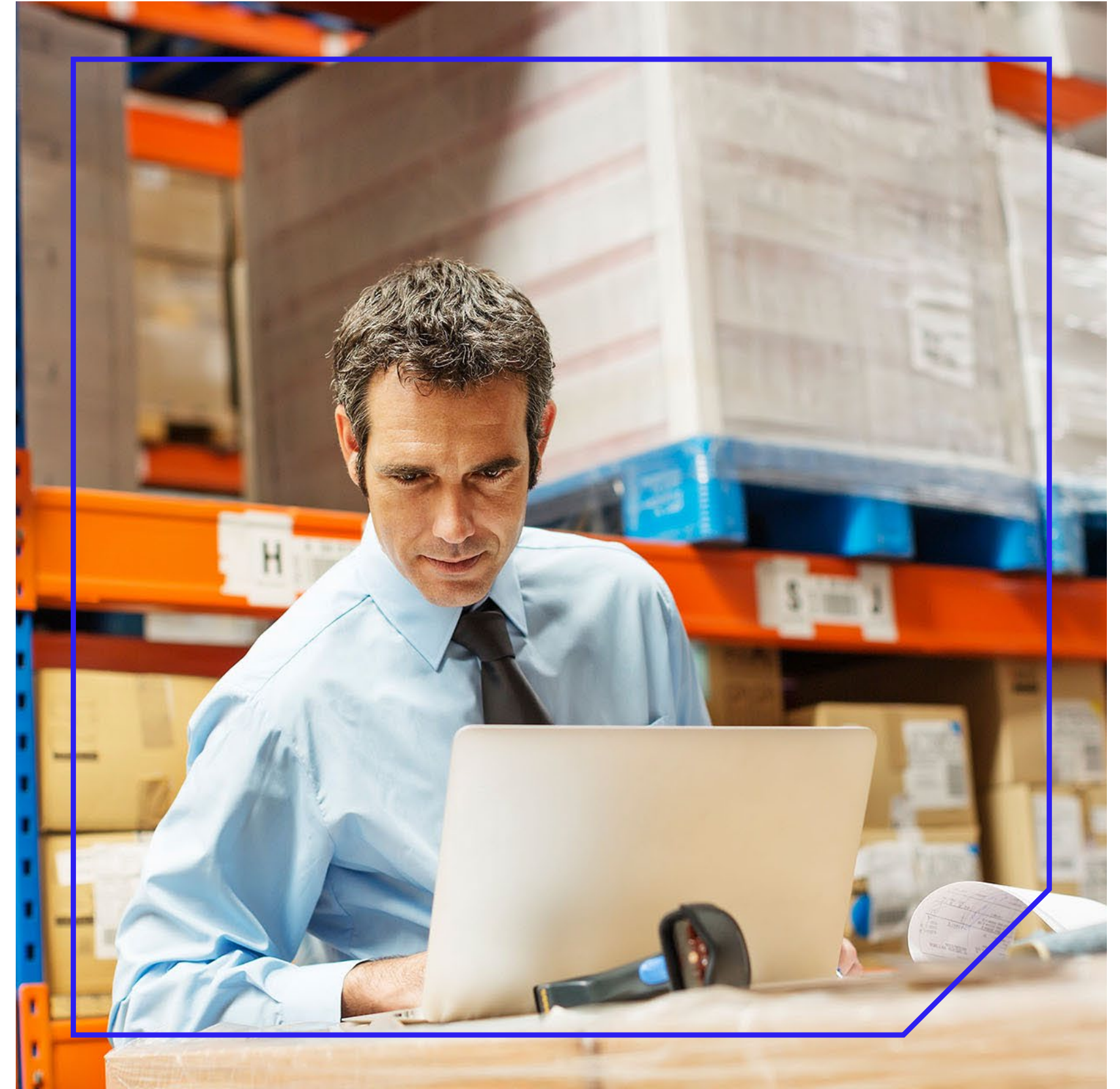


ABOUT BANCÓLDEX

Strategic Lines

FINANCE FOREIGN TRADE AND **INTERNATIONALIZATION OF THE BUSINESS SECTOR:**

The Bank will continue to prioritize the export sector through its different financial and non-financial action lines, taking into account its initial mandate as Colombia's Foreign Trade Bank.



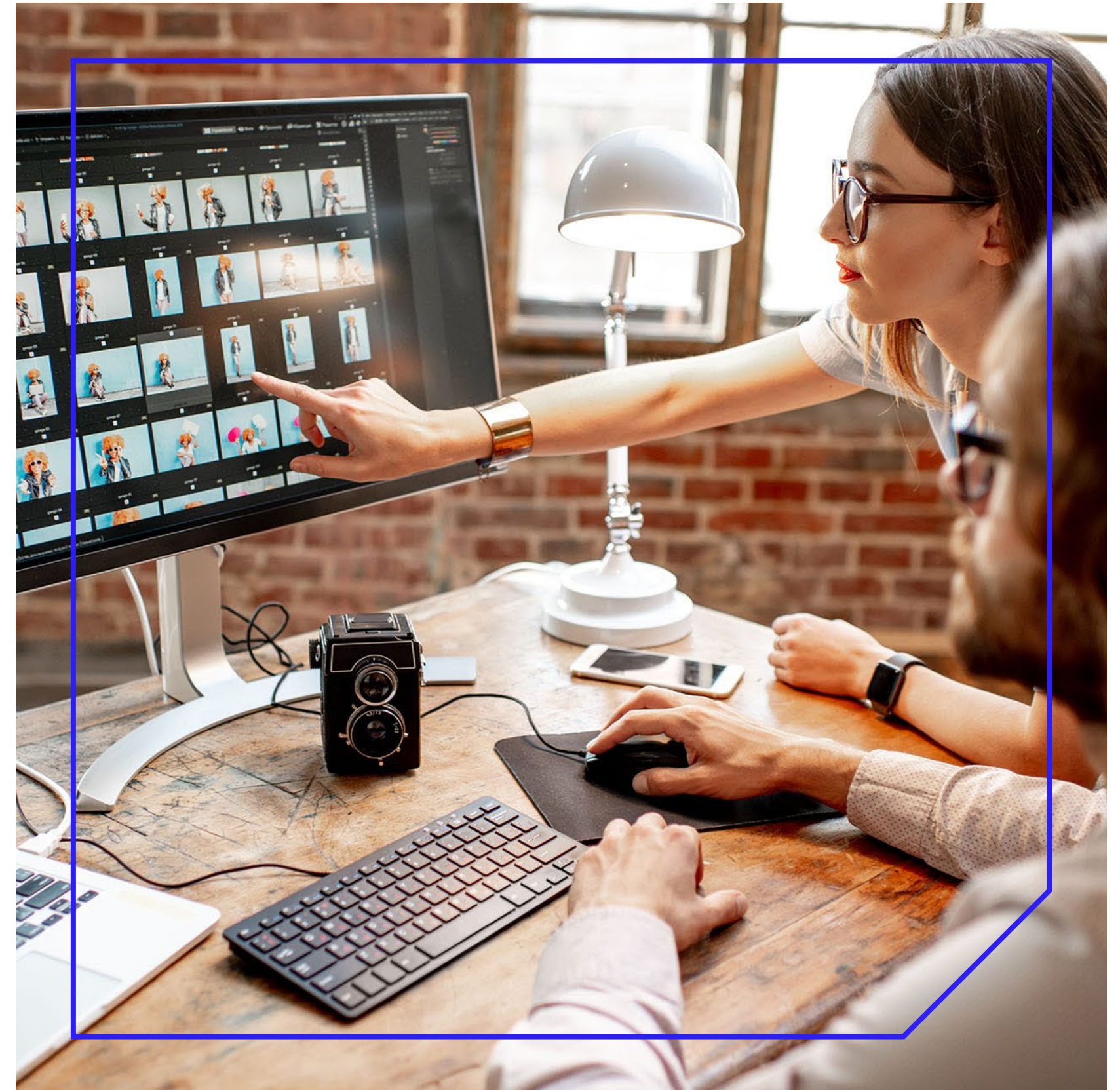
ABOUT **BANCÓLDEX**

Strategic Lines

FINANCE GREEN GROWTH **AND CREATIVE ECONOMY IN COLOMBIA:**

The Bank has traditionally been a pioneer in the promotion and funding of green projects, such as alternative energies. From this stand point, the Bank will continue to fund and structure green projects concerning climate change mitigation and adaptation, alternative energies and related infrastructure, and circular economy, amongst others in the medium and long term.

As a bank that promotes business development in Colombia, Bancóldex' goal aims at fostering creative economy in order to boost the country's economic development. Hence, Bancóldex has designed a long-term strategy that focuses on financial services, non-financial services and investment.



ABOUT BANCÓLDEX

Strategic Lines

BANCÓLDEX AS A PUBLIC POLICY **INSTRUMENT TO MAINTAIN COLOMBIAN BUSINESS NETWORK:**

As a public policy instrument of the Colombian Government, Bancóldex will support the guidelines established by the Government to promote productivity and competitiveness of companies. We offer a port-

folio of specialized technical assistance instruments to conceptualize and structure projects that boost business investment and contribute to the growth of Colombian companies.



ABOUT BANCÓLDEX

How Do We Operate?

Bancóldex operates as a second-tier bank. Therefore, when an entrepreneur

requests a loan from a financial institution or a microenterprise credit entity, the latter may request from Bancóldex the resources the entrepreneur needs.

Bancóldex delivers them to the financial entity and, in turn, the financial institution delivers them to the entrepreneur.



ABOUT BANCÓLDEX

Our Partners

Our main partners are the entities through which we disburse credit resources to

entrepreneurs. They are banks, finance companies, financial corporations and cooperatives, savings and credit unions, non-governmental organizations (NGOs), compensation funds and employee funds, among other entities that are either monitored or not monitored by the Financial Superintendence of Colombia. We also partner with organizations that facilitate access to the business sector such as trade unions, chambers of commerce, associations, ministries, territorial entities, multilateral organizations and universities.

ABOUT BANCÓLDEX

MAIN

PRODUCTS AND SERVICES



Bancóldex Capital Fund of Funds

The Bank developed the ‘Fund of Funds’ in April, 2019 as an evolution of Bancóldex Capital Program. It focuses on private equity funds and entrepreneurs seeking to invest in high-impact, scalable and cross-cutting companies related to the following sectors: trade, industry, tourism, services, and creative industries.

Bancóldex Fund of Funds Capital is an instrument that mobilizes resources from third parties to the industry of capital funds in Colombia and Latin America in order to promote the development of alternative funding mechanisms for entrepreneurs and businesspeople.

Bancóldex Fund of Funds Capital –as a leading investor– promotes the best practices among investors, managers, companies and other stakeholders of the industry to strengthen the local ecosystem of capital funds.

This framework enables resource optimization of national suppliers through discounting sales invoices and/or bills of exchange as a result of credit sales of goods and/or services in Colombian pesos.

Liquidex Production Chains

This is a financial mechanism that generates cash flow for national suppliers and enables the buying company to develop and refine its relation with such suppliers.

The framework enables resource optimization of national suppliers through discounting sales invoices and/or bills of exchange as a result of credit sales of goods and/or services in Colombian pesos.

Liquidex production chains allow suppliers to revitalize their cash flow without impacting their credit quotas with the financial system.

Direct Credit

Direct credit provides entrepreneurs with a financing option in pesos and dollars to develop their investment plans related to:

Production chains
Industrial restructuring
International expansion
Relocation and expansion of companies
Adaptation to climate change

These are medium and long-term financing operations implemented through a structure design that has been tailored to the needs of each project.

Liquidex

The product Liquidex enables national suppliers to secure sufficient cash flow to make transactions and for the buying company to develop and refine its relation with those suppliers.

Rediscount Credit

Bancóldex offers differentiated products that meet the needs of entrepreneurs of all sizes and sectors in pesos and dollars through the network of national or foreign financial entities.

ABOUT **BANCOLDEX**

Products and Services

International Bank Operation Services (O.B.I.)

Bancóldex directly offers different services to Colombian exporters to close successful commercial transactions such as:

Confirmation or notice of export letters of credit (L/C): at sight, confirmed or deferred.

Management and negotiation of documentary collections.

Buyer, Supplier and Correspondent Bank Credit

The objective of these credit facilities is to finance overseas buyers of Colombian goods and services through financial intermediaries. Engineering or construction projects by companies that are domiciled, in whole or in part, in Colombia are likewise financed, as well as the purchase of Colombian goods.

Discount of Documents

Bancóldex buys, directly from Colombian exporters, securities derived from exportation, which may be endorsed by an eligible bank:

Confirmations or deferred payments generated through letters of credit.

Letters of guarantee by foreign financial intermediaries with a direct quota or an irrevocable commitment to repay.

Purchase/sales exchange invoices or unique promissory notes accepted by the importer and endorsed by a standby letter of credit.

Consultancy and Training

Bancóldex promotes business development through strategic interventions, strengthening management capabilities and sharing technical information and knowledge to facilitate business decision-making.

Bancóldex Virtual Campus

At Bancóldex Virtual Campus, entrepreneurs will find courses that are practical, easy to navigate, interactive and, most importantly, with simple language and examples that can be applied to everyday business life.

The Campus seeks to provide entrepreneurs with tools that can be applied to the reality of their business. These tools were designed in accordance with adult learning standards; always focusing on the business efforts.

Project Structuring

We offer a portfolio of specialized technical assistance instruments to conceptualize and structure projects that boost business investment and contribute to the growth of Colombian companies.

Datlas Colombia

Datlas Colombia is a diagnostic tool for companies, investors and government authorities to make decisions to help improve competitiveness. It contains information per department, metropolitan area and municipality on productive activities, employment, salaries and exports.

It provides criteria to identify export sectors and products with the potential to develop a region by means of indicators such as the product complexity index (PCI), the economic complexity index (ECI) and the revealed comparative advantage (RCA) of an export product.

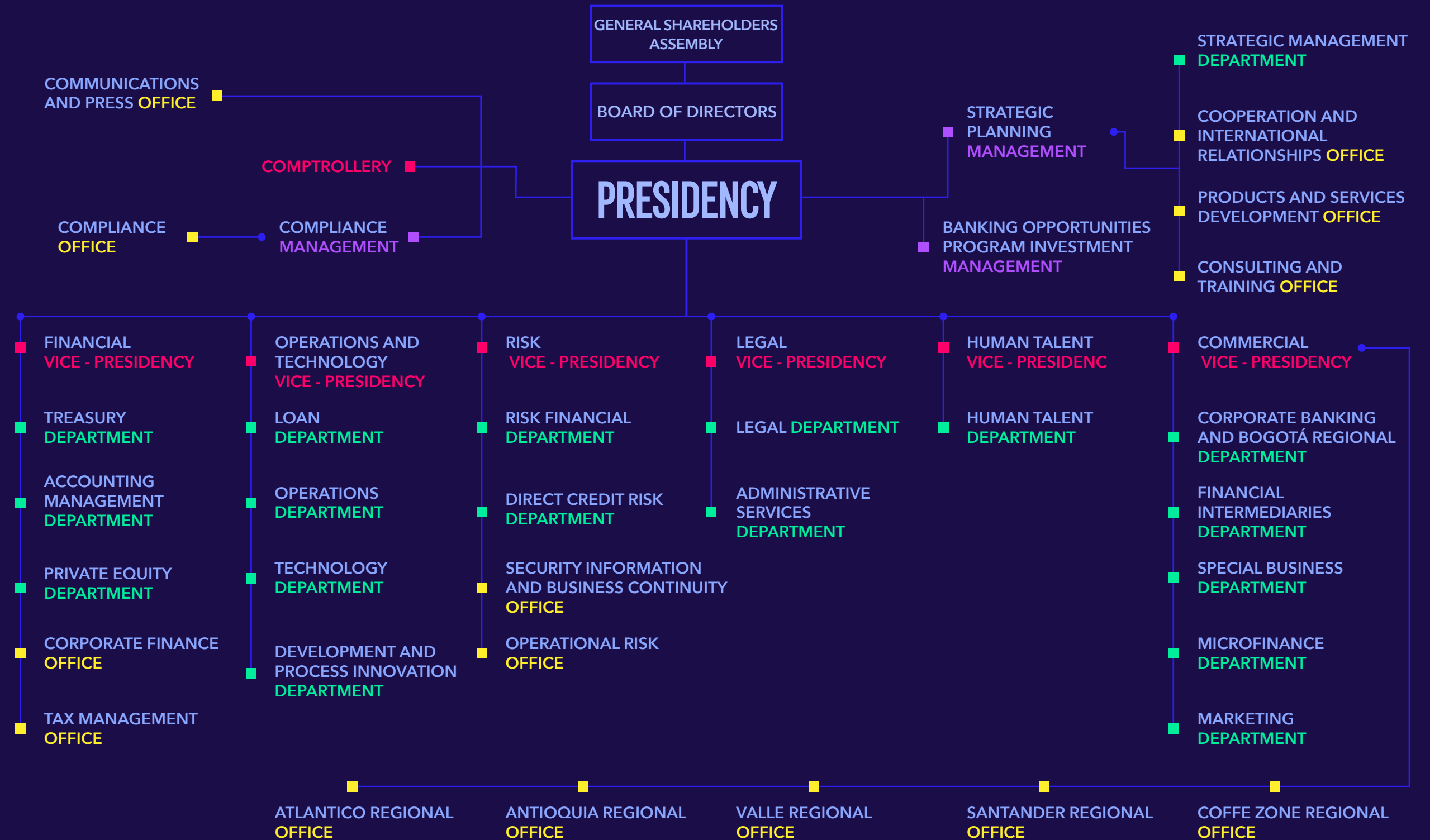
 datlascolombia.bancoldex.com

 campusvirtual.bancoldex.com

ABOUT BANCÓLDEX

ORGANIZATION CHART

AS DECEMBER 2019

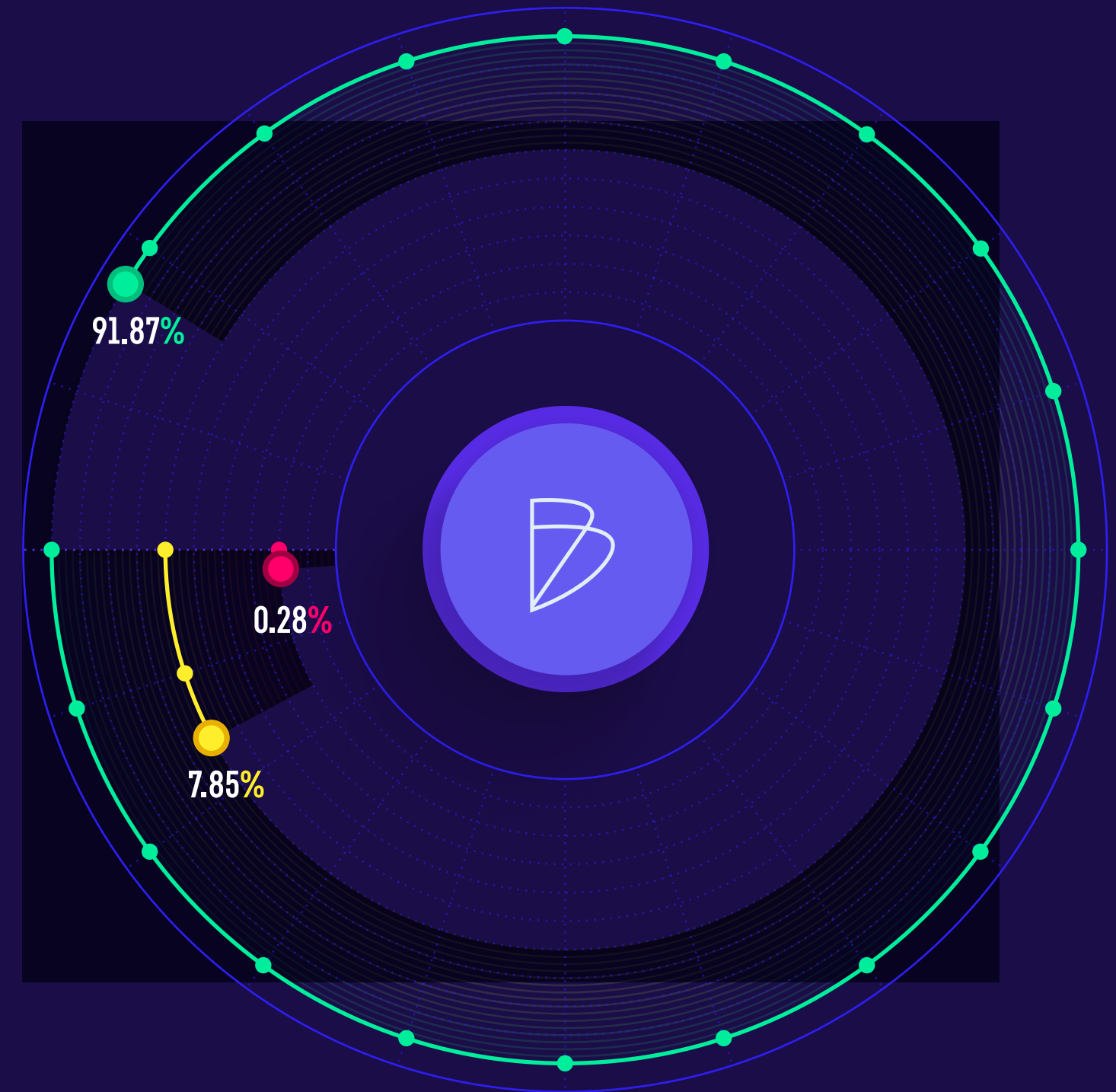


ABOUT BANCÓLDEX

SHAREHOLDER'S EQUITY

AS DECEMBER 2019

	NUMBER OF SHARES
● MINISTRY OF COMMERCE, INDUSTRY AND TOURISM	976,143,335
● MINISTRY OF FINANCE AND PUBLIC CREDIT	83,420,180
● INDIVIDUAL SHAREHOLDERS	2,993,357
TOTAL SHARES	1,062,556,872



ABOUT **BANCÓLDEX**

BOARD OF DIRECTORS

AS **DECEMBER** 2019

MAIN MEMBERS

Andrea Catalina Lasso Ruales
HEAD OF THE LEGAL OFFICE OF THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM

APPOINTED BY THE MINISTER OF COMMERCE, INDUSTRY AND TOURISM

César Augusto Arias Hernández
GENERAL DIRECTOR OF PUBLIC CREDIT AND NATIONAL TREASURY

APPOINTED BY THE MINISTER OF FINANCE AND PUBLIC CREDIT

Augusto López Valencia
PRIVATE SECTOR REPRESENTATIVE

APPOINTED BY THE PRESIDENT OF THE REPUBLIC

Roberto Arango Delgado
 APPOINTED BY THE GENERAL SHAREHOLDERS' MEETING

Vacante
PRIVATE SECTOR REPRESENTATIVE

ELECTED BY THE ASSOCIATIONS OF EXPORTERS REGISTERED BEFORE THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM

DEPUTY MEMBERS

Carlos Ernesto Escobar Vargas
ADVISOR OF THE DEPUTY MINISTER OF BUSINESS DEVELOPMENT

APPOINTED BY THE MINISTER OF COMMERCE, INDUSTRY AND TOURISM

María Inés Agudelo Valencia
 APPOINTED BY THE MINISTER OF FINANCE AND PUBLIC CREDIT

Carlos Alberto Garay Salamanca
PRIVATE SECTOR REPRESENTATIVE

APPOINTED BY THE PRESIDENT OF THE REPUBLIC

Oswald Loewy
 APPOINTED BY THE GENERAL SHAREHOLDERS' MEETING

Luis Gustavo Flórez Enciso
PRIVATE SECTOR REPRESENTATIVE

ELECTED BY THE ASSOCIATIONS OF EXPORTERS REGISTERED BEFORE THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM

ABOUT **BANCÓLDEX**

MANAGERIAL TEAM

AS **DECEMBER** 2019**Javier Díaz Fajardo****President and CEO**

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Generaljose.garzon@bancoldex.com

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Mauro Sartori Randazzo**Chief Risk Officer**

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Juan Diego Jaramillo Gonzalez**Chief Comercial Officer**

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Jaime Alfonso Quiroga Rodríguez**Chief Operations and Technology Officer**

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Andrés Fernando Gómez Peláez**Coffee Zone Regional Office, Director**

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Special Programs

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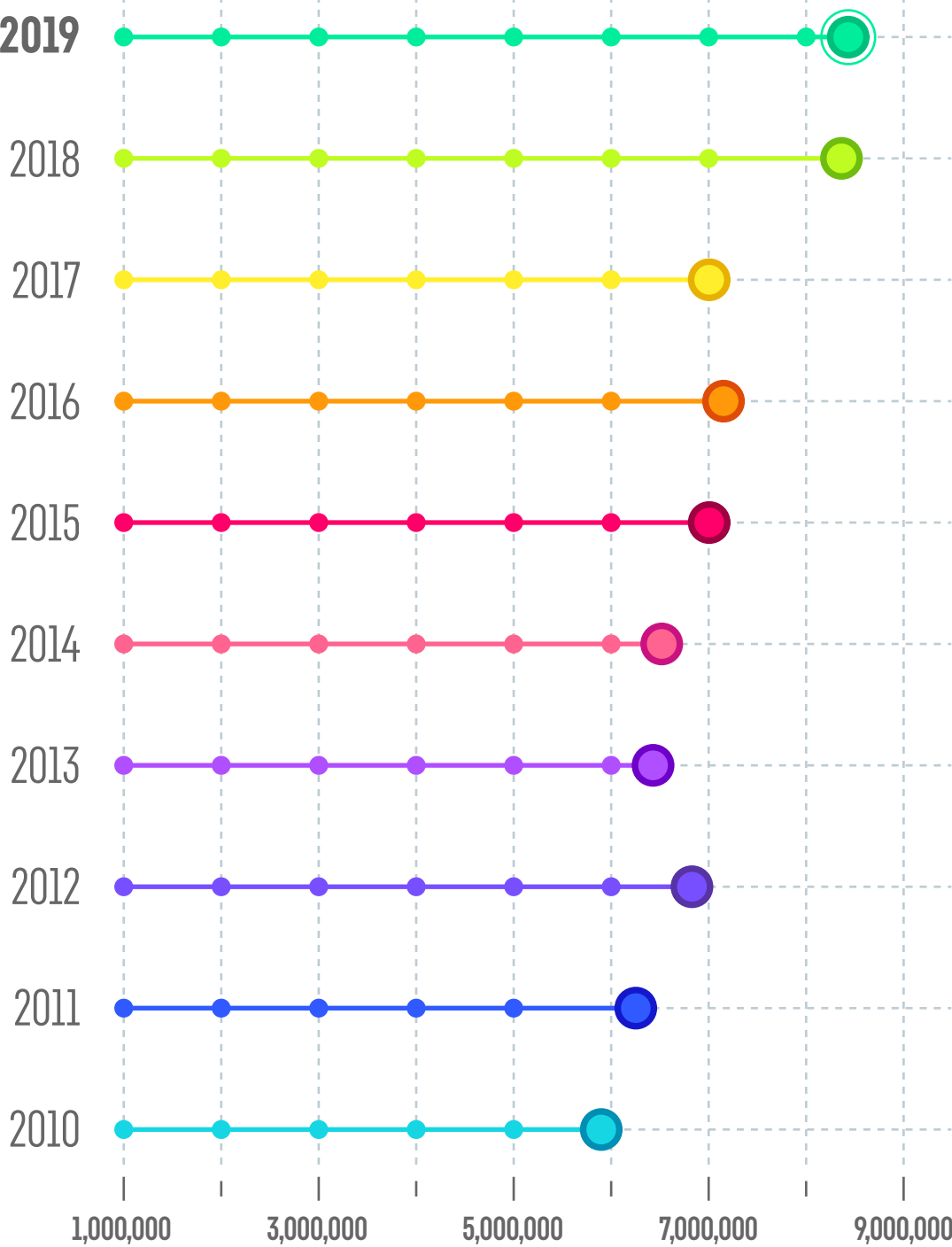
FINANCIAL RESULTS



ASSETS

\$8,546,464

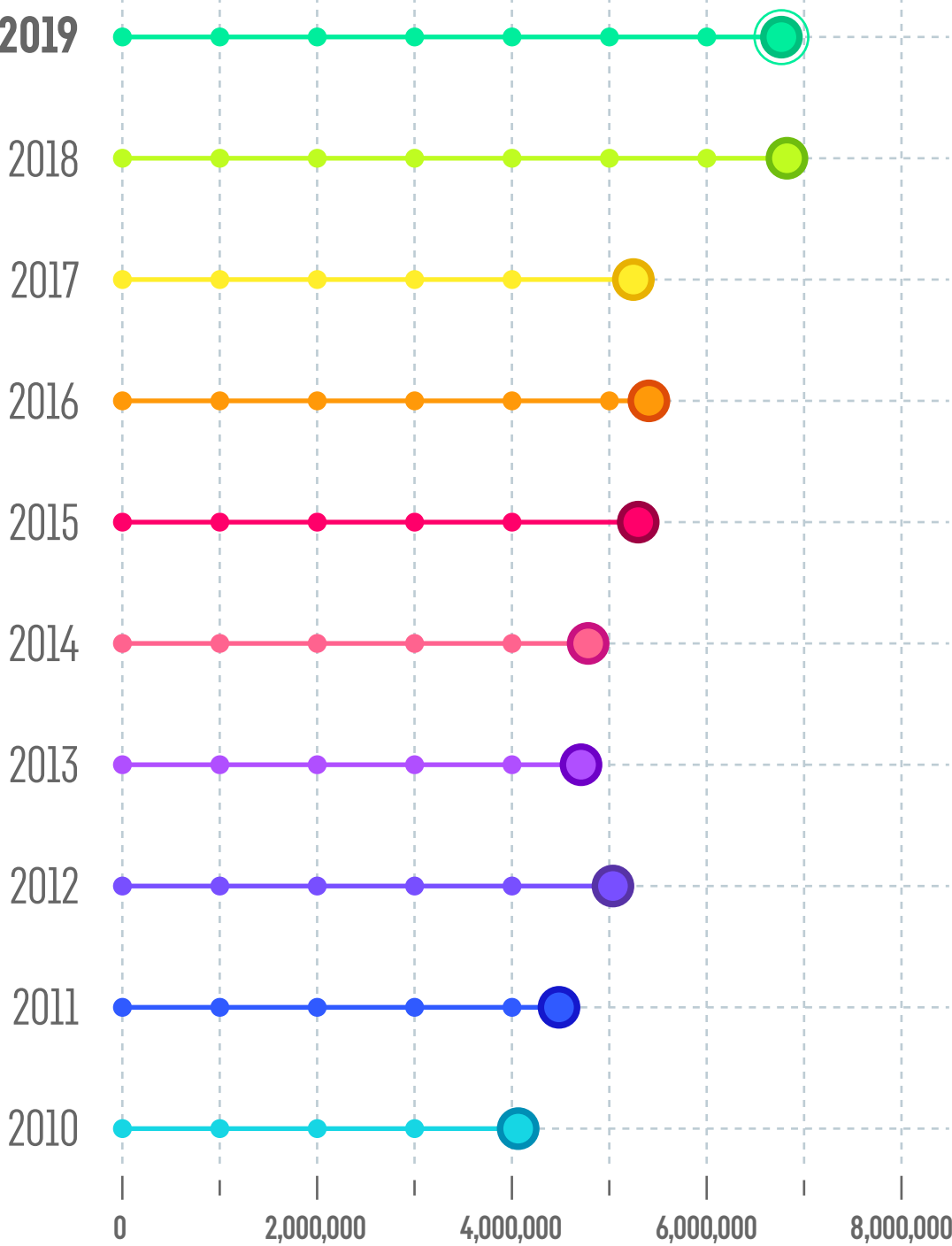
COP MILLIONS



LIABILITIES

\$6,980,243

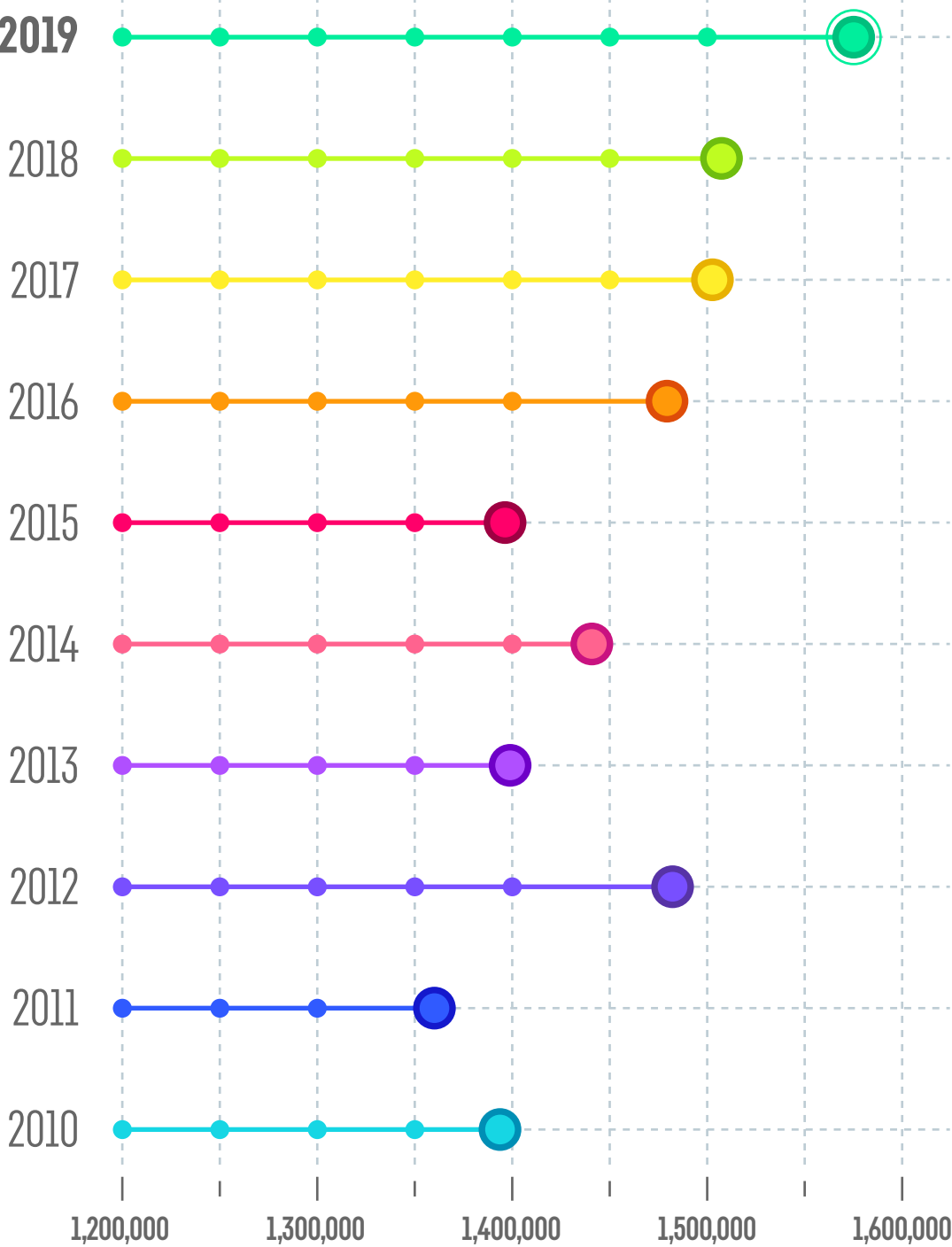
COP MILLIONS



EQUITY

\$1,566,221

COP MILLIONS

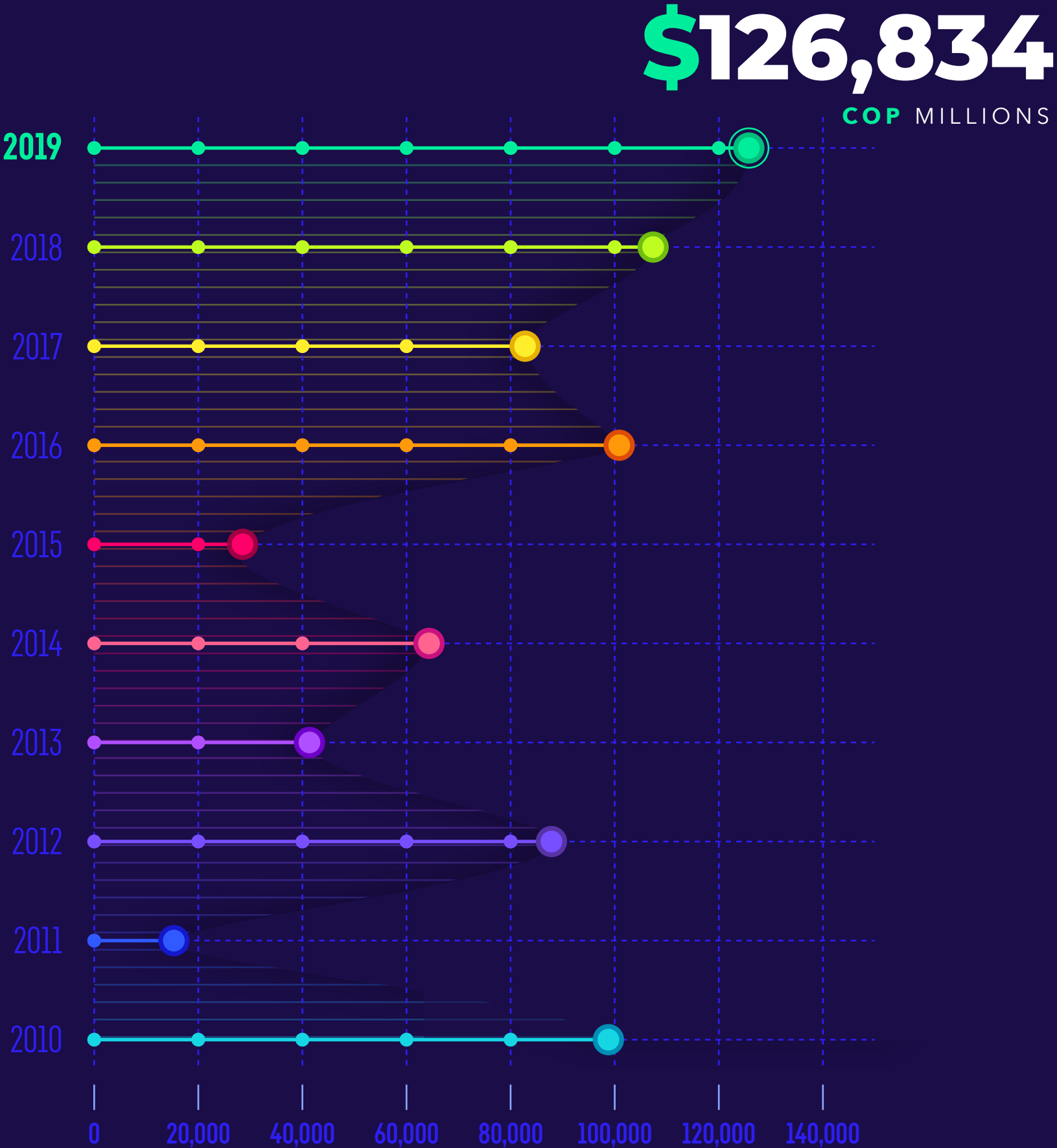


FINANCIAL RESULTS

NET INCOME

AS DECEMBER 2019

2010 \$98,821	2011 \$15,289	2012 \$88,179
2013 \$41,537	2014 \$64,880	2015 \$28,101
2016 \$100,387	2017 \$82,865	2018 \$107,633



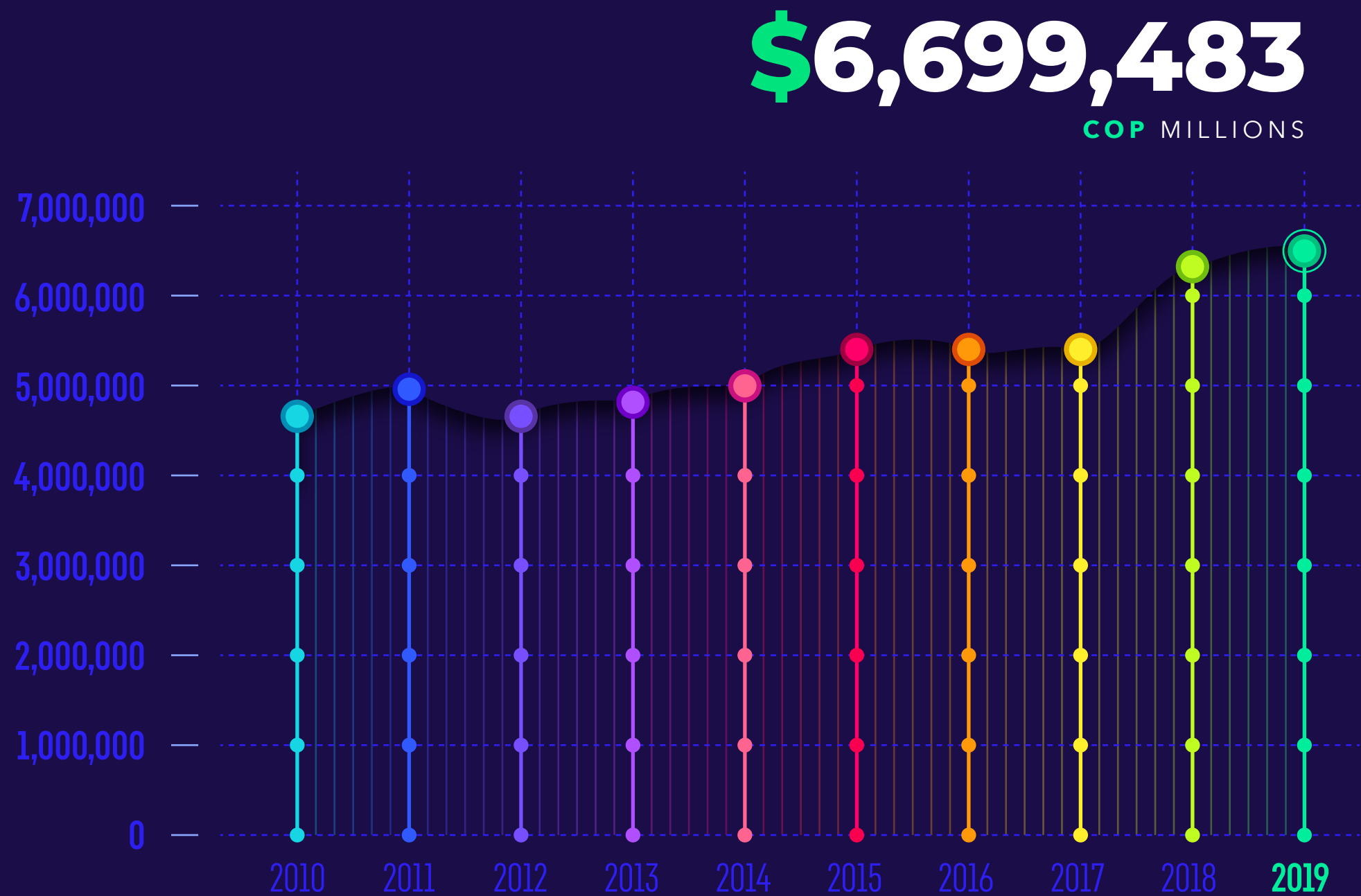
FINANCIAL RESULTS

TOTAL

PORTFOLIO

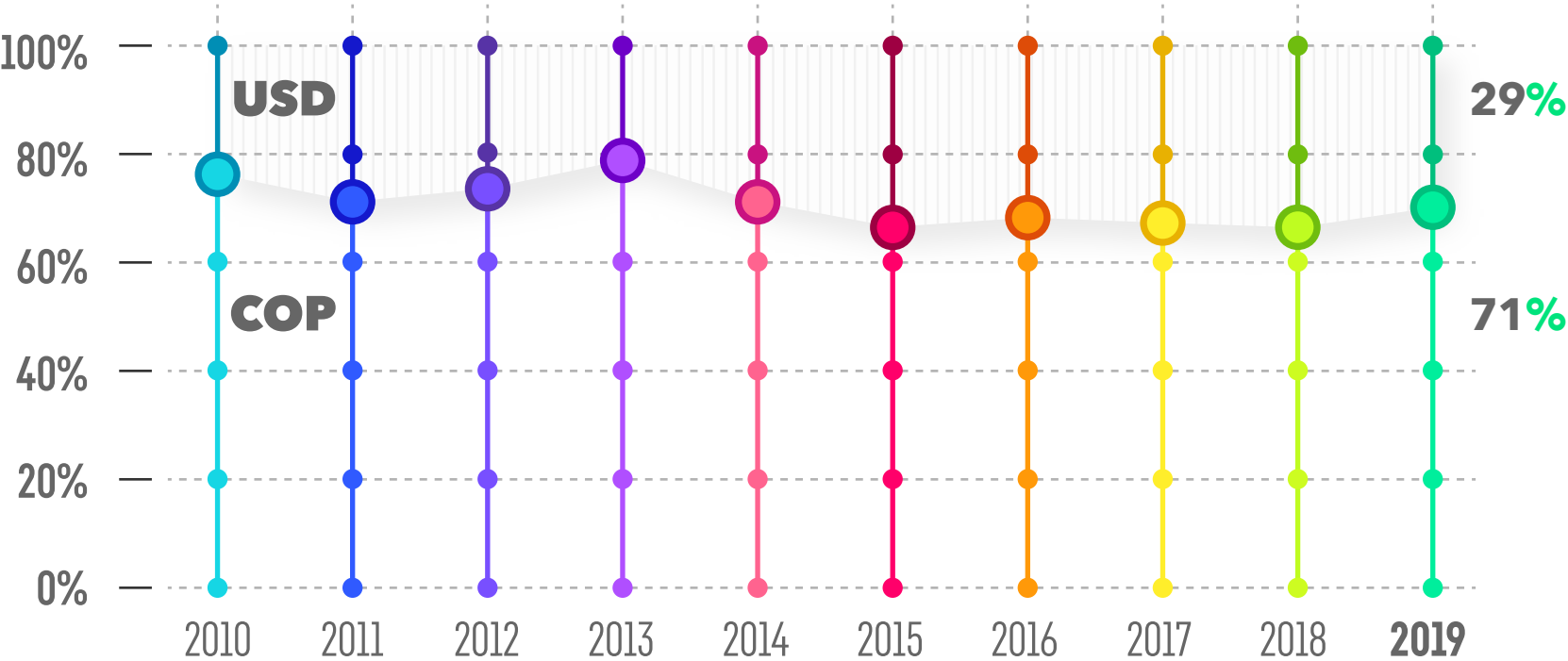
AS DECEMBER 2019

2010	2011	2012
\$4,804,910	\$5,165,405	\$4,799,836
2013	2014	2015
\$4,967,534	\$5,210,975	\$5,569,387
2016	2017	2018
\$5,583,986	\$5,582,661	\$6,523,350



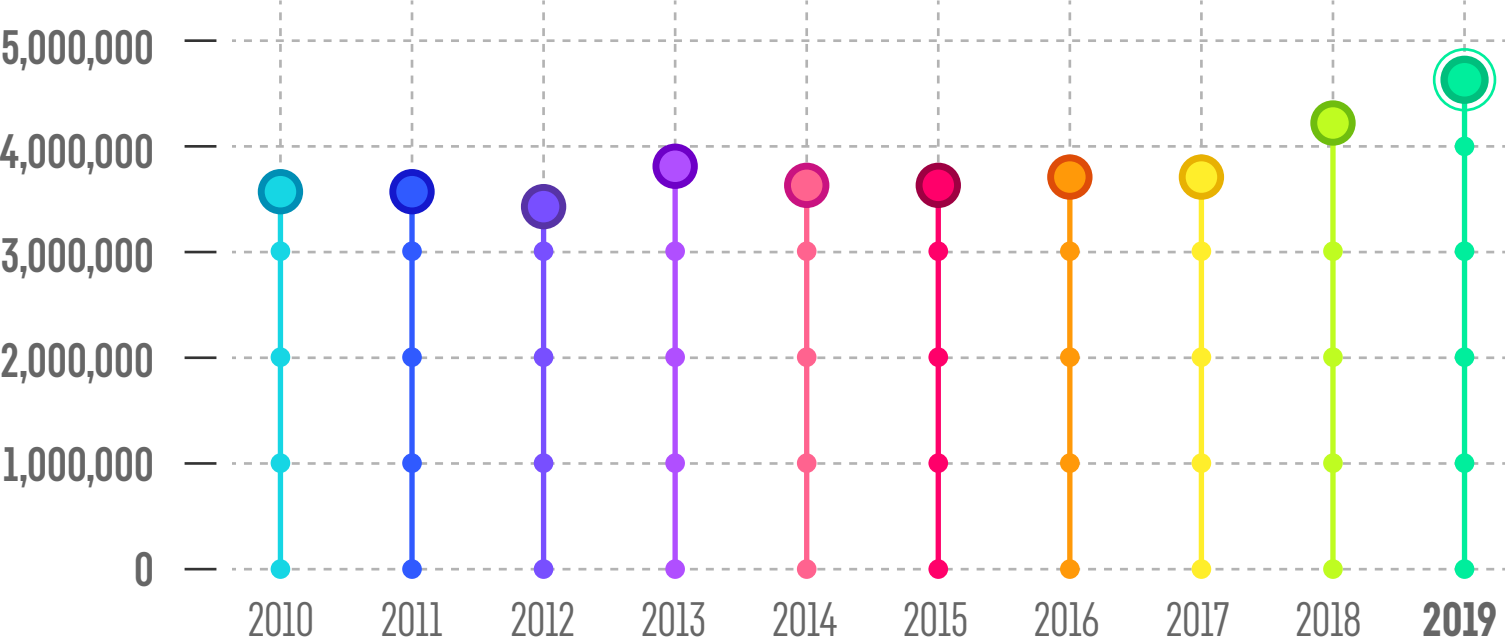
TOTAL LOAN PORTFOLIO

\$6,699,483
COP MILLIONS



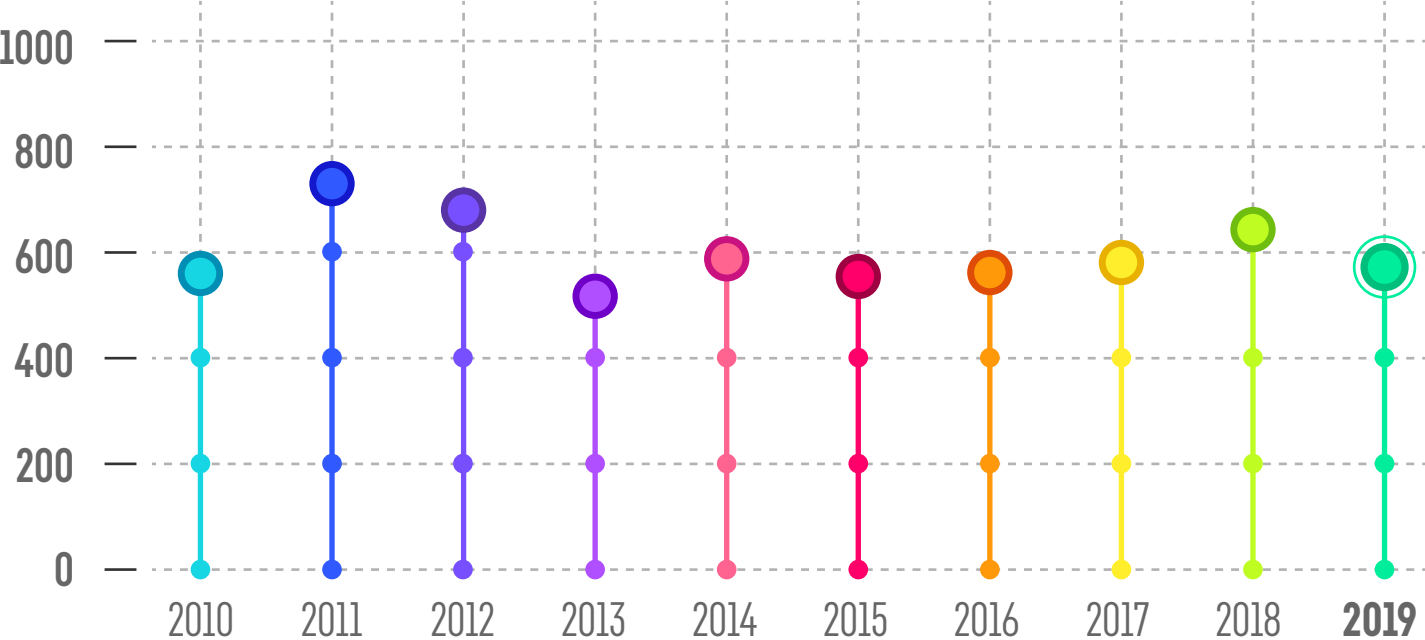
LOCAL CURRENCY LOAN PORTFOLIO

\$4,755,510
COP MILLIONS



FOREING CURRENCY LOAN PORTFOLIO

USD 593
MILLION

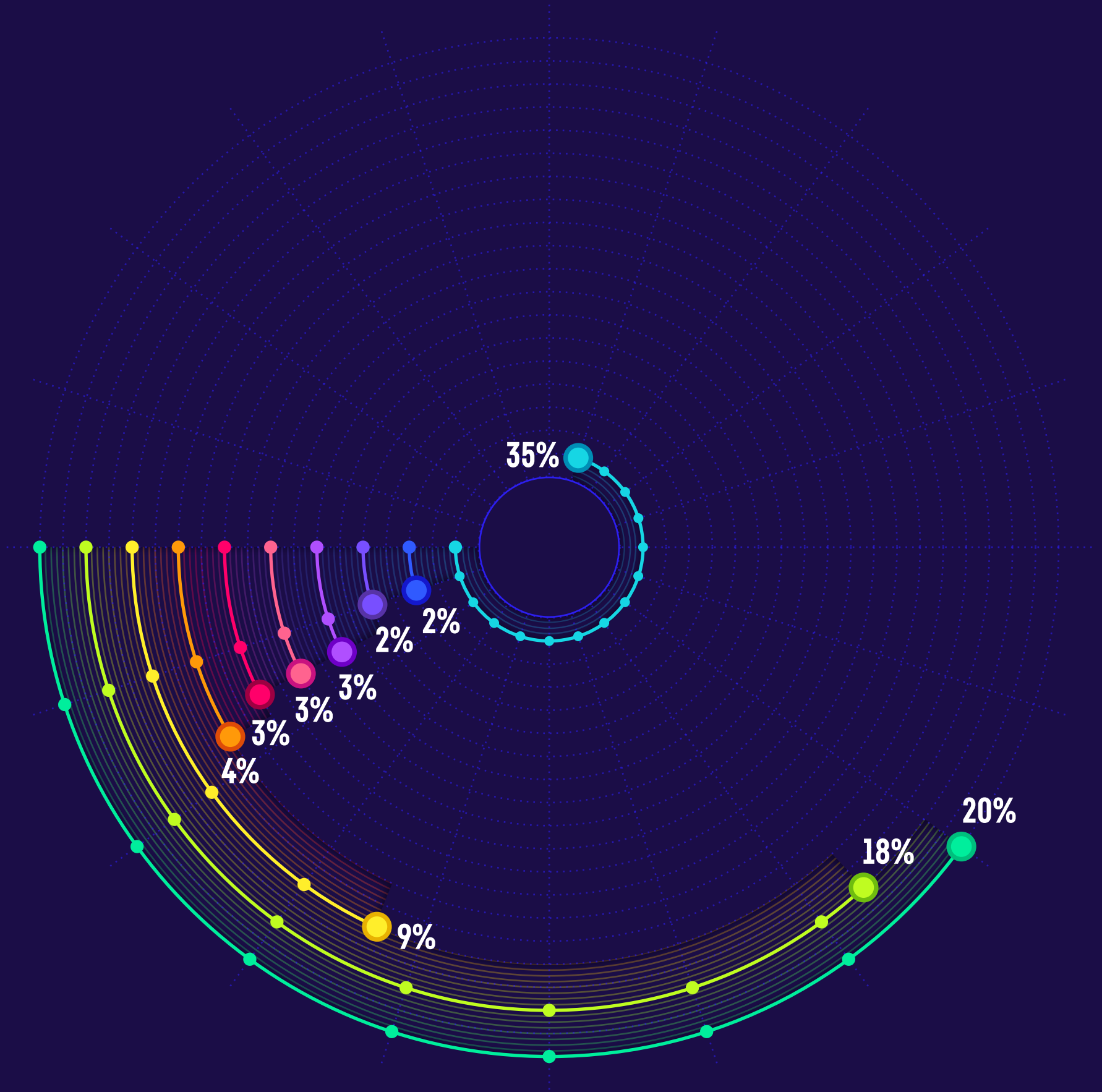


TOTAL LOAN
PORTFOLIO BASED ON:

ACTIVITY

COP MILLIONS

\$1,338,830	MANUFACTURING	\$173,318	HUMAN HEALTH AND SOCIAL WORK ACTIVITIES
\$1,235,142	WHOLESALE AND RETAIL TRADE AND REPAIR OF MOTOR VEHICLES	\$171,914	OTHERS SERVICE ACTIVITIES
\$608,537	TRANSPORTATION AND STORAGE	\$153,385	ACCOMMODATION AND FOOD SERVICE ACTIVITIES
\$299,182	INFORMATION AND COMMUNICATION	\$150,829	PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES
\$218,365	CONSTRUCTION	\$2,349,981	OTHERS

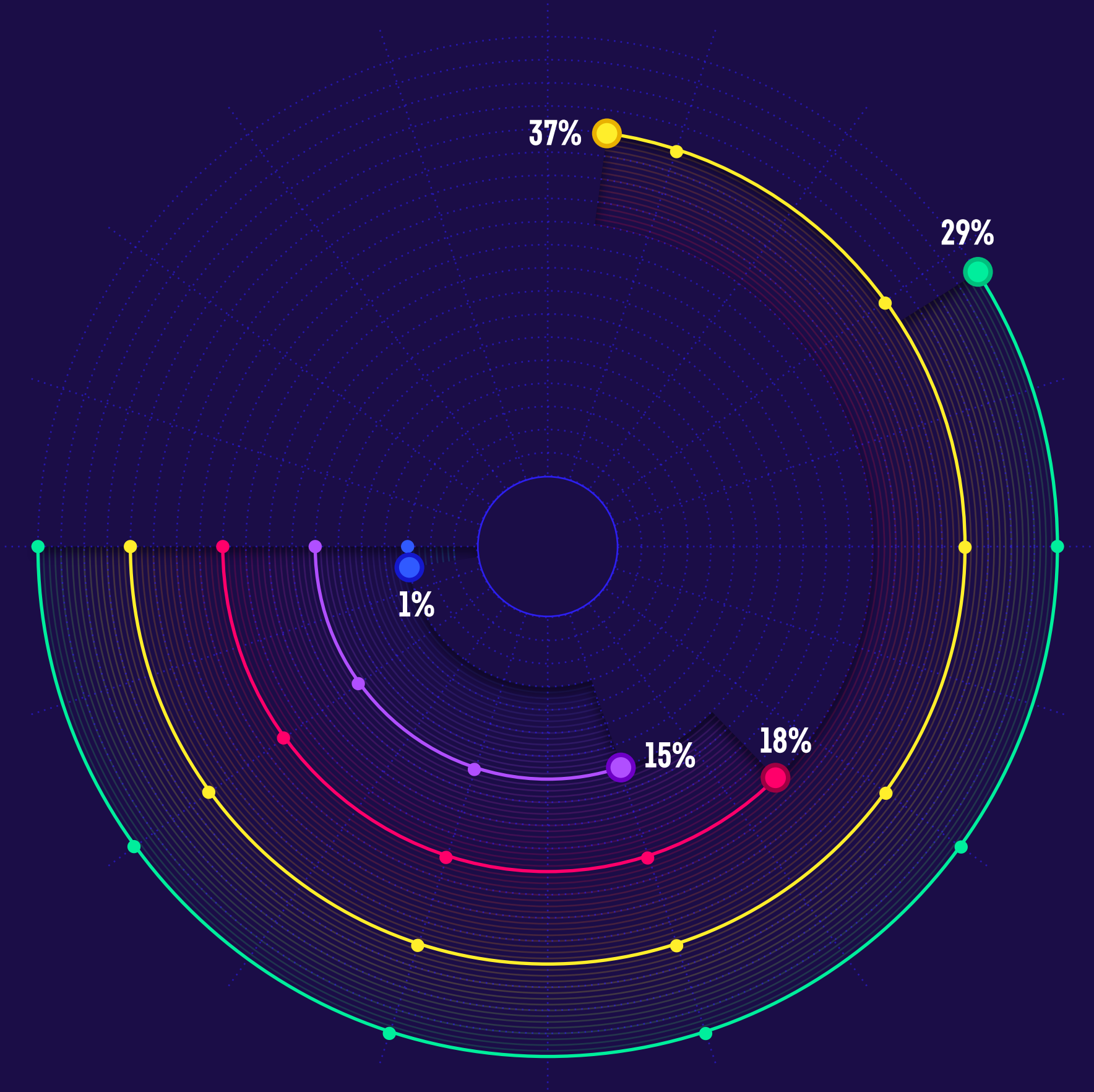


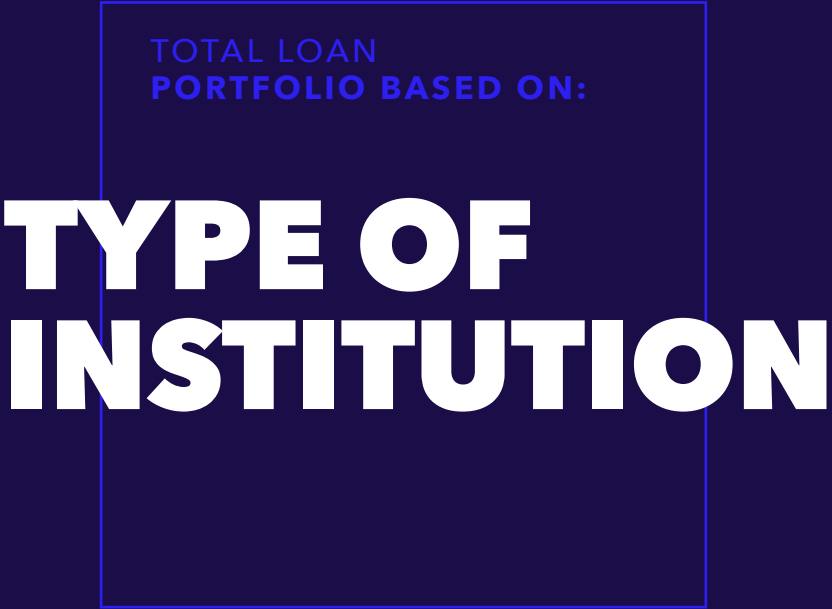
TOTAL LOAN
PORTFOLIO BASED ON:

DEADLINE

COP MILLIONS

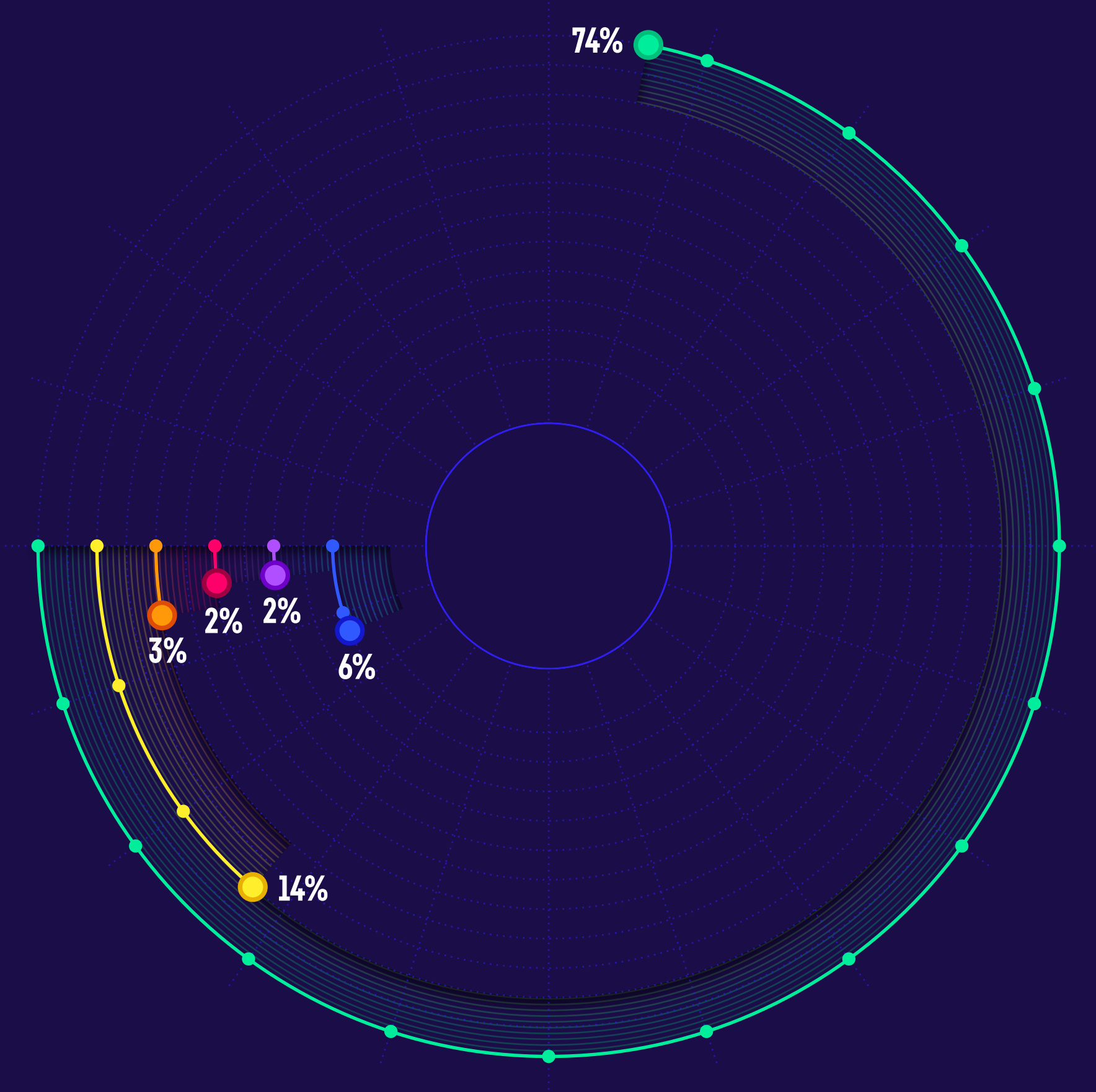
\$1,930,602	● UP TO 1 YEAR
\$2,477,986	● UP TO 3 YEARS
\$1,226,209	● UP TO 5 YEARS
\$1,015,056	● UP TO 10 YEARS
\$49,630	● MORE THAN 10 YEARS





COP MILLIONS

\$4,824,592	BANKS	\$134,929	COOPERATIVES
\$969,443	FOREIGN BANKS	\$142,298	NGOs
\$215,903	FINANCE COMPANIES	\$412,319	OTHERS



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ANNUAL REPORT

Report of the Board of Directors and the President

TO THE GENERAL
SHAREHOLDERS' MEETING

INTRODUCTION

Bancóldex registered outstanding performance in 2019. It achieved disbursements worth COP 5.4 trillion, which is the highest record in the Bank's history and it represents 12% growth compared to the previous term.

Bancóldex financed over 100,000 companies of all sizes located throughout Colombia.

The Bank continued to perform its role as a policy instrument to the National Government in order to support business modernization and also finance companies affected by economic difficulties and situations such as national strikes and natural disasters, amongst others. The disbursements for special lines with contributions from the National Government and regional authorities represented more than COP 1.5 trillion in 2019.

Under its commitment to support, strengthen and finance green growth, the Bank disbursed COP \$383,749 million to finance sustainable development and energy efficiency projects of the business sector, which represented 12% growth when compared to 2018.

Bancóldex accompanied the National Government's strategy to support the growth of Orange Economy businesses and disbursed COP \$1.1 trillion, thus benefiting close to 27,000 companies of cultural and creative industries.

As far as foreign trade support is concerned, the Bank disbursed COP \$1.57 trillion to 894 export companies, which confirms its support to the export sector and the internationalization of Colombian economy.

Moreover, Bancóldex launched "Fund of Funds", an evolution of the program Bancóldex Capital, whose main approach aims at venture capital funds seeking to invest in high-impact scalable and cross-cutting ventures related to the following sectors: trade, industry, tourism, services and creative industries.

Although the Bank's 2019 results were positive, global foreign economy recorded the weakest growth rate unobserved since the 2008 global financial crisis. This performance was due to several factors. Some of them are the worsening of trade war between U.S. and China, which impacted the manufacture sector not only of the countries involved, but also that of various developed economies in Europe. Further-

more, specific weaknesses of some countries built pressure on important emerging market economies such as Brazil, India, Mexico and Russia¹.

Due to weakened commercial activities, central banks worldwide reacted immediately by reducing strongly (in some cases) the reference interest rate. One aspect to highlight is the 75-basis point cut made by the Federal Reserve, which adjusted the rate at 1.75% in addition to the reduction made by the European Central Bank. Besides developed central banks, emerging country issuers also used the interest rate as a tool to revive their economies.

At local level, economic activity accelerated due to better performance of private consumption and commercial, financial, and public administration sectors, amongst others. Inflation closed at 3.8% within the Central Bank's target range whereas the current account deficit widened significantly compared to 2018 due to export declines.

Javier Díaz Fajardo took office as Bancóldex' President on February 4, 2019. The Bank continued to implement the corporate strategy defined in August, 2018 and Bancóldex' purpose as a business development bank of Colombia was ratified. It supports the country's productive transformation by focusing on MSMEs, boosting exports and promoting environmental sustainability and creative economy while acting as a public policy instrument of the National Government.

The full 2019 management report of the Bank is presented below.

ECONOMIC BEHAVIOR IN 2019

2019 global economy was dominated by three main factors: i) the worsening of trade tensions between U.S. and China; ii) the serious weakening of the manufacturing activity to levels not seen since the 2009 financial crisis; and iii) the main Central Banks worldwide moving towards expansionary monetary policies.

As per outlooks of the International Monetary Fund (IMF), global economy grew by 3.0% this year compared to the 3.6% growth recorded in 2018. US economy expanded by 2.4% in 2019, roughly less than the 2.9% growth recorded in 2018. Eurozone economic activity continued to slow down, dropping from an annual growth of 1.9% in 2018 to growth of 1.2% in 2019 projected by the IMF. As far as China is concerned, economy slowed down to 6.1% growth compared to the 6.6% growth adjusted in 2018. It was mainly affected by the trade war with the United States.

2019 Latin American economy was characterized not only because it was a year of downward surprises in terms of growth, but also because the tension generated by social strikes, which put more pressure on the economic activity of some countries and their fiscal accounts.

Even though the 2019 term experienced an international complex situation, Colombian economy was resilient with 3.3% growth throughout the year. Inflation remained at 3.80%², that is, within the Central Bank's range (2.0%-4.0%), higher than the 3.18% at the end of 2018.

Bancóldex estimated that Colombia's Gross Domestic Product (GDP) would be 3.2% in 2019, higher than the 2.7% growth recorded in 2018. This outlook was in line with the Central Bank's outlook and was a little more conservative than that of organizations such as IMF, which projected a 3.4% growth. Colombia's GDP reached 3.3% growth by the end of the year.

1. Data retrieved from the 2019 report, which can be found in a review published by the International Monetary Fund (IMF).

2. Source: DANE (National Administrative Department of Statistics).

Despite the fact that many of the national economy sectors showed positive performance in 2019, the external sector was more impacted by global economic slowdown. Throughout the year to November 2019, exports fell by 6.2% due to lower external sales of fuels and mining products, which fell by 11.4% during that period.

In contrast to export decline, imports increased in 2019 and showed 3.4%-increase throughout the year to November (latest data published by DANE). This led to a widening of both the trade deficit and the Current Account deficit, which reached 4.39% of GDP in September³; it increased (USD\$ 10,386 million) when compared to 3.80% of GDP deficit recorded throughout 2018.

One more significant challenge for Colombian economy in 2019 was labor market. While the average unemployment rate was 9.7% in 2018, the unemployment rate closed at 10.5%⁴ in 2019.

Moreover, Colombia's Central Bank maintained an unaltered intervention rate at 4.25% throughout the year by adjusting 20 consecutive months without any changes in its main monetary policy tool. Finally, and after a good year in terms of collection for the National Government, outlooks indicate that the 2019 fiscal deficit goal of 2.4% of GDP will be met.

Lastly, the exchange rate adjusted a small depreciation of 0.84% (TRM - Representative Market Exchange Rate) closing at COP \$3,277, which is comparable to the 8.9% depreciation recorded in 2018.

FINANCIAL SECTOR⁵

In 2019, entities of the financial system maintained higher dynamics compared to the behavior recorded in 2017 and 2018. The greatest economic growth rate was reflected on the behavior of new placement, particularly in the consumption and mortgage segments, considering that the business segment returned to a positive growth path. Moreover, the deterioration of the credit portfolio of most financial intermediaries was lower compared to the one recorded in 2018, which favored profitability margins by putting less pressure on the provision expense. Liquidity and solvency of the financial system remained at adequate levels and reflected the strength of Colombian banking.

In the last year, the credit risk of the financial sector maintained a moderate profile. This is evidenced in portfolio quality indicators (both delinquency and risk profile⁶),

which show a decreasing trend, although they are still at high levels compared to data recorded historically. It is worth noting that the difficulties in previous years encountered by several companies of the corporate sector⁷ had an impact on the portfolio quality indicators per risk profile of the commercial portfolio reaching 11.4%. This becomes relevant in view of the fact that this segment participates with 52.8% of the system's gross portfolio. Similarly, the financial system has made a considerable effort in terms of provisions (lower compared to the one recorded in 2018), thus allowing to maintain coverage indicators⁸ at adequate levels as a mechanism to protect equity from additional unexpected impairments.

In October, 2019, profit recorded about 33.7%⁹ growth, which is evidenced in profitability indicators¹⁰. This is explained by the lower impact of provisions and a better net interest margin. The latter was favored by the stability of the Central Bank's monetary policy and the high liquidity levels in the system.

3. Source: Colombia's Central Bank, Quarterly Balance of Payments report.

4. Source: DANE (National Administrative Department of Statistics).

5. It includes credit institutions only.

6. 4.53% delinquency and 9.63% risk profile at the end of October, 2019.

7. Particularly in the infrastructure, transportation, construction and energy sectors.

8. 138.3% delinquency coverage and 65.7% risk profile coverage at the end of October, 2019.

9. At the end of October, 2019, profit increased to COP 11.1 trillion.

10. ROAA 1.90% and ROAE 13.14%

The liquidity risk indicator (LRI) reflects that credit establishments have enough liquid resources to comply with short-term obligations¹¹. However, moderate growth of traditional financial sources (savings and term deposits) was observed in 2019, in line with the portfolio.

At capitalization level, credit establishments maintained moderate internal capital generation, which is observed by a basic and total solvency margin of 15.58% and 10.95%¹², respectively. Thus, regulatory minimum levels of 9.0% and 4.5% were widely exceeded and remained within the average of the past two years. According to the estimates of Colombia's Central Bank, Colombian financial system maintains high resilience to negative events; thus, even under stress scenarios¹³, solvency indicators would remain above regulatory limits.

Finally, different entities of the financial system are experiencing a consolidation of financial operations and market niches

through mergers, conversions and change of shareholders¹⁴, which allows them to tailor their services to their customers' needs. Moreover, these changes will have a favorable impact on the financial strength of the financial system and governance schemes.

¹¹. Banks (185%), Financial Corporations (342%), Financing Companies (342%) and Financial Cooperatives (242%). Figures at October, 2019, latest figures available.

¹². Figures as of October, 2019.

¹³. The stress scenario includes a local strong economic downturn, difficulties regarding international financing, higher materialization of credit risk and withdrawal of foreign investors from the local debt market.

¹⁴. Procredit Bank with Credifinanciera CF Financial entity; Crezcamos Financial entity through the purchase of Opportunity CF; Compartir Bank, which is currently part of Credicorp Group.



ANNUAL REPORT

Bancóldex as a Development Bank

2019 MANAGEMENT AND ACHIEVEMENTS

In 2019, the Bank focused on the action lines listed below.

The most important results are as follows:

Financing for business productivity

In order to promote business development, Bancóldex disbursed COP \$5.4 trillion in loans in 2019 to more than 100,000 companies throughout the national territory. This represented a disbursement growth rate of 12% compared to 2018.

Productivity of MSMEs

One of Bancóldex' strategic focal points is to foster entrepreneurship and productivity, particularly in the micro, small and medium-sized enterprise segment; this is in turn aligned with the policies established by the National Government.

In light of the above, more than 95,000¹⁵ micro-enterprises benefited from credits worth over COP \$880,425 million issued by Bancóldex in 2019; and aimed at meeting the financing requirements of this business segment. Furthermore, Bancóldex partnered with 4 Fintech microfinance institu-

tions as part of a strategy to provide a broader coverage to microenterprises and reduce costs associated to credit by implementing non-traditional lending channels.

Similarly, Bancóldex disbursed resources worth over COP \$1.5 trillion in 2019 to support small and medium-sized enterprises; and it benefited 7,656 SMEs.

Green growth

The Bank disbursed COP \$383,749 million to finance company projects whose purpose was to improve their sustainability and focus on the effective management of natural resources, energy efficiency, renewable energy use, and climate change adaptation. It also continued to support green businesses financially, e.g., clean energy development projects, which contribute to building up the country's environmental sustainability.

Bancóldex financed more than 240 investments and green projects in 2019 with the potential to reduce 79,140 tons of CO₂ (carbon dioxide) emissions per year. The Bank also financed 42 energy efficiency projects which have the potential to reduce annual energy consumption by 4.8 GW/h¹⁶.

The amount disbursed to green growth in 2019 increased by 12% compared to 2018. This shows that one of Bancóldex' strategic priorities is to finance environmental sustainability.

Bank disbursements for the Orange Economy

Firmly resolved to assist the National Government in the implementation and structuring of actions aimed at promoting growth, development, and productivity of cultural and creative industries in the country, Bancóldex developed a support strategy and a product and service portfolio especially for this sector in 2019.

¹⁵. At January 7, 2020, the microenterprise trends amount to 81,000; nearly 14,000 operations will be formalized within the next 3 months, reaching a total of 95,000 microenterprises.

¹⁶. Gigawatt per hour

The strategy aims, on the one hand, at supporting the consolidation of orange economy companies through financial instruments such as rediscount credit lines, direct credit products, Liquidex, or equity fund investment; while, on the other hand, aims at strengthening the managerial and financial skills of these companies through non-financial instruments.

Throughout 2019, the Bank disbursed COP \$1.1 trillion to more than 27,000 companies whose activities have been classified by DANE and the Ministry of Culture as activities pertaining to the orange economy. This is an unprecedented event since disbursements to the cultural and creative industries in 2019 have been the highest in the Bank's history.

The most important corporate actions are the management of the Bank and the support provided by institutions both at the local and national level (Ministry of Commerce, Industry and Tourism (MinCIT), Mayor's Office of Bogotá and Ruta N Corporation of Medellín).

The Bank, along with the aforementioned institutions, devised credit lines under special conditions, enabling better disbursement workflows for the orange economy.

Moreover, the historic figure of disbursements for this segment was reached due to actions such as coordination with the National Government led by the Ministry of Culture and the Ministry of Commerce, Industry and Tourism, awareness programs addressed to financial intermediaries, the development and position gained by Bancóldex' orange strategy in various scenarios, the continuous search for strategic partnerships and the strengthening and support of the Bank's commercial team at the regional level.

Business Modernization

The Bank disbursed COP \$1.5 trillion at a 5-year term in 2019, thus benefiting more than 13,000 entrepreneurs. These resources were implemented to modernize Colombia's productive system. It confirms that

Bancóldex, as a development bank, seeks to bridge the gaps in the market by offering favorable terms to fund projects aimed at improving the productivity and competitiveness of companies in the sector.

Special Lines designed with contributions from the National Government and territorial entities

Bancóldex played a key role as a public policy instrument during 2019. Credit lines were designed under special conditions in conjunction with the National Government, the Ministry of Commerce, Industry and Tourism, the Ministry of Transport, iNNpulsa Colombia, and territorial entities. These lines were created to support the business sector both to improve productivity and competitiveness and to cope with the impacts of natural disasters and social crises. The total amount disbursed through special credit lines of the National Government and territorial entities amounted to COP \$1.5 trillion.

Bancóldex Capital Program Fund of Funds

Bancóldex Capital: February 2019 marked the 10th anniversary of Bancóldex Capital Program. This program positioned Bancóldex as the leading bank in the industry of private equity and venture capital funds. Over these 10 years, the program made investment commitments worth COP \$184,298 million distributed in 14 multi-sector funds, thereby COP \$1.7 trillion were mobilized to 127 companies of different sectors at different stages of growth. 76 of these companies are Colombian companies that benefited from COP \$1.1 trillion in resources. The above mentioned translates into 7.8 times the resources disbursed by the program.

Fund of Funds: The private equity industry at the local level has evolved positively over the last 10 years; however, it still faces challenges to improve its positioning among Colombian professional managers and to attract new investors. Therefore,

since 2016 and adhering to international good practices, the Bank has set the goal of structuring and developing a Fund of Funds to maximize Bancóldex' resources by pooling them with those of strategic partners. These resources will be allocated in new and larger investments such as private equity and venture capital funds.

Following an organized endeavor for optimal structure of the investment vehicle, its regulatory framework, and sharing between key local stakeholders, the Bank developed the Fund of Funds in April, 2019; it is a program that evolved from the Bancóldex Capital Program. The main focus of this program was to provide venture capital and attract investment resources worth USD 30 million. This goal was achieved during the second half of the year, by signing investment commitments worth USD 24 million under the Entrepreneurship Capital section of the Fund of Funds entered into between Bancóldex, as an anchor investor, iNNpulsa Colombia and Colciencias, a multilateral entity.

In compliance with the new responsibilities before the investors of the Fund of Funds, Bancóldex has intensified its efforts to attract new investments, which is reflected in a pipeline of over 20 potential venture capital funds. In November, 2019, the Investment Committee approved an investment commitment in the ALLVP Fund III. At December 31, the Fund of Funds had not made any capital appeal to its investors.

A new stage has begun in the Bank's continuous evolution into the development bank of Colombian entrepreneurs, meeting the market needs, adapting to investors' requirements, and applying the lessons learned over the 10 years the Bancóldex Capital program has been operating. Through this path, Bancóldex' position as a capital industry benchmark will be strengthened and the resources mobilized for the Colombian and Latin American economy will be maximized.

Non-financial Services

Also in 2019, Bancóldex started offering a wider range of non-financial services through consultancy, technical assistance, training, and project structuring, due to resources transferred under Agreement 392 entered into between Bancóldex and the Ministry of Commerce, Industry and Tourism, and international cooperation resources.

In partnership with Colombia Productiva, the Chamber of Commerce of Bogotá and the Ministry of Commerce, Industry and Tourism, the Bank participated in the June launching of the Productivity Factories Program for Orange Economy Companies, whose purpose is to benefit 100 companies from Bogotá. Through this program, expert consultants provided assistance to companies to improve their performance in different areas and thus develop new products/services or extend their current market. At December 31, 84 orange economy companies had been subject to

in-depth analysis and 41 companies were undergoing intervention.

Furthermore, the first Private Equity Fund Program was developed with the collaboration of 30 participants of the industry, among them, professional managers, investors, asset management companies, service providers, and other stakeholders in the business ecosystem. This program, developed in partnership with Colcapital and EAFIT University, sought to strengthen the participants' knowledge, competencies and skills to understand the Private Equity Fund industry.

Additionally, the program Taking Advantage of Free Trade Agreements (FTAs) was designed and launched. Under this program, 11 companies from different cities of the country will be accompanied by an expert who will guide them on how to take advantage of market opportunities available in at least two (2) of the countries Colombia has trade agreements with (USA, European Union, and Pacific Alliance). Business inter-

vention for the selected companies will conclude in the first quarter of 2020.

The Bank continued to implement the Institutional Strengthening Program for Micro-credit Institutions. A workshop on Corporate Governance was held within this framework in partnership with CESA and the support of the Colombian Corporate Governance Institute. 11 entities participated in this workshop.

A pilot project was developed with resources provided by the Inter-American Development Bank (IDB) under its technical assistance program to promote financing expansion for early-stage companies and to encourage them to implement an Entrepreneurial Credit Program. This pilot project is being implemented at three financial entities (Actuar Famiempresas, Finanzfuturo, and Mario Santo Domingo Foundation). 22 early-stage companies have benefited from financial resources and technical support provided by specialized entities.

As a supplement to this pilot project, the Entrepreneurial Credit Program for Entities that Provide Support for Entrepreneurs was implemented. This program seeks to broaden lending channels for early-stage companies.

Finally, thanks to the Virtual Campus, entrepreneurs from 29 departments and 120 municipalities completed online courses on topics related to costing, pricing, and business modeling, amongst others. A total of 470 certifications were issued. These activities were developed with the support of the chambers of commerce throughout the country.

Project Structuring

A second version of the DELTA R+D+i Program was made available in 2019. This framework assisted 18 companies to structure and submit technological innovation business projects amounting to COP \$41,818 million. These projects applied for tax benefits through the instrument admin-

istered by MinCiencias (formerly Colciencias). As an added value, the Bank entered into agreements with Ruta N Corporation, the Chamber of Commerce of Cali and Reddi Corporation for an amount of COP \$1,092 million. The aforementioned agreements enabled the creation of special credit lines on disbursements worth COP \$11,677 million to lever investments of companies benefiting from the DELTA R+D+i 2.0 Program.

The DELTA Verde Program was designed and launched to assist in the structuring of 15 business energy efficiency projects or non-conventional renewable energy projects eligible for tax benefits. At December 31, 2019, 19 companies had submitted proposals for the beneficiary selection process.

The Supporting Program to Assist Companies in Structuring Sustainable Development Projects was also implemented. The program assisted 14 companies with technical and financial assessment for sustain-

able development projects framed within the following categories: energy efficiency, waste assessment, environmental mitigation, non-conventional renewable energy, sustainable building, and bio-economy.

The project Private Investment Mobilization to Implement Energy Efficiency Measures in Colombia's Industrial Sector began in September, 2019. The project is funded with resources from the United Kingdom thanks to the joint work between Bancóldex, Colombia Productiva, Corporate Environmental Corporation (CAEM, by its acronym in Spanish), Colombian Council of Energy Efficiency and Carbon Trust. The program will run until the end of 2020 and it is expected to impact more than 100 companies from different regions of the country so that they can identify, design and implement energy efficiency projects, leveraged firstly by Bancóldex' financial solution.

Concessional financing and international non-reimbursable resources

Bancóldex successfully concluded the negotiation of 3 credit contracts throughout 2019. These contracts allow access to loans on highly concessional terms and support Bancóldex' management in its role as a Development Bank.

The aim of the USD \$600 million in resources delivered by the InterAmerican Development Bank (IDB) is to improve business productivity in Colombia. The first program worth USD \$60 million from these resources will help improve the productivity of Smaller Companies (EMT, by its acronym in Spanish) as follows: (i) enhancing funding to increase their productivity; (ii) scaling up investment financing for energy efficiency projects; and (iii) contributing to the creation of a financing market in the orange economy.

Accordingly, the credit program between

Germany's KfW and Bancóldex worth USD \$100 million will focus on tackling issues related to energy efficiency including financing business investments in environmental mitigation, renewable energy, and sustainable mobility projects through rediscount and direct credit operations; thus strengthening the Bank's strategic focal point on green growth in SMEs and large companies.

Conversely, the loan worth USD \$150 million granted by the European Investment Bank (EIB) will be used to finance, amongst others, small and medium-sized investment projects of companies located in areas affected by the armed conflict in Colombia with the aim of driving their development and thus contribute to stabilizing the peace process.

Additionally, Bancóldex was granted international non-reimbursable financial resources during 2019 to support the Bank's strategic undertakings in green growth,

strengthening of microfinance, orange economy, SMEs productivity, innovation and closing gaps as a Development Bank in access to more sophisticated international financing sources.

Impact Assessment

Given the importance of measuring not only financial profitability but also social profitability as a Development Bank in 2019, Bancóldex began measuring the impact of interventions to assist entrepreneurs and the results of such interventions.

During the first year of impact measurement, the Bank tried to work on and comprehend the Theory of Change: the causal pathway between the activities carried out and their impacts on business development. One theory of change was developed for each financial and non-financial product and the structure and follow-up metrics likely to be used were discussed among

some teams. A road map was prepared by the Strategic Planning Department to measure relevant indicators and a benchmarking exercise was conducted to learn about assessment practices adopted by Multilateral and National Development Banks.

The above inputs were used to develop the steps to measure the effect of bank credits on exports for the 2014-2015 term. The impact study conducted in 2011 and 2012 by Marcela Eslava, Marcela Meléndez and Alessandro Maffioli was then replicated. The early findings show that loans for export business have increased sales into international markets by 12.6% compared to sales of exporters who are not customers of the Bank. The second study is under review and undergoing a robustness test as a result of data cross checking against DANE's Annual Manufacturing Survey.

Impact measurement was also a key element in reporting on Social, Orange, and to a lesser extent, Green Bonds. Indicators

other than those established within the frameworks of each bond were developed and data from different sectors was cross-checked based on registered exports and patents issued under the Orange Bonds.

The above methodologies facilitated the analysis of the annual disbursement performance, its target population and the design of qualitative interviews to understand how loans have benefited entrepreneurs.

Innovation at Bancóldex

The Bank formed an interdisciplinary work group -Iteam- in May, 2019 to incorporate innovation as one of the pillars of the organizational strategy and to seek innovative solutions to create value for the organization.

One of Iteam's first challenges was to understand and review the Bank's portfolio,

which enabled the institution to inquire about the relevance of the portfolio and identify new opportunities to reconsider and strengthen Bancóldex as a business development Bank. For this purpose, the team met with 104 stakeholders in the business sector in order to know the needs of entrepreneurs; delve into the trends of commercial banking; analyze innovative experiences of financial institutions, development entities, the real sector; and lastly, know what Bancóldex' position was in the market.

After dialogues with customers and the analysis of market trends, the innovation team presented a portfolio containing 17 proposed initiatives, which include the Re-discount MarketPlace, a platform where micro and small companies may apply for credit and receive various firm offers from financial intermediaries holder of a credit line in Bancóldex within a 100%-digital environment. Thanks to this initiative, Bancóldex won first place in the call for proposal for the Financial Inclusion Labora-

tory organized by the Development Bank of Latin America-CAF, making the Bank the recipient of USD 10,000.

The innovation team also designed a new work scheme with financial intermediaries. The objective of this new work scheme is to design comprehensive products (financial and non-financial) that respond to market needs and contribute to boost new market segments producing benefits both in financial and development terms.

Bancóldex' Innovation Office was officially created by the end of the year.

Strengthening Human Resources Management

In order to engage the Bank officials in fulfilling the corporate strategy in 2019, the Bank focused on strengthening the alignment of individual objectives and the corporate strategy. For this purpose, the organization implemented a performance scheme based on

objectives at all levels.

The training program for senior managers was carried out and plans to consolidate the organizational climate were also drawn up and measured.

COMPLIANCE WITH COMMITMENTS AS CONTAINED IN THE SECTOR STRATEGIC PLAN (PES) BY THE MINISTRY OF COMMERCE, INDUSTRY AND TOURISM (MINCIT) - 2018

Bancóldex participated in the funding strategy that is part of the Sector Strategic Plan led by the MinCIT during 2019 with the following initiatives:

Approach/Objective B: Increase businesses productivity to boost economic growth and business development.

Strategy/Initiative: Provide financial solutions and guarantees so that companies invest in productivity improvement and modernization.

•Deliverable: disbursements (credits) worth COP \$970,000 million to increase the productivity of micro-enterprises.

Progress: during 2019, Bancóldex disbursed credits worth COP \$880,425 million, which represented 91% compliance. The outstanding results for this indicator were achieved thanks to the permanent provision of credit lines for this business sector, such as the “Competitive MSMEs” credit line.

•Deliverable: 6,300 small and medium-sized companies that are beneficiaries of Bancóldex’ financial products.

Progress: Bancóldex had set the 2019 target to benefit 6,300 SMEs with disbursements. At the end of 2019, 7,656 SMEs were benefited with disbursements through all financial

products of Bancóldex’ portfolio, thus achieving 122% compliance of the target. The outstanding dynamic of this indicator was achieved mostly thanks to the constant provision of credit lines maintained by the Bank for this segment such as the “Competitive MSMEs” and “Moving forward” credit lines. The latter one was aimed at businesses that were affected by the national strike.

Approach/Objective D: Entrepreneurship and formalization: Facilitate formalization, entrepreneurship and its scalability.

Strategy/Initiative: Facilitate the escalation of high potential ventures.

•Deliverable: Investment commitments in Venture Capital Funds worth COP \$198,000 million.

Progress: During the year, resources worth COP \$184,298 million were committed in 14 capital funds, which allowed 93% compliance of the set target.

COMPLIANCE OF SINERGIA¹⁷ GOALS FOR 2018

Small and medium-sized companies that are beneficiaries of Bancóldex’ financial products: benefit 6,300 SMEs with disbursements through all Bancóldex’ financial products.

At the end of 2019, 7,656 SMEs were covered, achieving 122% compliance of the target for this period.

Investment commitments in Venture Capital Funds: This indicator set a target worth COP \$198,500 million in investment commitments for this period. At the end of December, 2019, resources worth COP \$184,298 million had been committed by Bancóldex in 14 capital funds, achieving 93% compliance of the set target.

ANNUAL REPORT

Bancóldex as Program Manager



The “Opportunity Banking” Investment Program was created by Decree 3078 of September 8, 2006, and incorporated in Decree 2555 of 2010. It aims at promoting access and use of financial services to low-income families; micro, small and medium-sized companies; and entrepreneurs. The program executes the Financial Inclusion Strategy adopted by the Intersectoral Committee on Financial Inclusion created by the National Government in 2016. This

¹⁷. Goal System set by the Government of Colombia. Through this System, the Government and citizens can follow up -in a detailed manner- social and economic policies within the framework of the Development National Plan.

program is managed by Bancóldex.

In 2019, important milestones regarding financial inclusion were reached in Colombia. In terms of financial coverage, the availability of at least one point of access in each of the 1,102 Colombian municipalities was maintained. In turn, the financial inclusion indicator that measures the percentage of adults with at least one formal financial product went from 81.4% to 83.3% between December, 2018 and September, 2019. As far as microcredits are concerned, 1,172,147 microcredits worth COP \$5.21 trillion were disbursed during the first semester of 2019.

During 2019, Opportunity Banking worked on three different frontlines: financial inclusion programs, financial education, and follow up and monitoring on the status of financial inclusion through its different reports and studies.

RISK RATINGS

Fitch Ratings confirmed the local ratings of F1+ and AAA awarded to Bancóldex in 2019 for the short and long term respectively, with a stable outlook. As far as BRC Standard & Poor's is concerned, the AAA rating for the long term and the BRC 1+ rating for the short term were confirmed in December, 2019.

Regarding the foreign currency rating, Fitch Ratings Inc. maintained the BBB rating with a negative outlook. This was based on the sovereign rating of the Republic of Colombia given by this Rating Agency in November, 2019.

FINANCIAL MANAGEMENT

Bancóldex' performance in this economic context was outstanding during 2019. Credit placement increased 12% when compared

to the previous year and it represented COP \$5.4 trillion. The portfolio net balance increased 3% in comparison to 2018. This increase was leveraged by Term Deposit Certificates (TDCs) oriented towards the short end of the curve (taking advantage of the reduced market spreads in such terms). It accompanied the asset length and sought optimal funding costs. Moreover, the Institutional Savings Accounts product was implemented, thus obtaining resources under favorable conditions and improving the cost of the total mix in pesos for the Bank.

At the end of 2019, a debt management operation worth USD 90.7 million for the fourth credit program was carried out with the InterAmerican Development Bank (IDB) to improve funding cost by converting the credit in dollars into pesos, indexed at a 5-year Reference Banking Indicator (IBR). The allocation of long-term funding is optimized with this figure and resources for funding in pesos are obtained below the market rate.

Moreover, Bancóldex updated the probabilities of default of the financial intermediaries of Colombia, which calculate the rediscount portfolio provision. This update was approved by the Board of Directors on May 30, 2019, and enabled the release of provisions and reduced this cost.

During the year, the equity method income from the Bank' subsidiaries was recorded for more than four times than budgeted, mostly from profit registered by the National Guarantee Fund.

Therefore, net profit for 2019 amounted to COP \$126,834 million, which represents 142% budget compliance and the highest profit level obtained in the Bank's history. ROE¹⁸ profitability ratio was 8.10%, which is 270 basis points greater compared to the average profitability of the last four years.

As the Bank's core business, the total portfolio contributed an amount of COP \$130,394 million to the financial margin and reached a margin worth COP \$113,184 million for

18. Return on Equity

the portfolio in pesos and COP \$17,210 million for the portfolio in dollars.

The investment portfolio contributed an amount of COP \$52,546 million to the financial margin. This performance must be highlighted considering that the bond market was characterized by high volatility due to social strikes, which led to important devaluations of securities by the end of the year.

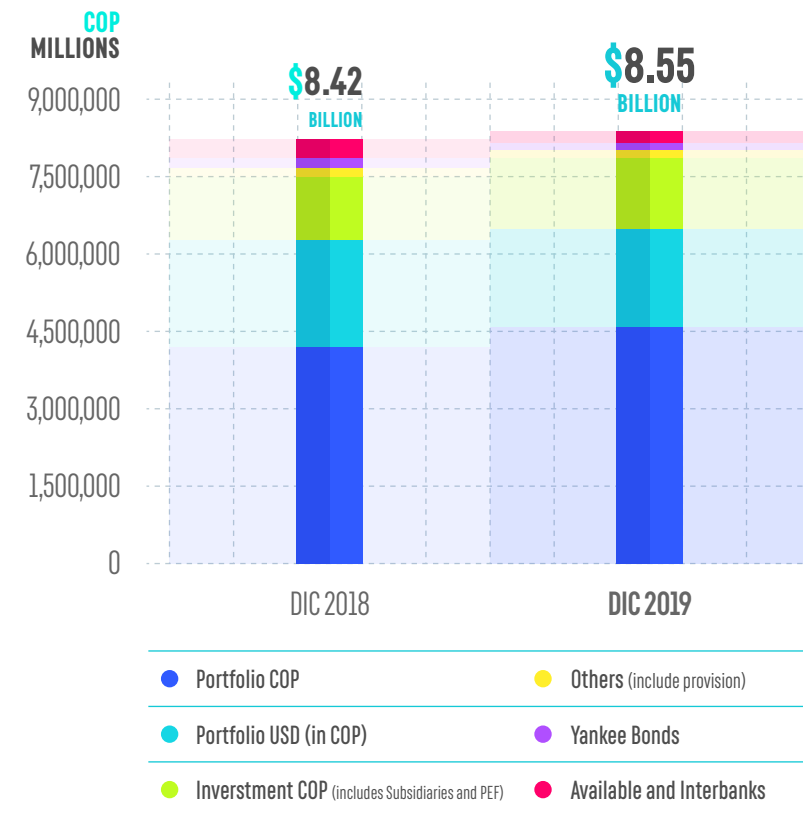
Given the complex local and international context, the management of the Bank's interest rate portfolios focused on maintaining an investment amount close to COP \$900,000 million with short duration and concentrated on highly liquid stocks. Thus, enabling greater portfolio rotation, which was necessary to achieve results for the year.

During the year, the three reports corresponding to labeled bond issuances produced in 2017 and 2018 were submitted to the public stock market. The first Social

Bonds report was published in May, the second Green Bonds report in August, and the first Orange Bonds report was produced in November. Thus, complying with the requirements made by the investors, who trusted in the Bank's capacity to allocate these resources to business projects with positive impact.

The main financial results for 2019 compared to those of the previous year are presented below:

Assets

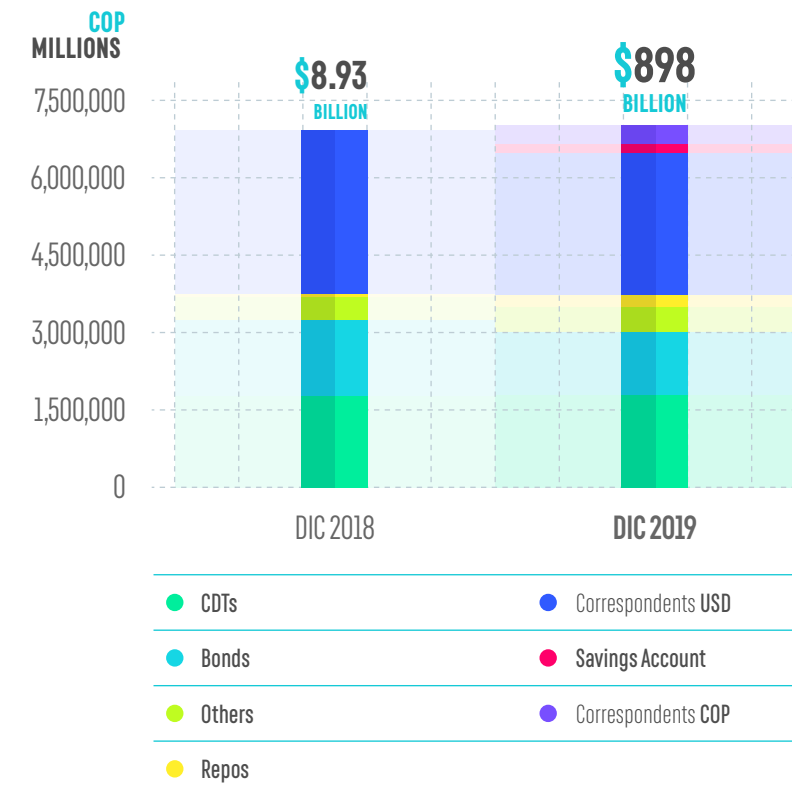


Compared to December 2018, the Bank's assets showed growth of COP \$125 billion (1.5%). Credit placement levels reached COP \$5.4 trillion in 2019, making it possible to increase the gross portfolio balance by COP \$176,133 million compared to the previous year (2.7%). Additionally, it is important to highlight that the level of portfolio provisions fell by COP \$13,759 million as a result of the changes to

the provisioning model for the rediscount portfolio. These two factors place the variation in the net portfolio balance at COP \$189,892 million (3%) when compared to the end of the previous year.

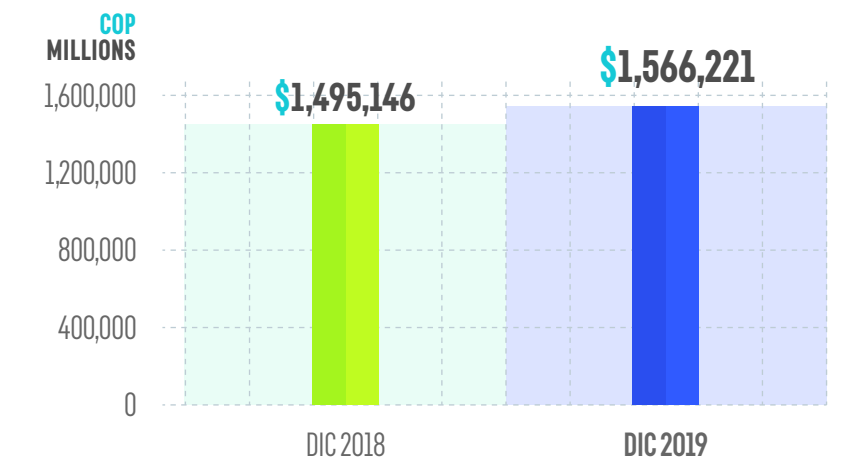
Moreover, the Bank's liquidity represented as available registered a reduction of COP \$184,751 million compared to the end of 2018, which can be explained by lower resource surpluses due to the outstanding performance of disbursements for the year, the placement of all resources in liquidity during 2018, and the Issuance of Orange Bonds. Furthermore, the currency conversion operation reached for a credit with the InterAmerican Development Bank (IDB) in December, 2019 reduced liquidity surpluses in dollars.

Liabilities



Compared to December 2018, the Bank's liabilities increased by COP \$54,369 million (0.8%). This growth can be explained by the increased attraction of resources through the Institutional Savings Account product with a balance of COP \$181,205 million at the end of the year and a higher level of inter-bank funds with a balance of COP \$150,974 million, which compensates for the maturity of Bonds worth COP \$261,110 million during the year.

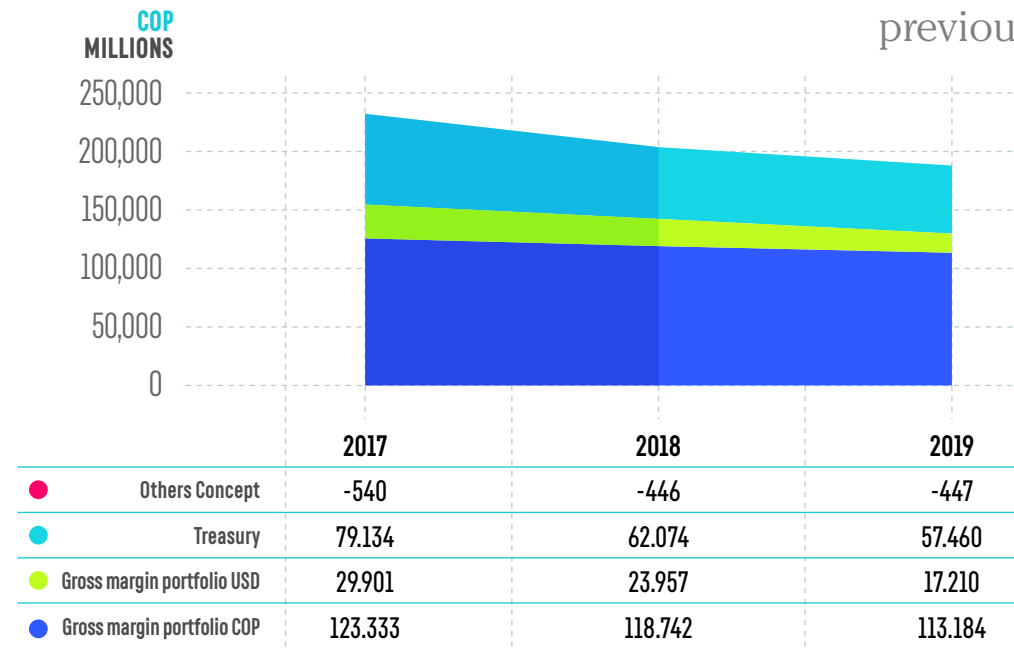
Equity



The Bank's equity increased by COP \$71,075 million (4.8%) compared to December, 2018. This result can be explained by the following factors:

- Increase in the surplus of COP \$40,094 million, which reflects the outstanding market behavior of financial instruments that impact equity.
- COP \$11,780 million reserve increase.
- Greater accumulated profit of the period worth COP \$19,201 million.

Financial Margin



Compared to December, 2018, the accumulated gross financial margin recorded a reduction of COP \$16,919 million (8%). The lower accrual rate of the portfolio in pesos generated a lower margin. Moreover, the lower balance of the portfolio in dollars, caused by short-term placements under competitive conditions and the high level of prepayments, generated a lower gross financial margin for the foreign currency portfolio operation. The result coming from the operation of treasury products, which is affected by market situa-

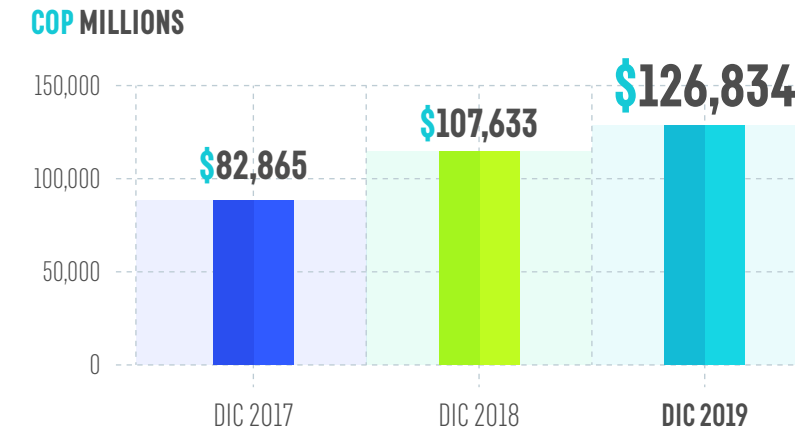
tions, also explains the reduction of the gross financial margin in comparison to the previous year.

As far as the net interest margin is concerned, the portfolio in pesos was financed with more competitive resources due to the type of fund management that was exercised. Nonetheless, the accrual rate of the portfolio was also reduced due to placements at more competitive rates.

Foreign currency portfolio presents a lower rate as a result of shorter terms and lower associated placement rate. Funding in foreign currency increased due to costs assumed from liquid resources during the first semester of the year.

NET INTEREST MARGIN	2018	2019	Var
COP Portfolio Margin	1.84%	1.77%	- 0.07%
USD Portfolio Margin	1.57%	1.16%	- 0.41%

Profit



The accumulated profit at December, 2019 was COP \$126,834 million, which is the highest profit in the Bank's history and represents 18% growth when compared to 2018's. Although lower margin in the portfolio in pesos and dollars was observed, profit growth can be explained by the greater equity method income and lower accrual of income tax.

*The highest profit
in the Bank's history.*

RISK MANAGEMENT

Risk Appetite Framework Statement

Bancóldex included the risk appetite framework statement in the comprehensive risk management system in 2019, which was approved by the Board of Directors. Accordingly, consolidated risk limits and indicators were defined for each type of risk (top-down and bottom up approaches). Adverse scenarios were considered for such estimations; and the negative impact that they may generate on profitability, solvency and liquidity levels was established. Moreover, the risk appetite framework includes a governance structure that sets responsibilities and attributions to establish action plans and procedures to maintain the established risk profile.

Credit Risk

Management System (SARC)

Bancóldex made adjustments to the credit policy framework for operations with financial intermediaries abroad during 2019. Moreover, in order to have alternative financing channels for SMEs, facilitate their access to other funding sources and contribute to capital market development, two pilot programs were created: fintech and crowdfunding security investment (A2cesnso). Therefore, new credit assessment methodologies and maximum exposure limits were established with such entities. The Risk Management Committee and the Bank's Board of Directors approved the pilot programs.

As for national and international financial intermediaries and companies, the Bank continued to monitor customers regularly, based on risk rating models and early warning systems.

Moreover, the Bank continued to develop the pilot direct credit program for companies and projects, which is supported by front, middle and back office teams and based on methodologies, procedures and governance bodies specialized in credit risk.

Market Risk

Management System (SARM)

Methodologies for measuring hedge effectiveness, monitoring verifiable means, and allocating Value at Risk (VaR) limits were updated under different market stress scenarios during 2019.

Similarly, policies, limits and procedures were adjusted to meet the business needs associated to new products (Non Delivery Forwards -NDF of TEs and A2censo). A comprehensive review of limits and policies of the fixed income investment portfolio was also conducted due to the Bank's outlook of increasing the position of foreign currency security investment (Yankees).

Regarding limit compliance, continuous follow-up was performed and the results were submitted in a timely manner to the different authorities.

Liquidity Risk

Management System (SARL)

As part of the process to review and strengthen the Bank's liquidity risk management in 2019, some adjustments were made to the monitoring metrics Bancóldex applied to calculate its liquidity position; and some other metrics were aligned with the guidelines established in the risk appetite framework. The concentration limit per depositor was also adjusted in the context of the Institutional Savings Account product. This limit was gradually determined on the basis of the recorded balance. Some adjustments were also made to the limits of the endorsement portfolio and liquidity buffer using the 30-day historical net liquidity requirement as a reference.

Furthermore, the Liquidity Contingency Plan was updated by modifying the activation procedure. The updated plan includes an additional directive to conduct a prior analysis of liquidity alerts before activating the Plan.

Lastly and upon recommendation of the Financial Superintendence of Colombia, the survival horizon was adjusted to include market condition variables such as the past-due portfolio index of the financial system, TES interest rates, inflation, and exchange rate. Therefore, a new scenario was created to incorporate acid scenarios for each of these variables and simulate the effect should these risks materialize simultaneously.

Operational Risk

Management System (SARO)

The risk and control self-assessments were employed in 2019 to review all of the Bank's operational risks and controls. Similarly, all reported operational risk events were handled. This made it possible not only to im-

plement action plans that addressed specific and cross-cutting issues related to processes but also strengthen controls within the organization.

The entire organization received training on operational risk management focused on issues such as fraud and business continuity. Similarly, the Monitor Plus tool was refined to enable monitoring transaction fraud in the Institutional Savings Account product.

BIA¹⁹ was updated for all the Bank's processes; the Business Continuity Plan (BCP) was tested four times with the support of the Technology Department and the participation of end-users. Moreover, indicators were developed for BCP management within the Bank, as well as a maturity model. Finally, the communication framework of the crisis management model was tested during the national strike of November.

Strategic Risk Management System (SARE)

A new strategic risk assessment methodology was implemented in 2019. The strategic risk map, which includes the identification of risks, controls and treatments, was developed in conjunction with the Strategic Management Department and process leaders responsible for the strategy implementation.

Information Security (ISMS) and Business Continuity (BCMS)

Bancóldex strengthened its Information Security Management System in 2019 ensuring compliance with the regulatory requirements set by the Financial Superintendence related to Cyber-security – CE007 and Cloud computing services – CE005.

As far as personal data protection is concerned, new databases were registered before the Superintendence of Industry and Commerce (SIC) in compliance with Decree 866. Moreover, updated reports on claims (PQR)

and incidents were prepared and recorded in the National Database Registry (RNBD).

Conglomerate Risk Management System

The Bank's Administration continued to strengthen its alignment with its subsidiaries in the areas of risk management and it reinforced their monitoring framework. Thus, throughout 2019, steps were taken within the framework of general and specific conglomerate risk policies to initiate the review and discussion of the following issues: risk appetite setting and adjustment, risk tolerance and risk capacity, identification of Key Risk Indicators (KRIs), creation and harmonization of the Strategic Risk Management System, latest risk factor assessment on Asset Laundering and Financing of Terrorism, such as jurisdiction and economic activities.

The risk management consolidation process at individual and conglomerate levels will continue during 2020.

Asset Laundering and Financing of Terrorism Risk Management System (SARLAFT)

Bancóldex continued the implementation of SARLAFT as well as record keeping throughout 2019 to prevent and mitigate the risks of asset laundering and financing of terrorism (AL/FT) in the operations conducted by the Bank and to strengthen such system. Developments, interface adjustments and implementations were monitored through the new monitoring system for customers and transactions – ACRM (Advanced Compliance Risk Manager).

Bank officials received training on SARLAFT, updates, handbook, client and counterparty due diligence, fraud cases and irregularities, and fraud alert management. Similarly, the assessment of risk factors and AL/FT risk profile was updated and monitored based on risk factors, associated risks and the Bank's consolidated balance sheet. Both inherent and residual risks were considered and the latter remained at the level

19. BIA: Business Impact Analysis.

approved by the Board of Directors.

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

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

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

INTERNAL CONTROL SYSTEM

Bancóldex' Internal Control System (SCI) is based on applicable models and current practices of Internal Control (Internal Control Standard Model –MECI– within MIPG²⁰,

CIC (Internal Accounting Control), and COSO® 2013 (Committee of Sponsoring Organizations)). These frameworks comply with the requirements for the Internal Control System of financial institutions that according to its Basic Legal Circular Letter²¹ are supervised by the Financial Superintendence of Colombia. The Internal Control model focuses on supporting the continuous improvement of the organization, seeking to optimize and establish best practices for different processes, elements and components of the management systems, particularly the Risk Management, Quality and Security Systems.

As far as the independent assessment function is concerned, the Internal Comptroller's Office of the Bank, which is responsible for the Internal Audit process, implemented the Annual Audit Plan following the risk-based priorities approved by the Audit Committee of the Board of Directors in 2019. Risk-based control assessments were performed using management systems and

processes; and the selective checks of compliance with the strategic and operative actions of the entity were conducted.

The Audit Committee of the Board of Directors was informed about the recommendations and opportunities for improvement resulting from the Internal Audit management. The Committee was aware of the impact and took part in monitoring the actions undertaken under the corresponding improvement plans to enable and check the implementation of these recommendations.

While adhering to the International Auditing Standards and the Quality Assurance and Compliance Program, the Bank's internal audit activity had an external quality assessment performed through self-assessment with an independent validation approach by IIA® Global (Institute of Internal Auditors). Bancóldex was awarded for the second consecutive time the certificate of quality assurance and compliance with the principles and standards outlined in the International

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

21. Section I, Title I, Chapter IV.

Professional Practices Framework (IPPF) of Internal Auditing valid for 5 years.

According to the methodology of the General Accounting Office of the Nation (CGN) (Resolution 193 of 2016), Bancóldex Internal Accounting Control System was rated as “Efficient” in the 2019 evaluation for the 2018 validity and obtained a score of 4.85 out of 5.

The Financial Superintendence of Colombia carried out an on-site inspection visit to the Bank in 2019 to verify specific and institutional matters related to operational risk and business continuity, AL/FT risk, internal audit, and issues related to liquidity and profitability.

The Bank also complied with the commitments arising from the improvement plans entered into with other control bodies, such as the General Archive of Colombia. Such plans have been established and approved by the relevant authorities.

At the end of 2019, neither the Administration nor the internal or external Bank con-

trol bodies nor the Audit Committee detected fraud, malicious mistakes or manipulations of the financial information prepared and provided by the Bank, nor were there significant weaknesses that could jeopardize the effectiveness of the Internal Control System or the Bank’s strategic goals.

LEGAL STATUS OF BANCÓLDEX

At the end of the 2019 financial term, Bancóldex maintained its legal regime as a Colombian mixed-economy company. It is affiliated to the Ministry of Commerce, Industry and Tourism, incorporated as a credit establishment and it is not assimilated to the regime of industrial and commercial companies of the State, regardless of the State’s share in its capital. However, despite its nature as a public entity, Bancóldex abides to the Private Law legal regime regarding its transactions and contracts, in accordance with the regulatory and legal provisions governing this area; thus

enabling the bank to be competitive in activities that provide financial support entrepreneurs.

Additionally, to the date of this report, Bancóldex, along with Fiducóldex, the Central Bank of Colombia and the Ministry of Foreign Affairs, is involved in four ordinary labor lawsuits filed by Assistants, Associates and Directors of the Colombian overseas trade offices, who rendered services between 1967 and 1992. Claimants seek the recognition of pension contributions by the aforementioned entities.

Regarding the regulation issued in 2019 related to Bancóldex’ operation, it is worth mentioning, among others, Law 1955 of May 25, 2019: National Development Plan 2018-2022 “Pact for Colombia, Pact for Equity.” This regulation aims at laying the foundations for legality, entrepreneurship, and equity to allow equal opportunities for Colombians by following a long-term project whereby Colombia may achieve the

Sustainable Development Goals by 2030.

The issues that mainly affect Bancóldex’ operations are as follows: i) Allocation of dividends ordered by decree of the General Shareholders Meeting that belong to the Government on account of the Colombia Productiva Program (formerly, Productive Transformation Program); ii) Leverage of credit lines through second-tier financial entities to finance science, technology, and innovation activities; iii) Extraordinary powers held by the President of the Republic to modernize and enhance the efficiency of public financial institutions. This entity aims at avoiding overlapping and creating an entity of the Colombian Executive Branch at the national level responsible for managing the public financial service that redounds on higher efficiency levels; iv) Promoting microcredits through entities of the financial sector as a formalization instrument.

Furthermore, the President of the Republic, in the exercise of the extraordinary powers

conferred by the National Development Plan 2018-2022, issued Decree 2111 of 2019 to incorporate Grupo Bicentenario S.A.S., a mixed-economy company affiliated to the Ministry of Finance and Public Credit. This company would have a centralized ownership function in state-own companies that operate in the financial sector and selected by the Government. The decree seeks to facilitate credit access and financial inclusion, correct market failures, materialize synergies between the various companies of the Group and enhance its corporate governance, increase product offer, optimize capital and strengthen the Group's ability to compete with institutions in the private financial sector.

The share capital of Grupo Bicentenario may be made up of shares of entities that integrate the Executive Branch of Colombia and are supervised by the Financial Superintendence, or companies engaged in economic activities in the public financial sector. The incorporation of Grupo Bicentenario S.A.S.

was recorded through Public Deed dated December, 2019 and its initial share capital included equity from the demerger of Banco Agrario de Colombia S.A. The enforcement of this decree with the force of law may have consequences on the shareholder structure of Bancóldex and its subsidiaries.

Finally, and notwithstanding the requirements established by the Asset Laundering and Financing of Terrorism Risk Management System, it shall be recorded that Bancóldex administrators did not hamper the free movement of invoices issued by providers. The aforementioned statement is recorded under the terms set forth in Article 87, Paragraph 2 of Law 1676 of 2013, "which promotes access to credit and outlines rules on secured transactions", complemented by Article 7 of Law 1231 of 2008 "which unifies the invoice as a title value as a funding mechanism for micro, small and medium-sized entrepreneurs and enacts other provisions".

CORPORATE GOVERNANCE

Complete information concerning the Bank's corporate governance may be found in the Annual Corporate Governance Report. This document is an integral part of this annual report and it is available on the Bank's website under the link "Information of interest to shareholders and investors."

This Report highlights the support provided by the Corporate Governance Committee to the Board of Directors in (i) the review, approval and follow-up of corporate indicators, (ii) measure performance of the Senior Management, and (iii) the review of results obtained from the organizational climate survey—Great Place to Work—and the respective 2020 action plan.

Similarly, two workshop days were conducted in 2019 to help members of Bancóldex' Board of Directors and its subsidiaries

enhance their knowledge. The areas for knowledge update were as follows: climate change, risks and opportunities for the financial sector, Industry 4.0, Fintech, cyber-security, sustainability, and Board Governance trends. The workshop was organized by the Colombian Corporate Governance Institute and was conducted in two sessions led by expert speakers.

SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

Bancóldex has a Social and Environmental Risk Management System (SARAS), adopted by the Board of Directors, which was designed to identify and evaluate the social and environmental risks of credit operations, as well as to establish mitigation measures to reduce the potential impact of the risks identified.

In this sense, Bancóldex' present and future activities support the growth of the Colombi-

an business sector by working on the protection of the environment and societal wellbeing. The bank promotes the rational use of natural resources in its operations to cause the least possible environmental impact, and it designs financial and non-financial products aimed at mitigating and adapting to climate change and generating social benefits.

Bancóldex, in coordination with the Presidential Advisory Office for Human Rights, integrates the initiative of the Commerce, Industry and Tourism sector on the implementation of the National Action Plan on Business and Human Rights to support the protection of Human Rights in business activities.

Bancóldex received a 2019 recognition from GRI²² and the Ministry of Finance for having prepared its sustainability report through the “Competitive Business Program: Contributing to a Sustainable Colombia”. The recognition highlighted Bancóldex as one of the Government's companies whose sustainability report is compliant with GRI Standards.

Bancóldex is also part of the group of banking institutions involved in the preparation of the Banks’ Sustainability Report in Colombia, which will be published in the next Banking Convention organized by the Association of Banking and Financial Entities of Colombia – ASOBANCARIA.

RELATED PARTY TRANSACTIONS

To the date of this report, the Bank ensures that its operations are duly implemented in accordance with applicable regulation. The operations performed by the Bank with its partners and administrators comply with the general policies of the institution. These operations are duly specified in note 30 (related parties) of the financial statements.

The Bank did not perform transactions or operations with partners or managers with different characteristics to those performed with third parties, nor did it provide free or

compensated services, or interest-free loans or any compensation, except those related to employment, governed by articles 152 and 153 of the Substantive Labor Code.

OTHER CAPITAL INVESTMENTS

At the end of December, 2019, Bancóldex held investments in the Latin American Export Bank - BLADEX (1.3%), the National Guarantee Fund (25.73%), and the Credit and Foreign Trade Insurance Company (Aseguradora de Crédito y de Comercio Exterior) - SEGUREXPO (49.63%).

INTELLECTUAL PROPERTY AND COPYRIGHT

Bancóldex acts in accordance with the Law by implementing defined policies on the acquisition of technology and the use of licensed software. It has also put in place internal control procedures that seek to ensure satisfactory compliance with the regulations.

PERFORMANCE OF DISCLOSURE AND CONTROL SYSTEMS

In compliance with the provisions set forth in articles 46 and 47 of Law 964 of 2005, Banco de Comercio Exterior de Colombia S.A. Bancóldex (Foreign Trade Bank of Colombia, Limited Liability, Bancóldex) certifies that the financial statements and other relevant public reports do not contain defaults, inaccuracies or errors that may conceal the Bank’s real equity situation or the transactions conducted. Additionally, the disclosure and control systems used by the entity to incorporate the information contained in such financial statements and reports in the public domain are suitable, based on reliable information, and they undergo audits conducted by the Bank’s internal Comptroller’s office and the Tax Audit under the supervision of the Audit Committee.

22. GRI: Global Reporting Initiative.

ANNUAL REPORT

**2020
Prospects****The Bank's 2020 disbursement target is COP \$6.1 trillion, which represents 14% growth from disbursements made in 2019.**

The Bank will not only focus on reaching the disbursements target for 2020 but also on having an impact on different areas through the focal points established in its strategy. The Bank has planned to achieve this goal by focusing on the following action lines and obtaining the results described below:

1 Productivity of MSMEs: Bancóldex aims at disbursing COP \$889,000 million to microenterprises in 2020 through its network of microfinance institutions. This will provide more than 90,000 microenterprises with access to finance. Similarly, the Bank seeks to allocate 45% of disbursement operations to female micro-entrepreneurs; 10% to municipalities included in PDETs and ZOMACs²³; and 15% to companies that have been affected by violence.

Furthermore, 2020 will be a year of significant benefits for small and medium-sized companies. More than 7,000 SMEs are expected to benefit from more than COP \$2 trillion in loans to meet their financial needs. This accounts for a 42% increase compared to 2019.

2 Financing the Orange Economy: The Bank will continue to support companies in the creative and cultural industry with a COP \$900,000-million disbursement target. As part of these goals, actions aimed at pro-

moting regionalization and targeting of a specific sector will be carried out: 30% of disbursements will be allocated to regions other than Bogotá, Valle, Antioquia and Atlántico; 25% of disbursements will be allocated to orange economy microenterprises.

3 Green Growth: The Bank has set the 2020 goal to deliver COP \$710,000 million for green growth. This reflects an increase of 85% compared to the amount disbursed in 2019.

These disbursements are expected to achieve the main following results:

- Reduce greenhouse gas (GHG) emissions from the companies the Bank finances by 30,000 tons of CO₂ per year (25,000 in 2019).
- Reduce energy consumption from the companies the Bank finances by 130 Gw/hour per year (100 in 2019).
- Increase the financing of MSMEs green projects from 19% in 2019 to 22% in 2020.

²³. 170 municipalities included in PDETs (Development program under a territorial approach). 344 municipalities included in ZOMACs (Areas affected by the armed conflict).

4 Provide support services to exporting companies: The Bank aims at disbursing COP \$1.9 trillion in 2020. The disbursement target worth COP \$70,000 million will be accompanied by actions determined by the Bank such as supporting operators and users of Duty-Free Zones in Colombia.

5 Fund of Funds: Bancóldex' goal is to reach over COP \$213,000 million investment commitments in private equity and venture capital funds in 2020. It will also expand its network with three new investment funds.

Financial Perspectives

The 2020 forecast is a challenging scenario from the commercial viewpoint, considering the disbursement target.

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

1 The investment portfolio in dollars is to be increased to manage liquidity efficiently in that currency while increasing the demand from entrepreneurs for credits in foreign currency, thus increasing the financial margin for 2020.

2 Debt structure in pesos: The monetary policy adopted by the Central Bank of Colombia is expected to modify the 2020 trend leading to a 4.50% intervention rate. This expectation has caused a slope of the yield curve. Therefore, Bancóldex' strategy will focus on the short end of the curve (up to 18 months) where funding costs are more efficient.

3 This strategy includes a considerable portion of funding through the **Institutional Savings Account** or other short-term instru-

ments; thereby improving the total mix of funding in pesos and its contribution to the financial margin.

4 COP \$2 trillion will be required for the projected disbursements. Funding will be obtained from TDCs, Institutional Savings Account and other short-term instruments. It should be noted that by the end of 2019, COP \$313 billion were pre-funded for a five-year term with currency conversion transactions of IDB resources. This amount reduces the term resources required for the 2020 budget.

5 Debt structure in dollars: Bancóldex 2020 funding needs in foreign currency will be met through high credits limits arranged with Correspondent Banking and Multilateral Banks.

6 Spending efficiency: Bancóldex remains committed to austerity measures. Thus, resources included to handle strategic projects and technological developments of the

Entity in 2020, and operating expenses²⁴ increased 12% from the 2019 operating expenses. This demonstrates the Bank's commitment to financial sustainability and profit generation; the budget is ranked at 35.8% in terms of the efficiency indicator, measured as the relation of operating costs over the Gross Financial Margin.

24. Not including taxes

SUBSEQUENT EVENTS

The Administration is not aware of any important events that may have occurred between the close of the 2019 fiscal term and the date of submission of this report that could affect its scope or interpretation.



Javier Díaz Fajardo
Presidente of Bancóldex

FINANCIAL STATEMENTS

AS DECEMBER 2019

FINANCIAL STATEMENTS



REPORT FROM THE STATUTORY AUDITOR



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CERTIFICATE FROM THE LEGAL REPRESENTATIVE AND THE ACCOUNT



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FINANCIAL STATEMENTS 2019-2018



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NOTES TO FINANCIAL STATEMENTS 2019-2018



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FINANCIAL STATEMENTS 2019-2018



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CONSOLIDATED FINANCIAL STATEMENTS BANCÓLDEX AND SUBORDINATED



CONSOLIDATED REPORT FROM THE STATUTORY AUDITOR



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CONSOLIDATED FINANCIAL STATEMENTS 2019-2018



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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CONSOLIDATED FINANCIAL STATEMENTS 2019-2018



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4

BANCÓLDEX' FIGURES

These are our results in 2019:

*A historic year in
profit and disbursements*

More than
COP \$5.4
Trillion
in disbursements

Sectors Served:

| MANUFACTURING | TRADE | TRANSPORT | CONSTRUCTION | COMMUNICATION | ACCOMMODATION AND FOOD SERVICE ACTIVITIES |

12% MORE THAN
THE AMOUNT
DISBURSED IN 2018.

MORE THAN
90%
OF THE DISBURSEMENTS
GRANTED TO
MSMEs.

WE FINANCED
MORE THAN
100,000
COMPANIES
OF ALL SIZES AND LOCATED
THROUGHOUT THE NATIONAL TERRITORY.

\$1.5 TRILLION
DISBURSEMENTS
FOR ENTREPRENEURIAL
MODERNIZATION.

WE FINANCE

ORANGE ECONOMY

COP \$ 1.1
Trillion
in disbursements

BENEFIT

27.000
COMPANIES

63%
OF CREDITS WERE
DISBURSED TO
MSMEs.

MAINLY IN:

BOGOTÁ, ANTIOQUIA,
NARIÑO AND CUNDINAMARCA.

WE IMPACT
**GREEN
GROWTH**

\$383,749
COP
Million

to finance company projects aimed at improving sustainability with emphasis on resource utilization, energy efficiency, use of renewable energies **and climate change adaptation, which represents a 12% increase when compared to 2018.**

THESE INVESTMENTS
HAVE THE POTENTIAL
TO MITIGATE:

79,140
TONS OF CO₂

AND AN ANNUAL
REDUCTION OF:

4.8GWh
[Gigawats per hour]

WE DEVELOPED THE FIRST
**FUND
OF FUNDS**

THE INITIAL INVESTMENT WAS
**USD 38
Million**

**for entrepreneurship and
orange economy in association**
with private investors and
partners such as:



WE ACT AS A
PUBLIC
POLICY INSTRUMENT

COP \$ 575,000
Million

Special credit lines were designed in association with the National Government and the Ministry of Commerce, Industry and Tourism to support entrepreneurs affected by natural disasters.



El progreso
es de todos


Mincomercio




COLOMBIA'S BUSINESS DEVELOPMENT BANK

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MiCITio

*For attention in MiCITio, if Monday is a holiday, it will be attended on Tuesday at the same time. However, you can communicate outside the hours of service, any day of the week to the cell number indicated for each MiCITio or contact the customer service and customer service line.

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Monday
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2:00 p.m. a 5:00 p.m.



REPORTE ANUAL 2019