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

Financial Statements for the years ended on December 31st, 2018 and 2017 and Statutory Auditor's Report

(Figures in thousands – Colombian pesos, unless otherwise indicated)

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 the Colombian law as of January 1st, 1992 in accordance with Law 7 and Decree 2505 of 1991. Its initial term is 99 years as of December 30th, 1992 and, pursuant to Resolution No. 0652 of April 15th, 1996 by the Financial Superintendence of Colombia, the term was extended to December 30th, 2091.

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

Additionally, pursuant to articles 44, 46 and 50, Law 1450 of 2011, the National Government grants the Bank the power to manage the Modernization and Innovation Fund for Micro, Small and Medium Enterprises, the Development and the Innovation Unit and the Productive Transformation Program similarly to Autonomous Equity bodies. Article 13, Law 1753 of 2015 required the consolidation of the Development and Innovation Unit (Article 46, Law 1450 of 2011) and the Modernization and Innovation Fund for Micro, Small and Medium Enterprises (Art 44, Law 1450 of 2011); thus, the Business Growth Management Unit, which undertakes the mission objective and the functions of both programs under a unified approach, was created.

Article 126 of Law 1815 of December 7th, 2016 by which "the Income and Capital Resources Budget and the Appropriations Law are enacted for the fiscal year from January 1st to December 31st, 2017" stated that "The autonomous equities whose management has been assigned by law to *Banco de Comercio Exterior de Colombia S.A.* – Bancóldex may be managed directly by the foresaid Bank or through its subsidiaries". Bancóldex assigned the contractual position it holds under the Inter-Administrative Agreement 375 of 2015 to FIDUCÓLDEX on March 24th, 2017, effective April 1st of the same year, in accordance to both the legal authorization provided and the Policy set forth by the Ministry of Commerce, Industry and Tourism.

Bancóldex is located in the city of Bogotá, D.C. It has no branches or agencies and it operates with the following number of staff members:

	2018	**2017**
Bancóldex	276	300
Opportunity Banking Investment Program	19	19
Total	**295**	**319**

The statutory reforms have been as follows:

No. of Deed	Date	Reform
1372	November 23rd, 1993	By which a temporary paragraph was added to article 66 of the Corporate Bylaws.
1578	December 29th, 1993	By which the capital is reduced and shareholding is amended.
520	May 19th, 1995	By which article 45 of the Corporate Bylaws is amended.
2229	May 7th, 1996	By which several articles of the Corporate Bylaws related to Law 222 of 1996 were amended.
3254	June 24th, 1998	By which several articles of the Corporate Bylaws related to the reform of the Code of Commerce were amended; the Bank's authorized capital was increased and an extraordinary account cutoff was conducted to June 30th, 1998.
1254	April 30th, 1999	By which several articles of the Corporate Bylaws were updated with the current legislation.
3798	September 3rd, 2001	By which several articles of the Corporate Bylaws were updated with the current legislation.
2904	July 9th, 2002	By which article 50 of the Corporate Bylaws was amended based on the recommendation provided by the Financial Superintendence of Colombia regarding the Code of Good Governance.
4568	October 6th, 2004	By which article 6 regarding the Bank's corporate purpose, reiterating its nature as a second-tier bank, was amended.
2339	June 26th, 2008	By which articles 6º, 19º, 21º, 22º and 76º, which refer to Corporate Bylaws of the Bank, were amended.
1366	April 22nd, 2009	By which a statutory reserve is created.
1264	May 23rd, 2012	By which authorized capital was increased due to capitalization of the equity revaluation account.
789	April 18th, 2013	By which the statutory reserve amount is reduced.
931	April 25th, 2014	By which articles 46 and 49 of the Corporate Bylaws were updated to maintain consistency with articles 206 and 437 of the Code of Commerce.
850	April 20th, 2015	By which the changes made to the Country Code Survey, which was modified through External Circular Letter 028 of 2014 issued by the Financial Superintendence of Colombia, were implemented.

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, incorporated through public deed 1497 of October 31st, 1992 issued at the Notary Office 4th of Cartagena (Bolívar) (operating license included in Resolution No. 4535 of November 3rd, 1992 issued by the Financial Superintendence of Colombia). Its headquarters are located in Bogotá D.C. and its corporate purpose is to enter into a business trust agreement with the Nation (represented by BANCÓLDEX) in order to promote Colombian exports and fulfill other purposes 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.

Likewise, as of May 28th, 2003, Bancóldex determined a control situation over ARCO Grupo Bancóldex S.A. (formerly Leasing Bancóldex S.A.), an indirect partially government-owned corporation. Bancóldex owns 87.45% of said 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 4th of Bogotá (operating license included in Resolution No. 718 of 1994 issued by the Financial Superintendence of Colombia). The two aforementioned investments are detailed in note 8.

2. PRESENTATION BASIS

2.1. Accounting standards applied – The accompanying separate financial statements of the Bank, in accordance with the current provisions established by Law 1314 of 2009, which is regulated by Decree 2420 of 2015, which is modified by Decree 2496 of 2015, Decree 2131 of 2016 and Decree 2170 of 2017, were prepared in line with the Accounting and Financial Reporting Standards (NCIF, Spanish acronym) accepted in Colombia. These standards are based on the International Financial Reporting Standards (IFRS), together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB) at December 31st, 2016.

Additionally, in compliance with laws, decrees and other existing regulations, the Bank applies the following accounting criteria which are different to those of the IFRS issued by the IASB:

2.1.1 Decree 2420 of December 14th, 2015 – Through which those responsible for preparing financial statements, classified as public interest entities, that receive, manage or administer public resources must not use IAS 39 – Financial Instruments: Recognition and Measurement; and IFRS 9 – Financial Instruments, in the handling of the credit portfolio and impairment, and the classification and valuation of investments. Subsequently, IFRS 9 was adopted within Decree 2131 of 2016, repealing IAS 39.

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

2.1.2 External Circular Letter No. 36 of 2014 by the Financial Superintendence of Colombia – Establishes that assets received as payment in kind or returned assets must be registered in accordance with the Payments Administration System for Assets

Received as Payment in Kind established by the Basic Financial and Accounting Circular Letter (External Circular Letter 100 of 1995).

2.2. Application of norms incorporated in Colombia as of January 1st, 2018

2.2.1 Impact on the application of IFRS 15, Revenue from Contracts with Customers – The Bank applied this IFRS for the first time in 2018 in accordance with Decree 2496 of 2015 and Decree 2131 of 2016 and in line with the retrospective transition approach, with the cumulative effect of initially applying this standard recognized on January 1st, 2018. Under this transition method, an entity may only retrospectively apply this Standard to contracts that are not completed at the date of initial application.

IFRS 15 uses the terms "Contract Assets" and "Contract Liabilities" to describe what is known as "accrued income" and "deferred income", however, the Standard does not prohibit an entity from using an alternative description in the Balance Sheet.

The Bank's accounting policies for its revenue streams are described in detail in Note 3.21. Likewise, more detailed disclosures are included on the Bank's income transactions in the Income Statement and in Note 25, despite the fact that application of IFRS 15 did not have an impact on the financial position and/or financial performance of the Bank, supported by the technical analysis performed and taking into account that the main income of the Bank is principally generated through interest on portfolio loans, investment valuations and derivatives.

2.2.2 Impact on the application of IFRS 9, Financial Instruments – The Bank applied this IFRS for the first time in 2018 in accordance with Decree 2496 of 2015 and Decree 2131 of 2016. IFRS 9 introduces new requirements for, 1) value impairment for financial assets and 2) hedge general accounting. Details of these new requirements are provided below, together with their impact on the Bank's financial statements.

The Bank implemented IFRS 9 in accordance with the transition provisions established in the Standard:

a) *Impairment of financial assets*

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model instead of an incurred credit loss model according to IAS 39. The expected credit loss model requires the Bank to record its expected credit losses and changes to these expected credit losses at each reporting date to reflect the changes in credit risk based on initial recognition of financial assets. In other words, it is no longer necessary for a credit event to occur in order for credit losses to be recognized.

Specifically, IFRS 9 requires the Bank to recognize a loss allowance for expected credit losses in other accounts receivable, to which the impairment requirements of IFRS 9 are applied. IFRS 9 provides a simplified approach to measure loss allowances for an amount equal to the allowance for lifetime expected credit losses of accounts receivable, under certain circumstances.

On January 1st, 2018, the Bank revised and evaluated the other existing accounts receivable using rational and reliable information available without cost or effort, in accordance with the requisites of IFRS 9, to determine the credit risk of the respective items at the date of initial recognition. The result was as follows:

Existing Balances at January 1st, 2018, subject to impairment provisions under IFRS 9	Note	Credit risk characteristics at January 1st, 2017 and January 1st, 2018	Additional losses in accumulated provisions, recognized at January 1st, 2018
Other accounts receivable	11	The Bank applies a simplified focus and recognizes expected credit losses during the lifetime of other accounts receivable	$ 197.477

The loss allowance for additional credit losses of COP 197,477 at January 1st, 2018 was recognized against adoption for the first time. The loss allowance for additional losses is charged against the respective asset.

b) *Disclosures related to the initial application of IFRS 9*

The following table illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1st, 2018.

	Orginal Measurement under IAS 39	New Measurement Category under IFRS 9	Original book value according to IAS 39	Loss provisions recognized under IFRS 9	New book value under IFRS 9
Other accounts receivable (note 11)	Financial assets measured at cost or at amortized cost	Financial assets measured at cost or at amortized cost	$ 0	$ 197.477	$ 197.477

c) *Financial impact in the application of IFRS 9*

The table below shows the adjustments to the financial statement line affected by the application of IFRS 9 for the current year:

Impact to assets, liabilities and equity	**Reported 2017**	**IFRS 9 Adjustments**	**2018**
Other accounts receivable	0	(197,477)	(197,477)
Total effect on net assets	**0**	**(197,477)**	**(197,477)**
First-time adoption	0	(197,477)	(197,477)
Total effect on equity	**0**	**(197,477)**	**(197,477)**

2.2.3 Amendment to IAS 12. Deferred Tax due to Asset Recognition due to deferred tax due to unrealized loss – The Bank applied the amendments in accordance with Decree 2496 of 2015 and Decree 2131 of 2016 for the first time in 2018. This amendment clarifies how an entity must assess whether there will be future taxable profits against which a deductible temporary difference may be used.

Implementation of this amendment does not have a significant impact on the financial statements of the Bank, in as much as the adequacy of future taxable profits was assessed in a way that is consistent with this amendment.

2.2.4 Amendment to IAS 7 Statement of Cash Flows: Disclosure Initiative – The Bank implemented this amendment which enables users of the financial statements to assess changes in liabilities produced by financing activities, including changes and non-changes to the cash flow.

The Bank's liabilities produced through financing activities consist of loans (Note 19). Reconciliation between the opening and closing balance of these concepts can be found in note 19.3. In accordance with the transition provisions of the amendment, the Bank has not disclosed information comparing it to the previous period. As well as the additional disclosure in note 19.3, the implementation of this amendment does not have an impact on the financial statements of the Bank.

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

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

The financial statements were produced based on historical costs, except as regards the following important headings which are measured at fair value in the balance sheet:

- Investments at fair value through profit or loss – debt instruments
- Investments at fair value through OCI – debt instruments
- Investments at fair value through OCI – equity instruments
- Derivative financial instruments
- Liabilities designated as at fair value through profit or loss
- Property subsequently measured through revaluation model

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

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

2.3.2 Going concern – The financial statements were prepared on a going concern basis. It was determined that there is no uncertainty on the facts, events or conditions that could cast significant doubt upon the entity's ability to continue as a going concern. The judgments used to determine that the Bank is a going concern are related to the evaluation of the current financial situation, current intentions, operations 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 which demonstrates the infeasibility of the Bank as a going concern.

2.3.3 Accrual basis – The Bank produces its financial statements, except as regards information on cash flows, using the accrual accounting basis. By doing so, the Bank acknowledges 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 Bank 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 Bank to provide a specific disclosure required by an IFRS if the information lacks relevant importance.

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

Disclosure regarding criteria and estimates used in the recognition of each component group of 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 sums presented in the financial statements shall be stipulated in the details of the explanatory notes produced for each group of components that require a segregated description in terms of the value judgments used relevant to the presentation of the statements.

3. MAIN ACCOUNTING POLICIES

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

3.1. Foreign currency transactions – Assets and liabilities in functional currency are expressed in Colombian pesos, using the exchange rates prevailing at the cut-off date of the Balance Sheet, in order to present the financial statements. Income and expense items are translated into the exchange rates at the date of the transactions.

At December 31st, 2018 and 2017, the exchange rates were COP $3,249.75 and COP $2,984.00, respectively.

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

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

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

The Bank classifies its financial assets in the following categories: i) financial assets measured at fair value through profit or loss, ii) financial assets measured at amortized cost, iii) and financial assets measured at fair value with changes in OCI. Classification depends on the business model with which the financial instruments were acquired. The management determines the classification of its financial instruments on initial recognition.

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

  A financial asset is held for trading if:

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

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

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

  - Financial assets other than financial assets held for trading may be designated at fair value through profit or loss on initial recognition if:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5. Investment financial assets - The provision of criteria applicable to the presentation, classification and valuation of investments is designated according to local applicable regulations, since the entities subject to inspection and surveillance by the Financial Superintendence of Colombia are obliged to value and account for investments in debt securities, participative securities and investments in securities and other economic rights in accordance with Chapter I of the Basic Accounting and Financial Circular Letter; therefore, its provisions will be used regarding the requirements applicable to the issuance of the Bank's separate financial statements. Moreover, numeral 2.8 of Title IX of the Basic Legal Circular Letter was amended through External Circular Letter No. 041 of 2015 issued by the Financial Superintendence of Colombia in order to clarify the minimum information to be reported when brokering derivative financial instruments.

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

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

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

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

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

  In general, it applies to any type of asset that may be part of the investment portfolio. The way in which different types of investments are classified, valued and accounted for is disclosed:

Classification	Characteristics	Valuation	Accounting
Marketable	Portfolio to manage investments in fixed-income and variable-income debt securities in order to obtain profits due to fluctuations in the market value and in the purchase and sale of such securities.	Valuation of marketable securities is conducted daily. Prices determined by PRECIA S.A. (formerly INFOVALMER) price provider are used for valuation. In cases where there is no fair value for valuation day, valuation should be conducted exponentially from the internal return rate. The fair market	Accounting should be conducted in Investments accounts at Fair Value through Profit or 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

Classification	Characteristics	Valuation	Accounting
		exchange value or price of the respective security should be calculated by adding the present value of future cash flows for yields and capital. In the case of securities traded abroad, when the price provider appointed as the official price provider for the corresponding segment does not have a valuation methodology for these investments, the dirty price of purchase (BID) published by an information supply platform at 16:00, official Colombian time, is used as an alternative source of information.	and negative goodwill and its offsetting entry affects the results for the period. This procedure is carried out on a daily basis.
To hold to maturity	Securities and, in general, any type of investments the Bank has a serious purpose for and the legal, contractual, financial and operational capacity to hold until maturity or until redemption period expires. Liquidity operations may not be made 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, the General Office for Public Credit and	Exponential based on the internal return rate calculated at the time of purchase on the basis of a 365-day year. This procedure is carried out on a daily basis.	Accounting should be made 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 period results. 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
	National Treasury or entities supervised by the Financial Superintendence of Colombia. Likewise, they may be provided as collaterals in a central counterparty clearing house in order to support performance of operations accepted by it for clearing and settlement and/or as collateral for monetary market operations.		
Available for sale – debt securities	Securities that are not classified as marketable or held-to-maturity investments. In accordance with the business model, this portfolio manages fixed-income investments in order to obtain contractual cash flows and make sales when circumstances so require. Securities classified as available-for-sale investments may be provided as collaterals in a central counterparty clearing house in order to support performance of operations accepted by it for clearing and settlement. With these investments, monetary market operations (simultaneous repurchase agreements or repo operations or temporary transfer of securities) may be carried out and provided as collateral for these types of operations.	They use the prices determined by PRECIA S.A. (formerly INFOVALMER) price provider. In cases for which there are no fair exchange prices for valuation day, valuation should be conducted exponentially from the internal return rate. This procedure is carried out on a daily basis.	Accounting should be conducted in the Investments account at Fair Value with Changes in Other Comprehensive Income (OCI) of the Single Financial Reporting Catalogue (CUIF) for Monitoring purposes. The difference between the present value of valuation day and the immediately preceding present value (calculated from the Internal Return Rate, on the date of purchase on the basis of a 365-day year) is recorded as goodwill or negative goodwill of the investment with a credit or charge to accounts in the income statement. The difference between the market value and the present value is recorded in the Unrealized Profit and Loss (OCI) account.

Classification	Characteristics	Valuation	Accounting
			This procedure is carried out on a daily basis.
Available for sale – participative securities	This category includes investments in branches, subsidiaries, associates, shares in Private Equity Funds and joint ventures that grant the Bank the title of issuer joint owner.	In accordance with article 35 of Law 222 of 1995, investments in branches should be accounted for in the books of the parent or holding company using the equity method in the separate financial statements. In cases in which the standards of the Code of Commerce or other legal provisions do not provide the accounting treatment of investments in branches, subsidiaries, associates and shares in joint ventures, they should comply with the provisions set out in IAS 27, IAS 28 and IAS 11, as applicable.	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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *Investment repurchase rights* – These are restricted investments that represent collateral for investment repurchase agreements. The Bank retains the economic rights and benefits associated with the security and all the risks inherent to it although it transfers legal ownership when carrying out a monetary market operation. These securities continue to be valued daily and accounted in the Balance Sheet or income statement in accordance with 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 performance of operations accepted by a central counterparty clearing house for clearing and settlement. These securities are valued daily and accounted in the statement of financial situation and income statement in accordance with the methodology and procedure applicable to the category in which they were classified before they were delivered as collateral.

- *Impairment or losses due to credit risk rating* – The price of marketable or available-for-sale investments for which there is no fair exchange prices on the valuation day, and the price of held-to-maturity investments should be adjusted at each valuation date based on the credit risk rating, in accordance with the following criteria:

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

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

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

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

Category	Risk	Characteristics	Provisions
A	Normal	They comply with the terms agreed in the security and have adequate capacity to pay capital and interests.	Not appropriate.
B	Acceptable	These are issues that present uncertainty factors that may affect the ability to continue fulfilling debt services adequately. Also, its financial statements and other available information present weaknesses that may affect its financial position.	For debt securities, the value they have been accounted for cannot exceed eighty percent (80%) of the net nominal value of amortizations conducted until valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) they have been accounted for cannot exceed eighty percent (80%) of the acquisition cost.
C	Appreciable	These are issues that present high or medium probability of default to timely pay capital and interests. Also, its financial statements and	For debt securities, the value for which they have been accounted cannot exceed sixty percent (60%) of its net

Category	Risk	Characteristics	Provisions
		other available information present deficiencies in its financial position that involve investment recovery.	nominal value of amortizations made until the valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) for which they have been accounted cannot exceed sixty percent (60%) of the acquisition cost.
D	Significant	These are issues that present non-compliance in terms agreed in the security; its financial statements and other available information present deficiencies in its financial position.	For debt securities, the value for which they have been accounted cannot exceed forty percent (40%) of its net nominal value of amortizations made until the valuation date. For participative securities, the net value of provisions for credit risk (provision subtracted form cost) for which they have been accounted cannot exceed forty percent (40%) of the acquisition cost.
E	Uncollectible	Issuers that according to their financial statements and other available information are considered uncollectible.	A provision is created for the entire value of these investments.

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

  In order to estimate provisions on term deposits, the respective issuer's rating is used.

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

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

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

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 portfolio write-offs, among others, will be recognized according to the policies and practices enacted by the Financial Superintendence of Colombia. They are recognized in portfolios, credits granted under different authorized modalities, in accordance with the provisions of Chapter II of the Basic Accounting and Financial Circular Letter (CBCF, in Spanish) of the Financial Superintendence of Colombia. The resources used to grant credit are own resources, public resources through deposits or resources from other external and internal financing sources. Loans are recorded by the disbursement value, except the rediscount commercial portfolio, which is recorded as a discount.

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

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

  The rediscount portfolio is a conventional mechanism for the allocation of second-tier bank resources. It consists of 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. In the Bank, this only applies to funding business activities. Currently, promissory notes are rediscounted if they have been signed (by legal or natural persons with productive activities) before an eligible financial entity, with a valid and available credit limit in the bank, which the financial entity in turn transfers through endorsement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Housing portfolio – General regime for assessment, rating and provisioning of the credit portfolio (Annex 1)

- Direct commercial portfolio – Commercial portfolio reference model – MRC (in Spanish) (Annex 3)

- Consumer portfolio – Consumer portfolio reference model – MRCO (in Spanish) (Annex 5)

- Rediscount commercial portfolio – Internal methodology. Individual provisions of entities authorized to perform rediscount operations. (Annex 6)

To estimate the commercial portfolio (direct and rediscount) and consumer portfolio provisions, the models include some common aspects that are detailed below:

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

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

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

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

Definition of the cumulative or non-cumulative phase: In order to determine the methodology to apply to calculate the pro-cyclical and counter-cyclical components, the Bank performs a monthly evaluation of the indicators established by the Financial Superintendence of Colombia (related to the impairment, efficiency, credit portfolio growth and the financial situation of the entity). Once determined, these will decide the calculation methodology for the components of the credit portfolio individual provisions. In accordance with these indicators, on December 31st, 2018, the Bank applied the cumulative phase calculation methodology.

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

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

Probability of Default (PD): This is the probability that, twelve (12) months after the cut-off date of the financial statements, debtors of a given portfolio enter into default (in accordance with the cases described in paragraph b, number 1.3.3.1, Chapter II, External Circular Letter 100 of 1995). The probability of default is established in accordance with the matrices indicated below.

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

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

In accordance with the above, the application of models and the establishment of provisions will be carried out in the following way:

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

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

Classification of the commercial portfolio by level of assets

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

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

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

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

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

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

In 2018, the periodic review of the methodology was performed and the methodology to calculate probabilities of default was updated, considering that, to date, the Bank has recent default data. For this reason, according to expert criteria, the calculation of default was substituted for a calculation - expert criteria- based on the recent history of the Bank (last five years).

Furthermore, in 2018, an adjustment was made to the Loss Given Default (LGD) parameter, which rose from 40% to 45%. The initial methodology used 40% as a result of the estimation of this parameter for the Bank, using the historical recovery rate recorded some years ago (2004). However, with the implementation of IFRS 9, the Bank decided to align this criterion, which is why it fixed it at 45%. This percentage corresponds to the one suggested by Basel for preferential credit to banking entities which do not have guarantee through recognized collateral.

Probability of Default (PD): This is assigned depending on the rating and percentages of the following table; these percentages are dynamic:

2018

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

2017

Internal Rating	Rating Annex 6	Matrix A	Matrix B
1	A1	1.93%	3.03%
2+	A2	2.71%	4.27%
2	A2	3.61%	5.65%
3+	A3	4.93%	7.57%
3	A3	6.07%	9.84%
4	A3	9.27%	15.16%
5	A4	14.22%	24.27%
6- Default	A5	100.00%	100.00%

Loss Given Default (LGD): This corresponds to 45% and 40%, respectively, for December 31st, 2018 and December 31st, 2017, for all rediscount operations. It was obtained by adopting conservative criteria against the history of portfolio recoveries recorded at the Bank.

Consumer portfolio:

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

	General - Automobiles		General – Other	
Rating	Matrix A	Matrix B	Matrix A	Matrix B
AA	0.97%	2.75%	2.10%	3.88%
A	3.12%	4.91%	3.88%	5.67%
BB	7.48%	16.53%	12.68%	21.72%
B	15.76%	24.80%	14.16%	23.20%
CC	31.01%	44.84%	22.57%	36.40%
Default	100.00%	100.00%	100.00%	100.00%

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

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

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

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

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

All portfolio write-off requests to be presented to the Board of Directors must be accompanied by concepts from the following Bank departments:

- Report and recommendation of the Vice-President of Operations and Technology, indicating the background of the debenture, the collection management carried out in order to recover the credit and the impact on the Bank's income statement.

- Judgment of the Legal Department on the legal inadmissibility carried out to recover the debenture.

- Judgment of the Vice-President of Risk presenting the financial report of the debtor and the risk levels according to economic indicators, in line with the internal methodology applied to analyze the opportunity of servicing the debt and the degree of recoverability of said portfolio.

Effect of adequate collateral on the constitution of individual provisions – As of December 2015, for the direct commercial portfolio, rediscount commercial portfolio and consumer portfolio, the models incorporate the effect of collateral. To calculate housing provisions, only adequate collateral must be taken into account and 100% of its value will be used.

3.7. 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.

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

The derivative financial instrument is valued taking into account 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 on the corresponding closing date.

Hedging relationship – The hedging strategy was recorded in the following way: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the OCI and the ineffective portion is recognized in the income statement for the period. The accumulated gains or losses in equity of the hedging instrument will be reclassified in the income statement when the asset is totally or partially disposed of.

The Bank documents the beginning of the transition of the existing relationship between the hedging instrument and the covered loss, as well as the objective and strategic risk management to undertake the hedge. The Bank also documents its evaluation both at the transition beginning date and on a recurring basis that the hedging relationship is highly effective in compensating changes in the fair value or in the cash flows of the covered items.

The Bank establishes that all transactions for the purchase and sale of financial assets or derivative contracts are recorded on the date of negotiation. Credit risk will be included in the valuation of derivative financial instruments as an adjustment to the assessment at the end of the period. The Bank will not include transaction costs in the valuation of the derivative; it will only reflect the price at which it can be sold on the main market.

3.8. Embedded derivatives – The Bank will value the existence of an embedded derivative in contracts that contain special clauses. It will be necessary to identify, separate, measure and recognize them. The Bank will evaluate the existence of judgments that reflect the existence of an embedded derivative in the characteristics and risks of the host contract. This evaluation will not be carried out again, unless there is a change in the terms of the contract which significantly modifies the cash flows that may be produced in accordance with it. In this case, a new evaluation will be required. Embedded derivatives will be recognized at fair value.

Embedded derivatives will be separated from the host contract and treated in accounting as a derivative. The host contract will be measured and recognized as a financial instrument. In the event that it is impracticable to separate the embedded derivative from the host contract, it will be essential to measure the complete combined contract as a financial asset or liability held for trading.

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

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

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

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

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

To calculate provisions, the Bank, as a rediscount entity, follows the general regulations established by the Financial Superintendence of Colombia, in accordance with the contents of Chapter III of External Circular Letter 100 of 1995, of this entity.

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

Rules concerning the legal sales period – The sale of goods received as payment in kind must be carried out within the two years following their acquisition. However, they may be recorded as fixed assets when they are necessary for the ordinary course of business and they fulfill the asset investment limits. Deferral of their transfer 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.

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

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

Initial measurement: Initial recognition of property and equipment is at cost, and this cost will be the cash equivalent on the date of recognition 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 include: rehabilitation of the place where the asset is located, the debenture incurred by the Bank, either when it acquired the asset or as a result of having used the asset for purposes other than the productive operation of the Bank.

To capitalize on improvements, it will be necessary for the 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 which therefore maintain the conditions in terms of useful life or expected future economic profits, for example, derived from the use of the same item, must be recognized as expenses of the period in which they are incurred. Therefore, they will have a net effect on the income statement.

The implementation costs cannot be capitalized as part of the cost of property and equipment, 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: Following their recognition as an asset, elements of property or equipment will be measured in the following way:

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 the month the asset is found in the location and necessary conditions to operate as intended by the management.

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

The real useful life corresponds to the period in which 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".

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

In accordance with the premises valuation 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 date of the valuation is 62 years.

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

Group description	**Residual %**	**Useful Life**	
Buildings	15%	100 Years	
Fixtures	10%	5 Years	12 Years
Computer equipment	10%	2 Years	5 Years
Network and communication equipment	10%	2 Years	6 Years
Machinery and equipment	10%	6 Years	14 Years
Furniture	10%	5 Years	12 Years

Group description	**Residual %**	**Useful Life**	
Transport vehicles	10%	10 Years	20 Years
Land	0%	0 Years	0 Years
Goods on gratuitous loan	0%	0 Years	0 Years
Art and cultural goods	0%	0 Years	0 Years

Moveable goods whose acquisition value is equal or inferior to (50 UVT) depreciate, 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 an item of property or equipment is derecognized when no further associated economic benefits are expected in the future and the uses or losses of removal are recognized in the income statement for the period.

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

3.11. Intangible assets – The Bank shall record intangible assets once they 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 it to be recognized, it is essential that it fulfills all the previously mentioned characteristics.

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

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

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

- For 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 in which they are incurred.

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

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

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

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

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

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

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

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

a. If the asset was purchased by the Bank, it is measured at its cost;

b. If the asset was donated to the bank, it is recorded at the market value (if there is an active market) or at its replacement value, if practicable;

c. If it is not possible to reliably obtain its fair value, its cost shall be zero.

In their subsequent recognition, art and cultural goods should be measured at cost, minus any impairment loss.

3.13. Impairment of non-financial assets - Identification of evidence of impairment should provide sufficient detail on the scenarios which, according to management, 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 be aimed at detailing possible internal or external events that lead to a loss in the value of the asset or in the expected economic benefits from its disposal. This evidence of impairment should be considered at least once by the end of the accounting period or when the relevant information for decision-making is submitted.

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

Impairment indicators may be due 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 shall be considered as impairment indicators: changes in the legal, economic, technological or market environment in which 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). The 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, 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 subsequent to amortized cost using the effective interest method, except for those derivative financial instruments which are measured at fair value through 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.

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

  On initial recognition, the Bank shall classify the issues of debt instruments as financial liabilities measured at amortized cost. Additionally, based on a cost/benefit and materiality analysis in accordance with the provisions of the Framework, transaction costs are recognized directly in the income statement for the period in which they are incurred.

  In the subsequent measurement, the Bank shall measure the issues of debt instruments at amortized cost using the effective interest method.

3.15. Income taxes – Income tax expense includes current and deferred taxes. The Bank shall recognize, with some exceptions, the liabilities or assets arising from the deferred tax calculation. The balance method shall be used to calculate the amount of a deductible deferred tax for those transactions or recognitions for which an expectation of future taxable income is identified. Accounting valuation to be considered shall be the book value, while tax valuation shall be the tax base, whose value shall be represented in the different reconciling items and the different operations carried out by the Bank. The applicable tax rate should be used for the period in which 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 eliminated the CREE tax and the CREE tax surcharge for the years 2017 and 2018, and at the same time increased the general income tax rate to 34% for 2017 and 33% for the following years creating an income tax surcharge and related taxes of 6% and 4% for taxable years 2017 and 2018, respectively, the latter applicable to taxable bases of $800 million and thereafter.

- *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 tax rates that have been approved, 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 included in the income statement. Current and/or deferred taxes should be recognized outside the income statement in recognized transactions, during the same period or in a different one, also outside the income statement.

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

- *Wealth tax* – This tax is generated by the possession of wealth (gross equity minus current debts) equal to or greater than COP $1,000 million at January 1st, 2015, 2016 and 2017. The Bank records this tax against operational expenses of the period, at the value of the tax recognized at January 1st of each year.

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

- Has a present obligation due to a past event;

- Might have to dispose of resources that include economic benefits to settle the obligation;

- Can make a reliable estimation of the obligation value;

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

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the best available estimate. When it is no longer possible that resources including economic benefits will flow out of the entity to meet the obligation, the provision should be reversed and it should be 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 the present obligations arising from this type of contracts, where unavoidable costs of performance are required, determined by implied obligations that are greater than the expected benefits.

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

- From the point of view of compliance with the obligations of the entity conducting the assessment, has the contract not been executed under normal conditions in compliance with the initial parameters agreed between the parties?

- Have the market prices of the product or service contracted had significant adverse variations for the entity in the market that may suggest the existence of an onerous contract?

- Has the income of the entity conducting the assessment, income which is directly or indirectly related to the contract, had or is expected to have a significant decrease, or have the costs of its care increased 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 following 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, i.e. at the amount at the measurement date.

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

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

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

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

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

Leases are classified according to the very 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 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, therefore, may be 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 as assets the assets acquired under a financial lease contract, and as liabilities the obligations associated with such contract. 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 income statement of each period, corresponding to the agreed interest rate.

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

On initial recognition, the investment in an associate shall be recorded at cost, and the book value shall increase or decrease to recognize the investor's share in the income 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, and represent amounts receivable for services rendered, net of discounts and taxes.

The Bank recognizes revenue when:

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

Dividend and interest income –

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

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

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

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

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

- Portfolio in pesos: It includes the commercial portfolio in pesos, including discount operations on documents in pesos, portfolio of employees and former employees.
- Foreign currency portfolio: It includes the commercial portfolio in foreign currency, including discount operations of documents in foreign currency.
- Investment portfolio: It includes securities managed by the Bank's Treasury in treasury securities in national or foreign currency and Colombian private debt securities, specifically those issued by issuers supervised by the Financial Superintendence of Colombia.
- Treasury Products: It includes operations with derivatives (from speculation and hedging), restatement of own position (exchanges), cash operations and currency trading.
- Commissions: It includes products of international banking operations, guarantee of issues, guarantee shared with the National Guarantee Fund, micro-insurance, among others.
- Other products: It includes investments in private equity funds, investments in affiliates and subsidiaries, other assets and new products developed by the Bank, whose share is less than 10% of the asset or income.

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

I. *Loan portfolio*

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

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

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

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

II. Investments

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

III. Treasury Products

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

IV. Commissions

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

V. Others

This category groups together all those concepts whose generation of income and expenses are not particularly defined within the policies of the Bank's main margin generation segments.

4. USE OF ESTIMATES AND JUDGEMENTS

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

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

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

a. *Classification of assets and liabilities* - The designation of assets and liabilities was carried out as described in the accounting policies adopted by the Bank. Said designation classified the financial assets in the following categories: marketable, available for sale or to hold to maturity. Financial liabilities are classified in the fair value and amortized cost categories. The Bank determines the classification of financial assets and liabilities taking into account their business model.

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

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

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

a. *Fair value*- The fair value of an asset or liability is the estimated amount of the consideration that would be agreed upon by two parties being in sound mind, willing and acting in full freedom and not as the result of a forced sale or liquidation. For practical purposes, and under the above definition, the Bank shall consider as fair value any measures of value that more accurately represent the market conditions at the valuation date, as well as any measures of value that together represent the price that market participants would grant at the measurement date. See Note 6.

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

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

   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 to those offered by the market are among the long-term benefits the Bank grants to its employees.

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

c. *Income tax* - The Bank assesses the realization of deferred income tax assets over time. They represent a tax on recoverable income through future deductions from taxable income and are recorded in the balance sheet. Deferred tax assets may be recoverable to the extent to which tax benefits can be received. At December 31st, 2018 and 2017, the Bank estimates that deferred income tax assets shall be recoverable based on their estimated future taxable income. Deferred tax liabilities recorded as taxable differences in the deferred tax calculation shall reflect income tax amounts payable in future periods.

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

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

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

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

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

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

(1) General Accounting Office of the Nation

(2) National Agency for State Legal Defense

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

5.1. Incorporated in Colombia as of January 1st, 2019 *– Decree 2496 of 2015 and Decree 2170 of 2017* – With these decrees, as of January 1st, 2019, the following standards shall enter into force in the technical regulatory framework that contains some amendments issued by the IASB in the second half of 2016, enabling it to be implemented at an earlier date:

Financial Reporting Standard	Subject of the Amendment	Details
IFRS 2 – Share-based Payments	Classification and Measurement of Share-based Payment Operations	IFRS 2 did not contain any guidance on how profit consolidation conditions affect the fair value of liabilities generated though share-based payments settled in cash. The IASB has added a guide that introduces accounting requirements for share-based payments in cash that follow the same approach used for share-based payments. Entry into force, January 2018
IFRS 16 – Leases	Issuance of new standard	It establishes principles for the recognition, measurement, presentation and disclosure of leases in order to ensure that lessees and lessors provide relevant information that faithfully represents such transactions. IFRS 16 replaces the following standards and interpretations: • IAS 17 Leases • IFRIC 4 Determining whether an Arrangement contains a Lease • SIC-15 Operating Leases - Incentives • SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease Contract Entry into force, January 2019
IAS 40 – Investment Properties		The amendments clarify that a transfer to or from investment properties requires an assessment of whether a property fulfills, or no longer fulfills, the definition of investment property, supported by observable evidence that a change in use has occurred. Additionally, the modifications clarify that the situations outlined in IAS 40 are not exhaustive and that a change of use is possible for properties under construction (that is, changes of use are not limited to completed properties). Entry into force, January 2018
Annual Improvements Cycle 2015 – 2017		The following modifications were made by the International Accounting Standards Board. These modifications are part of the annual improvements to the IFRS. IFRS 11 Joint Arrangements: Shares previously held in a joint operation. IAS 12 Income Tax: Income tax consequences of payments on financial instruments classified as equity.

The Bank anticipates that the adoption of these standards and interpretations issued by the IASB, incorporated in Colombia as of January 1st, 2019, would not have a material impact on the financial statements. The analysis performed by the Bank in relation to IFRS 16 is presented as follows:
IFRS 16 – Leases: The context of the standard focused on identifying the existence of a right of use in the lease contracts, which would mainly affect the accounting of the lessee since the distinction previously made between financial and operating leases is removed. This implies the recognition of an asset through the right to use the asset in question and liabilities through leasing.

Furthermore, IFRS 16 "Leases", which is applicable to all lease contracts, establishes the principles the Bank shall apply to present useful information to users of the financial statements on the nature, amount, calendar and uncertainty of the leases and cash flows derived from these kinds of contracts.

The new standard provides a comprehensive framework for the recognition of leases based on three stages: initial recognition and measurement, subsequent measurement and profit and loss.

- Initial recognition and measurement: This measures the right to use the asset and the liability arising from the lease at the present value of the lease payments.

- Subsequent measurement:

  - Assets: Depreciation of assets based on IAS 16 or use of an alternative measurement basis under IAS 16 and IAS 40, if relevant.

  - Liabilities: Liabilities based on the interest method, using a discount rate determined at the beginning of the lease. Reduction of liabilities through the payments made.

- Profit and loss: Interests and depreciation are recognized and presented separately.

As part of the activities to determine the impact of IFRS 16, the Bank performed an analysis of the existing contracts, at December 31st, 2018, in which it acts as a lessee and/or lessor. In order to carry out the corresponding analysis, the contract evaluation matrix under IFRS 16 was used in order to assess whether the contracts in question represented or contained a lease. For this purpose, it was taken into account that a contract is or contains a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for consideration.

In accordance with the analysis performed, the following aspects were found in relation to the initial recognition and measurement of lease contracts:

The contracts analyzed satisfy the criteria established in the Standard for the identification of the lease, since they fulfill the condition of transferring the right to control an identified asset for a period of time in exchange for consideration. However, some of the contracts analyzed meet the characteristics required for classification as exempt from recognition, which are:

a. Short-term lease contracts with a term less than or equal to 12 months; and

b. Leases in which the underlying asset is of a low value, according to the criteria established in the Standard.

The Bank accepts the statement by the IASB in its conclusions, in which it considered underlying assets with a value, when new, of around 5,000 dollars maximum, equivalent to COP $16,248,750 on December 31st, 2018, to be low value assets, taking into account that the standard does not define "low value", however, it does establish that the valuation should be calculated using the asset value when it is new (even in the case of leasing of a used asset). It should therefore be mentioned that the "low value" exception only applies to leased assets that do not significantly depend on other assets and are not closely related to them.

At December 31st, 2018, the Bank classified its leases as operating and financial, in accordance with the characteristics established in IFRS 17, by which leases are classified as financial when all the risks and advantages inherent to ownership are substantially transferred, and they are classified as operating when the risks and advantages inherent to ownership are not transferred.

Bearing in mind that the Bank possesses some contracts that are classified as operating leases, subsequent measurement is carried out through recognition of expense on a straight-line basis, equivalent to the payments of operating leases during the lease contract term.

After the start date, the Bank shall recognize the following in the income statement of the period, unless the costs are included in the book value of another asset:

- Interest on liabilities arising from the lease, and
- Variable lease payments that are not included in the lease liabilities in the period in which the event or condition that gave rise to these payments occurred.

It shall measure its right to use assets by applying the cost model. For this purpose, it shall measure assets in the following way:

- At cost;
- Minus accumulated depreciation and accumulated losses due to impairment; and
- Adapted to any new measurement of liabilities arising from the lease.

Depreciation of assets through right of use shall occur in one of the following ways:

a. From the start date until the end of its useful life. This shall be the case when:
   - Ownership of the underlying asset is transferred to the lessee at the end of the lease; or
   - The cost of the asset through right of use reflects that the lessee exercises a purchase option.

b. From the start date until the end of the lease. This shall be the case when:
   - The conditions of point 1 are not fulfilled; and
   - The end of the lease term occurs before the end of the useful life of the underlying asset.

After the start date, the Bank shall measure the liabilities arising from the lease as follows:

a. by increasing the book value to reflect the interest on the liability arising from the lease;

b. reducing the book value to reflect the lease payments made; and

c. remeasuring the book value to reflect new measurements or modifications to the lease and also to reflect the in-substance fixed lease payments that have been revised.

Once the analysis of the contracts has been completed, the impact of the implementation of IFRS 16 is detailed below:

Value of the property, plant and equipment assets through right of use	$	2,055,345
Value of liabilities arising from the lease		1,536,061
Positive value in accounting equity through the application of this standard for the first time		429,285
Value of estimated liabilities through decommissioning		90,000

Moreover, to assess the tax impact caused by the adoption of IFRS 16 "Leases" and its effect on the assessment of income tax, defined in Article 127-1 of the Tax Statute and in the information contained in IAS 12 for the recognition of deferred tax liabilities and assets, an analysis of the transaction and applicable technical framework was performed in which the following effect on implementation was determined.

- Lease contracts that were recorded as operating leases under the technical accounting framework (IAS 17) and that are not intended for the purposes of financed acquisition of an asset shall continue to be recorded as operating leases for tax purposes and the tax shall be considered as a deductible expense in its entirety.

- Under the technical accounting framework IFRS 16, recognition of the right to use an asset and the liabilities arising from the lease are defined, and for contracts whose purpose is not financed acquisition of an asset, a difference shall be produced between the IFRS 16 accounting base and the tax base that shall constitute the deferred tax assets or deferred tax liabilities, as appropriate.

- Considering that the current tax base sets out the considerations of IAS 17, every time usage rights and lease liabilities are generated under the terms of IFRS 16, temporary differences shall be presented, which shall be subject to deferred tax calculation, specifically in contracts whose classification corresponds to an operating lease for fiscal purposes.

- However, for contracts that fulfill some of the recognition exemptions presented by IFRS 16 (low-value or short-term asset), it is expected that no effect shall be produced on the deferred tax, since it is recognized as a period expense on a straight-line basis in the two bases during the term of the contract.

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

Financial Reporting Standard	Subject of the amendment	Details
IFRS 9 –	Prepayment with negative offsetting features	Amendment to the existing requirements of IFRS 9 in terms of rights to terminate a contract to enable measurement at amortized cost (or, depending on the business model, at fair value through other

Financial Reporting Standard	Subject of the amendment	Details
Financial Instruments		comprehensive income), even in the case of negative offsetting payments . Additionally, a clarification is included regarding an accounting for a modification or the exchange of a financial liability measured at amortized cost which does not result in derecognition of the financial liability. Entry into force, January 2019
IFRIC 22 – Foreign Currency Transactions and Advance Consideration		This interpretation addresses how to determine the transaction date in order to establish the exchange rate to be uses in the initial recognition of the asset, expense or related income (or the corresponding portion), in the derecognition of a non-monetary asset or non-monetary liability that is derived from the payment or collection in advance of foreign currency consideration. Entry into force, January 2018
IFRIC 23 – Uncertainty over Income Tax Treatments		This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty regarding the 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. Entry into force, January 2019

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

6. FAIR VALUE ESTIMATION

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

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

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

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

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

The fair value hierarchy is based on the following levels:

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

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

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

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

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

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

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

a. Fair value measurements on a recurring basis

These are measurements that IFRS accounting standards require or allow in the Statement of Financial Position at the end of each accounting period. The Bank's assets and liabilities (by class) measured at fair value at December 31st, 2018 and 2017, on recurring basis and within the fair value hierarchy, are shown in the following table:

	December 31st, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss - Debt instruments				
In Colombian pesos				
Treasury Bonds - TES	$ 594.418.288	$ -	$ -	$ 594.418.288
Other domestic issuers - financial institutions	-	29.925.337	-	29.925.337
Investments at fair value with changes in OCI - Equity instruments				
In Colombian pesos				
Domestic issuers - private equity funds	90.373.568	-	-	90.373.568
In foreign currency				
Foreign issuers - private equity funds and Bladex	49.199.566	-	-	49.199.566
Investments at fair value with changes in OCI - Debt instruments				
In Colombian pesos				
Treasury Bonds - TES	240.763.710	-	-	240.763.710
In foreign currency				
Treasury Bonds - TES - Yankees Bonds	163.273.031	-	-	163.273.031
Investments in subsidiaries and affiliates	-	-	112.305.586	112.305.586
Investments in associates	-	-	115.396.653	115.396.653
Trading derivative financial instruments				
Forward Contracts				
Purchase rights on currencies	-	3.728.407.527	-	3.728.407.527
Sales rights on currencies	-	134.491.923	-	134.491.923
Purchase obligations on currencies	-	(3.607.620.973)	-	(3.607.620.973)
Sale obligations on currencies	-	(133.089.847)	-	(133.089.847)
Credit Valuation Adjustment-CVA	-	(1.556)	-	(1.556)

	December 31st, 2018			
	Level 1	Level 2	Level 3	Total
Futures Contracts				
Purchase rights on currencies	-	2.581.448.985	-	2.581.448.985
Sales rights on currencies	-	2.298.153.460	-	2.298.153.460
Purchase obligations on currencies	-	(2.581.448.985)	-	(2.581.448.985)
Sale obligations on currencies	-	(2.298.153.460)	-	(2.298.153.460)
Hedging derivative financial instruments				
Futures Contracts				
Purchase rights on currencies	-	1.866.706	-	1.866.706
Sales rights on currencies	-	50.433.571	-	50.433.571
Purchase obligations on currencies	-	(1.866.706)	-	(1.866.706)
Sale obligations on currencies	-	(50.433.571)	-	(50.433.571)
Non-financial assets				
Investment properties	-	-	6.413.244	6.413.244
Total recurring assets at fair value	$ 1.138.028.162	$ 152.112.410	$ 234.115.483	$ 1.524.256.056
Liabilities				
Trading derivative financial instruments				
Cash operations				
Purchase rights on foreign currencies	-	(19.498.500)	-	(19.498.500)
Purchase obligations on foreign currencies	-	19.503.930	-	19.503.930
Forward Contracts				
Purchase rights on currencies	-	(280.577.822)	-	(280.577.822)
Sales rights on currencies	-	(3.500.434.335)	-	(3.500.434.335)
Purchase obligations on currencies	-	281.578.622	-	281.578.622
Sale obligations on currencies	-	3.583.370.992	-	3.583.370.992
Debit Valuation Adjustment-DVA	-	(4.475)	-	(4.475)
Total recurring liabilities at fair value	$ -	$ 83.938.412	$ -	$ 83.938.412

	December 31st, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss - Debt instruments				
In Colombian pesos				
Treasury Bonds - TES	$ 382.678.890	$ -	$ -	$ 382.678.890
Other domestic issuers - financial institutions	-	30.552.370	-	30.552.370
Investments at fair value with changes in OCI - Equity instruments				
In Colombian pesos				
Domestic issuers	86.053.021	-	-	86.053.021
In foreign currency				
Foreign issuers	54.653.953	-	-	54.653.953
Investments at fair value with changes in OCI - Debt instruments				
In Colombian pesos				
Treasury Bonds - TES	275.102.420	-	-	275.102.420
In foreign currency				
Treasury Bonds - TES	154.624.400	-	-	154.624.400

	December 31st, 2017			
	Level 1	Level 2	Level 3	Total
Investments in subsidiaries and affiliates	-	-	105.992.046	105.992.046
Investments in associates	-	-	119.929.601	119.929.601
Trading derivative financial instruments				
Forward Contracts				
Purchase rights on currencies	-	270.085.575	-	270.085.575
Sales rights on currencies	-	1.842.702.049	-	1.842.702.049
Purchase obligations on currencies	-	(268.946.755)	-	(268.946.755)
Sale obligations on currencies	-	(1.823.053.722)	-	(1.823.053.722)
Credit Valuation Adjustment-CVA	-	(31.217)	-	(31.217)
Futures Contracts				
Purchase rights on currencies	-	1.036.928.415	-	1.036.928.415
Sales rights on currencies	-	1.536.460.145	-	1.536.460.145
Purchase obligations on currencies	-	(1.036.928.415)	-	(1.036.928.415)
Sale obligations on currencies	-	(1.536.460.145)	-	(1.536.460.145)
Hedging derivative financial instruments				
Futures Contracts				
Sales rights on currencies	-	58.301.292	-	58.301.292
Sale obligations on currencies	-	(58.301.292)	-	(58.301.292)
Non-financial assets				
Investment properties	-	-	6.413.244	6.413.244
Total recurring assets at fair value	$ 953.112.684	$ 51.308.301	$ 232.334.892	$ 1.236.755.876
Liabilities				
Trading derivative financial instruments				
Forward Contracts				
Purchase rights on currencies	-	(2.302.947.006)	-	(2.302.947.006)
Sales rights on currencies	-	(156.406.989)	-	(156.406.989)
Purchase obligations on currencies	-	2.328.655.499	-	2.328.655.499
Sale obligations on currencies	-	158.340.166	-	158.340.166
Debit Valuation Adjustment-DVA	-	(3.425)	-	(3.425)
Total recurring liabilities at fair value	$ -	$ 27.638.244	$ -	$ 27.638.244

b. Determination of fair values

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

The methodologies applicable to the most common derivative instruments are:

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

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

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

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

7. CASH AND CASH EQUIVALENTS

At December 31st, 2018 and 2017, the cash balance and cash equivalent is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Legal currency		
Cash	$ 6.812	$ 6.725
Central Bank (1)	17.126.388	18.217.672
Banks and other financial entities	97.687.681	106.008.658
	114.820.881	124.233.055
Foreign currency		
Banks and other financial entities	7.726.286	7.343.787
	7.726.286	7.343.787
	$ 122.547.167	$ 131.576.842

(1) These funds are allocated to the Nation under the borrowing contract entered into by 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.

At December 31st, 2018 and 2017, there were no reconciling items in legal or foreign currency with more than 30 days pending for adjustment.

8. FINANCIAL INSTRUMENTS

Financial instrument assets include marketable investments classified as measured at fair value through profit or loss, available-for-sale investments classified as measured at fair value with changes in Other Comprehensive Income, equity instruments measured by their equity variation and derivative financial instruments.

At December 31st, 2018 and 2017, the balance of the investment portfolio is as follows:

	December 31st, 2018	December 31st, 2017
Investments at fair value through profit or loss - debt instruments		
Bonds issued by the nation - TES	$ 594.418.288	$ 382.678.890
Term Deposit Certificates issued by supervised entities	29.925.337	30.552.370
	624.343.625	413.231.260
Investments at fair value with changes in OCI - debt instruments		
Bonds issued by the nation - TES (1) (2)	240.763.710	275.102.420
Bonds issued by the nation - Yankees Bonds	163.273.031	154.624.400
	404.036.741	429.726.820
Investments at fair value with changes in OCI - equity instruments		
Banco Latinoamericano de Exportaciones S.A. - BLADEX	27.466.442	39.215.473
Private Equity Funds (3)	112.106.692	101.491.501
Minus: Impairment	(2.824.694)	(2.710.093)
	136.748.440	137.996.881
Investments accounted for using the equity method (4)		
Segurexpo de Colombia S.A.	9.340.069	9.129.194
Fondo Nacional de Garantías S.A. - F.N.G.	106.056.584	110.800.407
	115.396.653	119.929.601
Investments in subsidiaries (5)		
Fiduciaria Colombiana de Comercio Exterior S.A. - FIDUCOLDEX	51.138.017	48.844.216
Arco Grupo Bancoldex S.A.	61.167.569	57.147.830
	112.305.586	105.992.046
	$ 1.392.831.045	$ 1.206.876.608

(1) Debt securities – provided as collateral in money market operations
At December 31st, 2018 and 2017, the investments in debt securities with changes in OCI provided as collateral in money market operations amounted to $12.210.500 and $0, respectively.

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

At December 31st, 2018 and 2017, the investments in debt securities with changes in OCI provided as collateral to support the operations with the Central Counterparty Clearing House amounted to $87.097.949 and $66.338.198, respectively.

(3) Investments at fair value with changes in OCI – Equity Instruments
The investments the Bank holds in Private Equity Funds are listed below:

December 31st, 2018

Entity	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market value	Valuation	Allowance	% Executed
Aureos	2	$ 14.640.381	$ 3.988.052	$ 2.092.110	$ 16.333.081	$ 18.425.191	$ 3.546.279	$ 1.454.170	$ 177.314	125,85
Escala	3	11.000.001	668	10.982.214	17.118	10.999.332	4.701.024	(6.281.188)	470.103	99,99
Progresa Capital	2	3.723.480	-	2.670.726	1.280.283	3.951.009	2.313.690	(357.037)	115.685	106,11
Colombia Ashmore	1	37.686.200	40	32.493.670	12.482.552	44.976.222	49.689.156	17.195.486	993.783	119,34
Amerigo Ventures Colombia	1	4.192.187	1.389.406	2.619.746	322.466	2.942.212	1.966.476	(653.270)	39.330	70,18
Velum Early Stage Fund I	1	7.547.482	618.327	6.726.258	327.197	7.053.455	11.362.099	4.635.841	227.242	93,45
Mas equity fund III Colombia	1	21.036.267	15.742.109	4.675.044	36.267	4.711.311	3.825.062	(849.982)	76.501	22,40
Ashimore Andino II	1	15.000.002	4.348.901	10.404.436	230.438	10.634.874	12.969.781	2.565.345	259.396	70,90
		$ 114.826.000	$ 26.087.503	$ 72.664.204	$ 31.029.402	$ 103.693.606	$ 90.373.567	$ 17.709.365	$ 2.359.354	90,30

December 31st, 2018

Entity	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market value		Valuation	Impairment	% Executed
		USD	USD	USD	USD	USD	COP	USD	USD	COP	
ALLVP FUND III, LP	1	3.000	3.000	-	-	-	$ -	-	-	$ -	-
Microcarbon Development Fund Lp	1	3.937	-	3.937	121	4.058	12.243.715	3.768	(169)	77	103,07
Darby latin american private debt	1	5.000	3.113	1.887	273	2.160	5.839.460	1.797	(90)	46	43,20
Acumen latin american early gro	2	1.500	1.163	337	-	337	1.022.630	315	-	16	22,47
Angel Ventures pacific alliance fund II	1	5.000	4.071	929	144	1.073	2.627.319	808	(73)	17	21,46
		18.437	11.347	7.090	538	7.628	$ 21.733.124	6.688	(332)	$ 156	41,37
Total Private Equity Funds in $							$ 112.106.691				

December 31st, 2017

Entity	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market Value	Valuation	Impairment	% Executed
Aureos	2	$ 14.640.381	$ 3.988.052	$ 3.878.662	$ 13.598.865	$ 17.477.527	$ 6.383.901	$ 2.505.240	$ 319.195	119,38
Escala	3	11.000.001	668	10.982.214	17.118	10.999.332	4.688.070	(6.294.143)	468.807	99,99
Progresa Capital	2	3.723.480	-	2.819.313	1.149.022	3.968.335	2.392.110	(427.203)	119.606	106,58
Colombia Ashmore	1	37.686.200	40	32.493.670	12.482.552	44.976.222	51.836.654	19.342.984	1.036.733	119,34
Brilla Colombia	4	9.787.238	4.936.229	57.776	4.272.473	4.330.249	87.367	29.591	43.684	44,24
Amerigo Ventures Colombia	1	2.762.176	861.157	1.717.983	322.466	2.040.449	1.129.047	(588.936)	22.581	73,87
Velum Early Stage Fund I	1	7.547.482	947.782	6.599.701	-	6.599.701	9.457.463	2.857.762	189.149	87,44
Mas equity fund III Colombia	1	21.000.000	16.372.362	4.008.524	36.267	4.044.791	3.563.224	(445.300)	71.264	19,26
Ashimore Andino II	1	15.000.000	9.527.341	5.319.269	156.271	5.475.540	6.515.184	1.195.914	130.304	36,50
		$ 123.146.958	$ 36.633.631	$ 67.877.112	$ 32.035.034	$ 99.912.146	$ 86.053.020	$ 18.175.909	$ 2.401.323	81,13

December 31st, 2017

Entity	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market Value		Valuation	Impairment	% Executed
		USD	USD	USD	USD	USD	COP	USD	USD	COP	
Microcarbon Development Fund Lp	1	4.000	101	3.899	121	4.020	$ 10.642.035	3.566	(332)	$ 71	100,50
Darby latin american private debt	1	4.864	3.256	1.607	-	1.607	4.796.446	1.607	(136)	16	33,04
Angel Ventures pacific alliance fund II	1	5.000	5.000	-	-	-	-	-	-	-	-
		13.864	8.357	5.506	121	5.627	$ 15.438.481	5.173	(468)	$ 87	40,59
Total Private Equity Funds in $							$ 101.491.501				

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

(4) Investments in Associates

During 2018 and 2017, the investments of Fondo Nacional de Garantías S.A. and Segurexpo de Colombia S.A. were measured using the equity method as required by Decree 2496 of 2015.

According to Decree 1007 of June 24th, 2016, issued by the Ministry of Commerce, Industry and Tourism, the disposal of Bancóldex and Previsora S.A. shareholding in this Company was authorized for the investment of Segurexpo de Colombia S.A. by establishing a two-stage disposal program. Once the bidding process was carried out in each of the stages indicated in the aforementioned decree, no acquisition proposals were received. Therefore, this disposal process was deemed as terminated; and on October 31st, 2017 the investment was recognized using the equity share method as required by Decree 2496 of 2015.

The information of investments in associates at December 31st, 2018 and 2017 is as follows:

December 31st, 2018

Entity	Credit Risk Rating	Country	% Share	Investment Value	Accumulated-OCI	Income (expense) through equity method
Fondo Nacional de Garantías S.A.	A	Colombia	25,73%	106.056.584	8.084.318	(4.510.925)
Segurexpo de Colombia S.A. (*)	D	Colombia	49,63%	9.340.069	10.497	271.976
				$ 115.396.653	$ 8.094.815	$ (4.238.949)

(*) During 2018, the Bank received cash dividends from Segurexpo de Colombia S.A. worth $ 90.802.

December 31st, 2017

Entity	Credit Risk Rating	Country	% Share	Investment Value	Accumulated-OCI	Income (expense) through equity method
Fondo Nacional de Garantías S.A. (*)	A	Colombia	25,73%	110.800.407	8.317.217	(2.152.117)
Segurexpo de Colombia S.A. (**)	D	Colombia	49,63%	9.129.194	(19.204)	(11.643.231)
				$ 119.929.601	$ 8.298.014	$ (13.795.348)

(*) During 2017, the Bank received stock dividends worth $ 2.223.060 and cash dividends worth $ 3.535.376 from Fondo Nacional de Garantías S.A.

(**) The Bank received cash dividends from Segurexpo de Colombia S.A. worth $ 202.915. The investment of Segurexpo de Colombia S.A was recognized on October 31st, 2017, using the equity method and, therefore, a loss using the equity method worth $ 11.484.957 was generated, which was offset by a reimbursement for investment impairment worth $ 12.596.726.

(5) Investments in Subsidiaries

The information of investments in subsidiaries at December 31st, 2018 and 2017 is as follows:

December 31st, 2018

Entity	Credit Risk Rating	Country	% Share	Investment Value	Accumulated-OCI	Income (expense) through equity method
Arco Grupo Bancoldex S.A. (*)	A	Colombia	87,45%	61.167.569	11.511.050	5.116.627
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX (**)	A	Colombia	89,32%	51.138.017	13.309.400	6.475.146
				$ 112.305.586	$ 24.820.450	$ 11.591.773

(*) On May 8th, 2018, the Bank received stock dividends from Arco Grupo Bancoldex S.A. worth $ 628.818, represented by 838.424 stocks with a nominal value of $750.

(**) During 2018, the Bank received cash dividends from Fiduciaria Colombiana de Comercio Exterior S.A. worth $4.704.013.

December 31st, 2017

Entity	Credit Risk Rating	Country	% Share	Investment Value	Accumulated-OCI	Income (expense) through equity method
Arco Grupo Bancoldex S.A. (*)	A	Colombia	87,45%	57.147.830	12.607.938	(504.485)
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX (**)	A	Colombia	89,32%	48.844.216	12.786.732	3.941.296
				$ 105.992.046	$ 25.394.670	$ 3.436.811

(*) During 2017, the Bank received stock dividends from Arco Grupo Bancoldex S.A. worth $ 2.386.070. On April 7th, 2017, Bancóldex carried out capitalization worth $ 3.498.822, represented by 4.665.096 stocks with a nominal value of $ 750.

(**) During 2017, the Bank received cash dividends from Fiduciaria Colombiana de Comercio Exterior S.A. worth $ 4.131.836.

The information of the fair value of trading derivative instruments at December 31st, 2018 and 2017 is as follows

		Dec 31st, 2018		Dec 31st, 2017
Trading Forward Contracts				
Asset position				
Purchase rights on foreign currencies	$	3.728.407.527	$	270.085.575
Sales rights on foreign currencies		134.491.923		1.842.702.050
Purchase obligations on foreign currencies		(3.607.620.973)		(268.946.755)
Sale obligations on foreign currencies		(133.089.848)		(1.823.053.722)
Credit Valuation adjustment -CVA		(1.556)		(31.217)
Total Forward contracts - Asset position	$	122.187.073	$	20.755.931

	Dec 31st, 2018	Dec 31st, 2017
Liability position		
Purchase rights on foreign currencies	$ 280.577.822	$ 2.302.947.006
Sales rights on foreign currencies	3.500.434.335	156.406.989
Purchase obligations on foreign currencies	(281.578.622)	(2.328.655.499)
Sale obligations on foreign currencies	(3.583.370.992)	(158.340.166)
Debit Valuation adjustment -DVA	4.475	3.426
Total Forward contracts - Liability position	$ (83.932.982)	$ (27.638.244)
Cash Operations		
Purchase rights on foreign currencies	$ 19.498.500	$ -
Sales rights on foreign currencies	-	-
Purchase obligations on foreign currencies	(19.503.930)	-
Sale obligations on foreign currencies	-	-
Total Cash Operations	$ (5.430)	$ -
Trading Futures Contracts		
Purchase rights on foreign currencies	$ 2.581.448.985	$ 1.036.928.415
Sales rights on foreign currencies	2.298.153.460	1.536.460.145
Purchase obligations on foreign currencies	(2.581.448.985)	(1.036.928.415)
Sale obligations on foreign currencies	(2.298.153.460)	(1.536.460.145)
*Hedging Futures Contracts**		
Purchase rights on foreign currencies	$ 1.866.706	$ -
Sales rights on foreign currencies	50.433.571	58.301.292
Purchase obligations on foreign currencies	(1.866.706)	-
Sale obligations on foreign currencies	(50.433.571)	(58.301.292)
Total Futures contracts	$ -	$ -

(*) As of March 2017, the Bank started operations with hedging derivative instruments. These operations are performed to cover exchange rate risk of positions in outward investments. An analysis is carried out monthly to assess the effectiveness of the hedge.

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

	dic-18	dic-17
Investment Grade	1.006.098.804	820.472.750
Unrated	22.281.562	22.485.330
Total	**1.028.380.366**	**842.958.080**

At December 31st, 2018 and 2017, 97.8% and 97.3% respectively, of investments is placed in investments with international investment grade rating. It is worth highlighting that 97% and 96% respectively, of investments is placed in the nation's debt securities. This reflects a low credit risk exposure in line with the conservative credit risk profile defined by the Board of Directors.

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

	dic-18	dic-17
Investment Grade	86.625.145	39.218.640
Unrated	164.238.552	50.091.521
Total	**250.863.697**	**89.310.161**

At December 31st, 2018 and 2017, 34.5% and 43.9% respectively, of exposure is placed in counterparties with international investment grade rating; and the remaining 65.5% and 56.1% respectively, is mostly held by local pension and severance funds. The credit exposure of positions in USD / COP non-deliverable forward (NDF) for the end of 2018 showed a significant increase of 280% over 2017 due to a higher trading volume, higher exchange rate volatility and a strong change of $265.75 in the exchange rate (exchange rate worth $ 3.249,75 in December, 2018 - exchange rate worth $ 2.984,00 in December, 2017).

The summary of the financial assets by due dates at December 31st, 2018 and 2017 is presented below:

December 31st, 2018

	Up to 3 months	More than 3 months and no more than 1 year		More than 1 year			Total
	More than 1 month and no more than 3 months	More than 3 months and no more than 6 months	More than 6 months and no more than 1 year	Between 1 and 3 years	More than 3 years and no more than 5 years	More than 5 years	
Marketable investments							
Bonds issued by the nation - TES	$ -	$ 115.671.860	$ 45.085.140	$ 144.579.900	$ 162.728.068	$ 126.353.320	$ 594.418.288
Term Deposit Certificates issued by supervised entities	10.413.100	-	6.523.512	12.988.725	-	-	29.925.337
Available-for-sale investments							
Bonds issued by the nation - TES	-	-	-	69.171.560	2.173.560	169.418.590	240.763.710
Bonds issued by the nation - Yankees Bonds	-	-	-	-	-	163.273.031	163.273.031
	$ 10.413.100	$ 115.671.860	$ 51.608.652	$ 226.740.185	$ 164.901.628	$ 459.044.941	$ 1.028.380.366

31 de Diciembre de 2017

	Hasta 3 meses	Más de 3 meses y no más de 1 año	Más de 1 año			Total
	Más de 1 mes y no más de 3 meses	Más de 6 meses y no más de 1 año	Entre 1 y 3 años	Más de 3 años y no más de 5 años	Más de 5 años	
Inversiones negociables						
Titulos emitidos por la nación - TES	$ 991,060	$ 536,340	$ 272,735,915	$ 106,166,500	$ 2,249,075	382,678,890
Certificados de Deposito a terminio emitidos por entidades vigiladas	8,067,040	-	22,485,330	-	-	30,552,370
Inversiones disponibles para la venta						
Titulos emitidos por la nación - TES	-	28,426,020	72,212,410	2,189,000	172,274,990	275,102,420
Titulos emitidos por la nación - Bonos Yankees	-	-	-	-	154,624,400	154,624,400
	$ 9,058,100	$ 28,962,360	$ 367,433,655	$ 108,355,500	$ 329,148,465	$ 842,958,080

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

	Dec 31st, 2018	Dec 31st, 2017
Balance at beginning of period	$ 2.710.093	$ 14.997.308
Constitutions (charges to income)	409.725	604.260
Recoveries (credits to income)	(295.124)	(12.891.475)
Balance at end of period	$ 2.824.694	$ 2.710.093

9. OTHER FINANCIAL ASSETS

The balance of money market operations includes the following at December 31st, 2018 and 2017:

	Dec 31st, 2018			Dec 31st, 2017		
	Interest rate (%)	Negotiation Term - Days	Amount	Interest rate (%)	Negotiation Term - Days	Amount
Interbanks						
Legal Currency						
Financial Entities	-	-	$ -	4,52	5	$ 5.002.511
Foreign Currency						
Banks	2,43	7	151.154.138	1,55	5	16.414.827
Other Financial Entities	2,55	7	81.266.769			-
			$ 232.420.907			$ 21.417.338

10. CREDIT AND FINANCIAL LEASING OPERATIONS, NET

The following is the detail of the loan portfolio by modality:

	Dec 31st, 2018		
Portfolio and accounts receivable in legal currency:			
	Equity	**Interests**	**Accounts receivable**
Collateral suitable in commercial portfolio:			
In force	$ 24.950.774	$ 845	$ 292
Due 1 month up to 3 months	1.225.204	8.333	-
Due 3 months up to 6 months	671.650	10.357	1.527
Due 6 months up to 12 months	110.535	2.581	24.469
Due more than 12 months	10.758.486	701.946	1.826
	37.716.649	724.062	28.114
Other Collateral in commercial portfolio:			
In force	4.275.815.978	16.699.316	2.380
Due 1 month up to 3 months	96.592	12.731	519
Due 3 months up to 6 months	112.443	5.766	7.885
Due 6 months up to 12 months	1.455.087	61.694	46.267
Due more than 12 months	22.565.633	426.736	33.536
	4.300.045.733	17.206.243	90.587
Collateral suitable in consumer portfolio:			
In force	1.461.639	4.244	109
Due 1 month up to 2 months	4.124	57	-
Due more than 6 months	1.634	45	948
	1.467.397	4.346	1.057
Other Collateral in consumer portfolio:			
In force	16.816	1	-
Due 3 months up to 6 months	39.715	-	-
	56.531	1	-
Collateral suitable in housing portfolio:			
In force	17.839.356	42.111	591
Due 1 month up to 4 months	302.505	1.325	772
	18.141.861	43.436	1.363
Total legal currency	4.357.428.171	17.978.088	121.121
Portfolio and accounts receivable in foreign currency:			
Collateral suitable in commercial portfolio:			
In force	11.811.874	-	-
Due 1 month up to 3 months	1.213.684	-	-
	13.025.558	-	-
Other Collateral in commercial portfolio:			
In force	2.152.896.538	19.914.655	-
	2.152.896.538	19.914.655	-
Total foreign currency	2.165.922.096	19.914.655	-
Total portfolio and gross accounts receivables	6.523.350.267	37.892.743	121.121
Impairment of portfolio and accounts receiva	(173.546.925)	(1.670.543)	(113.036)
Total portfolio and net accounts receivable	$ 6.349.803.342	$ 36.222.200	$ 8.085

	Dec 31st, 2017		
Portfolio and accounts receivable in legal currency:			
	Equity	Interests	Accounts receivable
Collateral suitable in commercial portfolio:			
In force	$ 29.651.888	$ 103.927	$ -
Due 1 month up to 3 months	1.727.201	-	-
Due 3 months up to 6 months	922.832	-	-
Due 6 months up to 12 months	-	-	654
Due more than 12 months	6.112.889	-	-
	38.414.810	103.927	654
Other Collateral in commercial portfolio:			
In force	3.705.609.236	18.878.014	302.718
Due 1 month up to 3 months	5.267.465	170.646	1.564
Due 3 months up to 6 months	-	-	42
Due 6 months up to 12 months	2.128.658	102.501	61.940
Due more than 12 months	32.698.232	1.397.192	12.706
	3.745.703.591	20.548.353	378.970
Collateral suitable in consumer portfolio:			
In force	1.083.539	3.683	142
Due 1 month up to 2 months	-	-	-
Due more than 6 months	-	-	-
	1.083.539	3.683	142
Other Collateral in consumer portfolio:			
In force	198.727	59	1.989
Due 3 months up to 6 months	-	-	-
	215.293	80	1.989
Collateral suitable in housing portfolio:			
In force	17.651.539	44.764	1.751
Due 1 month up to 4 months	113.294	269	26
	17.764.833	45.033	1.777
Total legal currency	3.803.182.066	20.701.076	383.532
Portfolio and accounts receivable in foreign currency:			
Collateral suitable in commercial portfolio:			
In force	6.955.228	-	-
Due 1 month up to 3 months	-	-	-
	7.006.472	-	-
Other Collateral in commercial portfolio:			
In force	1.772.472.440	15.141.578	-
	1.772.472.440	15.141.578	-
Total foreign currency	1.779.478.912	15.141.578	-
Total portfolio and gross accounts receivables	5.582.660.978	35.842.654	383.532
Impairment of portfolio and accounts receiva	(213.254.521)	(2.297.516)	(76.264)
Total portfolio and net accounts receivable	$ 5.369.406.457	$ 33.545.138	$ 307.268

The following is the detail of the loan portfolio by classification of the portfolio according to Chapter II of the CBFC:

Dec 31st, 2018					Impairment		
	Equity	Interests	Other Concepts	Collateral	Equity	Interests	Other Concepts
Housing Loans							
A - Normal	$ 17.915.733	$ 43.256	$ 630	$ 49.089.110	$ 179.157	$ 433	6
B - Acceptable	99.391	180	2	292.575	3.181	6	-
C - Appreciable	126.738	-	731	623.512	12.674	-	73
	18.141.862	**43.436**	**1.363**	**50.005.197**	**195.012**	**439**	**79**
Consumer Loans - Collateral Suitable							
A - Normal	1.465.763	4.302	109	3.414.433	30.252	89	0
D - Significant	1.634	45	948	26.390	1.634	45	948
	1.467.397	**4.347**	**1.057**	**3.440.823**	**31.886**	**134**	**948**
Consumer Loans - Other Collateral							
A - Normal	15.862	-	-	-	462	-	-
C - Appreciable	954	-	-	-	187	-	-
D - Significant	39.715	-	-	-	39.715	-	-
	56.531	-	-	-	**40.364**	-	-
Commercial Loans - Collateral Suitable							
A - Normal	38.506.185	845	-	216.750	239.954	10	-
B - Acceptable	638.676	8.333	292	1.696.987	50.799	1.025	36
C - Appreciable	561.075	10.357	-	-	26.667	1.330	-
D - Significant	316.675	2.581	8.022	425.223	109.025	2.133	6.729
E - Irrecoverable	10.719.597	701.946	19.800	6.464.800	10.719.597	701.946	19.800
	50.742.208	724.062	28.114	**8.803.760**	11.146.042	706.444	26.565
Commercial Loans - Other Collateral							
A - Normal	6.422.544.393	36.548.290	2.380	573.691.174	137.101.380	449.001	55
B - Acceptable	4.725.897	37.283	-	2.394.471	356.743	2.762	-
C - Appreciable	258.212	2.725	-	454.750	37.919	400	-
D - Significant	4.788.767	104.011	46.842	508.125	3.831.160	82.774	44.021
E - Irrecoverable	20.625.000	428.589	41.365	6.810.212	20.625.000	428.589	41.368
	6.452.942.269	**37.120.898**	**90.587**	**583.858.732**	**161.952.202**	**963.526**	**85.444**
General Impairment (Allowance)							
Housing					181.419		
	$ 6.523.350.267	$ 37.892.743	$ 121.121	$ 646.108.512	$ 173.546.925	$ 1.670.543	$ 113.036

Dec 31st, 2017

					Impairment		
	Equity	Interests	Other Concepts	Collateral	Equity	Interests	Other Concepts
Housing Loans							
A - Normal	$ 17.511.946	$ 44.391	$ 785	$ 46.207.205	$ 175.119	$ 444	8
B - Acceptable	252.886	641	992	916.086	8.092	21	32
	17.764.832	**45.032**	**1.777**	**47.123.291**	**183.211**	**465**	**40**
Consumer Loans - Collateral Suitable							
A - Normal	1.083.540	3.683	142	2.999.507	22.348	76	3
	1.083.540	**3.683**	**142**	**2.999.507**	**22.348**	**76**	**3**
Consumer Loans - Other Collateral							
A - Normal	141.395	1	-	-	4.115	-	-
B - Acceptable	57.332	58	1.989	-	9.339	10	324
C - Appreciable	16.566	21	-	-	3.415	4	-
	215.293	**80**	**1.989**	-	**16.869**	**14**	**324**
Commercial Loans - Collateral Suitable							
A - Normal	35.206.007	2.239	-	11.183.475	202.797	68	-
B - Acceptable	1.633.678	6.633	-	10.022.664	50.875	675	-
C - Appreciable	802.268	4.302	-	454.750	73.639	632	-
D - Significant	565.774	-	654	6.118.920	103.789	-	654
E - Irrecoverable	7.213.556	90.753	-	4.841.722	7.213.556	90.753	-
	45.421.283	103.927	654	**32.621.531**	7.644.656	92.128	654
Commercial Loans - Other Collateral							
A - Normal	5.472.382.192	33.925.205	302.713	330.916.385	169.223.038	661.256	55
B - Acceptable	7.470.738	149.355	1.127	-	525.036	9.531	59
C - Appreciable	2.088.141	36.321	-	223.833	195.679	3.325	-
D - Significant	18.759.049	1.109.273	2.177	-	17.790.126	1.060.945	2.177
E - Irrecoverable	17.475.910	469.778	72.953	-	17.475.910	469.776	72.952
	5.518.176.030	**35.689.932**	**378.970**	**331.140.218**	**205.209.789**	**2.204.833**	**75.243**
General Impairment (Allowance)							
Commercial					177.648		
	$ 5.582.660.978	$ 35.842.654	$ 383.532	$ 413.884.547	$ 213.254.521	$ 2.297.516	$ 76.264

Distribution of the portfolio by geographic zones and economic sector - The credit portfolio is distributed in the following areas and economic sectors at December 31st, 2018 and 2017:

December 31st, 2018

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

December 31st, 2017

Economic Sector	ANTIOQUIA AND CHOCO	BOGOTA D.C	CENTRAL	ATLANTIC COAST	EJE CAFETERO (COFFEE AREA)	ABROAD	WEST	SANTANDERES	SOUTH - EAST	Total general
Artistic, entertainment and recreational activities	$ 5.094.199	$ 12.687.271	$ 323.966	$ 1.623.468	$ 353.979	$ -	$ 1.050.500	$ 368.270	$ 208.609	$ 21.710.262
Accommodation and meal service activities	17.935.408	31.878.337	11.998.844	21.567.288	6.483.895	-	13.793.205	7.328.217	3.876.430	114.861.624
Activities of households as employers	-	-	70.833	-	-	-	2.083	-	7.556	80.472
Activities of administrative and support services	12.192.396	45.238.531	8.075.371	4.416.007	8.137.894	-	26.572.850	4.560.466	994.845	110.188.359
Financial and insurance activities	52.641.819	134.836.997	16.632.052	24.765.843	11.991.628	150.998.166	120.245.575	116.418.439	1.722.778	630.253.299
Real estate activities	20.367.127	44.047.460	2.203.520	14.105.917	3.099.199	-	17.952.695	3.752.069	508.222	106.036.209
Professional, scientific and technical activities	27.261.162	81.342.188	16.146.311	14.799.639	4.147.419	-	18.402.822	12.319.868	3.470.776	177.890.184
Public administration, defense and social security	-	3.555.495	102.763	-	1.850.778	-	43.550	-	49.922	5.602.508
Agriculture, livestock, forestry and fishing	9.248.864	8.519.651	5.939.064	29.964.244	6.318.849	-	9.708.998	4.807.768	1.604.176	76.111.614
Employees	-	19.063.664	-	-	-	-	-	-	-	19.063.664
Human health care and social assistance	20.105.525	35.955.025	11.994.397	32.690.985	9.809.056	-	15.788.228	11.997.604	5.574.358	143.915.178
Wholesale-Retail trade; vehicle repair	136.458.650	294.233.290	102.085.958	128.046.319	62.847.738	76.712.436	151.159.791	99.697.075	40.151.931	1.091.393.188
Construction	39.997.322	113.800.687	12.469.922	36.242.100	10.901.446	-	21.841.526	20.055.061	4.057.067	259.365.131
Education	16.970.179	15.806.902	5.902.260	4.483.054	5.204.643	-	4.844.258	1.850.611	693.722	55.755.629
Mining and quarrying activities	1.485.172	3.456.760	4.454.129	488.417	-	-	955.856	2.810.373	117.684	13.768.390
Manufacturing industries	230.775.805	329.796.122	74.877.801	175.725.514	95.126.272	195.774.084	210.971.518	50.178.792	9.495.662	1.372.721.570
Information and communications	18.206.104	26.443.821	1.441.071	4.500.321	507.854	-	4.477.704	2.601.972	414.611	58.593.458
Extraterritorial organizations and bodies	-	169.764	39.583	-	-	-	-	-	-	209.347
Other service activities	8.084.491	28.436.011	10.344.743	12.307.660	10.725.627	-	63.633.344	5.768.075	602.328	139.902.278
Water supply; sewage, waste and decontamination	2.737.502	2.087.131	4.883.647	1.683.444	12.359	-	3.394.809	1.435.194	271.766	16.505.851
Supply of electricity, gas, steam and air conditioning	603.690	261.753.705	29.167	2.915.658	-	-	437.778	411.667	469.938	266.621.602
Transport and storage	53.234.847	208.820.572	58.826.983	480.549.208	13.569.637	-	52.402.575	25.382.057	9.325.281	902.111.159
Total general	**$ 673.400.261**	**$ 1.701.929.383**	**$ 348.842.385**	**$ 990.875.086**	**$ 251.088.274**	**$ 423.484.686**	**$ 737.679.665**	**$ 371.743.575**	**$ 83.617.661**	**$ 5.582.660.978**

December 31st, 2018

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

December 31st, 2017

Economic Sector	COMMERCIAL	CONSUMER	HOUSING	FINANCIAL LEASING	TOTAL	% SHARE
Artistic, entertainment and recreational activities	$ 21.710.262	$ -	$ -	$ -	$ 21.710.262	0,39%
Accommodation and meal service activities	113.082.067	-	-	1.779.557	114.861.624	2,06%
Activities of households as employers	80.472	-	-	-	80.472	0,00%
Activities of administrative and support services	107.981.635	-	-	2.206.725	110.188.359	1,97%
Financial and insurance activities	627.377.251	-	-	2.876.048	630.253.299	11,29%
Real estate activities	104.675.954	-	-	1.360.256	106.036.209	1,90%
Professional, scientific and technical activities	175.424.938	-	-	2.465.246	177.890.184	3,19%
Public administration, defense and social security	5.602.508	-	-	-	5.602.508	0,10%
Agriculture, livestock, forestry and fishing	73.471.987	-	-	2.639.627	76.111.614	1,36%
Employees	-	1.298.832	17.764.833	-	19.063.664	0,34%
Human health care and social assistance	143.915.178	-	-	-	143.915.178	2,58%
Wholesale-Retail trade; vehicle repair	1.088.262.275	-	-	3.130.913	1.091.393.188	19,55%
Construction	259.091.098	-	-	274.033	259.365.131	4,65%
Education	55.755.629	-	-	-	55.755.629	1,00%
Mining and quarrying activities	13.768.390	-	-	-	13.768.390	0,25%
Manufacturing industries	1.370.487.913	-	-	2.233.657	1.372.721.570	24,59%
Information and communications	58.593.458	-	-	-	58.593.458	1,05%
Extraterritorial organizations and bodies	209.347	-	-	-	209.347	0,00%
Other service activities	139.902.278	-	-	-	139.902.278	2,51%
Water supply; sewage, waste and decontamination	16.505.851	-	-	-	16.505.851	0,30%
Supply of electricity, gas, steam and air conditioning	266.621.602	-	-	-	266.621.602	4,78%
Transport and storage	902.012.766	-	-	98.393	902.111.159	16,16%
Total	**$ 5.544.532.860**	**$ 1.298.832**	**$ 17.764.833**	**$ 19.064.453**	**$ 5.582.660.978**	

Portfolio per monetary unit -

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

December 31st, 2017			
Types	Legal currency	Foreign currency	Total
Commercial	$ 3.784.118.401	$ 1.779.478.912	$ 5.563.597.313
Consumer	1.298.832	-	1.298.832
Housing	17.764.833	-	17.764.833
	$ 3.803.182.066	$ 1.779.478.912	$ 5.582.660.978

Portfolio by maturity period -

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

December 31st, 2017						
	0 to 1 year	1 to 3 years	3 to 5 years	5 to 10 years	More than 10 years	Total
Commercial	$ 762.667.262	$ 1.744.712.854	$ 1.189.902.005	$ 1.595.732.579	$ 270.582.613	$ 5.563.597.313
Consumer	50.196	505.148	743.488	-	-	1.298.832
Housing	-	58.275	94.029	6.057.784	11.554.745	17.764.833
Total	$ 762.717.458	$ 1.745.276.277	$ 1.190.739.522	$ 1.601.790.363	$ 282.137.358	$ 5.582.660.978

Restructured loans - The following is the detail of the loans restructured at December 31st, 2018 and 2017:

	December 31st, 2018				
Commercial	**Number of loans**	**Equity balance**	**Interest balance and others**	**Equity impairment**	**Interest impairment and**
Category B	5	$ 841.552	$ 3.385	$ 83.984	$ 473
Category D	1	57.443	4.765	31.594	2.621
Total	**6**	$ 898.996	$ 8.150	$ 115.577	$ 3.094

	December 31st, 2017				
Commercial	**Number of loans**	**Equity balance**	**Interest balance and others**	**Equity impairment**	**Interest impairment and**
Category B	1	$ 1.030.682	$ 39.473	$ 48.978	$ 1.876
Category C	2	1.507.318	36.630	160.490	3.622
Category D	8	6.692.639	445.400	6.692.639	445.400
Total	**11**	$ 9.230.639	$ 521.502	$ 6.902.107	$ 450.898

	December 31st, 2017				
Consumer	**Number of loans**	**Equity balance**	**Interest balance and others**	**Equity impairment**	**Interest impairment and**
Category B	1	$ 25.280	$ 56	$ 4.118	$ 9
Category C	1	5.653	13	1.115	3
Total	**2**	$ 30.933	$ 70	$ 5.233	$ 12

Portfolio Write-offs - The detail of the portfolio write-offs at December 31st, 2018 and 2017 is as follows:

	December 31st, 2018			December 31st, 2017		
	Equity	**Interests**	**Other concepts**	**Equity**	**Interests**	**Other concepts**
Commercial	$ 827.858	$ 64.327	$ 43.374	$ 3.741.154	$ 234.565	$ 6.462

Recovery of overdue portfolio - The detail of the capital recovery of the overdue portfolio is as follows:

	Dec 31st, 2018	**Dec 31st, 2017**
Commercial	$ 2.446.440	$ 564.871

Impairment of the credit portfolio - The following is the detail of the impairment of the credit portfolio:

	Commercial	Consumer	Housing	General Impairment (Allowance) (1)	Total
Balance as of December 31st, 2016	$ 160.161.935	$ 33.701	$ 181.351	$ 56.927.698	$ 217.304.685
Expenditure	131.120.694	21.982	31.170	2.114	131.175.960
Write-offs	(3.741.154)	-	-	-	(3.741.154)
Recovery	(74.687.030)	(16.465)	(29.312)	(56.752.163)	(131.484.970)
Balance as of December 31st, 2017	**212.854.445**	**39.218**	**183.209**	**177.649**	**213.254.521**
Expenditure	54.335.981	55.548	42.941	3.770	54.438.240
Write-offs	(827.858)	-	-	-	(827.858)
Recovery	(93.264.325)	(22.516)	(31.138)	-	(93.317.979)
Balance as of December 31st, 2018	**$ 173.098.243**	**$ 72.250**	**$ 195.012**	**$ 181.419**	**$ 173.546.925**

(1) At the Extraordinary Shareholders' Meeting of December 22nd, 2015, it was approved to reclassify, from the general provision, the amount to constitute the individual provision that was required in the application of models, as a result of the implementation of External Circular Letter 032 of 2014; likewise, to use to compensate the requirements of individual provisions generated by defaults of commercial portfolio debtors.

At the General Assembly of Shareholders held in March 2017, it was approved to transfer the amount of the general provision to an additional individual provision, which is allocated to some debtors in accordance with a methodology approved by the Bank's Board of Directors. The additional individual provision may be used to cover greater requirements for individual regulatory provision, when so required. Therefore, the amount currently recorded in the general provision corresponds exclusively to housing loans.

11. COMMERCIAL ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE, NET

The following is the breakdown of commercial accounts receivable and other accounts receivable, net, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Interests and financial component	$ 37.892.743	$ 35.842.654
Commissions	226.445	26.003
Debtors	1.360.959	282.758
Customer payments (note 10)	121.121	383.532
Agreement and supplier early payments	17.620	17.620
To employees	480.292	514.586
Provisions for collaterals (1)	47.531.127	507.280
Opportunity Banking Investment Program	5.479	537.522
Other debtors (2)	1.751.019	12.882
Settlement of derivative operations - CRCC (3)	18.292.085	4.192.490
Settlement of derivative operations - OTC	66.750	81.679
Reimbursable expenses of Autonomous Equities	101.284	473.169
Miscellaneous	211.215	776.204
	108.058.137	43.648.378
Minus impairment of accounts receivable:		
Loan portfolio (note 10)	(1.783.579)	(2.373.780)
Others	(71.688)	-
	(1.855.267)	(2.373.780)
	$ 106.202.870	$ 41.274.598

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

(2) At December 31st, 2018, they correspond mainly to accounts receivable for the reimbursement of social security contributions, periods 2012, 2013, 2014, 2015 and 2016 for $1,737,071, generated by the collection procedures made to the Pension Subsystem.

(3) In this type of operations, the Central Counterparty Clearing House "CRCC" daily settles and communicates the results of the clearing so that the participating entities register the accounts receivable and/or payable. The increase is generated by the excess of liquidity derived from targeted issues and the fact that the Bank's Treasury is implementing a strategy to generate short-term profits through the trading of securities. See the liabilities part in Note 20.

The following is the breakdown of the impairment of accounts receivable at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Balance at beginning of period	$ 2.373.780	$ 3.169.436
Constitutions (charges to income)	995.829	1.723.920
Write-offs	(107.701)	(241.027)
Recoveries (credits to income)	(1.604.118)	(2.278.549)
OCI (Application of IFRS 9) (*)	197.477	-
Balance at end of period	$ 1.855.267	$ 2.373.780

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

12. OTHER NON-FINANCIAL ASSETS

The following is the detail of other non-financial assets at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Prepaid expenses (1)	$ 7.474.359	$ 711.939
Art and cultural goods	33.216	33.216
Goods on gratuitous loan	14.489	14.489
Taxes	196.510	77.513
Others	83	-
	$ 7.718.657	$ 837.157

(1) The detail and movement of the expenses paid in advance is:

	31 Dic. 2017	Cargos	Amortización	31 Dic. 2018
Seguros	$ 185,088	$ 360,254	$ 322,268	$ 223,075
Comisiones (*)	-	7,053,080	373,169	6,679,911
Otros	526,851	1,535,031	1,490,509	571,373
	$ 711,939	$ 8,948,366	$ 2,185,946	$ 7,474,359

		Dec 31st, 2016		Charges		Amortization		Dec 31st, 2017
Insurance	$	129.892	$	271.689	$	216.493	$	185.088
Others		531.843		1.415.420		1.420.412		526.851
	$	661.735	$	1.687.109	$	1.636.905	$	711.939

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

13. NON-CURRENT ASSETS HELD FOR SALE, NET

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

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

13.1. Assets received in payment: At December 31st, 2018, the Bank has 13 assets received in payment, which include: 1 movable property (vehicle), 7 real estate properties for housing (4 houses and 3 apartments) and 5 real properties for uses different from housing (1 commercial, 2 premises, 1 office and 1 warehouse).

At December 31st, 2017, the Bank had 4 goods received in payment, which include: 1 movable property (vehicle), 2 real estate property for housing (houses) and 1 property other than housing (commercial premises).

The detail of the goods received in payment at December 31st, 2018 and 2017, is as follows:

	Dec 31st, 2018			
	Expense	Provision	% Provision	Total
Movable goods	$ 80.500	$ (80.500)	100,00	$ -
Immovable goods for housing	5.599.062	(5.599.062)	100,00	-
Immovable goods other than housing	5.706.374	(5.706.374)	100,00	-
Total	**$ 11.385.936**	**$ (11.385.936)**		**$ -**

	Dec 31st, 2017			
	Expense	Provision	% Provision	Total
Movable goods	$ 80.500	$ (80.500)	100,00	$ -
Immovable goods for housing	1.911.630	(1.911.630)	100,00	-
Immovable goods other than housing	236.992	(236.992)	100,00	-
Total	**$ 2.229.122**	**$ (2.229.122)**		**$ -**

The following is the movement of goods received in payment at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Balance at beginning of period	$ -	$ -
Additions	9.156.814	2.229.122
Provision expenses	(9.156.814)	(2.229.122)
Balance at end of period	**$ -**	**$ -**

13.2. Returned goods: At December 31st, 2018, the Bank has one returned property not destined for housing (1 lot).

The detail of assets returned at December 31st, 2018 is as follows:

	Dec 31st, 2018			
	Expense	Provision	% Provision	Total
Immovable goods other than housing	$ 2.981.526	$ (2.981.526)	100,00	$ -
Total	**$ 2.981.526**	**$ (2.981.526)**		**$ -**

The detail of assets returned at December 31st, 2018 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Balance at beginning of period	$ -	$ -
Additions	2.981.526	-
Provision expenses	(2.981.526)	-
Balance at end of period	**$ -**	**$ -**

13.3. Other non-current assets held for sale: During the first quarter of 2018, the Bank transferred the group of vehicles in property and equipment to the group of non-current assets held for sale, once the Bank's administration authorized the initiation of a formal sale plan. This plan has been implemented during 2018 and is expected to be completed in less than one year from the moment of its award.

The detail of these assets at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Initial balance	$ -	$ 7.237
Additions	148.039	-
Sales	(113.000)	(2.500)
Other comprehensive income	(113.000)	(7.237)
Profit (loss)	113.000	2.500
Ending balance	**$ 35.039**	**$ -**

The costs of assets held for sale are recognized as an expense during the year, for administration, maintenance, public services, property and fees, valued at $95,514.

14. PROPERTIES AND EQUIPMENT, NET

The following is the detail of properties, plant and equipment, net, at December 31st, 2018 and 2017:

Cost of property, plant and equipment

	Land	Buildings	Machinery	Transport vehicles	Fixtures and fittings	Office equipment	Computer equipment	Network and communication equipment	Total
Expense									
Balance as of January 1st, 2017	$ 3.301.146	$ 21.366.461	$ 2.516.044	$ 479.108	$ 53.039	$ 2.943.101	$ 1.271.978	$ 2.165.256	$ 34.096.133
Revaluation	49.602	8.038.962	-	-	-	-	-	-	8.088.564
Acquisitions	-	-	79.184	-	-	40.762	12.776	13.822	146.544
Write-downs	-	-	(15.601)	-	-	-	(53.415)	(25.796)	(94.812)
Sales	-	-	-	-	-	-	(1.519)	-	(1.519)
Transfers	(549.405)	-	-	175.910	-	-	-	-	(373.495)
Balance as of December 31st, 2017	2.801.343	29.405.423	2.579.627	655.018	53.039	2.983.863	1.229.820	2.153.282	41.861.415
Acquisitions	-	-	56.621	-	-	26.382	-	-	83.003
Write-downs	-	-	(407)	-	-	-	(27.434)	-	(27.841)
Transfers	-	-	-	(575.118)	-	-	-	-	(575.118)
Balance as of December 31st, 2018	$ 2.801.343	$ 29.405.423	$ 2.635.841	$ 79.900	$ 53.039	$ 3.010.245	$ 1.202.386	$ 2.153.282	$ 41.341.459

Accumulated depreciation and net book value of property, plant and equipment

	Land	Buildings	Machinery	Transport vehicles	Fixtures and fittings	Office equipment	Computer equipment	Network and communication equipment	Total
Accumulated depreciation									
Balance as of January 1st, 2017	$ -	$ (558.815)	$ (1.442.154)	$ (479.108)	$ (46.417)	$ (1.829.308)	$ (1.067.897)	$ (1.470.068)	$ (6.893.767)
Depreciation	-	(289.673)	(156.694)	-	(1.501)	(159.895)	(98.937)	(208.853)	(915.553)
Write-downs	-	-	15.601	-	-	-	53.315	25.796	94.712
Sales	-	-	-	-	-	-	1.519	-	1.519
Transfers	-	814.939	-	(175.910)	-	-	-	-	639.029
Balance as of December 31st, 2017	-	(33.549)	(1.583.247)	(655.018)	(47.918)	(1.989.203)	(1.112.000)	(1.653.125)	(7.074.060)
Depreciation	-	(402.598)	(137.186)	-	(579)	(153.331)	(27.128)	(184.141)	(904.963)
Write-downs	-	-	407	-	-	-	27.409	-	27.816
Transfers	-	-	-	575.118	-	-	-	-	575.118
Balance as of December 31st, 2018	$ -	$ (436.147)	$ (1.720.026)	$ (79.900)	$ (48.497)	$ (2.142.534)	$ (1.111.719)	$ (1.837.266)	$ (7.376.089)
Net book value									
Balance as of December 31st, 2017	2.801.343	29.371.874	996.380	-	5.121	994.660	117.820	500.157	34.787.355
Balance as of December 31st, 2018	$ 2.801.343	$ 28.969.276	$ 915.815	$ -	$ 4.542	$ 867.711	$ 90.667	$ 316.016	$ 33.965.370

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

Machinery - The movement that occurs in the account is mainly due to the purchases made during the year and derecognition of obsolescence assets, which were measured according to the cost model and depreciated at 100%.

Office equipment - The movement that occurs in the 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 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.

Impairment of property and equipment - It is indicated that for each comparative date of presentation of the current financial statements, no impairment indicators were identified. Likewise, the Bank has not observed internal or external indicators that reflect a significant extent of impairment of the fixed assets represented in movable and immovable property; the values represented in the financial statements correspond, therefore, 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.

At December 31st, 2018 and 2017, the evaluation carried out by the Bank indicates that there is no evidence of impairment of its properties and equipment.

At December 31st, 2018 and 2017 there are no restrictions on the ownership of the properties, plant and equipment.

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

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

15. INVESTMENT PROPERTIES

The following is the detail of investment properties at December 31st, 2018 and 2017:

	Dec 31st, 2018 Buildings and Lands	Dec 31st, 2017 Buildings and Lands
Expense	$ 210.655	$ 210.655
Revaluation	6.202.589	6.202.589
Total	**$ 6.413.244**	**$ 6.413.244**

The following is the movement of the cost and depreciation of investment properties at December 31st, 2018 and 2017:

	Dec 31st, 2018		Dec 31st, 2017	
	Expense	Depreciation	Expense	Depreciation
Initial Balance	$ 6.413.244	$ -	$ 4.230.419	$ (101.422)
Transfers	-	-	549.405	-
Revaluation	-	-	1.633.420	101.422
Ending Balance	**$ 6.413.244**	**$ -**	**$ 6.413.244**	**$ -**

The measurement of the fair value of this property was made in December 2017, by TINSA Colombia Ltda., An independent firm that has the capacity and experience in performing valuations on the sites and types of assets that were appraised. There are no restrictions on the disposal or income in the realization of investment properties.

The amounts recognized in income and expenses at December 31st, 2018 and 2017 are detailed below:

	Dec 31st, 2018 Buildings and Lands	Dec 31st, 2017 Buildings and Lands
Rental income	$ 744.989	$ 543.911
Direct Expenses	(47.883)	(38.307)
Total	**$ 697.106**	**$ 505.604**

16. FINANCIAL LEASING

The following is the detail of the financial lease at December 31st, 2018 and 2017:

	Computer equipment	Vehicles	Machinery and equipment	Total
Expense:				
Balance as of January 1st, 2017	1.079.928	-	-	1.079.928
Acquisitions	331.543	155.900	-	487.443
Balance at December 31st, 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 as of December 31st, 2018	$ 1.982.459	$ 791.900	$ 188.816	$ 2.963.175

	Computer equipment	Vehicles	Machinery and equipment	Total
Accumulated amortization				
Balance as of January 1st, 2017	-	-	-	-
Amortization expense	451.620	6.062	-	457.682
Balance as of December 31st, 2017	451.620	6.062	-	457.682
Amortization expense	483.782	148.777	5.245	637.804
Write-downs	(426.758)	-	-	(426.758)
Balance as of December 31st, 2018	$ 508.644	$ 154.839	$ 5.245	$ 668.728
Net book value				
As of December 31st, 2017	959.851	149.838	-	1.109.689
As of December 31st, 2018	$ 1.473.815	$ 637.061	$ 183.571	$ 2.294.447

It corresponds to contracts classified as finance leases, which are recognized at the beginning of the lease and are included in the balance sheet as property and equipment for own use and are initially accounted for simultaneously in the assets and liabilities 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.

The computer equipment contracts are executed mainly with the companies Prointech Holding SAS and IBM of Colombia, the contracts of the seven vehicles were executed with ARCO Grupo Bancóldex and the machinery and equipment contract was signed with the firm Datecsa S.A.

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

17. INTANGIBLE ASSETS

At December 31st, 2018 and 2017, the balance of this account is broken down as follows:

	Licenses	Software	Total
Expense			
Balance as of January 1st, 2017	$ 5.579.975	$ 14.171.573	$ 19.751.548
Acquisitions	41.902	1.760.776,00	1.802.678
Write-downs	-	-	-
Transfers	63.609	(83.301)	(19.692)
Balance at December 31st, 2017	5.685.486	15.849.048	21.534.534
Acquisitions	819.112	1.818.779	2.637.891
Write-downs	(72.703)	(68.498)	(141.201)
Transfers (*)	1.642.287	(1.642.287)	-
Balance as of December 31st, 2018	$ 8.074.182	$ 15.957.042	$ 24.031.224

(*) The transfer of the group of software programs and applications to licenses corresponds to the activation of the software used for the development of the savings account project, which entered production on December 14th, 2018.

	Licenses	Software	Total
Accumulated amortization			
Balance as of January 1st, 2017	4.983.762	6.749.217	11.732.979
Amortization expense	344.584	807.381	1.151.965
Transfers	63.609	-	63.609
Balance as of December 31st, 2017	5.391.955	7.556.598	12.948.553
Amortization expense	273.783	864.989	1.138.772
Write-downs	(72.703)	-	(72.703)
Balance as of December 31st, 2018	$ 5.593.035	$ 8.421.587	$ 14.014.622

	Licenses	Software	Total
Net book value			
As of December 31st, 2017	293.531	8.292.450	8.585.981
As of December 31st, 2018	$ 2.481.147	$ 7.535.455	$ 10.016.602

At December 31st, 2018, the Bank does not have intangible assets with restricted ownership.

18. LIABILITIES FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

The following is the detail of the financial instruments at amortized cost, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st,2017
Term Deposit Certificates		
Issued less than 6 months	$ 117.789.919	$ -
Issued equal to 6 and less than 12 months	55.182.400	-
Issued equal to 12 and less than 18 months	-	146.093.723
Issued equal to or more than 18 months	1.614.036.094	2.167.945.715
	1.787.008.413	2.314.039.438
Special collateral deposits	81.599.341	71.840.243
Simultaneous operations (1)	12.202.706	-
Ordinary bonds equal or more than 18 months (2)	1.507.871.517	704.825.151
	$ 3.388.681.977	$ 3.090.704.832

(1) The detail of the simultaneous operations is:

	Dec 31 st, 2018			Dec 31 st, 2017		
	Interest Rate (%)	Negotiation term - Days	Amount	Interest Rate (%)	Negotiation term - Days	Amount
Operation transfer commitments – Simultaneous						
Legal currency						
Simultaneous CRCC	4,25	7	$ 12.202.706	-	-	$ -
			$ 12.202.706			$ -

(2) The conditions of the bonds are the following:

Issue	Issue Amount	Batches	Loan Date	Issue Date	Due Date (*)	Interest Rate
Ninth issue	$ 261.110.000	Batch 1	6-Sep-12	6-Sep-12	6-Sep-19	Indexed to CPI
	238.890.000	Batch 1	6-Sep-12	6-Sep-12	6-Sep-22	Indexed to CPI
	500.000.000					
Amount Authorized	3.000.000.000					
First Issue	200.000.000	Green Bonds	9-Aug-17	9-Aug-17	9-Aug-22	Fixed Rate
Second Issue	400.000.000	Social Bonds	24-May-18	25-May-18	9-Aug-22	Indexed to IBR
			24-May-18	25-May-18	24-May-21	Fixed Rate
			24-May-18	25-May-18	24-May-23	Indexed to CPI
Third Issue	400.000.000	Orange Bonds	29-Nov-18	29-Nov-18	29-Nov-21	Indexed to IBR
			29-Nov-18	29-Nov-18	24-May-21	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 a value of $200 billion and a term of 5 years, obtaining demands for 2.55 of the issue value and a cut-off rate of 7.10% EA.

  This issue is the first issue of this type that is made 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, among them, the optimization in the use of natural resources, the use and correct handling of waste from the production process, 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 had the technical cooperation of 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 of $400 billion and a term of 3 and 5 years, obtaining demands for 4.17 the value of the issue 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 issue is the first issue of this type that is made in the Colombian stock market and has the main objective of promoting Financial Inclusion for Micro and Small Enterprises, focusing on financing to: rural companies, women who own companies and victims of armed conflict who own companies. These projects significantly contribute 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 had the technical cooperation of 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 of 400 billion and a term of 2 and 3 years, obtaining demand for 2.89 the issue value and a cut-off rate of IBR + 0.92% and CPI + 2.20% respectively.

  This issue is the first issue of this type that is made in the Colombian and global public stock market, and is aligned with Bancóldex's orange strategy, following its directive to boost business growth that seeks to generate value through sustainable economic models for companies in the cultural and creative sector, as well as generating opportunities for these Colombian companies to venture into new markets, increasing the standards of productivity and competitiveness. The projects that are 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. The financing seeks to help the access of this type of companies to formal credit, diversifying their sources of resources and improving their investment prospects. It is important to mention that the 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 and other obligations: The following is the breakdown of bank loans and other financial obligations at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Acceptances	$ 1.353.001	$ 274.801
Bank loans and other financial obligations (1)		
Foreign Bank		
Credits	533.737.789	19.360.460
International organizations	131.083.839	136.298.645
Inter-American Development Bank	1.850.078.319	1.458.725.862
Andean Development Corporation	687.131.030	433.521.071
	3.202.030.977	2.047.906.038
	$ 3.203.383.978	$ 2.048.180.839

(1) The detail of bank loans is:

	Dec 31st, 2018			Dec 31st, 2017		
	Interest Rat (%)	Amount USD (thousands)	Amount Pesos	Interest Rat (%)	Amount USD (thousands)	Amount Pesos
Short term						
Toronto Dominion Bank Canada	3,23	21.943	$ 71.308.865	-	-	$ -
Bank Of Montreal Canada	2,94	10.441	33.932.156	-	-	-
The Bank Of Nova Scotia Canada	3,18	17.627	57.284.893	-	-	-
Bank Of Tokyo Mitsubishi N.Y. USA	-	-	-	2,06	6.488	19.360.460
Banco del Estado de Chile	3,10	60.521	196.677.255	-	-	-
Sumitomo Mitsui Banking Corpporation	3,19	18.663	60.651.444	-	-	-
Wells Fargo Bank	3,78	35.044	113.883.176	-	-	-
Andean Development Corporation (CAF) Venezue	3,10	161.219	523.922.729	2,18	95.118	283.830.867
	2,17	325.459	1.057.660.517	2,17	101.606	303.191.327
Medium term						
Official Credit Institute of the Kingdom of Spain	-	-	-	2,62	5.446	16.250.100
Andean Development Corporation (CAF) Venezue	4,74	50.222	163.208.302	3,50	50.164	149.690.204
Latin American Export Bank - Bladex	4,29	40.337	131.083.839	3,16	40.231	120.048.545
	3,31	90.558	294.292.141	3,31	95.841	285.988.849
Long term						
Interamerican Development Bank Usa	3,13	569.299	1.850.078.319	2,09	488.849	1.458.725.862
	3,28	985.316	$ 3.202.030.977	2,27	686.295	$ 2.047.906.038
Short term	3,19	325.459	1.057.660.517	2,17	101.606	303.191.327
Medium term	4,54	90.558	294.292.141	3,31	95.841	285.988.849
Long term	3,13	569.299	1.850.078.319	2,09	488.849	1.458.725.862
	3,28	985.316	$ 3.202.030.977	2,27	686.295	$ 2.047.906.038

***19.2. Financial lease contracts**:* At December 31st, 2018 and 2017, the balance of this account is broken down as follows:

	Dec 31st, 2018	Dec 31st, 2017
Initial balance	$ 1.225.506	$ 1.079.928
Additions	1.822.562	487.443
Interest	305.070	315.902
Minus Payments	(950.881)	(651.133)
Restatement	40.786	(6.634)
End balance	$ 2.443.043	$ 1.225.506

The following is the detail of financial lease at December 31st, 2018 and 2017:

Type of Asset	Weighted Average Interest Rate	Capital	Interests	Total
Computer Equipment	6,92%	$ 256.786	$ -	$ 256.786
Vehicles	DTF + 3.73	685.229	2.514	687.743
Machinery and equipm	1,68%	184.955	-	184.955
		$ 1.126.970	$ 2.514	$ 1.129.484

Type of Asset	Weighted Average Interest Rate	Capital USD	Capital COP	Interests COP	Total
Computer Equipment	3,26%	404	$ 1.313.559	$ -	$ 1.313.559
			$ 1.313.559	$ -	$ 1.313.559
Total Financial Lease in $			$ 2.440.529	$ 2.514	$ 2.443.043

Dec 31st, 2017

Type of Asset	Weighted Average Interest Rate		Capital		Interests		Total
Computer Equipment	3,81%	$	392.230	$	3.590	$	395.820
Vehicles	DTF + 3.9		151.620		619		152.239
End balance		$	543.850	$	4.209	$	548.059

Type of Asset	Weighted Average Interest Rate	Capital USD		Capital COP		Interests COP		Total
Computer Equipment	5,31%	227		677.447	$	-	$	677.447
			$	677.447	$	-	$	677.447
Total Financial Lease in $			$	1.221.297	$	4.209	$	1.225.506

The computer equipment contracts are executed mainly with the companies Prointech Holding SAS and IBM of Colombia, the contracts of the seven vehicles were executed with ARCO Grupo Bancóldex and the machinery and equipment contract was signed with the firm Datecsa S.A.

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

				Changes not arising from cash				Total
	January 1st, 2018	Financing cash flows (I)	Fair value	New financial leases	Payment of dividends	Other Changes (II)		December 31st, 2018
Bank loans (Note 19.1)	$ 2.047.906.039	$ 1.474.491.147				$ (320.366.209)	$	3.202.030.977
Financial Lease (Note 19.2)	1.225.506			1.822.562		(605.025)		2.443.043
Other payments	-				(80.021.158)			(80.021.158)
Forward Contracts for trading currencies (Peso/Dollar)	27.638.244		56.300.168					83.938.412

20. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

The following is the detail of accounts payable, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Commissions and fees	$ 116.763	$ 118.036
Costs and expenses payable	101.108	49.541
Dividends (1)	2.277.512	2.288.292
Providers	2.138.986	1.961.887
Withholdings and labor contributions (2)	4.918.958	4.011.733
Accounts payable to other employees	638	924.723
Accounts payable NPV unused Premium (3)	1.678.345	1.066.512
Settlement of Forward contracts - CRCC (4)	19.532.263	6.523.239
PTP Agreement payable (5)	620.196	1.315.688
Agreement 392 MINCIT payable (6)	3.926.000	-
Payable in Foreign Currency (7)	677.427	1.461.990
Miscellaneous	1.432.635	899.979
	$ 37.420.831	$ 20.621.620

(1) The detail of the dividends payable is as follows. For the Ministries it corresponds to the deferred line item as established by Decree 378 of 2016:

	Dec 31st, 2018	Dec 31st, 2017
Ministry of Commerce, Industry and Tourism - MINCIT	$ 33.834	$ 33.834
Ministry of Finance and Public Credit	2.024.846	2.024.846
Private individuals	218.832	229.612
	$ 2.277.512	$ 2.288.292

(2) The following is the detail of withholdings and labor contributions:

		Dec 31st,2018		Dec 31st, 2017
Withholdings at source payable	$	3.247.923	$	2.313.017
As a sales tax		63.848		92.357
By way of industry and commerce		25.781		30.636
By way of other contributions		294		3.585
Family Compensation Fund, ICBF and SENA		229.426		239.879
Withholdings and payroll contributions		1.260.980		1.195.721
Others		90.706		136.538
	$	4.918.958	$	4.011.733

(3) It corresponds to the value of the resources not used by the beneficiaries of the loans of the lines of credit created with the benefit mechanism in the reduction of the loan rate; and it is presented at the moment when the client prepays or settles the entire obligation with Bancóldex for final maturity and at no time requested this benefit. These unsolicited resources are returned to the contributor of the agreement that gave the resources for this type of operations.

(4) In this type of operations, the Central Counterparty Clearing House "CRCC" daily settles and communicates the results of the clearing so that the participating entities register the accounts receivable and/or payable. The increase is generated by the excess of liquidity derived from targeted issues and the fact that the Bank's Treasury is implementing a strategy to generate short-term profits through the trading of securities. See the active part in Note 11.

(5) Under the Inter-administrative Framework Agreement 375, signed between Bancóldex and the Ministry of Commerce, Industry and Tourism, a transfer was received through Resolution 1946 of October 27th, 2016, for an amount of $1,500,000 coming from the budget support of the National Planning Department - DNP, destined to the PRODUCTION TRANSFORMATION PROGRAM - PTP, with the objective of contracting the development of the second stage of the Economic Complexity Atlas for Colombia (DATLAS 2.0), in order 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. Of these resources, $879.804. have been executed. For the remaining resources, in conjunction with the PTP, the Ministry of Commerce, Industry and Tourism and the DNP, are validating which initiatives to strengthen and update DATLAS will be addressed.

(6) Agreement 392 was signed between Bancóldex and the Ministry of Commerce, Industry and Tourism. It was signed on October 27th, 2017, and its purpose is to implement non-financial services represented in consulting programs, training, specialized advice, education, structuring of projects and generation of information and knowledge of value for the decision-making of companies and of the organizations that promote competitiveness in order to foster the strengthening of the business fabric of the country and its regions. On March 22nd, 2018, the Bank received Five thousand twenty-three million pesos ($5,023,000,000.00). With these resources, 10 programs are being developed, which will be completed during 2019.

(7) The final settlement of the NDFs (Non-Deliverable Forward) is disclosed as accounts payable in foreign currency, made with foreign counterparts (Offshore) settled on January 3rd, 2019 and other financial charges from correspondents, derived from operations of issued securities.

21. EMPLOYEE BENEFITS

The following is the detail of the balances for employee benefits at December 31st, 2018 and 2017. It should be noted that the Bank only has short-term benefits for employees:

	Dec 31st, 2018	Dec 31st, 2017
Payroll payable	$ 56.464	$ 47.545
Severance payment	865.136	898.016
Interests on severance payment	103.102	106.341
Holidays	2.937.594	2.822.510
Current allowances	-	26.090
	$ 3.962.296	$ 3.900.502

22. ESTIMATED LIABILITIES AND PROVISIONS

The following is the detail of provisions, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Balance at beginning of period	$ 742.102	$ 725.451
Constitutions	939	16.651
Withdrawals (*)	419.290	-
Balance at end of period	$ 323.751	$ 742.102

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

At December 31st, 2018, there are labor proceedings and a contentious administrative proceeding from some third parties against the Bank. For those proceedings that have provisions, December 2019 was determined as the estimated disbursement date. However, it is not possible to determine an exact disbursement schedule because the proceedings must go through the different instances.

Detail of the processes in effect at December 31st, 2018 and 2076, with possible (medium) and/or likely (high) rating:

Type of process	Parties	General Information	Process status	Dec 31st, 2018	Dec 31st, 2017
WORK	CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX and others.	Nature: Ordinary labor proceeding for an undetermined amount. (11001310501420070002 1-01) Identification: Labor Court 14 of Bogotá. – Superior Court of Bogotá –Labor Division – Supreme Court of Justice.	An appeal decision unfavourable to the Bank was issued. The process is currently at the Supreme Court of Justice, where the extraordinary appeal for cassation is taking effect. It is awaiting a decision by Judge Rigoberto Echeverri.	106.232	105.924
WORK	HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX	Nature: Ordinary labor proceeding for an undetermined amount. Identificación: Labor Court 15 of Bogotá. Labor Court 9 of the Sentencing Section. Superior Court of Bogotá (11001310501520060052201)	An appeal decision unfavourable to the Bank was issued. The process is currently at the Supreme Court of Justice, where the extraordinary appeal for cassation is taking effect. It is awaiting a decision.	217.519	216.888
WORK	TOMÁS URIBE MOSQUERA VS. BANCOLDEX and others		Appeal for cassation was resolved.	-	102.777
WORK	DANIEL MONTAÑÉZ MADERO VS. BANCOLDEX and others		Appeal for cassation was resolved.	-	316.513
Total				323.751	742.102

23. OTHER LIABILITIES

The following is the detail of other liabilities at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Anticipated income (1)	$ 86.719.679	$ 78.079.917
Interests arising from restructuring processes	-	58.283
Income received for third parties	63.853	30.223
Miscellaneous- Agreements (2)	15.818.479	25.806.702
	$ 102.602.011	$ 103.975.125

(1) The detail of the anticipated income is:

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

	Dec 31st, 2016	Charges	Amortization	Dec 31st, 2017
Interests	$ 90.375.889	$ 37.882.934	$ 51.297.582	$ 76.961.241
Commissions	279.064	1.459.632	620.020	1.118.676
	$ 103.245.519	$ 39.342.566	$ 51.917.602	$ 78.079.917

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

Commissions are generated by guarantees issued (greater than 18 months) with clients.

(2) These balances correspond mainly to the resources received from Ministries, Governor's and Mayors' Offices, for the financing of lines with rate differentials. For the cut-off on December 31st, 2018 there were 40 agreements.

24. EQUITY

24.1. Share capital: The following is the detail of capital, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Ministry of Commerce, Industry and Tourism	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit	83.420.180	83.420.180
Private individuals	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 31st, 2018	Dec 31st, 2017
Ministry of Commerce, Industry and Tourism (Class "A" Shares) Ordinary Shares	$ 976.143.335	$ 976.143.335
Ministry of Finance and Public Credit (Class "A" Shares) Ordinary Shares	83.420.180	83.420.180
Private Investors (Class "B" Shares) Ordinary	2.080.683	2.080.683
Private Investors (Class "C" Shares) Preferred Shares	912.674	912.674
	$ 1.062.556.872	$ 1.062.556.872

The preferred 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 those profits the General Assembly decrees for calculation. This minimum preferential dividend will be effective, in principle, for eight (8) years, at the end of which the Bank will compare the average value of the share registered in the Colombian Stock Exchange during the twelve (12) months prior to the month of the comparison, against the average equity value of the share during the same period.

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

The extinction of the privilege, without considering the moment in which it occurs, will cause these shares to become ordinary and give rise to the consequent substitution of the titles. 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.

For 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 the year N x 3.5%.

Where:

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

The payment of the anticipated minimum preferential dividend is ordered by the General Assembly of Shareholders of the Bank charged to the net profits of the respective period; therefore, notwithstanding what is established in section 2 of Article 381 of the Commercial Code, the payment dates of the preferred dividend correspond to those indicated by said instance and, in the event that in a given fiscal year the Bank does not yield profits, or these are not enough to meet said 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 during said fiscal year there are no profits, or would not be sufficient, they will be accumulated in the same manner and so on.

Since 1994 and initially for a period of eight (8) years, an economic privilege was established for the shareholders of the "C" series, consisting of an annual preferential minimum dividend equivalent to 3.5% of the equity value of the share at the beginning of the year, charged to those profits decreed by the General Assembly for its calculation. By decision of the General Assembly of Shareholders of August 21st, 2002, March 31st, 2008, March 22nd, 2013 and March 26th, 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 as zero (0) the listing value in stock exchanges and continue with the privilege for five additional years.

***23.2. Reserves**:* The following is the detail on reserves, at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Legal		
Appropriation of liquid profit	$ 147.833.262	$ 139.545.280
Statutory		
Protection - Equity Funds	49.346.690	49.346.690
Occasional		
Tax provisions (*)	31.501.107	36.945.281
	$ 228.681.059	$ 225.837.251

(*) The decrease in 2018 corresponds to the reserve release of the investment portfolio due to the effect of market prices of $ 4,711,655 and the release of private equity funds reserve for redemption of profits from the Aureos Colombia Fund for $ 732,519.

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

Statutory and occasional reserves: They are approved by the General Assembly of Shareholders. Law 1819 of December 29th, 2016 in section 10 of article 376, validity and derogations, repealed Article 1, Decree 2336 of 1995, which set forth the obligation to establish tax reserves, on fiscally unrealized income. However, the General Assembly of Shareholders approved the creation 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 detail of other income is:

	Dec 31st, 2018	Dec 31st, 2017
Recovery of provisions		
Credit Portfolio (Note 10)	$ 93.317.979	$ 131.484.970
Accounts Receivable (Note 11)	1.604.118	2.278.549
Written off goods	2.446.440	561.141
Reversal of impairment loss (1)	295.184	12.906.832
Leases of own properties	1.646.013	1.595.488
For sale of non-current assets	113.000	-
For sale of property and equipment	64	2.860
F.N.G. revenue	294.034	222.425
Refund of expenses for prior periods (2)	1.755.099	-
Others	3.923.835	2.806.183
	$ 105.395.766	$ 151.858.448

(1) For 2017, this value is mainly represented by the reimbursement for impairment of investments of Segurexpo de Colombia S.A. for $12,596,726. generated by the recognition of the investment by the equity method.

(2) Represented mainly by the reimbursement of social security contributions, periods 2012, 2013, 2014, 2015 and 2016 for $1,737,071, generated by the collection procedures carried out with the Pension Subsystem. The amounts of accounts receivable can be found in Note 11.

26. OTHER EXPENSES

The detail of other expenses is:

	Dec 31st, 2018	Dec 31st, 2017
Payment of social contributions and affiliations	$ 1.774.466	$ 1.659.032
Insurance	266.692	263.108
Maintenance and repairs	4.002.507	4.019.484
Office furniture installation and adjustments	328.355	334.499
Fines and penalties	8.575	1.507.296
Implementing equity method (1)	4.510.925	19.623.387
Housekeeping and security services	592.235	600.793
Temporary services	227.978	616.901
Publicity and advertising	177.147	1.013.707
Public relations	70.641	59.400
Public utilities	616.183	628.474
Travel expenses	277.145	562.050
Transportation	451.111	602.920
Supplies and stationery	47.461	39.525
Publications and subscriptions	174.621	185.410
Photocopying services	3.872	4.416
Digitization services	64.476	99.612
Reference books	1.679	3.310
Business lunches	68.854	47.284
Lunchroom supplies	96.693	82.743
Cleaning supplies	53.990	66.159
Legal and notarial expenses	11.953	9.219
Courier and shipping services	169.661	184.661
Télex. data transmission.tas. SWIFT	1.569.498	1.541.357
Building administration fee	620.429	622.424
Minor fixtures	13.813	9.759
Commercial information	668.045	594.404
Storage and security of digital files	69.101	75.852

	Dec 31st, 2018	Dec 31st, 2017
Bancóldex Contact Center	595.119	550.297
Stock exchange registration fee	75.900	54.700
Alternate contingency processing services	60.069	73.841
Institutional notices and advertisements	53.260	89.426
Corporate communication	54.110	272.493
Withholdings assumed by Bancóldex	93.743	194.164
VAT assumed by Bancóldex	-	13.144
Prior period expenses (2)	119.551	3.646.403
Business training and business support	309.752	699.278
Assets received in lieu of payment	95.514	10.331
Return of property	45.348	-
Other minor expenses	54.196	81.033
	$ 18.494.668	$ 40.742.296

(1) In accordance with the provisions of Note 8, in the investment in Associates - Segurexpo and Fondo Nacional de Garantías y Subsidiarias- Arco Grupo Bancoldex and Fiducoldex, the provisions of section 6.2.1 of Chapter 1-1 of the C.E. number 100 of 1995 of the Financial Superintendence of Colombia were applied: investments in subsidiaries, associates and joint ventures must comply with the provisions of IAS 27, IAS 28 and IFRS 11, as applicable. These investments are measured by the equity method, that is, the Bank recognizes in the P&L of the period its share in the P&L of the period of the associate and subsidiary, in accordance with its respective participation.

The following is the detail at December 31st, 2018 and 2017:

	Dec 31st, 2018	Dec 31st, 2017
Fiducoldex	$ -	$ 459.093
Arco Grupo Bancóldex	-	1.011.933
Segurexpo de Colombia	-	11.643.231
Fondo Nacional de Garantias	4.510.925	6.509.130
	$ 4.510.925	$ 19.623.387

(2) The balance at December 31st, 2017 is mainly represented by: a) $ 522,500 corresponding to the account receivable from Tecnología y Desarrollo de Colombia S.A.S., in response to the ruling of the Arbitration Court of the Chamber of Commerce of Bogotá; b) Payment of social security contributions, periods 2012, 2013, 2014, 2015 and 2016, amounting to $2,258,430; c) Interest cancellation agreement for an amount of 776,397, in application of payment in lieu of portfolio operation LD700504505.

27. LIABILITIES FROM CURRENT TAXES AND ASSETS AND LIABILITIES FROM DEFERRED TAXES

The fiscal provisions applicable to the Bank stipulate the rate of income tax for the years 2018 and 2017 at 33% and 34% respectively. In the same way, for the same periods, a tax surcharge of 4% and 6%, respectively, is established. Thus, the expense for income tax and surcharge for the years 2018 and 2017 are determined at 37% and 40%, respectively.

Income tax recognized in profit or loss

		Dec 31st, 2018		Dec 31st, 2017
Current tax:				
Compared to current year	$	47.899.541	$	37.281.916
	$	47.899.541	$	37.281.916
Deferred tax:				
Compared to current year	$	12.939.175	$	22.709.005
Adjustments to deferred taxes attributed to changes in tax laws and rates	$	(1.296.649)	$	(1.428.467)
	$	11.642.526	$	21.280.538
Total tax expense on continuing operations	$	59.542.067	$	58.562.454

The reconciliation between the profit before taxes and the taxable net income for 2018 and 2017, is as follows:

		Dec 31st, 2018		Dec 31st, 2017
Profit before tax from continuing operations	$	167.174.966	$	141.427.420
Tax expense on income calculated at 37% and 40%		61.854.738		56.570.968
Effects of non-deductible expenses when determining taxable income		3.236.667		5.583.875
Income (loss) on realization of investments		455.701		(661.244)
Income (loss) on realization of derivatives		(4.862.764)		9.192.063
Income under nontaxable income accounting method		(713.324)		9.123.372
Tax-exempt reimbursement when determining taxable profit		(1.240.960)		(7.952.991)

Effects of tax-exempt or nontaxable income - Dividends	(2.005.404)	(4.985.284)
Revaluation of fixed assets	-	(693.045)
Restament of assets and liabilities	(7.820.697)	-
Other	10.638.111	(7.615.270)
Net income from assets held for more than two years	-	10
Tax expense on income by ordinary taxation system	59.542.067	58.562.454
Tax expense on income by presumptive taxation system (related to continuing operations)	$ 59.542.067	$ 58.562.454

The income tax was settled by the ordinary income system.

In accordance with the provisions of IAS 12, section 58 (a), current and deferred taxes should be recognized as income or expense and be included in the P&L, except to the extent that they arise from transactions or events that are recognized outside of the P&L, 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 31st, 2018 and 2017 periods.

- Law 1819 of 2016 established the rate of income tax for the years 2018 and 2017 at 33% and 34%, respectively, also for the same periods a tax surcharge of 4% and 6%, respectively, was set forth. The rates of income tax and surtax for the years 2018 and 2017 are determined at 37% and 40% respectively.

Current tax liabilities

	Dec 31st, 2018	Dec 31st, 2017
Current tax liabilities	$ 47.899.541	$ 37.281.916
Advancements and withholdings	(22.262.989)	(23.873.773)
Total income tax payable	$ 25.636.552	$ 13.408.143

Income tax recognized directly in equity

	Dec 31st, 2018	Dec 31st, 2017
Deferred tax from transactions with equity participants:		
Profit (loss) for exchange difference on foreign investments	$ 105.212	$ (257.407)
Profit (loss) on capital fund valuation	4.039.217	3.981.719
Unrealized profit (loss) of available-for- sale-investments	7.071.970	14.224.054
Cost of uncontrolled investments	1.610.114	2.877.958
Derived from coverage	(1.290.163)	-
Revaluation of assets	2.661.130	2.926.747
Total income tax recognized in other comprehensive income	$ 14.197.480	$ 23.753.071

Deferred tax balances - The following is an analysis of the deferred tax assets / liabilities presented in the Statement of Financial Position:

	Dec 31st, 2018	Dec 31st, 2017
Deferred tax assets		
Expenditure provisioned	$ 92.337	$ 71.518
Loss on valuation of derivatives	-	1.233.587
Amortization Software	-	916.712
Unrealized exchange difference in Foreign Exchange liabilities	32.523.168	-
Other assets	1.969.159	697.064
Total deferred assets(*)	34.584.664	2.918.881
Deferred tax liability		
Investment portfolio valuation	3.288.041	3.358.831
Profit in valuation of derivatives	3.621.062	-
Valuation of returns Capital Funds	4.129.130	5.075.506
Exchange difference in Foreign Exchange investments	794.243	873.668
Cost of movable and immovable property	8.910.097	9.508.105
Unrealized exchange difference in Foreign Exchange assets	40.349.090	-
Other deferred tax liabilities - equity	15.487.643	24.010.478
Total deferred liabilities (*)	76.579.306	42.826.588
Total	$ (41.994.642)	$ (39.907.707)

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

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

Dec. 31st, 2017	Opening balance	Recognized in the results	Recognized in other comprenhensive income	Closing balance
Deferred tax (liability)/asset related to:				
Derivatives	$ (7.852.792)	$ 9.096.662	$ 66.438	$ 1.310.308
Property, plant and equipment	(8.637.453)	(514.241)	-	(9.151.694)
Revaluation	-	-	(2.926.747)	(2.926.747)
Other assets	31.000	-	-	31.000
Financial leases	431.971	(34.863)	-	397.108
Intangible assets	1.907.754	(991.042)	-	916.712
Financial assets at fair value through profits or losses	(2.629.166)	(729.664)	-	(3.358.830)
Available-for-sale financial assets	(6.754.378)	-	(7.469.673)	(14.224.051)
Valuation of equity funds	(10.288.535)	1.427.858	(196.548)	(9.057.225)
Foreign exchange difference on foreign operations	(850.889)	185.323	(17.133)	(682.699)
Provisions	504.348	(432.831)		71.517
Cost of Foreign Exchange investments	(2.913.643)		35.684	(2.877.959)
Other financial liabilities	(479.050)	123.903	-	(355.147)
Tax losses /excess presumptive income	29.411.646	(29.411.646)	-	-
Total	$ (8.119.187)	$ (21.280.541)	$ (10.507.979)	$ (39.907.707)

28. CONTINGENCIES

At December 31st, 2018 and 2017, the Bank handled legal proceedings for and against; the pretensions of the proceedings were assessed based on analysis and opinions of the lawyers in charge and the following contingencies were determined:

Creditor contingencies (adverse proceeding):

Labor proceedings **-** At December 31st, 2018 and 2017, labor lawsuits were recorded for $100,000, respectively.

The following is the detail of labor proceedings:

Type of process	Parties	General Information	Process status	Dec 31st, 2018	Dec 31st, 2017
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)	An appeal decision in favor of the Bank was issued. The process is currently at the Supreme Court of Justice, where the extraordinary appeal for cassation is taking effect. It is awaiting a decision. **Absolute value**	1	1
WORK	**JAVIER ENRIQUE MÚNERA OVIEDO VS. BANCOLDEX**	Nature: Ordinary labor proceeding for an amount of approximately $100,000 Identification: Labor Court 1 of Barranquilla. 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: Labor Court 4 of Bogotá. (110013105004-2010-00406-00)	An appeal decision in favor of the Bank was issued. An appeal for cassation was lodged. **Absolute value**	1	1
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 a lawsuit. The lawsuit was answered. **Absolute value**	1	

Contentious Administrative Proceedings - At December 31st, 2018, the following process is taking place:

CONTENTIOUS - ADMINISTRATIVE	**EVERFORM S.A. Isidoro Esquenazi Cheres and Jose Esquenazi Malca VS. BANCOLDEX S.A. and others**	Nature: Direct Relief. Identification: – Administrative Tribunal of Valle del Cauca / Judge: Jhon Erick Chaves Bravo 76-001-23-33-005-2014-01266-00	The writ of admission of the lawsuit was notified. A lawsuit answer document was filed. The first process hearing was carried out. It was remitted to the ordinary court due to a lack of jurisdiction by the Administrative Tribunal of Valle.

Debit contingencies (favorable proceedings):

Labor proceedings: At December 31st, 2018, the outcome of the claims of the judicial proceedings amounted to $1,029,672.

The following is the detail of labor proceedings:

Parties	General Information	Process Status	Dec 31st, 2018
BANCOLDEX Vs. ALIANSALUD E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending of Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	68.275
BANCOLDEX Vs. CAFESALUD E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending of Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	565.515
BANCOLDEX Vs. COMPENSAR E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending of Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	132.811
BANCOLDEX Vs. SURA E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending of Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	55.701
BANCOLDEX Vs. FAMISANAR E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending of Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	61.374
BANCOLDEX Vs. SANITAS E.P.S. - ADRES	Nature: Ordinary labor proceeding. Identification: Pending de Bogotá. Proxy: Diego Suárez / Casas – Suárez Abogados S.A.S.	A lawsuit was filed on December 19th, 2018.	145.997
Total			**1.029.672**

Contentious administrative proceedings **-** At December 31st, 2018 and 2017, the assessment of the of the claims of the administrative proceeding against the Office of the Comptroller General of the Republic amounted to $5,232,227.

Civil proceedings **-** At December 31st, 2018, the assessment of the claims of the proceeding against Carlos Guillermo Rojas Prieto amounted to $17,903.

Executive proceedings **-** At December 31st, 2018, the assessment of the claims of the proceedings amounted to $19,879,046.

The following is the detail of executive proceedings:

Parties	General Information	Process Status	Dec 31st, 2018
BANCOLDEX Vs. Giraldo y Duque S.A. y C.I. Giraldo Duque Ltda. (Cartera Internacional C.F.)	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 5° of Palmira. 2017-0006	A lawsuit was submitted on 30-01-2017. The lawsuit was admitted and a writ that issues a payment order was issued on February 16th, 2017. The co-debtor Mauricio Duque was admitted in an insolvency proceeding. A credit rating writ is pending.	320.833
BANCOLDEX Vs. ALVARO PIO ARCINIEGAS ESPAÑA (Cartera Internacional C.F.)	Nature: Foreclosure Proceeding. Identification: Second Municipal Civil Court of Pasto. 52001400300220170014600	A lawsuit was submitted on May 04th, 2017. The respective lawsuit was submitted on May 04th, 2017. The admission was pending; on May 30th, 2017 a payment order was issued and precautionary measures were enacted.	43.793

Parties	General Information	Process Status	Dec 31st, 2018
BANCOLDEX Vs. Inversiones Quibor S.A.S.	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 1° of Bogotá. 11001310300620180040200	A lawsuit was submitted on December, 2017. A payment order was issued on 12-01-2018; an official notice of account seizure was corrected and, then, official notice was withdrew.	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 lawsuit was submitted on May 19th, 2017. A writ issued a payment order on May 30th, 2017. The joint debtor Gran Colombiana de Maderas entered into a Corporate Reorganization process on July 17th, 2017. (The transfer of the Credit Rating Project 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	A lawsuit was filed. The lawsuit was admitted and precautionary measures were enacted on April 27th, 2017. The payment order was corrected on May 03rd. Through writ on May 11th, 2017, a payment order was corrected at the request of the external lawyer.	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. Identification: Civil Court 3 of Bogotá. 11001310303520170041000	A lawsuit was filed on July 14th, 2017. A payment order was issued on July 19th, an appeal was submitted against it and a payment order was corrected. The partnership entered into a Corporate Reorganization on 30-08-2018. The transfer of the Credit Rating Project is pending.	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	A lawsuit was submitted on April 25th. An order was issued and precautionary measures were enacted on May 26th, 2017; through writ on June 8th, 2017, a payment order is corrected by clarifying the ID Number of the legal representative.	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	The Court issued a Payment Order and enacted precautionary measures on May 24th, 2017. A judgment that ordered to continue with the execution was issued on January 12th, 2018.	60.092

Parties	General Information	Porcess Status	Dec 31st, 2018
BANCOLDEX Vs. TRITURADOS Y PREFABRICADOS	Nature: Singular Executive Proceeding. Identification: Civil Court 1° of Neiva. 41001310300120170018800	A lawsuit is submitted on July 07th, 2017. A Payment Order is issued on July 17th, 2017. The defendant Yaved Cantillo Álvarez was notified for conclusive behaviour through a writ on October 25th, 2017, and it recognized the capacity to the plaintiff. The lawsuit was answered with exceptions, which were filed on May 4th, 2018. The partnership ARCA minerales was admitted to Law 1116.	2.407.407
BANCOLDEX Vs. BD PROMOTORES, COLGRUPO PROMOTOR SAS IN LIQUIDATION and MERCURIO 2011 SAS in liquidation	Nature: Large Claims Singular Executive Proceeding. Identification: Civil Court 15 11001310301520170052300	A lawsuit was filed on September 21st, 2017. The lawsuit was not admitted and a rectified document was submitted on November 29th, 2017. A payment order is issued on February 7th, 2018. The partnership BD Promotores S.A. entered into a Corporate Reorganization process on April 16th, 2018. (The transfer of the Credit Rating Project is pending).	10.449.597
BANCOLDEX Vs. MOLINOS LA AURORA y PROMOCIONES E INVERSIONES LA AURORA	Nature: Large Claims Singular Executive Proceeding. Identification: Municipal Civil Court 63 of Bogotá. 11001400306320170091700	A lawsuit was filed on September 21st, 2017. The partnership Molinos la Aurora and Promociones e inversiones la Aurora into a Corporate Reorganization process to law 1116 on october 2th, 2017.	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)	A lawsuit was submitted on March 2018. A payment order was issued on April 10th, 2018.	670.270
BANCOLDEX Vs. José Luis Ovalle (Cartera Internacional C.F.)	Nature: Small Claims Singular Foreclosure Proceeding (initial) - 20001400300720180021500 / Insolvency for non-retailer individuals (current). Identification: Municipal Civil Court 7 of Valledupar / Chamber of Commerce of Valledupar.	A lawsuit was submitted on May 21st. A payment order was issued. Bancolombia requested to move the seizure under the mortgage guarantee it has before the Bank. It entered into an insolvency process for non-retailer individual before the Chamber of Commerce of Valledupar on June 29th, 2018. A settlement proceeding and debt negotiation are pending.	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 of Barranquilla.	A lawsuit was submitted on May 25th. A payment order was issued on July 6th, 2018.	1.000.000
BANCOLDEX Vs. Reimpex S.A.S. (Internacional C.F.)	Nature: Small Claims Singular Executive Proceeding. 05001400302420180049500. Identification: Municipal Civil Court 24 of Orality of Medellín.	A lawsuit was submitted on May 30th, 2018. A payment order is issued and attachment on commecial establishments was enacted.	88.430
Total			**19.879.046**

29. OPERATING SEGMENTS

At December 31st, 2018 and 2017, the assets and the net P&L for Bancóldex's main business segments are presented below:

			December 31, 2018				
Figures in thousands of pesos	**COP Portfolio**	**USD Portfolio**	**Investment Portfolio**	**Treasury(*)**	**Commissions**	**Others**	**Total**
Amount of Primary Related Assets*	4.357.428.170	2.165.922.096	1.028.380.365	477.155.147	-	392.134.649	8.421.020.428
STATEMENT OF INCOME:							
Generated income	304.532.025	83.119.209	56.431.124	8.407.000	-	319.138	452.808.496
Financial expenses	185.612.716	58.881.292	2.832.559	251.000		-	247.577.568
Income and/or financial expenses (includes commissions)	(182.032)	(345.124)	(160.442)	(1.695.922)	1.478.364	-	(905.156)
Gross Financial marging	**118.737.277**	**23.892.793**	**53.438.123**	**6.460.078**	**1.478.364**	**319.138**	**204.325.772**
Balance portfolio provisions	(45.956.691)	4.630.646					(41.326.045)
Net Financial Marging	**164.693.969**	**19.262.147**	**53.438.123**	**6.460.078**	**1.478.364**	**319.138**	**245.651.818**
Operating Expenses:							
Administrative expenses	35.075.611	15.445.192	7.643.998	3.942.880	1.763.347	1.585.252	65.456.280
Financial corporate tax	11.089.033	2.098.335	551.247	2.505.602	151.681	231.256	16.627.154
Other provisions	(607.546)	-	-	-	-	12.252.943	11.645.397
Operating profit	**119.136.366**	**1.718.619**	**45.242.878**	**11.596**	**(436.664)**	**(13.750.313)**	**151.922.482**
Net other income/expenses (includes dividends)	-	-	-	-	822.330	14.430.154	15.252.484
Profit before tax	**119.136.366**	**1.718.619**	**45.242.878**	**11.596**	**385.666**	**679.841**	**167.174.966**
Income tax							59.542.067
Net income							**107.632.899**

Figures in thousands of pesos	COP Portfolio	USD Portfolio	Investment Portfolio	Treasury(*)	Commissions	Others	Total
			December 31, 2017				
Amount of Primary Related Assets*	3.803.182.065	1.779.478.913	842.958.080	173.750.110	-	246.590.914	6.845.960.082
STATEMENT OF INCOME:							
Generated income	349.937.950	73.167.593	76.140.405	9.397.200	0,00	-	508.643.148
Financial expenses	226.604.934	37.254.932	4.923.533	1.479.750	0,00	-	270.263.149
Income and/or financial expenses (includes commissions)	(954.849)	(6.011.790)	(506.365)	(1.403.674)	2.324.314	-	-6.552.364
Gross Financial marging	**122.378.167**	**29.900.871**	**70.710.507**	**6.513.776**	**2.324.314**	-	**231.827.635**
Balance portfolio provisions	(1.354.868)	484.824	-	-	-	-	(870.044)
Net Financial Marging	**123.733.035**	**29.416.047**	**70.710.507**	**6.513.776**	**2.324.314**	-	**232.697.679**
Operating Expenses:							
Administrative expenses	38.203.009	15.869.974	6.553.424	3.755.130	2.437.661	2.262.320	69.081.518
Financial corporate tax	16.338.026	1.644.230	3.867.485	127.696	135.743	1.793.258	23.906.438
Other provisions	(538.085)	-	-	-	-	2.538.633	2.000.548
Operating profit	**69.730.085**	**11.901.843**	**60.289.598**	**2.630.950**	**(249.090)**	**(6.594.211)**	**137.709.175**
Net other income/expenses (includes dividends)	-	-	-	-	-	3.718.245	3.718.245
Profit before tax	**69.730.085**	**11.901.843**	**60.289.598**	**2.630.950**	**(249.090)**	**(2.875.966)**	**141.427.420**
Income tax							58.562.454
Net income							**82.864.966**

* The amount of the assets for Treasury includes the liquidity represented in money market operations and available in banks.

30. RELATED PARTIES

The Bank considered the participation of the related parties in the generation of profits, the existence of the relationship with related parties such as: shareholders, members of the Board of Directors and Directors of the Bank, subordinated entities and entities of the same parent company, are clear examples of persons or entities that influence or may have an effect on the P&L and the financial situation of the Bank. It was also considered that the previously related parties could carry out transactions that other parties, lacking relationship, could not. Therefore, a register is made of 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, discriminated in detail below:

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

Transactions with related parties - The Bank may enter into transactions, agreements or contracts with related parties, with the understanding that any such operations will be carried out at fair value, in accordance with market conditions and rates.

Between the Bank and its related parties, during the periods ended December 31st, 2018 and 2017, there were no:

- Loans that imply an obligation for the borrower that does not correspond to the essence or nature of the mutual agreement.
- 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 made with third parties.

The following is the grouping of balances and transactions with shareholders, administrators, subsidiaries and members of the Board of Directors:

Operations with shareholders -

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Investments		
Ministry of Finance and Public Credit	$ 998.455.029	$ 812.405.710
Prepaid expenses		
Ministry of Finance and Public Credit	6.679.911	-
	$ 1.005.134.940	$ 812.405.710
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	4.236.587	-
Income received in advance		
Ministry of Commerce, Industry and Tourism	79.397.933	65.063.800
Other liabilities		
Ministry of Commerce, Industry and Tourism	1.559.657	10.487.730
	$ 87.252.857	$ 77.610.210

	Dec 31st, 2018	Dec 31st, 2017
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	20.093.399	38.443.389
	$ 1.079.656.914	$ 1.098.006.904
INCOME		
Other income		
Ministry of Commerce, Industry and Tourism	45.728.105	41.645.243
Ministry of Finance and Public Credit	$ 72.986	$ -
Valuation of investments and other income		
Ministry of Finance and Public Credit	73.752.159	77.930.147
	$ 119.553.250	$ 119.575.390
EXPENSES		
Other interests		
Ministry of Finance and Public Credit	$ 6.470	$ -
Valuation of investments		
Ministry of Finance and Public Credit	1.994.629	975.534
Commissions		
Ministry of Finance and Public Credit	536.749	5.704.675
Others (Interbank interest liabilities, Valuation loss)		
Ministry of Finance and Public Credit	4.656.924	4.907.620
Others		
Ministry of Commerce, Industry and Tourism	-	1.397
	$ 7.194.772	$ 11.589.225

The balances of assets with shareholders correspond to the investments that the Bank has made in TES treasury securities, 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 the TES at the end of December 2018 and 2017 was 5.58% and 5.34%, respectively.

Between the Bank and the aforementioned shareholders, no gratuitous or compensated services took place, nor any loans without interest or any consideration or operations whose characteristics differ from those conducted with third parties.

Operations with administrators –

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Credit portfolio		
Housing	$ 533.467	$ 484.520
Consumer	16.533	44.450
Accounts receivable		
Interest receivable	1.294	1.292
Social welfare	12.080	12.448
Others	34	4.165
Provision		
Capital	(5.692)	(5.905)
Interests	(13)	(14)
	$ 557.702	$ 540.957
LIABILITIES		
Accounts payable		
Wellfare	$ -	$ 2
Others	665	2.899
Holidays	253.710	291.939
	$ 254.375	$ 294.841
INCOME		
Portfolio income		
Interests on loans	$ 11.319	$ 26.069
Income - Miscellaneous		
Recoveries	985	1.148
Other income	-	800
	$ 12.303	$ 28.017
EXPENSES		
Staff Expenses		
Staff Expenses	$ 3.242.777	$ 3.283.138
Expenses - Miscellaneous		
Assumed Withholdings	4.800	16.377
Others	22.813	144.583
Provisions	3.015	-
	$ 3.273.404	$ 3.444.099

The assets correspond mainly to housing, vehicle and free investment facilities, to the accounts receivable thereon, granted in accordance with the term and rate conditions in force in the internal regulations for housing, vehicle and free investment loans for employees of the Bank.

Operations with subsidiaries -

	Dec 31st, 2018		Dec 31st, 2017	
ASSETS				
Investments				
Fiducoldex S.A.	$	51.138.017	$	48.844.216
Arco Grupo Bancoldex S.A.		61.167.569		57.147.830
Credit Portfolio				
Arco Grupo Bancoldex S.A.		154.245.013		155.194.015
Portfolio Provisions				
Arco Grupo Bancoldex S.A.		(3.901.397)		(5.667.366)
Portfolio Interests				
Arco Grupo Bancoldex S.A.		475.017		570.117
Accounts receivable- Miscellaneous				
Fiducoldex S.A.		-		268.274
Arco Grupo Bancoldex S.A.		42.807		301.801
Provision of accounts receivable				
Arco Grupo Bancoldex S.A.		(11.466)		(20.850)
	$	263.155.560	$	256.638.037
LIABILITIES				
Financial obligations				
Arco Grupo Bancoldex S.A.	$	687.743	$	152.240
Accounts payable				
Fiducoldex S.A.		-		8.658
Arco Grupo Bancoldex S.A.		9.679		8.993
	$	697.422	$	169.890
EQUITY				
Surplus using the equity method				
Fiducoldex S.A.	$	13.309.400	$	12.786.732
Arco Grupo Bancoldex S.A.		11.511.050		12.607.938
	$	24.820.450	$	25.394.670

	Dec 31st, 2018	Dec 31st, 2017
INCOME		
Portfolio income		
Arco Grupo Bancoldex S.A.	$ 9.039.333	$ 11.460.296
By the equity method		
Fiducoldex S.A.	6.475.146	4.400.389
Arco Grupo Bancoldex S.A.	5.116.627	507.448
Provision recoveries		
Arco Grupo Bancoldex S.A.	2.957.171	1.624.743
Rental income		
Fiducoldex S.A.	764.281	562.278
Arco Grupo Bancoldex S.A.	42.202	29.115
Other income		
Fiducoldex S.A.	-	1.786
Arco Grupo Bancoldex S.A.	5.213	4.957
	$ 24.399.972	$ 18.591.011
EXPENSES		
Other interests		
Arco Grupo Bancoldex S.A.	$ 54.492	$ 2.802
By the equity method		
Fiducoldex S.A.	-	459.093
Arco Grupo Bancoldex S.A.	-	1.011.933
Leases		
Arco Grupo Bancoldex S.A.	88.958	8.910
Provisions		
Arco Grupo Bancoldex S.A.	1.181.818	2.437.239
Other expenses		
Arco Grupo Bancoldex S.A.	148.776	-
	$ 1.474.044	$ 3.919.976

The investments correspond to the 89.32% and 87.45% interest held by the Bank in Fiducoldex S.A. and Arco Grupo Bancóldex S.A., respectively.

The loan portfolio corresponds to ordinary loans granted to Arco Grupo Bancóldex, which were made under the general conditions prevailing in the market for similar operations. The weighted average rate of the portfolio with Arco Grupo Bancóldex, for 2018 and 2017, is DTF (E.A.) + 0.88% and DTF (E.A.) + 1.67%, respectively.

The other income relates mainly to payments for leases and reimbursement of shared expenses, received from Fiducóldex and Arco Grupo Bancóldex.

Between the Bank and the aforementioned subsidiaries, there were no gratuitous or compensated services, loans without interest or consideration, nor operations whose characteristics differ from those conducted with third parties.

Operations with members of the Board of Directors -

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Accounts receivable		
Others	$ -	$ 4.007
	$ -	$ 4.007
INCOME		
Interests on loans	$ -	$ 225
Recoveries	-	90
	$ -	$ 315
EXPENSES		
Fees	$ 515.620	$ 384.351
Others	743	-
	$ 516.362	$ 384.351

Corresponds to the fees paid for attending meetings of the Board of Directors, Credit Committee, GAP Committee, Audit Committee and Capital Funds Committee. Between the Bank and the members of the Board of Directors, there were no gratuitous or compensated services, loans without interest or consideration, nor operations whose characteristics differed from those conducted with third parties.

31. RISK MANAGEMENT

The Bank's risk management is a "cross-cutting" process throughout the organization, it is carried out in a comprehensive manner and t in compliance with current regulations and internal guidelines defined by the Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks in pursuit of the Bank's financial sustainability and is supported by an organizational structure that guarantees the independence of functions among the *front, middle* and *back office* areas of the Bank. This management is materialized through the interrelation of the Credit Risk Management System (SARC), the Market Risk Management System (MRSA), the Liquidity Risk Management System (SARL), the Operational Risk Management System (SARO), the Information Security and Business Continuity System (SGSI) and the Risk Management System for Money Laundering and Terrorism Financing (SARLAFT). Each of these systems includes policies, methodologies for measuring and monitoring risks, clear identification of processes and procedures, among others.

The Board of Directors is the main entity responsible for risk management in the Bank and, as such, for the risk and organizational structure on which the Bank relies to carry out the management through the different risk systems individually and in a consolidated manner.

The organizational structure includes committees and areas dedicated as a priority to activities related to risk management, which support the definition of guidelines and strategies and the monitoring and control of said management. Likewise, the internal audit (headed by the Internal Comptroller) and the Statutory Auditor are informed of the operations carried out by the Bank and periodically present reports related to their assessments on risk management.

The committees are decision-making bodies that support the Board of Directors in the management of the different risk categories:

Instance	Risk category	Main Functions
Risk Management Committee of the Board of Directors	Credit Risk Operational Risk Liquidity Risk Market risk	• Analyze proposals for credit, market, liquidity and operational risk policies and recommend them to the Board of Directors. • Approve general guidelines for credit risk management methodologies. • Issue statements on the Bank's operational risk profile. • Approve contingency and business continuity plans and have the necessary resources for their timely execution.
External Credit Committee	Credit Risk	• Approve credit and counterpart limits for financial entities. • Recommend to the Board of Directors the approval of direct credit operations.
Audit Committee	Credit Risk Operational Risk Liquidity Risk Market risk ML/FT risk	• Analyze the results of the audits carried out on the processes linked to risk management. • Monitor the levels of risk exposure, its implication for the entity and the measures adopted for its control and mitigation.
Internal Credit Committee	Credit Risk	• Approve specific issues of credit risk management methodologies. • Approve credit limits of lesser amounts.
Portfolio Qualification Committee	Credit Risk	• Approve the debtors' ratings for purposes of calculating provisions. • Track the debtors' risk profile.
Asset and Liability Management Committee	Market Risk and Liquidity Risk	• Approve procedures and methodologies related to market and liquidity risks. • Approve placement, recruitment and hedging strategies. • Monitor the liquidity situation of the Bank.

Inter-institutional Management and Performance Committee	Operational Risk and Information Security	• Monitor the effectiveness and performance of the SARO, the MECI, and the Quality Management System, acting as an instance of integration and strengthening of these management systems. • Recommend and approve, as a prior instance to the Board of Directors, risk profile measures, methodologies and procedures for the management of operational risks. • Monitor the Bank's operational risk profile. • Analyze and approve policies on information security and business continuity. • Recommend, control and monitor the execution of the Information Security Plan in Bancóldex. • Make decisions in management processes and documentary management techniques.
Conglomerate Risk Committee	Credit Risk Operational Risk Liquidity Risk Market risk	• Propose, to the Board of Directors of Bancóldex, the general policies on risk management that will apply to the entities of the Bancóldex Group. • Monitor the exposure in the different types of risk, both for each Group entity and at a consolidated level.

a) Credit risk -

Qualitative information - The credit risk management in the Bank is aligned with the standards established by the Financial Superintendence of Colombia, principles framed within international best practices. For this purpose, the Bank has a Credit Risk Management System - SARC that incorporates policies, processes and procedures, granting and monitoring methodologies, and audit processes that cover the different products and segments serviced by the Bank.

Among the policies are those of a general nature that frame the Bank's credit operation, such as business strategy, provisions, write-offs, restructuring, among others, and the specific policies for each of the Bank's products and segments that define the criteria for granting, monitoring, maximum credit exposure and guarantees to be demanded.

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

The Vice Presidency of Risk is e in charge of proposing to the Board of Directors the methodologies and models that are used for the origination and monitoring of loans. These models must be validated periodically in order to measure their effectiveness.

During 2018, all segments continued to strengthen the periodic reports of early warnings and analysis of projections and scenarios. Additionally, in line with the Bank's new strategy, the Direct Credit Directorate was created within the Risk Vice Presidency to assess direct loans to companies, and some aspects of the evaluation methodology of these loans were reviewed and adjusted.

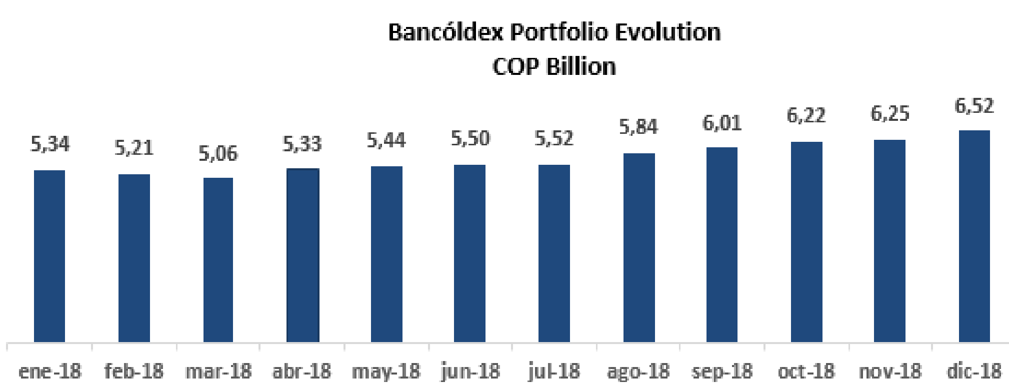
The Risk Vice Presidency periodically reports to the Board of Directors and the different Committees the results of the credit risk analyses and the evolution of the risk profile of both the Bank's credit operations and those of the counterparties. As part of the monitoring and follow up process, the entire credit portfolio must be qualified on a monthly basis, applying the regulatory guidelines, which take into account the financial condition and payment capacity of each debtor. In accordance with the rating assigned, the constitution of required provisions is defined.

Quantitative information

Consolidated exposure to credit risk - The maximum exposure to the Bank's credit risk is reflected in the book value of financial assets in the statement of financial position as of December 31, 2018 and 2017, as indicated below:

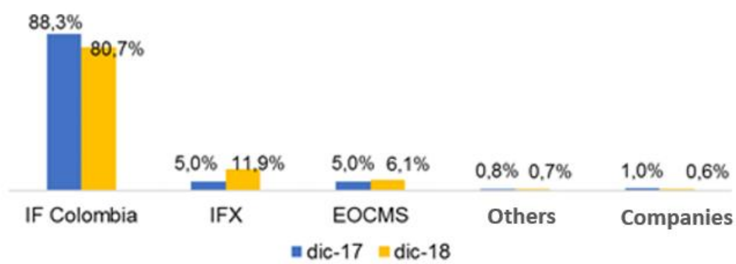
	dic-18	dic-17
Credit portfolio	6.523.350.266	5.582.660.978
Debt securities	1.027.898.466	842.958.078
Equity securities	367.275.373	366.628.621
Derivatives	250.863.697	89.310.161
Financial collateral	67.626.522	58.891.123
Asset money market operations	232.436.852	21.417.338
Maximum credit risk exposure	**8.469.451.176**	**6.961.866.299**

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



Concentration of risks - The Bank monitors the concentration of credit risk through different portfolio groupings such as: by type of entity, type of portfolio, risk category and country, as presented below:

Portfolio Distribution by Segment



EOCM: entities oriented to microenterprise credit, IFX: foreign banks,
Companies: portfolio received from liquidated financial entities and others: Liquidex product operations

Distribution by type of portfolio

Type of portfolio	dic-18	dic-17
Commercial	6.503.684.478	5.563.597.313
Consumer	1.523.928	1.298.832
Housing	18.141.861	17.764.833
Total	**6.523.350.267**	**5.582.660.978**

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

Distribution by risk rating

Rating	dic-18	dic-17
A	6.480.447.936	5.526.325.080
B	5.463.964	9.414.634
C	946.979	2.906.975
D	5.146.791	19.324.823
E	31.344.597	24.689.466
Total	**6.523.350.267**	**5.582.660.978**

Distribution by country

Country	dic-18	dic-17
Colombia	5.751.079.711	5.301.790.644
Ecuador	263.296.643	203.153.789
Panama	129.990.000	10.941.333
Costa Rica	159.237.750	4.476.000
Honduras	96.977.012	-
Guatemala	46.308.938	1.697.436
Peru	36.478.445	36.625.291
Others	39.981.768	23.976.485
Total	**6.523.350.267**	**5.582.660.978**

Portfolio quality indicators

Portfolio quality		**Dec-18**	**Dec-17**
Delinquency	Indicator[1]	0.59%	0.88%
	Hedging (times)	4.5	4.3
Risk Profile	Indicator[2]	0.66%	1.01%
	Hedging (times)	4.0	3.8

1 Delinquency indicator = past due portfolio / gross portfolio

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

At December 2018, the balance of the gross portfolio amounted to $6.5 trillion, registering an increase of 17% compared to the previous year. Non-performing loans stood at 0.59% and decreased due to the payment of some obligations (through payment in lieu and signing of payment agreements) corresponding to the portfolio received from International Finance Company in November 2015[1]. The Bank began the process of collection and normalization of the loan portfolio received, and at December 31st, 2018 the balance of this portfolio amounts to $41,672 million, in 45 customers and distributed in several risk categories.

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 transactions are carried out, among others. For each of the positions that make up the investment portfolio, the Bank has policies and limits that seek to minimize exposure to credit risk, among others:

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

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

- *Trading quotas* - They are verified by the *front* office prior to the closing of operations so that it is guaranteed that there is availability to carry out such operations.

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

- *Counterpart Alerts* - the Bank has alert indicators that allow the timely identification of changes in the financial situation of the counterparts. The Vice Presidency of Risk submits periodic reports to the External Credit Committee about the financial situation of the counterparts 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 can occur as a result of variations in interest rates, exchange rates and other important variables on which the economic value of these instruments depends.

Market risk management - The Bank manages market risk through the identification, measurement, monitoring and control of the different exposure levels to interest rate risk, exchange rate risk, positions in collective portfolios and share price risk. The management of market risk is permanent and generates daily, weekly and monthly reports to senior management and all employees of the *front*, *middle*, and *back office* with the objective of making timely decisions for the adequate mitigation of the assumed risks and guarantee the risk appetite and risk limits approved by the Board of Directors. This management is framed within the guidelines of the Financial Superintendence of Colombia (Chapter XXI of EC 100) and is supported by internal methodologies that allow monitoring the exposure of the different products that are traded in the Bank's Treasury. The foregoing is consolidated in the Market Risk Management System Manual - SARM, which defines: policies, organizational structure, methodologies, etc.

In addition, the Bank has the necessary segregation of areas of *front*, *middle* and *back office* that allow to identify, measure and analyze the information of the market risks incident to the different operations.

The Bank's businesses in which it has exposure to market risks are: purchase and sale of fixed income products in legal and foreign currency, positions in the cash and forward market, bonds and Term Deposit Certificates in the sector with indexation in variable rates such as CPI, DTF and IBR. The Bank has a treasury business and derivative financial instruments strategy, ensuring that the risks assumed do not affect the soundness and stability of the Bank's equity.

At the Bank, the Risk Vice Presidency is the body in charge of proposing, developing and ensuring proper compliance with the policies, methodologies, procedures and general guidelines approved by the Board of Directors and the Risk Management Committee of the Board of Directors to carry out the market risk management. It is also responsible for the measurement, analysis and control of the risks inherent to the business, as well as for the review and periodic evaluation of the valuation methodologies of the different products that are traded in the Treasury.

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

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

In addition to regulatory compliance, the Bank uses an internal risk value measurement model, whose results are used as a complementary mechanism for analysis and management. This internal model allows the daily monitoring of the market risk exposure of the Treasury's product portfolio, whose 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 in accordance with market conditions and the risk factors defined in said methodology. This internal model is tested for *back* and *stress testing* that allow the Bank to know the validity of the model and know how accurate are the projections of the losses compared with the accounting reality and determine the possible losses in situations of market.

Quantitative information - The following is the Bank's investment portfolio at December 31st, 2018 and 2017:

	Dec 31st, 2018	% Share	Dec 31st, 2017	% Share
At amortized cost	0	0	0	0
At fair value with changes in OCI	304.728.291	30%	429.726.820	51%
At fair value	723.652.073	70%	413.231.260	49%
Total	1.028.380.365		842.958.080	

*Figures in $ thousands

At the end of 2018, there was an 18% increase in the total value of the investment portfolio in fixed income with respect to the previous year by 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:

Investments	Maximum amount	Minimum amount	Average amount	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	440.089.170	410.562.470	424.158.622
At fair value	749.629.348	535.370.796	671.195.788	715.623.925	352.008.130	495.975.932

Total market risk - The Bank's total exposure to market risk is calculated as the algebraic sum of the exposures to interest rate risk, exchange rate risk, share price risk and collective portfolio risk.

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

Year 2018				
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	83.220.775	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

* Figures in $ thousands

Year 2017				
Modules	**Maximun**	**Minimun**	**Average**	**Year-end closing**
Interest rate	77.696.304	49.588.069	59.602.958	54.036.939
Exchange rate	2.868.446	3.709	654.706	169.382
Share price	2.776.790	2.431.245	2.561.019	2.525.476
Collective portfolios	14.227.407	12.371.586	13.109.708	14.227.407
Total	97.568.947	65.761.124	78.352.185	70.959.204

* Figures in $ thousands

The exposure to market risk of Bancóldex registered an increase of 10% with respect to 2017, explained by the higher value of the investment portfolio, which stood at $1.0280.380 thousand, which is reflected in an increase of 11% in the interest rate module.

c) *Liquidity risk -*

Qualitative information - The processes for the management of liquidity risk are framed in the segregation of functions and the observance and adoption of best practices and requirements of different regulation and control bodies. In this sense, the Bank's Treasury manages the cash flow, taking into account the funding costs and cash commitments in the short term; the Financial Risk Department develops and applies the methodologies to alert, monitor and project the possible triggers of liquidity risk; the Operations Department ensures operational compliance with the

Bank's cash movements; and the Internal Comptroller's Office guarantees compliance with the rules, policies and processes related to liquidity risk.

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

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

Likewise, on an annual basis, the Bank carries out a review of the policies, limits, processes, methodologies and tools for the evaluation of the liquidity risk exposure, in order to establish its validity and corroborate that they are in accordance with current regulations, the structure of the balance sheet positions and the best market practices. In the same way, validations are made to the internal model through *backtesting*, in order to establish its level of reliability and, if necessary, make modifications to better suit the reality of the business.

Quantitative information

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

Discriminated Liquid Assets

Liquid assets	dic-18	dic-17
High liquidity	953.745.394	827.931.092
Available	120.878.290	130.879.182
Investments on high quality Securities	832.867.104	697.051.910
Other liquid assets	23.940.269	24.441.896
Total liquid assets	**977.685.663**	**852.372.988**

*Figures in $ thousands

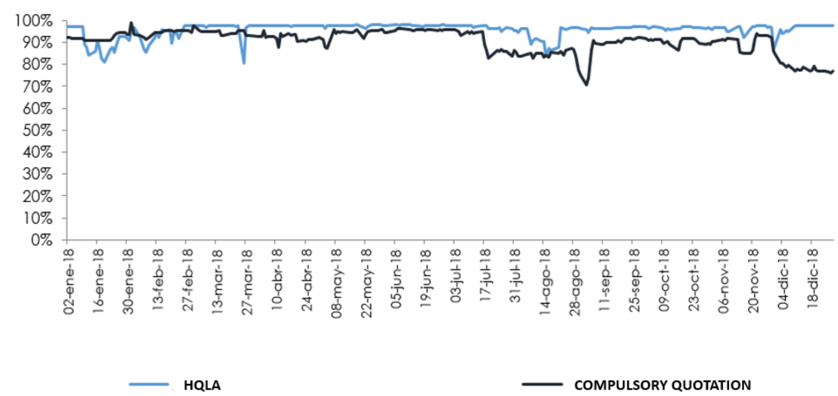
Liquid assets showed an increase of 14.7% compared to the previous year, and on average they were at a level of $801,402,747 thousand.

High quality liquid assets - High-quality liquid assets remained at an average of 96% during 2018, 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.

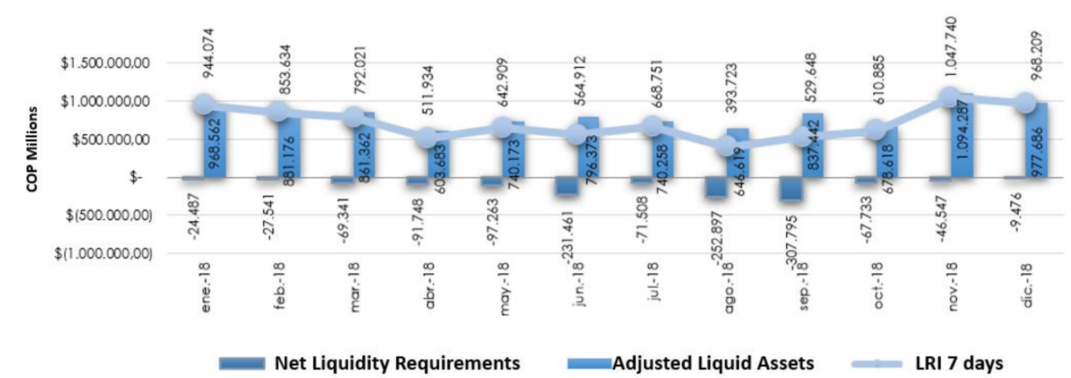
During 2018, high-quality liquid assets were reduced on average compared to the previous year because on two occasions (May and November) Bonds were issued (Social and Orange Bonds), for which the Treasury restricted the collection in TDC to maintain the market captive and in this way have a high demand in the bond issue. However, at the close of the year there was a significant increase in liquid assets compared to the close of the previous year, given that the issuance of orange bonds was made at the end of the year, which meant that the resources raised ($400,000 million) were not placed in their entirety, remaining within the portfolio of liquidity surplus of the DTE.

Likewise, the internal indicator that establishes the share of mandatory contribution securities (market makers program) against the total of the negotiable portfolio was on average 90%, which indicates that a large part of the Bank's negotiable portfolio has securities with a high market liquidity rating, that is to say, that these are securities easily settled in the capitals market and at favorable rates.

High-quality liquid assets



Liquid Assets and 7-Day Liquidity Requirements



Liquidity risk indicator

At December 31st, 2018, Bancóldex presented a seven-day IRL of $968,209,164 thousand, while the same indicator in 2017 showed a result of $850,038,034 thousand, which represents an increase of 14% compared to the previous year. This growth is explained by the fact that, during 2018, the level of liquid assets was higher than the immediately previous year due to the fact that there were no significant outflows of resources from payment liabilities (Correspondents, TDCs and Bonds), and that large issues were made of bonds ($800,000) during the year.

Likewise, there was a stable behavior of the net liquidity requirements during 2018 (average $86,240,490 thousand), which allowed the Bank to secure the necessary liquid assets to hedge the maturities of TDCs, bonds and credits with correspondent banking and maintain a significant level of assets to support its credit and treasury activity.

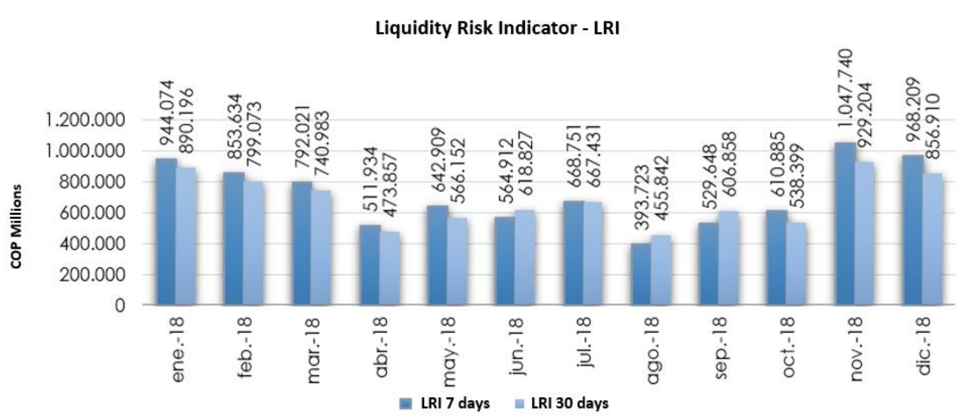
LRI 7 DAYS	dic-18	dic-17
Liquidity risk indicator	968.209.164,00	850.038.034,00
Market liquid assets	977.685.663	852.372.988
Net liquidity requirements	9.476.498	2.334.954
IRL	**10,32%**	**36,51%**

*Figures in $ thousands

LRI 30 DAYS	dic-18	dic-17
Liquidity risk indicator	856.910.060	831.917.375
Market liquid assets	977.685.663	852.372.988
Net liquidity requirements	120.775.603	20.455.612
IRL	**809,510%**	**4,167%**

*Figures in $ thousands

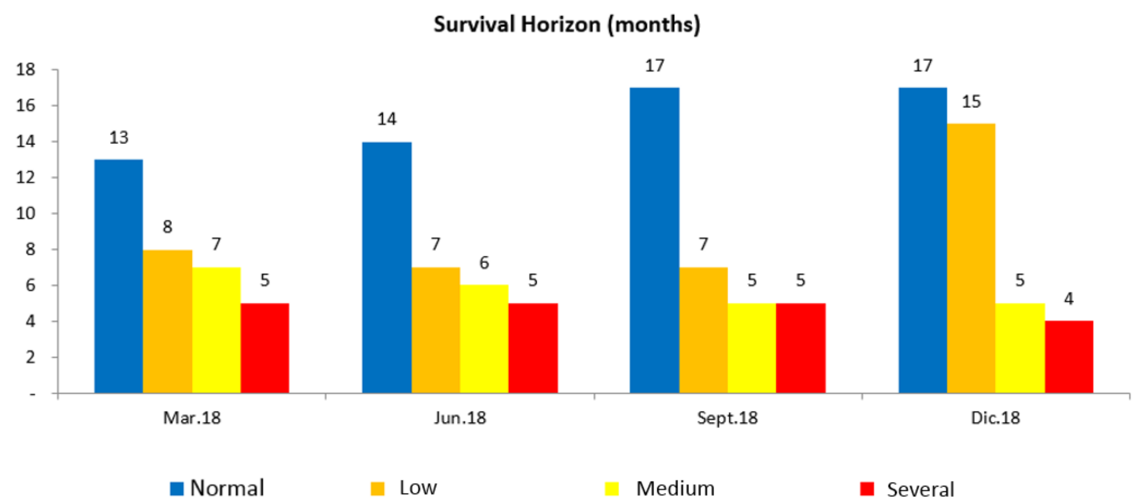
The 7-day percentage IRL is 10.32%, indicating that the Bank's liquidity condition is broad enough to hedge its payment obligations in the short term (10.3 times). The following graph shows the evolution of liquid assets and the liquidity requirement during the last year, as well as the behavior of the IRL.



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

On the other hand, this model has a series of alerts, defined under various scenarios, namely:

Scenario	Stress Level	Funding Level	Alert	
Normal	Normal course of business		100%	12 months
Stress	• TDC renewal rate = 0% • Limited access to estimated funding	Low	80%	6 months
		Medium	65%	3 months
		Severe	50%	1 month



The internal model indicates that, at the end of 2018, the liquidity situation is adequate since liquid resources and portfolio recoveries allow covering the payment of liabilities both in the normal scenario as well as in the different stress scenarios.

The fulfillment of the projections in question depends fundamentally on compliance with the budget projected by the Bank and on an adequate modeling of the variables projected by the Bank's Financial Risk Department (default rate, prepayments, seasonal disbursements, TDC renewal index).

d) *Operational risk -*

Qualitative information - The policies and methodologies within which the Bank frames the management of operational risk are recorded in the SARO Manual; these follow the bases and guidelines required by the Financial Superintendence of Colombia for the development of an operational risk management system in accordance with External Circular 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, and also include the policies for the implementation and maintenance of the Internal Control System established in the Circular Letter 014 of 2009.

For the effective management of Operational Risk in the Bank, own measurement parameters have been established, in accordance with the structure, size, corporate purpose and processes of the company. Likewise, it is aligned with best Operational Risk management practices, in an operating model built on the principles developed by the Basel II Committee.

Like the other risk management systems of the Bank, the SARO is based on general and specific policies determined by the Board of Directors, and is based on an organizational structure that guarantees an adequate segregation of functions between *front*, *middle* and *back office*. Likewise, it has suitable methodologies that allow the identification, measurement, control and monitoring of operational risks.

Given that this risk typology is dynamic and susceptible to constant changes in the business and its environment, monitoring schemes are adopted that facilitate the rapid 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.

Regarding the operational risks of fraud and corruption, the guidelines adopted correspond to the principles established by the Transparency Secretariat of the Presidency of the Republic, DNP, DAFP and United Nations Office against Drug and Crime UNODC; "Strategies for the construction of the Anticorruption and Citizen Service Plan", a guide published in compliance with the provisions of the Anticorruption Statute - Law 1474 of 2011 "Whereby rules are issued aimed at strengthening the mechanisms of prevention, investigation and sanctioning of acts of corruption and the effectiveness of the control of public management ", art. 73.

Quantitative information - According to current regulations, operational risk events are classified into types A, B and C.

Identification, measurement, control and monitoring of operational risks - As of December 31, 2018, the Bank's residual operating risk remains concentrated in the "Medium" and "Low" severity levels at 80.7%, which corresponds to the level of acceptable risk defined by the organization. Likewise, the Operational Risk Self-assessments of all the processes in the Bank were carried out; 932 risks were identified that are mitigated with 1,775 controls; 17.3% of the risks are classified as high and 2.1% as critical. These risks have their respective controls and are monitored by the Process Leaders and the Governing Bodies established in the SARO Manual.

Management of operational risk events - Officials reported the operational risk events that arose in each of the areas. At December 31st, 2018, 505 events were reported, a significant increase of 172% compared to 2017. This behavior was caused, among other factors, by the inclusion of portfolio invoice returns and by the socialization of the reporting culture that was carried out in the SARO 2018 training. According to current regulations, operational risk events are classified into types A, B and C, as follows:

Event	No.	Share
Type A	3	0.6%
Type B	494	97.8%
Type C	8	1.6%
TOTAL	**505**	**100%**

During 2018, the economic losses due to operating risk generated in the events classified as "Type A", were $18.3 million and were accounted for in their respective operating risk accounts; recoveries amounted to $10.5 million, for which reason, the net effect of economic losses from operating risk was $7.8 million.

Follow up in the development of projects or products - During 2018, the Operational Risk Office participated and accompanied the development of projects such as Savings Account, with associated processes such as Legal Support, Price Definition, Channel Attention, Engagement, Creation and updating of Customers, Tax Management, Accounting Management, Transactional Monitoring, Fraud Investigation, Operational Administration of resources, Confirmation and Registry of operations, among others. Additionally, it accompanied the Project of Direct Credit and the preparation of the BIA, among others.

Visits of control and supervision bodies - The requirements presented by the delegations of the Financial Superintendence of Colombia, Internal Audit and the Statutory Auditor - Deloitte, who paid visits during the second semester of 2018, were observed.

e) Asset Laundering and Terrorism Financing Risk Management System - SARLAFT -

During 2018, Bancóldex continued with the application and maintenance of the SARLAFT to prevent and mitigate the risks of money laundering and financing of terrorism (ML / FT) in the operations it carried out and to in order to strengthen the system. The following were the main steps that were taken: Update of the SARLAFT Manual incorporating adjustments approved by the Board of Directors, including the evaluation of the ML/F risk of economic activities and the definition of a policy against the application thereof; the identification, analysis and monitoring of unusual operations; warning signs by ML/ TF risk factor; the updating of the segmentation methodology of ML/TF risk factors and the technological infrastructure scheme to support the SARLAFT.

The evaluation of risk factors was updated and the risk profile was monitored by the risk factors of customer, product, channel and jurisdiction, associated risks and the Bank's consolidated risk, both inherent and residual, the latter remaining within the level approved by the Board of Directors.

With respect to the technological tools that support the prevention of ML/TF risks, the new ACRM system - Advanced Compliance Risk Manager, with customer profiling, customer monitoring and transactions including Phase I products, was put into production, and progress was made in the development and testing of Phase II products. The control application was updated against those reported by ML/FT (Sentinel) activities, with new functionalities and their interrelation with the banking core T24 and the new ACRM monitoring system.

The training, socialization and updating of the Bank's employees continued on generalities and novelties of the SARLAFT, the due diligence for knowledge of the clients and counterparts and on cases, unusual situations and alerts management; ML/TF risk prevention workshops were held for officials of microcredit entities in Bogotá and three other capital cities.

Similarly, internal periodic regulatory reports were duly submitted, including those of the Compliance Officer, Internal Comptroller and Statutory Auditor, the Audit Committee and the Board of Directors and external reports to the Financial Information and Analysis Unit - UIAF, as well as the required steps with respect to the updates of the persons designated by the United

Nations Security Council (UN). Finally, the specific requirements with relation to SARLAFT by the different competent authorities were complied with in a timely manner.

f) System for FATCA (Foreign Account Tax Compliant Act) and CRS (Common Reporting Standard) compliance -

The Bank maintained its status as a participating FFI (Foreign Financial Institution) with the IRS (Internal Revenue Service) of the United States and retains the GIIN (Global Intermediary Identification Number) assigned to it: 7AFXBH.99999.SL.170. Likewise, the FATCA due diligence updating was managed with the intermediaries and financial institutions with which the Bank maintained links or operations, and the information requirements of entities in terms of compliance with FATCA and CRS were met.

Likewise, in the development of new Bank products, the new application was implemented that will support the management of FATCA and CRS and that will allow generating the regulatory required information of clients and accounts that are reportable.

32. CORPORATE GOVERNANCE

Bancóldex has a system of corporate governance since 2001, documented in the Code of Good Governance, which contains the policies and procedures for proper allocation of roles and responsibilities of shareholders, the Board of Directors, Senior Management and control bodies, oriented towards the transparency of information, the management of risks and the protection of the interests of shareholders, investors and the market in general.

Board of Directors and Senior Management - The Board of Directors is permanently informed of the Bank's processes and business. After the General Assembly of Shareholders, the Board is the highest governing body and defines the general risk policies of the entity and, based on such policies, establishes a delegation scheme for the approval of operations in the Risk Management Committee, External Credit Committee, Assets and Liabilities Management Committee, Internal Credit Committee and by the Administration.

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

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

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

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

Methodologies for measuring risks - To identify the different types of risk, the Bank has methodologies and measurement systems in place that allow it to determine its exposure to the risks inherent in the business, as mentioned in the Risk Management section, and which are documented in the respective manuals.

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

Organizational structure - In Bancóldex, the areas that make up the back, middle and front office are clearly defined. Likewise, there is an adequate segregation of functions at all levels of the organization and in all operations.

Verification of operations - The Bank has verification mechanisms for the negotiations carried out, such as recording agreements for telephone calls for treasury operations and written communications with the counterparts where the conditions of each negotiation are set forth. Likewise, 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 (manages and safeguards dematerialized collection instruments) and DCV (administers and safeguards fixed income securities).

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

Via Internet (wwwbancoldex.com) Bancóldex credit users can obtain information on the operations they are responsible for, as well as know the current financial conditions of the different lines of credit.

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

Audit - The main management body of the Internal Control System (SCI) is the Audit Committee, which has ensured the proper functioning of the Bancóldex SCI and Risk Management Systems, performing its functions in accordance with the Internal Regulations and as provided in the norms, both for State entities in general and for Financial Institutions in particular.

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

During 2018, the Audit Committee held four (4) sessions, remaining informed of the results of the audits, of the follow-ups to the improvement plans, of the strengths, weaknesses and effectiveness of the Bank's internal control.

Through the work and P&L reports presented by the Internal Comptroller and the Statutory Auditor, the Audit Committee monitored the development and compliance of the different Risk Management Systems applicable to the Bank. In compliance with the Basic Legal Circular Letter of the Financial Superintendence of Colombia, the Audit Committee continued the follow-up of the Bank's comprehensive risk management upon receiving consolidated reports in the different management systems; that is, from the point of view of operational risks (SARO), market (SARM), liquidity (SARL), credit (SARC), money laundering and terrorist financing (SARLAFT) and Information Security (ISMS) risks.

The Bank's Comptroller's Office adopted, as reference, the International Standards for the Professional Exercise of Internal Auditing and the Code of Ethics. In accordance with these standards, it is governed by the principles of Independence, Objectivity and Authority and its main objective is "To provide assurance and consulting services, with independence and objectivity, aimed at adding value and improving Bank operations, evaluating and advising the system of internal control, risk management and corporate governance to support the Organization in achieving its objectives."

The Internal Control Model of the Bank, together with the Quality Management System, have allowed the organization to focus on the continuous improvement of the elements of these systems, which is consistent with the progress in other management systems applicable to the Bank, which shows favorable results in the progress and performance assessments carried out by different external control entities, with the Risk Management Systems enshrined in the regulations of the Financial Superintendence of Colombia, and with the Internal Control System regulated by this entity in Part I, Title I, Chapter IV of the Basic Legal Circular Letter (External Circular Letter 029 of 2014).

The Internal Comptroller of the Bank was aware of the operations that the Bank carried out during the year 2018; audits were conducted in accordance with the Annual Audit Plan, known and approved by the Audit Committee of the Board of Directors in the terms indicated in the Basic Legal Circular Letter of the Financial Superintendence of Colombia (Part I, Title I, Chapter IV - Internal Control System).

Likewise, the corresponding instances were informed of the impacts and risks derived from the situations observed, and the relevant recommendations were presented in accordance with the provisions of the regulations in order to comply with the limits; conditions for the closing of operations; relationship between market conditions and the terms of the operations performed; and parameters and minimum requirements of the different Risk Management Systems applicable to the Bank.

Among the above-mentioned observations, there are no situations that systemically or significantly impact the internal control system, the institutional objectives or the disclosure of financial information. Information on the audit results is available in the Bank's Documentary System, and its consultation is subject to the relevant authorizations.

The reports gathered by the Statutory Auditor for the period in question were known and documented in the Audit Committees held during the year.

33. LEGAL CONTROLS

During the 2018 and 2017 periods, the Bank complied with all legal requirements established for its operation.

34. OTHER ASPECTS OF INTEREST

Tax reform - The following is a summary of some modifications to the Colombian tax regime for the years 2019 and subsequent, introduced by the Financing Law (Law 1943 of December 28, 2018):

Income and Complementary Tax - The rate on taxable income is modified for entities in Colombia, required to present a tax return; 33% for taxable year 2019, 32% for taxable year 2020, 31% for taxable year 2021, and 30% starting in taxable year 2022.

The presumptive income base is gradually dismantled, applying 3.5% for 2019, 1.5% for 2020 and 2021 and 0% starting in 2022.

Financial entities must pay the following points additional to the income tax and complementary taxes, when the taxable income is equal to or greater than $4,112 million: 4% for the taxable year 2019 and 3% for the taxable years 2020 and 2021.

Companies whose main activities include the holding of securities, investment on shares or equity interests abroad are part of the income tax and complementary tax regime and allow an exemption in dividends received by foreign entities.

Withholding at the 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 the source, when arising from the distribution of profits that can be distributed as not taxed held by the shareholder, at a special rate of seven and a half percent (7.5%), which will be transferable and imputed to the natural person or the investor residing abroad.

The dividends susceptible to be distributed as taxed on the shareholder, according to the aforementioned standard, will be subject to the rate of 33% for the taxable year 2019, 32% for the taxable year 2020, 31% for the taxable year 2021, and 30% from the taxable year 2022; in which case the withholding of income tax on dividends of 7.5% will be applied net of this tax.

35. EVENTS AFTER THE REPORTING PERIOD

The administration of Banco de Comercio Exterior de Colombia S.A. - Bancóldex has evaluated the subsequent events that occur from January 1st to February 21st, 2019, the date on which the financial statements were available for issuance, and determined that no subsequent events have occurred that require the recognition or disclosure of additional information in these statements.

36. APPROVAL OF FINANCIAL STATEMENTS

The issuance of the separate financial statements of Banco de Comercio Exterior de Colombia S.A. - Bancóldex for the year ended December 31st, 2018 was authorized by the Legal Representative and the Board of Directors, as recorded in Minutes No. 383 of the Board of Directors from February 21st, 2019, to be presented before the General Assembly of Shareholders in accordance with the requirements of the Commercial Code.

The financial statements as of December 31st, 2017 were approved by the General Assembly of Shareholders in accordance with Minutes No. 60 of March 23rd, 2018.

BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A. - BANCÓLDEX

Certification to the Financial Statements

For the years ended December 31st, 2018 and 2017

We declare that we have previously verified the statements contained in the financial statements of Banco de Comercio Exterior de Colombia S.A. - Bancóldex, at December 31st, 2018 and 2017, which have been taken faithfully from the accounting books. Therefore:

- The assets and liabilities of the Bank exist on the cut-off date and the transactions recorded have been conducted during the period.
- The assets represent probable future economic benefits (rights) and the liabilities represent probable future economic sacrifices (obligations), obtained by or charged to the Bank on the cut-off date.
- All items have been recognized as appropriate amounts.
- The economic facts have been correctly classified, described and disclosed.

Likewise, the Financial Statements, at December 31st, 2018, have been authorized for disclosure by the Board of Directors on February 28th, 2019. These financial statements will be submitted to the Shareholders' Meeting on March 22nd, 2019, which can either approve or disapprove these Financial Statements.

This certification is issued on the twenty-first (21st) day of the month of February, 2019.

Claudia María González	**Jairo Pedraza Cubillos**
Legal representative	Accountant