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

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

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 of 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' 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 Head Office 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., 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). Arco Grupo Bancóldex' corporate purpose is to carry out all kinds of leasing operations which involve personal property and real estate. Similarly, as a Financing Company, it carries out the operations and businesses legally permitted to this kind of entities, such as: management, use, trading and investment of savings funds through the raising of funds from the customers to offer them credits, the possibility to deposit the funds or other forms of credit.

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

The consolidated value of the assets, the liabilities and the equity from each entity together with their corresponding share over the consolidated value, which includes the eliminations at December 31st, 2018 and 2017 (figures in Colombian Pesos) is presented below:

December 31st, 2018	Assets	% Share	Liabilities	% Share	Equity	% Share	Year income	% Share
Bancóldex	$ 8.618.806	94,01	$ 6.969.218	92,96	$ 1.649.588	98,70	$ 92.845	99,82
Fiducóldex	64.037	0,70	8.018	0,11	56.019	3,35	5.320	5,72
Arco Grupo Bancóldex	796.310	8,69	675.133	9,01	121.177	7,25	17.092	18,38
Net effect on Eliminations	(310.989)	(3,39)	(155.460)	(2,06)	(155.529)	(9,31)	(22.240)	(23,91)
Consolidated	$ 9.168.164	100,00	$ 7.496.909	100,00	$ 1.671.255	100,00	$ 93.017	100,00

December 31st, 2017	Assets	% Share	Liabilities	% Share	Equity	% Share	Year income	% Share
Bancóldex	$ 7.052.925	93,18	$ 5.390.505	91,57	$ 1.662.420	98,85	$ 116.416	100,28
Fiducóldex	67.468	0,89	10.662	0,18	56.806	3,38	5.852	5,04
Arco Grupo Bancóldex	748.362	9,89	642.408	10,91	105.954	6,30	12.322	10,61
Net effect on Eliminations	(299.924)	(3,96)	(156.495)	(2,66)	(143.429)	(8,53)	(18.503)	(15,94)
Consolidated	$ 7.568.831	100,00	$ 5.887.080	100,00	$ 1.681.751	100,00	$ 116.087	100,00

2. PRESENTATION BASIS

2.1. Accounting standards applied – The accompanying consolidated financial statements of the Bank and its subsidiary companies, in accordance with the current provisions established by Law 1314 of 2009, which is regulated 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 International Financial Reporting

Standards (IFRS) together with their interpretations, translated into Spanish and issued by the International Accounting Standards Board (IASB) as of December 31st, 2016.

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

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

- The goods received as payment in kind or the returned goods are assessed in accordance with their classification on IFRS 5, as appropriate.

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

In accordance with Colombian legislation, the Bank should prepare consolidated and separate financial statements. The separate financial statements are used by the shareholders as the basis to allocate dividends and other appropriations. The consolidated financial statements are presented to the General Assembly of Shareholders for consolidated management purposes.

2.2. Application of standards 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 and its subsidiary companies 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 Entities' accounting policies for its revenue streams are described in detail in Note 3.21. Similarly, more detailed disclosures are included on the Entities' 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 Group, 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 Entities 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 Group's financial statements.

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

a) *Classification and valuation of financial assets* – The initial application date (that is, the date in which the Entities evaluated their financial assets and liabilities under IFRS 9) was January 1st,

2018. Therefore, the Head Office has applied the IFRS 9 standard to the recognized instruments at January 1st, 2018 and it has not applied the standard to the unrecognized instruments at January 1st, 2018. The comparative values of the recognized instruments at January 1st, 2018 have been restated, as appropriate

All the recognized financial assets under the IFRS 9 scope should be subsequently measured at their amortized cost or at their fair value based on the business model of the entity to manage financial assets and the contractual cash flow of the financial assets.

Namely:

- Debt investments made as part of a business model whose purpose is to charge the contractual cash flows, where the principal and interests on the debt should be paid over the standing amount of the capital only, are measured afterwards at the amortized cost;

- The debt investments made as part of a business model whose purpose is to charge the contractual cash flows and sell the debt instruments that account for solely to the payment of the principal and interests on the outstanding capital are later calculated at the fair value recognized through other comprehensive income;

- All the remaining debt and capital investments are subsequently calculated at fair value through profit or loss. The equity instruments didn’t influence the entry into force of IFRS 9.

Notwithstanding the above, the Entities can irrevocably choose the following options when a financial asset is initially recognized:

- Irrevocably choose to modify subsequently the fair value of a capital investment that is variable for negotiation purposes as it is the contingent consideration recognized by an acquirer as a result of a business combination where IFRS 3 is applied through other comprehensive income; and

- Irrevocably designate a debt investment compliant with the amortized cost or the fair value criteria recognized through other comprehensive income or measure them at fair value through profit or loss, if by doing so the accounting mismatch is eliminated or significantly reduced.

When a debt investment measured at the fair value recognized through other comprehensive income is derecognized, the profit or loss accumulated in advance and recognized through other comprehensive income is reclassified from the equity to the profit or loss as a reclassification adjustment. In contrast, when there is a capital investment designated as measured at the fair value recognized through other comprehensive income, the profit or loss accumulated in advance and recognized through other comprehensive income is not reclassified after the profit or loss result is obtained.

The debt instruments that are subsequently measured at the amortized cost or at the fair value recognized through other comprehensive income are subject to impairment. See Note 2.2.2 b)

The Entities reviewed and evaluated the financial assets owned by the Group at January 1st, 2018 based on the facts and circumstances present at that time and concluded that the initial application of IFRS 9 has had the following impact in the financial assets of the Head Office in terms of its classification and measurement:

- The debt instruments that were classified as marketable financial assets in accordance with IAS 39 have been classified as financial assets at fair value recognized through other comprehensive income, since the purpose of their business model is to charge the contractual cash flows and sell the debt instruments. They also have contractual cash flows that account for the payment of the principal and interests on the outstanding principal amount. The change in the fair value of these debt instruments continues to accumulate in the investment revaluation reserve until they are unrecognized or reclassified;

- The financial assets measured at fair value through profit or loss in accordance with IAS 39 are measured in the same manner under IFRS 9.

Note 2.2.2 c) shows the change in the classification of the financial assets of the Entities following the application of IFRS 9.

The change in the classification of the debt instruments has reduced the fair value of the financial assets available for sale recognized through other comprehensive income of $19,329,955, which were later reclassified as profit or loss and those originated in the investment of the debt instruments valued at the fair value recognized through other comprehensive income (that is, government bonds) that may be later reclassified as a profit or loss of $19,329,955.

Note 2.2.2 d) details the adjustments derived from such reclassifications.

b) *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 Entities 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 Entities to recognize a loss allowance for expected credit losses in i) debt investments measured further at amortized cost or at the fair value recognized through other comprehensive income, ii) rents receivable, iii) contract assets and iv) loan commitments in favor and financial collateral contracts to which the IFRS 9 impairment requirements are applied. In particular, IFRS 9 requires the Group to measure the loss allowance of a financial instrument for an amount equal to the expected loss of a lifetime credit if the credit risk of that financial instrument has significantly increased from initial recognition, or if the financial instrument has been acquired or originated. On the other hand, if the credit risk of a financial instrument has not significantly increased from initial recognition (except for a financial asset that had been subject to acquired or originated credit impairment), the Head Office should measure the loss allowance of that financial instrument for an amount equal to 12 months of expected credit losses while the asset is valid. IFRS 9 provides a simplified approach to measure loss allowances for an amount equal to the allowance for lifetime expected credit losses of trade accounts receivable, contractual assets and rents receivable, under certain circumstances.

On January 1st, 2018, the directors of the Entities revised and evaluated the existing financial assets of the entity, the customer's debt and the financial collateral contracts due to impairment using rational, reliable and available information in accordance with the requirements 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**
Credit portfolio	9	Entities have concluded that excesive cost and effort would be required to determine credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to obtain credit risk other than low. Thus, the Head Office recognizes expected credit losses during the lifetime of credit for these loans until derecognition.	($ 9.394.996)
Other accounts receivable	10	The Head Office applies a simplified focus and recognizes expected credit losses during the lifetime of credit for these assets	33.179
Investments in debt instruments	7	Investments measured at fair value with changes in other comprehensive income	291.613

The recovery figure of the loss allowance for additional credit losses which amounted to $9,070,204 at January 1st, 2018 was recognized against adoption for the first time. This result increased the retained earnings by $9,070,204 at January 1st, 2018. The loss allowance for additional losses is charged against the respective asset, except for the investment of debt instruments measured at fair value recognized through other comprehensive income.

The $33,179 loss allowance for additional losses at January 1st, 2018 was recognized against adoption for the first time. The loss allowance for additional losses is charged against the respective asset

c) *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.

	Original 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
Debt financial instruments (nota 7)	Financial assets at fair value recognized through profit or loss	Financial assets at fair value recognized in other comprehensive income	-	291.613	291.613
Credit portfolio (nota 10)	Financial assets at amortized cost	Financial assets at amortized cost	71.722.093	(9.394.996)	62.327.097
			-	33.179	33.179
Other accounts receivable (note 19)	Trade accounts and other accounts receivable	Financial assets at cost and at amortized cost	-		

d) *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 and reclassifications in assets and equity	Reported 2017	IFRS 9 Adjustments	2018
Reclassifications			
Investments at fair values through profit or loss – debt instruments	$ 842,958,080	$ (429,726,820)	$ 413,231,260
Investments at fair values with changes in Other Comprehensive Income – debt instruments	-	429,726,820	429,726,820
Total effect on reclassifications	$ 842,958,080	$ -	$ 842,958,080
Impacts			
Impairment of debt instrument investments	$ -	$ 291,613	$ 291,613
Credit portfolio at amortized cost	71,722,093	(9,394,996)	62,327,096
Other accounts receivable	-	33,179	33,179
Total effect on net assets	$ 71,722,093	$ (9,070,204)	$ 62,651,888
First-time adoption	**$ -**	$ (9,070,204)	**$ -**
Total effect on equity	**$ -**	$ (9,070,204)	**$ -**

The application of IFRS 9 has not affected the cash flow of the Entities.

2.3. Preparation and measurement basis – The consolidated 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:

- Derivative financial instruments.
- Investments designated as measured at fair value with changes in other comprehensive income of the equity instruments (available for sale).
- Liabilities designated as at fair value through profit or loss.
- Investment property.
- The property classified as property and equipment.
- The properties and equipment in operating lease. The classification of the financial assets and liabilities of the Entities is based on the valid categories that comply with the description of financial assets and liabilities.

2.3.1 Functional and presentation currency – The Bank and its subsidiary companies consider the Colombian peso (COP) as the functional and presentation currency of the financial statements, since it represents in a more reliable manner the economic effects of the operations related to the profit margin, the financial instruments, the purchase price variance, the costs, among other significant transactions. The financial statements are presented in the functional currency of the Bank, the Colombian peso (COP).

2.3.2 Going concern – The consolidated financial statements were prepared on a going concern basis. It was determined that there is no uncertainty on the facts, events or conditions that could cast significant doubt upon the entities' ability to continue as a going concern. The judgments used to determine that the Entities are 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 Entities as a going concern.

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

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

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

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 amounts presented in the consolidated 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 consolidated financial statements.

3. MAIN ACCOUNTING POLICIES

The main accounting policies, defined to prepare these consolidated financial statements, detailed below, have been regularly applied to the periods presented in these consolidated financial statements, unless otherwise stated.

3.1. Consolidation and equity method – In accordance with Colombian legislation and IFRS 10, the Entities should prepare consolidated and separate or individual financial statements. The separate or individual financial statements are the basis for the shareholders to allocate dividends and other appropriations. The consolidated financial statements, which show the assets, the liabilities, the equity, the income, the expenses and the cash flow of the holding company and its subsidiary companies as a single economic entity, are presented to the General Assembly of Shareholders.

Controlled Entities – In accordance with International Financial Reporting Standard IFRS 10, the Bank should prepare consolidated financial statements that include the Entities it controls. An entity can be considered as controlled by the Bank if, and only if, it complies with all the following conditions:

- The bank has existing rights that give it the ability to direct the relevant activities of the entity that significantly affect the entity returns.
- Exposure, or rights, to variable returns from its involvement with the subsidiary entity.
- The ability to use its power over the entity to affect the amount of its returns.

As part of the consolidation process, the Bank combines the assets, the liabilities and the profit or loss of the Entities it controls, following the homogenization of their accounting policies. Such process involves the elimination of reciprocal transactions and of unrealized profits between them. A parent presents non-controlling interests in its consolidated statement of financial position within equity, separately from the equity of the owners of the Bank.

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

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

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

3.4. Financial assets – 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 initially 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 Entities classify their 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 Entities 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 Entities, and the information about the Entities 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 Entities have 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 Entities 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 Entities also have 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 Entities' 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.

Credit portfolio and accounts receivable – These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. During the initial measurement, the portfolio is recognized by its fair value (Amount disbursed) and transaction costs are directly recognized in profit or loss because they are not material. During the subsequent measurements, the Entities will measure the portfolio at amortized cost using the effective interest rate method. Furthermore, interests should be exponentially recognized as a portfolio increase while the instrument is valid.

Interest income is recognized when applying the current interest rate, except for short-term accounts receivable when the effect of 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.

The Entities monitor them on an ongoing basis for evaluation; those derived from the credit 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 measured at amortized cost, 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 Entities' 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 provision 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 Entities 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 Entities neither transfer nor retain substantially all the risks and rewards incident to ownership and continue to retain control of the transferred financial asset, the Entities will recognize its share of the asset and the associated obligation for the amounts it would have to pay. If the Entities retain substantially all the risks and reward incident to ownership of a transferred financial asset, the Entities 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 Entities retain an option to reacquire part of a transferred asset), the Entities allocate 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 investment financial assets are classified based on their subsequent measurement at amortized cost or at fair value considering:

- The business model of the entity for the management of portfolios.
- The characteristics of the contractual cash flows.

According to the Entities' business model, a financial asset may be classified as measured at amortized cost if the following conditions are met:

- The asset is maintained within a business model whose purpose is to preserve the assets to obtain the contractual cash flows.
- The contractual conditions of the financial asset, on specific dates, result in cash flows that correspond only to payments of the principal and interests over the outstanding principal amount. The other financial assets that do not meet the conditions mentioned above in the previous paragraph are classified as measured at fair value.

After initial recognition, all the financial assets classified as "at fair value through profit or loss" are measured at fair value. The profits and losses resulting from the fair value variations are recorded as net in the income statement in the account "fair value net variations of the debt financial assets."

Similarly, in the case of the financial assets classified as "at amortized cost" following their initial record, the principal reimbursements, plus or minus the accumulated amortization (calculated through the effective interest rate method) resulting from the difference between the initial amount and the reimbursement amount at expiration and minus any decrease caused by impairment are adjusted using the straight-line method.

The income resulting from the financial assets dividends within equity instruments is recognized in the income statement as equity instruments net income when the Entities right to receive their payment is established, regardless of the decision made in advance to record the variations at fair value.

The financial assets other than the investments in associates and joint ventures, including debt instruments and equity instruments measured at fair value, are classified in accordance with the policies of the Entities and their business models regarding these instruments taking into account how the equity instruments should be measured according to IFRS 9:

- At fair value through profit or loss when they are marketable.

- At fair value with changes in other comprehensive income when they are considered strategic and there are no plans to sell them in the short term.

The assets were classified as measured at fair value through profit or loss and the equity instrument investments were designated as measured at fair value with changes in other comprehensive income based on the facts and circumstances present at the time of the transition to IFRS.

The Entities assess most of their investments using the data provided by the price provider – PRECIA S.A. (formerly INFOVALMER). This provider provides inputs for the valuation of the investments (prices, rates, curves, margins, etc.).

Fair value measurement – In accordance with IFRS 13 "Fair Value Measurement", fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under the market conditions at that date.

Based on the above, the fair value valuations of the Entities' investment financial assets are performed in the following manner:

- Data provided by PRECIA S.A. (formerly INFOVALMER) is used for those instruments in respect to which more data is published daily based on the previously approved investment valuation methodologies.

- The fair value of unquoted financial assets is measured using valuation techniques. Entities use diverse methods and judgment based on the market conditions at each reporting date. Some of the valuation techniques used are using recent transactions for an identical or a similar instrument under similar conditions, reference to other substantially similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants that fully use market data and place as little reliance as possible on unobservable inputs.

Impairment – In accordance with IAS 39, the Entities evaluate at the end of each reporting period if there is objective evidence of impairment in the value of a financial asset or of a group of assets measured at amortized cost. Some evidence of impairment might be the significant financial problems of a debtor, the possibility of bankruptcy of a debtor or its financial restructuring, as well as the default on payments.

- 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
Debt financial instruments	Portfolio to manage investments in fixed-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 exchange value or price of the respective security should be calculated by adding the present value of future cash flows for yields and capital. In the case of securities traded abroad, when the price provider appointed as the official price provider for the corresponding segment does not have a valuation methodology for these investments, the dirty price of purchase (BID) published by an information supply platform at 16:00, official Colombian time, is used as an alternative source of information.	Accounting should be 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 and negative goodwill and its offsetting entry affects the results for the period. This procedure is carried out on a daily basis.

Classification	Characteristics	Valuation	Accounting
Instruments at amortized cost	Securities and, in general, any type of investments the Entities have 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 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.	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.
Available for sale – in equity instruments	This category includes investments in branches, subsidiaries, associates, shares in Private Equity Funds and joint ventures that grant the Entities 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	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,

Classification	Characteristics	Valuation	Accounting
		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.	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 instruments with changes in Other Comprehensive Income (OCI) – The Entities value 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 December 31st each year.

Trust rights – The Entities value these investments using the data 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 instruments at amortized cost to debt instruments through profit and loss* - 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;

b) *From available-for-sale investments – equity instruments to equity instruments through profit or loss* - 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 Entities are 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 Entities.

When the available-for-sale investments – equity instruments are reclassified to equity instruments through profit or loss, 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.

Investment repurchase rights – These are restricted investments that represent collateral for investment repurchase agreements. The Entities retain the economic rights and benefits associated with the security and all the risks inherent to it although it transfers legal ownership when carrying out a monetary market operation. These securities continue to be valued daily and accounted in the Balance Sheet or 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.

3.6. Credit portfolio and financial leasing operations – Criteria applicable to the presentation, classification, assessment and evaluation of the credit portfolio, credit risk, restructuring, portfolio impairment, portfolio write-offs, among others, will be recognized according to the policies and the Technical Regulations of Decree 2420 of 2015, modified by Decree 2496 of 2015, Decree 2131 of 2016 and Decree 2170 of 2017. 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 of the Head Office, which is recorded as a discount.

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

- *Commercial Credit* – granted to natural or legal persons to develop organized economic activities different to microcredits. The rediscount portfolio of the Head Office is a conventional mechanism for the allocation of second-tier bank resources. It consists of the repurchase or second-tier bank 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 Head Office, 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 Bancóldex, which the financial entity in turn transfers through endorsement.

This portfolio includes:

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

- Credits whose interest rate is paid using third party resources as a result of the differential between the lending rates offered by the Head Office.
- Credits whose interest rate is paid using third party and Bank resources as a result of the differential between the lending rates offered by the Head Office.

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

Discount security: Financial instrument that consists in buying at a discount and without resources (eliminates for the seller the obligation to pay if the invoice endorser fails to pay), up to a percentage of the value of securities originated as part of the credit sale of goods and services covered by an insurance policy issued by an insurance company duly authorized by the Head Office.

Portfolio at market rates: It is a credit line disbursed in Colombian pesos or foreign legal tender aimed at Colombian financial intermediaries with a valid credit limit available at the Head Office 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.

Special Credit Lines: These are credits disbursed by the Head Office as special credit lines. This line is approved at the Head Office and the bank directly pays the rate. The differential between the lending rates of some credit lines will be assumed by the Bank in full.

The Head Office is fully liable for the differential between the contractual rate and the market rate, as follows:

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

For the subsidiary Arco Grupo Bancóldex:

- *Consumer-* These are credits that, regardless of their amount, are granted to natural persons to finance the purchase of consumer goods or the payment of non-commercial or business services different from those that correspond to microcredits. The credits classified within this category are those of the employee portfolio.
- *Housing* – These are the credits that, regardless of their amount, are granted to natural persons for the purchase of new or old homes, or for the construction of individual homes. In accordance with Law 546 of 1999, their denomination is the RVU or the legal currency and they are secured against the first mortgage of the financed property.

Accrual of interests – In accordance with paragraphs 29 and 30 of IAS 18, the revenue from ordinary activities derived from the use, by third parties, of the entity assets that generate interest, royalties or dividends are recognized as stipulated in paragraph 30, provided that:

a) It is probable that any future economic benefit associated with the transaction will flow to the entity.

b) The amount of revenue can be measured with reliability.

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

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

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

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

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

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

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

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

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

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

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

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

Stage 1.- 0 to 30 days of default.

Stage 2.- 31 to 90 days of default.

Stage 3.- More than 90 days of default.

Portfolio write-offs and accounts receivable – A credit or an account receivable is subject to a write-off against the portfolio or the accounts receivable when all the collection mechanisms have been used and they are considered unrecoverable. The Board of Directors defines the dates for the approval of the write-offs.

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

The recovery of written-off financial assets is recorded in the income statement.

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

3.7. 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.

In order to develop its operations, the Entities negotiate 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 Cash Flow – 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 international operation is totally or partially disposed of.

The Entities document, at the beginning of the transaction, 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 Entities also document 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 Entities establish 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 Entities 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.

The above did not change following the implementation of IFRS 9.

3.8. Embedded derivatives – The Entities 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 Entities 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 Entities have a formal plan for its sale, which is highly likely, and the asset (or asset disposal group) is available for immediate sale in its current 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 Entities and there is sufficient evidence demonstrating that the Entities remain committed to its plan to sell the asset.

The Entities will recognize non-current assets held for sale at the lower value between the book value or the fair value minus the sale 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 and the recognition established in IFRS 5 – Non-current assets held for sale and discontinued operations.

Non-current assets are reclassified from being held for sale to being held for use if they cease to fulfill the criteria required to be classified as held for sale. In the case of fixed assets that were previously transferred to the category of available for sale and 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.

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

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

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

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

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

Impairment of the goods received as payment in kind -

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

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

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

Rules concerning the legal sales period – The sale of goods received as payment in kind must be carried out within 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.

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

3.10. Property and equipment – Items of property and equipment will be registered if it is likely that future economic profits associated with the goods will flow towards the Entities 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 Entities, either when it acquired the asset or as a result of having used the asset for purposes other than the productive operation of the Entities.

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 and equipment will be measured in the following way for each entity:

Group description	Method
Building	Revaluation Model
Land	Revaluation Model
Fixtures	Cost Model
Computer equipment	Cost Model
Network and communication equipment	Cost Model
Machinery and equipment	Cost Model
Furniture	Cost Model
Transport vehicles	Cost Model
Goods on gratuitous loan	Cost Model
Art and cultural goods	Cost Model

Depreciation – The depreciation of an asset begins 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 Entities believe 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".

The residual value and the useful life of a property and equipment item will be reviewed at least annually and if the expectations differ from the previous estimations, the changes will be entered in the accounts as a change in the accounting estimations in a prospective manner.

In accordance with the premise's valuation carried out at the Head Office 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 Entities are:

Head Office

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

Goods on gratuitous loan	0%	0 Years	0 Years
Art and cultural goods	0%	0 Years	0 Years

Subsidiary companies

Arco Grupo Bancóldex

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

Fiducóldex

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

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

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

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 Entities will analyze if there is indeed impairment by comparing the net book value of the asset with its recoverable value (the greater value between the fair value minus 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 Entities 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 Entities obtained the asset. An intangible asset may be obtained by different means: separate acquisition, as part of a business combination and through the development or generation of the asset internally developed by the Entities.

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

- In business combinations, the cost value shall correspond to its fair value 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 Entities 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 Entities determine that intangible assets with a defined useful life are amortized based on the estimation of their useful life, as follows:

Head Office and Arco Grupo Bancóldex

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

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

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

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

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

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

Art and cultural goods – In their initial measurement, the Entities establish the following approach for art and cultural goods:

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

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

c. If it is not possible to 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 Entities consider and carry out an assessment of the impairment indicators. At the end of each reporting period, the entities shall assess whether there is any evidence of impairment of the value of any asset. If evidence is found, the Entities shall estimate the recoverable amount of the asset.

Impairment indicators may 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 Entities' 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 Entities have 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 Entities shall classify the issues of debt instruments as financial liabilities measured at amortized cost. On initial recognition, the Entities shall classify the issuing 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 Entities 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 Entities shall recognize, with some exceptions, the liabilities or assets arising from the deferred tax calculation. The balance method shall be used to calculate the amount of a deductible deferred tax for those transactions or recognitions for which an expectation of future taxable income is identified. Accounting valuation to be considered shall be the book value, while tax valuation shall be the tax base, whose value shall be represented in the amount in which they would appear in the "hypothetical tax balance" and the different operations carried out by the Entities. 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.

For the current period of December 31st, 2018 and 2017, the tax rates are:

Year	Income	CREE	Surcharge	Total
2017	34%	Not applicable	6%	40%
2018	33%	Not applicable	4%	37%
2019	33%	Not applicable	0%	33%

- *Current tax* – Current tax includes the expected tax payable or receivable over the year's taxable income or loss and any adjustment related to previous years. It is measured using the 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 their 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.

The deferred taxes related to the items that are recognized outside the income statement should be recorded outside the income statement and should be recognized in correlation with the related transaction in the comprehensive income or directly in net equity.

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 Entities were to maintain a history of recent losses, it shall recognize a deferred tax asset generated from unused tax losses or credits, only when it has sufficient taxable temporary differences, or if there is other convincing evidence that there will be sufficient future taxable income against which such losses or credits could be charged.

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

- Have a present obligation due to a past event;

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

- Can make a reliable estimation of the obligation value;

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

Provisions should be reviewed at the end of each reporting period and adjusted to reflect the best available estimate. When it is no longer possible that resources including economic benefits will flow out of the entity to meet the obligation, the provision should be reversed and 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 Entities assess the following points:

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

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

- Has the income of the entity conducting the assessment, income which is directly or indirectly related to the contract, had or is expected to have a significant decrease, or have the costs of its care 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 Entities' contractual or constructive obligation shall be limited to the recognition of the amount agreed with the employee and shall be calculated based on a reliable estimate of the amounts to be paid; the expense is generated only on the basis of the occurrence of the consideration, since the services rendered by the employees do not increase the amount of the benefits.

Long-term benefits: Long-term benefits are those that shall be settled from the twelve months following the end of the annual reporting period.

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

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

3.19. Leases – At December 31st, 2018 and in accordance with IFRS 17, the leases are 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.

Lease-back Operations: A lease-back operation is a transaction that involves the disposal of an asset and its subsequent lease to the seller.

3.20. Investments in associates: The Head Office 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 Entities recognize revenue when:

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

Dividend and interest income

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

3.22. Joint operations – The financial situation analysis carried out by Fiducóldex recognizes the share in consortiums as a joint operation and as such assets, liabilities, ordinary activities income and share expenses shall be accounted for.

Fiducóldex recognizes as a joint operation:

- Its assets, including its share in joint assets;
- Its liabilities, including its share in joint liabilities;
- Ordinary activities income originating from the sale of the joint operation product;
- Its share in ordinary activities income originating from the sale operation product;
- Its expenses, including its share in joint expenses;
- Assets, liabilities, ordinary activities income and the joint operation expenses shall be accounted for in accordance with Fiducóldex policies.

Each time Fiducóldex executes a transaction as part of a joint operation, such as an asset sale or an asset contribution, the transaction shall be considered a joint operation. Consequently, the profit and loss corresponding to the transaction shall be recognized as a joint profit and loss.

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

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

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

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

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

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

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

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

Characteristics – The main characteristics of consortiums are presented below:

- Mutual assistance agreement
- Pay taxes
- Obtain the Single Tax Register
- Obtain the Tax Identification Number
- The consortium shall be valid until the termination of the contract, whose duration generally extends beyond a year.
- It is not a trading company.
- It doesn't have a legal capacity of its own.

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

This Unit is created to execute the trust contract.

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

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

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

It shall have tax and contractual obligations.

The Legal Representative might be changed when decided by the partners or it might be maintained until the termination of the contract.

Going and liquidated joint operations – The current status of the consortiums in which Fiducóldex participates is:

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

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

  On the other hand, the benefits originating from the share of Fiducóldex in the consortium shall be recognized line by line by the percentage of the company in the financial statement and in the comprehensive income, that is, they shall be consolidated in proportion to the share of Fiducóldex in the consortium.

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

- *Consortiums in liquidation* – These are those consortiums that shall be liquidated in accordance with the provisions of the trust contract or because they cannot be maintained.

  In this case, such consortiums shall be measured in accordance with the policies of the going consortiums. However, their management is fully detailed within the consortium policies.

3.23. Operating segments – In order to comply with the provisions of IFRS 8 – Consolidated Operating Segments, the Entities have identified the following segments, which describe the activities performed by each entity of the Group, whose results are permanently and internally followed up.

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

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

  - *Credit portfolio*: It includes the credits that the Head Office disburses to promote business development. 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 Head Office that contribute to the financial margin. This differentiation is very important and it is independently considered when making pricing and profitability models, since the type of support to companies and the destination of resources depend on the demand of resources in the required currency, which also affects the funding for each type of portfolio (COP and USD). As for COP portfolio, the Head Office 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.

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

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

- *Investments and treasury products*: The Head Office 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.

  Investment portfolio: It includes securities managed by the Head Office' 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 consists of the products used to manage the pesos and foreign currency liquidity, the operations with derivatives, the restatement of own position (exchanges), the short selling operations, the 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 Head Office, whose share is less than 10% of the asset or income.

• *Fiducóldex* – Trust: It is the trust segment of the Entities, which currently manages assets that exceed $8 trillion invested in consortium, investment trust, private capital funds, collective investment funds, licenses, management and payment trust, among others. Procolombia, Fontur, PTP and INNPULSA stand out within the last group.

• *Arco Grupo Bancóldex* –It is the leasing segment of the Group. For internal follow-up, it considers the following classification factors:

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

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

- *Factoring*: This segment is a service provided to trading companies, which are approved loans that should be paid by their clients. The companies assume the default risk in exchange of a monetary compensation. The most common type of factoring is the maturity factoring.

- *Others*: This segment includes mainly the company investments, which are those required by the law. It amounts to maximum 10% of the annual income.

4. USE OF ESTIMATES AND JUDGMENTS

The Entities Management provides criteria, judgments and estimates for preparing these consolidated financial statements, in accordance with the understanding and applicability of the technical regulatory framework to prepare the financial information. Different types of estimates and judgments were used for applying accounting policies. The management implemented these value judgments on the assumption 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.

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

4.1.1 Classification of assets and liabilities - The designation of assets and liabilities was carried out according to the business model of each financial instrument. Said designation classified the financial assets in the following categories: marketable, classified as measured at fair value through profit or loss; available for sale, classified as measured at fair value with changes in other comprehensive income; or to hold to maturity, classified as measured at amortized cost. Financial liabilities are classified in the fair value and amortized cost categories.

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

4.2.1 Assumptions and uncertainties in estimates - Information on assumptions and other key sources regarding the uncertainty in estimates used at the date of submission of the current consolidated financial statements is 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 consolidated financial statements. Said judgments related to the fair value of financial instruments, credit provisions, income taxes, employee benefits, and provisions are listed below:

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

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

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

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

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

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

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

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

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

i) *Short-term benefits -* In accordance with Colombian labor laws, such benefits 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 Head Office grants to its employees.

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

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

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

4.2.6 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 Entities 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 Entities shall disclose a brief description of the nature of the contingent assets at the end of the reporting period and, whenever feasible, an estimate of their financial impact.

The Entities provisions are determined based on the probability established by the legal areas for each event, fact or legal process.

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 – Decrees 2496 of 2015 and 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

Financial Reporting Standard	Subject of the Amendment	Details
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 impact of implementing the IFRS 16 for each of the entities is presented below, as well as the consolidated result for each concept:

CONCEPT	BANCÓLDEX	ARCO	FIDUCÓLDEX	CONSOLIDATED IMPACT
Value of the property, plant and equipment assets through rights of use	$ 2,055,345	$ 877,729	$ 3,101,672	$ 6,034,746
Value of liabilities arising from the lease	1,536,060	877,729	3,101,672	$ 5,515,461
Positive value in accounting equity through the application of this standard for the first time	429,285	-	-	429,285
Value of estimated liabilities through decommissioning	90,000	-	-	90,000

5.2. 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 used 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 Entities shall quantify the impact to the financial statements once the Decree incorporating them in the Colombian Technical Regulatory Framework is issued.

6. CASH AND CASH EQUIVALENTS

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

	Dec 31st, 2018	Dec 31st, 2017
Legal currency		
Cash	$ 652.206	$ 358.541
Central Bank (1)	31.034.809	37.402.182
Banks and other financial entities	125.715.983	130.407.823
Foreign currency		
Banks and other financial entities	7.726.286	7.343.787
	$ 165.129.284	$ 175.512.333

(1) These funds are allocated to the Nation under the borrowing contract entered into by the Head Office and the Inter-American Development Bank (IDB), through which the Head Office 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 for the Bank and Fiducóldex; however, at December 31st, 2018 there were two reconciling items with more than 30 days for ARCO worth $75,000 which corresponds to ACH payments pending for identify.

7. 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 and equity instruments measured by their equity variation.

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

	Dec 31st, 2018	Dec 31st, 2017
Investments at fair value through profit or loss - debt instruments		
Bonds issued by the nation - TES [1] [2]	$ 594.418.288	$ 661.064.810
Bonds issued by the nation - Yankees Bonds	-	154.624.400
Term Deposit Certificates issued by supervised entities	30.589.707	31.055.955
	625.007.995	846.745.165
Investments at fair value with changes in OCI - debt instruments		
Bonds issued by the nation - TES [1] [2]	240.763.710	-
Bonds issued by the nation - Yankees Bonds	163.273.031	-
	404.036.741	-
Investments at amortized cost		
Agricultural Development Bonds (TDA) - Class A and B	11.727.917	10.588.751
	11.727.917	10.588.751
Investments at fair value through profit or loss - equity instruments		
Share on Pension Funds	23.545.387	24.201.372
	23.545.387	24.201.372
Investments at fair value with changes in OCI - equity instruments		
Segurexpo de Colombia S.A. [3]	-	14.650.589
Banco Latinoamericano de Exportaciones S.A. - BLADEX	27.466.442	39.215.473
Private Equity Funds [4]	112.106.692	101.491.501
	139.573.134	155.357.563
Investments accounted for using the equity method and at cost (4)		
Segurexpo de Colombia S.A. [4]	9.467.961	-
Fondo Nacional de Garantías S.A. - F.N.G. [5]	106.701.169	101.072.173
	116.169.130	101.072.173
Impairment of Investments in Debt Instruments		
Minus: Impairment	(233.721)	-
	$ 1.319.826.583	$ 1.137.965.024

(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.

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.

At December 31st, 2017, this investment was updated according to the valuation carried out by INCORBANK – Investment Banking.

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

The information of the Private Equity Funds at December 31st, 2018 and 2017 is as follows:

December 31st, 2018

Entity	Credit Risk Rating (*)	Investment commitments	Contingency	Historical Cost	Unit Redemption	Invested	Market value	Valuation	Provision	% 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 Co	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 F	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 Cc	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 Develop	1	3.937	-	3.937	121	4.058	12.243.715	3.768	(169)	77	103,07
Darby latin american	1	5.000	3.113	1.887	273	2.160	5.839.460	1.797	(90)	46	43,20
Acumen latin americ:	2	1.500	1.163	337	-	337	1.022.630	315	-	16	22,47
Angel Ventures pacifi	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

(*) Credit Risk Rating: The credit risk of investments made by Bancóldex Capital in Equity Funds

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 Developmen	1	4.000	101	3.899	121	4.020	$ 10.642.035	3.566	(332)	$ 71	100,50
Darby latin american priva	1	4.864	3.256	1.607	-	1.607	4.796.446	1.607	(136)	16	33,04
Angel Ventures pacific allia	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				

is rated based on an internal methodology duly approved by the Financial Superintendence of Colombia in June, 2009.

(5) Investments in Associates

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

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

The information of investments in associates at December 31st, 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%	106.701.169	8.125.501	(3.907.522)
Segurexpo de Colombia S.A.	D	Colombia	49,63%	9.467.961	9.255	401.110
				$ 116.169.130	$ 8.134.756	$ (3.506.412)

31-Dec-17

Investment in Segurexpo (1)	14.650.589
Investment in Fondo Nacional de Garantías (2)	101.072.173
Total	$ 115.722.762

(1) The investment in Segurexpo is at fair value and was valued by Incorbank – Investment Banking.

(2) The investment in the National Guarantee Fund is at cost.

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
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	$ -	$ -

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	1.017.826.721	96%	831.061.501	94%
Unrated	46.491.320	4%	50.473.786	6%
Total	1.064.318.041	100%	881.535.287	100%

At December 31st, 2018 and 2017, on average more than 96% and 94%, respectively, of investments is placed in investments with international investment grade rating. It is worth highlighting that more than 90%, in both years, 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 for the Entities.

Forward operations are only performed at the Head Office. Creditworthiness information of the counterparties with whom these 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	35%	39.218.640	44%
Unrated	164.238.552	65%	50.091.521	56%
Total	250.863.697	100%	89.310.161	100%

At December 31st, 2018 and 2017, 35% and 44%, respectively, of exposure is placed in counterparties with international investment grade rating; and the remaining 65% and 56%, respectively, is mostly held by local pension and severance funds, trust and insurance companies.

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	10.570.420	-	6.523.512	13.495.775	-	-	30.589.707

	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**	
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
Investments at amortized cost							
Agricultural Development Bonds (TDA)	4.946.806	6.781.111	-	-	-	-	11.727.917
	$ 15.517.226	**$ 122.452.971**	**$ 51.608.652**	**$ 227.247.235**	**$ 164.901.628**	**$ 459.044.941**	**$ 1.040.772.653**

	December 31st, 2017							
	Up to three months		**More than 3 months and no more than 1 year**		**More than 1 year**			
	Up to 1 month	**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**	**Total**
Marketable investments								
Bonds issued by the nation - TES		$ 991.060		$ 28.962.360	$ 344.948.325	$ 111.639.000	$ 174.524.065	$ 661.064.810
Term Deposit Certificates issued by supervised entities		8.067.040		503.585	22.485.330	-		31.055.955
Bonds issued by the nation - Yankees Bonds	-	-	-	-	-	-	154.624.400	154.624.400
Investments at amortized cost								
Agricultural Development Bonds (TDA)	3.617.008	-	6.971.743	-	-	-	-	10.588.751
	$ 3.617.008	**$ 9.058.100**	**$ 6.971.743**	**$ 29.465.945**	**$ 367.433.655**	**$ 111.639.000**	**$ 329.148.465**	**$ 857.333.916**

8. 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	4,18	5	$ 8.003.644	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			-
			$ 240.424.551			$ 21.417.338

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

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

	Dec 31st, 2018	Dec 31st, 2017
Portfolio in legal currency:		
Adequate collateral in commercial portfolio:		
In force	$ 606.869.155	$ 610.654.569
Due 1 month up to 3 months	9.117.759	18.478.305
Due 3 months up to 6 months	3.007.499	6.645.793
Due 6 months up to 12 months	17.412.370	12.129.189
Due more than 12 months	37.687.757	29.533.471
	674.094.541	**677.441.327**
Other Collateral in commercial portfolio:		
In force	4.173.016.882	3.563.894.967
Due 1 month up to 3 months	633.524	5.423.635
Due 3 months up to 6 months	1.743.418	-
Due 6 months up to 12 months	3.444.214	2.417.947
Due more than 12 months	47.396.766	39.701.011
	4.226.234.803	**3.611.437.560**
Adequate collateral in consumer portfolio:		
In force	1.642.721	1.025.927
Due 1 month up to 2 months	3.809	-
Due more than 6 months	243	-
	1.646.773	**1.025.927**
Other Collateral in consumer portfolio:		
In force	16.861	408.455
Due 1 month up to 2 months	-	15.743
Due 3 months up to 6 months	41.658	-
	58.519	**424.199**
Adequate collateral in housing portfolio:		
In force	16.027.991	15.188.118
Due 1 month up to 4 months	247.569	210.281
	16.275.559	**15.398.398**
Total legal currency	**4.918.310.195**	**4.305.727.411**

	Dec 31st, 2018	Dec 31st, 2017
Portfolio in foreign currency:		
Adequate collateral in commercial portfolio:		
In force	11.811.874	6.955.228
Due 1 month up to 3 months	1.213.684	-
Due up to 12 months	-	51.244
	13.025.558	**7.006.472**
Other Collateral in commercial portfolio:		
In force	2.172.449.125	1.786.706.514
	2.172.449.125	**1.786.706.514**
Total foreign currency	**2.185.474.683**	**1.793.712.986**
Total portfolio and gross accounts receivables	**7.103.784.878**	**6.099.440.397**
Impairment of portfolio and accounts receivables	(78.751.273)	(71.722.093)
Total portfolio and net accounts receivable	**$ 7.025.033.604**	**$ 6.027.718.304**

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

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

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

	December 31st, 2017						
	Equity balance	Interest balance	Portfolio at amortized cost	Other Concepts	Collateral balance	Equity impairment	Interest impairment
Commercial portfolio - adequate collateral							
Category A	581.623.247	3.997.948	$ 585.621.196	129.692	339.955.202	$ -	$ -
Category B	41.290.422	1.639.620	42.930.042	1.391.261	40.970.785	-	-
Category C	10.388.964	1.043.242	11.432.205	180.213	8.497.239	2.010.403	143.181
Category D	26.677.268	3.819.919	30.497.187	1.123.577	24.277.955	14.807.050	2.172.534
Category E	13.097.861	2.938.593	16.036.454	487.630	11.575.319	4.485.896	812.530
	673.077.761	13.439.323	686.517.084	3.312.372	425.276.500	21.303.349	3.128.245
Commercial portfolio - other collateral							
Category A	5.307.987.435	36.568.690	5.344.556.125	3.384	330.916.385	684.210	7.989
Category B	5.713.646	88.307	5.801.953	5	-	-	-
Category C	2.088.141	36.497	2.124.638	-	223.833	-	-
Category D	18.759.049	3.446.040	22.205.089	2.177	-	14.881.928	2.723.669
Category E	17.475.910	3.911.074	21.386.984	72.953	-	23.405.274	5.587.430
	5.352.024.181	44.050.608	5.396.074.789	78.519	331.140.218	38.971.411	8.319.088

	December 31st, 2017						
	Equity balance	**Interest balance**	**Portfolio at amortized cost**	**Other Concepts**	**Collateral balance**	**Equity impairment**	**Interest impairment**
Consumer portfolio - adequate collateral							
Category A	1.020.223	5.704	1.025.927	142	3.445.876	-	-
Consumer portfolio - other collateral							
Category A	352.713	968	353.681	95	-	-	-
Category B	54.686	88	54.774	1.989	-	-	-
Category C	15.713	30	15.743	-	-	-	-
			-				
	423.113	1.086	424.199	2.084	-	-	-
Housing portfolio							
Category A	15.114.456	73.662	15.188.118	1.008	52.879.187	-	-
Category B	209.077	1.203	210.281	1.000	1.130.099	-	-
			-				
	15.323.534	74.865	15.398.398	2.008	54.009.286	-	-
Total gross portfoli	$ 6.041.868.811	$ 57.571.586	$ 6.099.440.397	$ 3.395.126	$ 813.871.880	$ 60.274.760	$ 11.447.333

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 as follows:

Economic Sector	ANTIOQUIA AND CHOCO	BOGOTA D.C.	CENTRAL	ATLANTIC COAST	EJE CAFETERO (COFFEE AREA)	ABROAD	WEST	SANTANDERES	SOUTH - EAST	Total general
					December 31st, 2018					
Artistic, entertainment and recreational activities	$ 4.397.601	$ 10.340.226	$ 1.004.719	$ 3.711.444	$ 1.165.112	$ -	$ 2.403.453	$ 266.352	$ 157.134	$ 23.446.040
Accommodation and meal service activities	28.961.112	43.506.109	12.240.466	32.668.356	6.617.599	-	20.546.421	9.709.946	3.999.671	158.249.678
Activities of households as employers	-	-	104.901	2.484	-	-	-	19.047	4.896	131.328
Activities of administrative and support services	17.835.996	49.983.227	9.256.347	8.230.161	12.432.157	-	15.382.384	5.514.913	683.792	119.318.975
Financial and insurance activities	128.538.757	292.159.616	39.172.168	5.825.355	16.727.082	639.465.356	260.772.327	103.061.923	1.045.119	1.486.767.704
Real estate activities	12.421.222	57.546.756	8.101.149	19.228.233	3.590.157	-	12.025.896	5.251.485	117.143	118.282.040
Professional, scientific and technical activities	26.180.814	75.490.485	10.630.232	12.323.584	4.546.828	64.817	20.720.541	13.441.517	1.701.268	165.100.086
Public administration, defense and social security	78.578	2.923.067	61.981	-	1.699.612	-	-	2.516	-	4.765.754
Agriculture, livestock, forestry and fishing	10.638.170	38.299.850	12.496.266	33.390.448	7.600.372	-	19.729.204	3.193.309	2.679.253	128.026.872
Employees	2.522.216	17.901.817	4.846	7.503	-	-	-	34.639	10.117	20.481.138
Human health care and social assistance	40.395.893	39.090.270	11.936.325	51.294.635	17.304.584	-	37.687.400	19.462.169	839.077	218.010.353
Wholesale-Retail trade; vehicle repair	219.764.408	431.495.770	138.212.932	147.529.314	75.319.795	94.950.033	186.125.945	144.303.869	35.406.663	1.473.108.729
Construction	45.745.611	105.400.970	21.499.563	54.795.247	15.058.182	-	25.531.911	29.407.486	2.591.828	300.030.800
Education	10.654.667	23.682.272	7.761.638	3.023.087	2.827.786	-	5.314.034	6.647.309	412.192	60.322.986
Mining and quarrying activities	4.363.613	13.273.514	8.214.126	390.097	1.004.184	-	430.675	3.089.515	101.042	30.866.767
Manufacturing industries	358.472.369	292.288.451	106.943.086	122.128.760	91.824.090	211.196.996	234.265.104	77.217.801	1.758.904	1.496.095.562
Information and communications	19.146.054	30.925.619	1.672.876	40.713.991	1.029.804	-	7.109.405	2.910.307	314.794	103.822.851
Extraterritorial organizations and bodies	-	14.672	-	-	-	-	-	6.404	-	21.076
Other service activities	9.272.049	57.343.569	15.552.031	13.890.716	10.402.650	-	76.374.585	4.682.622	557.370	188.075.593
Water supply; sewage, waste and decontamination	2.156.558	1.870.566	5.436.876	12.930.111	224.932	-	2.413.950	1.528.229	501.200	27.062.422
Supply of electricity, gas, steam and air conditioning	836.609	285.237.603	19.249	16.529.127	-	-	16.005.231	1.446.846	364.008	320.438.672
Transport and storage	74.043.421	218.249.020	81.062.865	164.594.522	14.040.266	-	64.966.560	32.173.153	11.194.579	660.324.387
Water distribution; drainage and treatment of sewage, waste	27.605	-	20.128	-	-	-	522.361	-	-	570.094
Capital Annuitants - natural persons	223.716	215.514	-	-	-	-	-	25.742	-	464.972
Total general	**$ 1.016.453.322**	**$ 2.087.023.448**	**$ 491.404.769**	**$ 743.207.175**	**$ 283.415.193**	**$ 945.677.202**	**$ 1.008.327.388**	**$ 463.371.358**	**$ 64.440.051**	**$ 7.103.784.878**

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	$ 5.114.182	$ 15.442.648	$ 325.284	$ 1.628.488	$ 355.884	$ -	$ 1.059.873	$ 369.622	$ 208.975	$ 24.504.956
Accommodation and meal service activities	21.361.930	35.814.332	12.339.548	24.147.708	6.513.702	-	17.338.295	7.415.998	3.891.471	128.822.985
Activities of households as employers	-	-	71.149	-	-	-	2.095	-	7.565	80.809
Activities of administrative and support services	14.976.207	55.450.554	9.979.656	6.197.861	9.936.945	-	28.245.931	4.374.017	1.000.342	130.161.513
Financial and insurance activities	55.964.960	136.843.830	16.695.197	24.898.707	12.050.957	151.653.977	121.404.410	118.140.593	1.741.562	639.394.192
Real estate activities	21.022.038	56.117.230	4.588.601	14.984.774	3.112.195	-	18.106.631	4.480.115	509.807	122.921.391
Professional, scientific and technical activities	31.116.324	94.032.932	15.916.911	19.063.091	4.161.841	-	17.656.367	13.407.831	3.457.494	198.812.791
Public administration, defense and social security	-	3.569.315	103.372	-	1.863.199	-	43.550	-	50.336	5.629.772
Agriculture, livestock, forestry and fishing	9.758.587	10.839.032	5.993.374	30.495.212	6.342.666	-	11.910.965	5.713.106	3.065.067	84.118.009
Employees	2.658.837	16.653.272	-	12.960	-	-	-	200.058	20.008	19.545.135
Human health care and social assistance	25.431.576	44.624.880	12.116.047	35.918.583	14.441.288	-	18.098.201	12.506.717	5.597.773	168.735.066
Wholesale-Retail trade; vehicle repair	169.060.392	350.448.875	118.493.356	147.580.922	66.812.996	77.942.699	160.757.045	111.026.298	47.126.844	1.249.249.428
Construction	48.635.226	135.532.894	12.809.909	40.789.758	10.975.475	-	25.720.903	25.886.644	4.079.899	304.430.709
Education	19.459.042	17.321.748	6.142.323	4.506.066	5.068.360	-	4.746.830	2.510.571	696.721	60.451.662
Mining and quarrying activities	1.490.955	8.838.479	4.434.352	493.390	-	-	959.044	2.818.898	118.307	19.153.425
Manufacturing industries	258.530.647	374.791.943	90.402.984	192.600.684	100.397.508	197.643.938	227.518.373	58.071.486	9.708.336	1.509.665.899
Information and communications	17.392.082	30.135.911	1.452.330	6.818.330	509.906	-	4.505.405	2.616.848	414.841	63.845.654
Extraterritorial organizations and bodies	-	170.883	39.739	-	-	-	-	-	-	210.623
Other service activities	10.184.941	31.647.945	10.382.912	12.474.043	10.830.472	-	64.908.369	5.806.577	604.881	146.840.140
Water supply; sewage, waste and decontamination	2.795.334	2.206.960	4.938.774	1.688.707	12.361	-	4.095.189	1.442.076	272.317	17.451.717
Supply of electricity, gas, steam and air conditioning	606.450	264.377.773	29.306	543.530	-	-	2.506.988	413.500	471.898	268.949.445
Transport and storage	59.561.438	218.846.745	63.022.971	488.793.227	13.846.142	-	54.129.046	27.980.047	9.456.501	935.636.118
Capital Annuitants	299.219	529.741	-	-	-	-	-	-	-	828.960
Total general	**$ 775.121.149**	**$ 1.903.708.182**	**$ 390.278.097**	**$ 1.053.636.039**	**$ 267.231.898**	**$ 427.240.614**	**$ 783.713.512**	**$ 405.181.001**	**$ 92.500.945**	**$ 6.099.440.397**

Portfolio per monetary unit –

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

December 31st, 2017			
Types	**Legal currency**	**Foreign currency**	**Total**
Commercial	$ 4.288.878.887	$ 1.793.712.986	$ 6.082.591.873
Consumer	2.553.847	-	2.553.847
Housing	14.294.677	-	14.294.677
Total	$ 4.305.727.411	$ 1.793.712.986	$ 6.099.440.397

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

	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	$ 979.691.182	$ 2.472.980.168	$ 1.168.636.032	$ 1.425.028.053	$ 36.256.438	$ 6.082.591.873
Consumer	118.235	602.333	700.368	29.190	-	1.450.126
Housing	212.626	365.099	306.169	5.110.194	9.404.310	15.398.398
Total	$ 980.022.043	$ 2.473.947.600	$ 1.169.642.569	$ 1.430.167.437	$ 45.660.748	$ 6.099.440.397

Restructured loans – The information on restructured loans of commercial loan is as follows:

	December 31st, 2018				
Commercial	Number of loans	Equity balance	Interest balance and others	Equity impairment	Interest impairment and others
Category A	1	386.042	140	397	-
Category B	9	1.862.059	36.290	28.917	60
Category C	1	822.669	10.005	39.109	-
Category D	7	3.475.822	31.188	2.270.503	5.188
Total	**18**	$ 6.546.593	$ 77.622	$ 2.338.926	$ 5.248

	December 31st, 2017				
Commercial	Number of loans	Equity balance	Interest balance and others	Equity impairment	Interest impairment and others
Category A	16	11.641.427	188.714	-	-
Category B	21	7.036.439	122.939	48.978	1.876
Category C	7	2.238.264	54.706	175.140	5.538
Category D	9	6.850.710	451.059	6.692.639	445.400
Total	**53**	$ 27.766.840	$ 817.417	$ 6.916.757	$ 452.814
Consumer	Number of loans	Equity balance	Interest balance and others	Equity impairment	Interest impairment and others
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 information of the portfolio write-offs at December 31st, 2018 and 2017 is as follows:

	December 31st, 2018			
	Equity	Interests	Portfolio at amortized cost	Other concepts
Commercial	$ 827.858	$ 482.728	$ 1.310.585	$ 43.374

	December 31st, 2017			
	Equity	Interests	Portfolio at amortized cost	Other concepts
Commercial	$ 3.741.154	$ 551.945	$ 4.293.099	$ 6.462

Recovery of written-off portfolio – The information of the portfolio recovery is as follows:

	December 31st, 2018		December 31st, 2017	
	Recovery of written-off portfolio	Recovery of written-off interests	Recovery of written-off portfolio	Recovery of written-off interests
Commercial	$ 2.759.821	$ -	$ 1.333.284	$ -

10. COMMERCIAL ACCOUNTS RECEIVABLE AND OTHER ACCOUNTS RECEIVABLE, NET

The information of commercial accounts receivable and other accounts receivable, net, at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Commissions	$ 1.349.033	$ 1.238.048
Leases	30.094	48.100
Rent of goods given under operational leasing	3.907	5.326
Debtors	1.360.959	282.758
Customer payments	5.847.965	3.694.455
Agreement and supplier early payments	4.844.252	4.494.168
To employees	600.355	650.339
Guarantee deposits (1)	47.531.127	507.280
Settlement of derivative operations - CRCC (2)	18.292.085	4.192.490
Settlement of derivative operations - OTC	66.750	81.679
Reimbursable expenses of Autonomous Equities	106.763	1.010.691
Joint Operations	5.902.787	5.040.593
Miscellaneous	2.616.011	1.051.029
	88.552.086	22.296.954
Minus impairment of accounts receivable:	(2.406.778)	(1.801.658)
	$ 86.145.308	$ 20.495.297

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

(2) In this type of operations, the Central Counterparty Clearing House (CRCC in Spanish) 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.

11. OTHER NON-FINANCIAL ASSETS

The information of other non-financial assets at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Prepaid expenses	$ 8.244.192	$ 1.463.961
Art and cultural goods	33.216	33.216
Machinery and equipment to place - leasing	4.018.094	3.623.455
Vehicles to place - leasing	744.990	1.437.415
Immovable goods to place - leasing	1.984.354	13.505.004
Activities in joint operations	14.640	54.622
Taxes	5.159.443	2.680.317
Others	324.336	230.605
	$ 20.523.265	$ 23.028.595

12. NON-CURRENT ASSETS HELD FOR SALE, NET

Non-current assets held for sale include goods received in payment, returned goods and assets with a formal sale plan which is expected to be completed in less than one year from the moment of its award.

The balance of non-current assets held for sale at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Goods received in payment		
Movable goods	$ 825.834	$ 230.739
Immovable goods for housing	5.599.062	1.911.630
Immovable goods other than housing	20.960.702	15.007.611
	27.385.598	17.149.980
Minus: Impairment of goods received in payment	(341.887)	(224.154)
Goods received as payment in kind:	$ 27.043.711	$ 16.925.826
Returned goods		
Machinery and equipment	4.243.181	3.380.691
Vehicles	1.546.161	432.561
Computer equipment	-	41.125
Properties	37.729.445	29.590.250
	43.518.787	33.444.627
Minus: Impairment of returned goods	(8.084.243)	(4.757.962)
Returned goods	$ 35.434.544	$ 28.686.665

	Dec 31st, 2018	Dec 31st, 2017
Non-current assets held for sale		
Vehicles	35.039	-
Non-current assets held for sale	$ 35.039	$ -
Total	$ 62.513.294	$ 45.612.491

At December 31st, 2018, the Head Office has 13 goods received in payment, which include: 1 movable good (vehicle), 7 immovable goods for housing (4 houses and 3 apartments) and 5 immovable goods other than housing (1 commercial establishment, 2 premises, 1 office and 1 warehouse).

At December 31st, 2017, the Head Office has 4 goods received in payment, which include: 1 movable good (vehicle), 2 immovable goods for housing (houses) and 1 immovable good other than housing (commercial establishment).

At December 31st, 2018 and 2017, these goods represent 2.4% and 2.6%, respectively, of the Company's total asset for the subsidiary Arco Grupo Bancóldex. The Management is currently in the process of realizing these goods. Regarding the goods received in payment, the Subsidiary has carried out the respective appraisals during 2018 and they are available for sale. There are insurance policies that cover theft, fire, earthquake, coup, riot, explosion, volcanic eruption, low tension, premises, loss or damage to offices or machinery.

At December 31st, 2018, 11 returned goods and 2 goods received as payment in kind were sold, which represented sales worth $ 14,013,385 and $ 878,872, respectively; these sales generated net revenue from the profit on sale worth $ 3,434,865 and $ 192,617, respectively, and a recovery of provisions worth $ 5,119,747 and $ 640,760, respectively.

13. PROPERTIES AND EQUIPMENT, NET

The information of properties and equipment, net, at December 31st, 2018 and 2017 is as follows:

Cost of properties and equipment

	Land, Buildings and Warehouses	Machinery, Fixtures and fittings and Office Equipment	Transport vehicles	Computer, network and communication equipment	Total
Expense					
Balance at December 31st, 2016	$ 50.589.009	$ 8.213.097	$ 562.107	$ 6.195.592	$ 65.559.805
Revaluation	8.088.564	-	-	-	8.088.564
Acquisitions	-	181.665	-	612.650	794.315
Write-downs	-	(15.601)	-	(79.211)	(94.812)
Sales	-	-	-	(1.519)	(1.519)
Transfers	(549.405)	20.593	175.910	(20.593)	(373.495)
Eliminations	-	-	181.800	-	181.800
Balance at December 31st, 2017	58.128.168	8.399.754	919.817	6.706.919	74.154.658
Revaluation	(2.464.046)	-	-	-	(2.464.046)
Acquisitions	-	244.781	162.056	438.867	845.704
Write-downs	-	(407)	(83.000)	(38.511)	(121.918)
Sales	-	-	-	-	-
Transfers	-	-	(575.120)	-	(575.120)
Balance at December 31st, 2018	$ 55.664.122	$ 8.644.128	$ 423.753	$ 7.107.275	$ 71.839.278

Accumulated depreciation of properties and equipment

	Land, Buildings and Warehouses	Machinery, Fixtures and fittings and Office Equipment	Transport vehicles	Computer, network and communication equipment	Total
Accumulated depreciation					
Balance at December 31st, 2016	(2.057.706)	(4.280.173)	(586.676)	(4.514.674)	(11.439.229)
Depreciation	(824.948)	(570.411)	(52.960)	(799.406)	(2.247.725)
Write-downs	-	15.601	-	79.112	94.713
Sales	-	-	-	1.519	1.519
Transfers	814.939	-	(175.910)	-	639.029
Eliminations	(75.750)	-	-	-	(75.750)
Balance at December 31st, 2017	(2.143.465)	(4.834.983)	(815.546)	(5.233.449)	(13.027.443)
Depreciation	(944.677)	(526.828)	(73.184)	(770.407)	(2.315.096)
Write-downs	-	407	63.633	36.523	100.563
Sales	-	-	-	-	-
Transfers	-	-	576.603	-	576.603
Revaluation	470.496	-	-	-	470.496
Balance at December 31st, 2018	$ (2.617.646)	$ (5.361.404)	$ (248.494)	$ (5.967.333)	$ (14.194.877)

Net book value of properties and equipment

		Land, Buildings and Warehouses		Machinery, Fixtures and fittings and Office Equipment		Transport vehicles		Computer, network and communication equipment		Total
Joint Operations 2017 [1]										
Cost		-		776.633		-		-		776.633
Depreciation		-		(761.151)		-		-		(761.151)
Joint Operations 2018 [1]										
Cost		-		288.970		-		-		288.970
Depreciation		-		(287.451)		-		-		(287.451)
Net book value										
Balance at December 31st, 2017	$	55.984.703	$	3.580.253	$	104.271	$	1.473.470	$	61.142.697
Balance at December 31st, 2018	$	53.046.476	$	3.284.243	$	175.259	$	1.139.942	$	57.645.920

(1) This balance corresponds to the share Fiducóldex owns in consortiums.

The main movements that were recorded in the Head Office during 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, plant 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 goods; 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, fixtures and fittings, among others, classified as property, plant and equipment.

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

Fiducóldex' management decided that the immovable assets shall be valued as per the IFRS 13 – Fair Value Measurement, taking into account the nature, characteristics and inherent risks to the property.

The fair value of properties was calculated through the method of comparable market values. This means that the valuations carried out by the appraiser were based on quoted prices in active markets, adjusted for differences in the nature, location and/or condition of each particular property.

The fair values of properties were based on valuations carried out by FILFER Sociedad de Inversiones S.A.S., the independent appraiser.

The variations presented at December 31st, 2018, which affected the information of immovable goods over the devaluation regarding the appraisal, were the following:

Cost of Building, Warehouse and Land

Concept		**2018**
Revaluation of lands	$	1,241,903
Revaluation or devaluation of buildings		(3,797,871)
Revaluation or devaluation of warehouses		(11,963)
Total adjustment through devaluation	$	(2,567,931)

Depreciation through devaluation of Buildings and Warehouses

Concept	2018
Depreciation of Buildings through devaluation	$ 468,429
Depreciation of Warehouses through devaluation	2,067
Total adjustment of depreciation through devaluation	$ 470,496

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

14. PROPERTIES AND EQUIPMENT UNDER OPERATING LEASE

The information of the goods given under operational leasing is as follows:

	Machinery	Transport vehicles	Fixtures and fittings	Properties	Total
Expense					
Balance at December 31st, 2016	$ 643.582	$ 86.483	$ -	$ 6.648.266	$ 7.378.331
Sales	-	(86.483)	-	-	(86.483)
Transfers	-	-	-	2.798.544	2.798.544
Balance at December 31st, 2017	643.582	-	-	9.446.810	10.090.392
Revaluation	-	-	-	229.324	229.324
Sales (*)	-	-	-	(2.777.866)	(2.777.866)
Transfers	-	-	-	-	-
Balance at December 31st, 2018	**$ 643.582**	**$ -**	**$ -**	**$ 6.898.268**	**$ 7.541.850**
Accumulated depreciation					
Balance at December 31st, 2016	$ (637.146)	$ (85.618)	$ -	$ (109.791)	$ (832.555)
Depreciation	-	-	-	(89.418)	(89.418)
Sales	-	85.618	-	-	85.618
Balance at December 31st, 2017	(637.146)	-	-	(199.209)	(836.355)
Depreciation	(6.436)	-	-	(88.683)	(95.119)
Sales	-	-	-	130.665	130.665
Balance at December 31st, 2018	**$ (643.582)**	**$ -**	**$ -**	**$ (157.227)**	**$ (800.809)**

	Machinery	Transport vehicles	Fixtures and fittings	Properties	Total
Net book value					
Balance at December 31st, 2017	$ 6.436	$ -	$ -	$ 9.247.601	$ 9.254.037
Balance at December 31st, 2018	$ -	$ -	$ -	$ 6.741.041	$ 6.741.041

(*) At December 31st, 2018, 2 properties under the modality of operational leasing were sold at the Subsidiary Arco Grupo Bancóldex. The sale of such goods amounted to $ 2,727,000 generating revenue from the profit on sale worth $ 79,800 and a net impact in OCI worth $ (1,667,352).

Arco Grupo Bancóldex has maintained the necessary measures for the conservation and protection of the properties, equipment and goods given in operational leasing. At December 31st, 2018 and 2017, there are insurance policies that cover theft, fire, earthquake, coup, riot, explosion, volcanic eruption, low tension, premises, loss or damage to offices or vehicles. The Company has appraisals of 2018 and 2017 for the property, plant and equipment and the assets given in operational leasing.

The depreciation of goods under operational leasing charged to expenses for the years ended on December 31st, 2018 and 2017, is $ 95,119 and $ 89,418, respectively.

The classification and rating of accounts receivable, lease of goods given under operational leasing, customer payment and others at December 31st, 2018 and 2017, is as follows:

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

	December 31st, 2017			
	Present value of assets under leasing	**Fees and other concepts**	**Provision at present value**	**Provision, fees and others**
A – Normal	$ 9,254,037	$ 5,326	$ -	$ (62)
	$ 9,254,037	$ 5,326	$ -	$ (62)

15. INVESTMENT PROPERTIES

The information of investment properties at December 31st, 2018 and 2017, is as follows:

	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 movement of the cost of investment properties is as follows:

	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**	**$ -**

At the Head Office, 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 information of the financial lease at December 31st, 2018 and 2017, is as follows:

	Computer equipment	Vehicles	Machinery and equipment	Total
Expense:				
Balance at 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 at December 31st, 2018	$ 1.982.459	$ 791.900	$ 188.816	$ 2.963.175
Accumulated amortization				
Balance at January 1st, 2017	-	-	-	-
Amortization expense	451.620	6.062	-	457.682
Balance at 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 at December 31st, 2018	$ 508.644	$ 154.839	$ 5.245	$ 668.728
Net book value				
At December 31st, 2017	959.851	149.838	-	1.109.689
At December 31st, 2018	$ 1.473.815	$ 637.061	$ 183.571	$ 2.294.447

It corresponds to contracts classified as financial leases by the Head Office, 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.

17. INTANGIBLE ASSETS

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

	Licenses	Software	Studies and projects	Total
Balance at January 1st, 2017	$ 1.267.329	$ 7.422.356	$ 1.321.904	$ 10.011.589
Acquisitions / additions	1.880.037	1.760.776	159.828	3.800.641
Write-downs	-	-	-	-
Transfers	-	(83.301)	-	(83.301)
Amortization expense	(1.306.160)	(807.381)	(127.328)	(2.240.869)
Balance at December 31st, 2017	$ 1.841.206	$ 8.292.450	$ 1.354.404	$ 11.488.060
Acquisitions / additions	1.845.861	1.818.779	293.547	3.958.187
Write-downs	-	(50.187)	-	(50.187)
Transfers (1)	1.642.287	(1.642.287)	-	-
Amortization expense	(1.598.242)	(864.989)	(135.873)	(2.599.104)
Balance at December 31st, 2018	$ 3.731.113	$ 7.553.766	$ 1.512.078	$ 12.796.957

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

18. LIABILITIES FOR FINANCIAL INSTRUMENTS AT AMORTIZED COST

The information of the financial instruments at amortized cost at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Term Deposit Certificates		
Issued less than 6 months	$ 143.042.777	$ 22.902.825
Issued equal to 6 and less than 12 months	165.123.866	152.450.870
Issued equal to 12 and less than 18 months	202.408.766	297.837.817
Issued equal to or more than 18 months	1.725.860.426	2.265.876.581
	2.236.435.835	2.739.068.093
Special collateral deposits	81.599.341	71.840.243
Simultaneous operations (1)	12.202.706	-
Ordinary bonds equal or more than 18 months	1.507.871.517	704.825.150
	$ 3.838.109.399	$ 3.515.733.486

(1) The information of the simultaneous operations is as follows:

	Dec 31st, 2018			Dec 31st, 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			$ -

19. BANK LOANS AND OTHER FINANCIAL OBLIGATIONS

19.1. Bank loans: The information of the bank loans and other financial obligations at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Legal currency		
Bank loans and other financial obligations		
Credits	$ 38.109.246	$ 39.910.050
Finagro	6.598.565	2.074.906
Foreign currency		
Bank loans and other financial obligations		
Acceptances	1.353.001	274.801
Foreign Banks (1)		
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
	$ 3.248.091.789	$ 2.090.165.795

(1) The information of foreign bank loans is as follows:

	Dec 31st, 2018			Dec 31st, 2017		
	Interest Rate (%)	Amount USD (thousands)	Amount Pesos	Interest Rate (%)	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:

Equipment under financial lease	Dec 31st, 2018	Dec 31st, 2017
Initial balance	$ 1.213.510	$ 1.416.173
Additions	1.987.562	487.443
Interest accrual	312.384	315.902
Minus Payments	(1.130.089)	(847.135)
Eliminations	(535.503)	(152.239)
Restatement	40.786	(6.634)
End balance	$ 1.888.650	$ 1.213.510

At the Head Office, the computer equipment contracts are mainly entered into with the companies Prointech Holding SAS and IBM de Colombia. The contracts of the seven vehicles were entered into with ARCO Grupo Bancóldex and the Machinery and Equipment contract was entered into with the company Datecsa S.A.

For the Subsidiary Fiducóldex, it corresponds to the Financial Leasing Contract No. 101-1000-49848 of May 18th, 2018, entered into between Arco Grupo Bancóldex S.A. and Fiduciaria Colombiana de Comercio Exterior (Fiducóldex) worth $ 165,000 corresponding to an ATV Wagon from the Toyota brand.

On December 2018, it was canceled with the option of buying the computers with the last payment of the contract No. 015428 of December 18th, 2015, entered into with BBVA.

20. TRADE ACCOUNTS PAYABLE AND OTHER ACCOUNTS PAYABLE

The information of accounts payable at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Commissions and fees	$ 375.172	$ 315.760
Costs and expenses payable	120.370	62.991
Dividends	2.277.512	2.288.292
Leases	37.413	34.477
Transaction taxes	33.464	29.316
Providers	6.002.612	7.929.286
Contributions, affiliations and transfers	39	78.118
Withholdings and labor contributions	5.990.759	5.600.129
Sundry creditors	-	976.804
Insurance	1.036.589	724.156
	Dec 31st, 2018	**Dec 31st, 2017**
Accounts payable in joint operations	2.123.363	3.049.070
Settlement of Futures Contracts - CRCC (1)	19.532.263	6.523.239
Other accounts payable to employees	638	924.723
Accounts payable NPV unused Premium (2)	1.678.345	1.066.512
PTP Agreement payable (3)	620.196	1.315.688
Agreement 392 MINCIT payable (4)	3.926.000	-
Payable in Foreign Currency (5)	677.427	1.461.990
Miscellaneous	2.096.018	1.452.754
	$ 46.528.180	$ 33.833.305

(1) 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 record 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 assets part in Note 10.

(2) 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.

(3) Under the Inter-administrative Framework Agreement 375, entered into 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 in Spanish), 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 has 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.

(4) Agreement 392 was entered into between Bancóldex and the Ministry of Commerce, Industry and Tourism. It was entered into 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 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.

(5) 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 information of the balances for employee benefits at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Payroll payable	$ 648.942	$ 554.158
Severance payment	1.421.227	1.385.712
Interests on severance payment	166.116	160.598
Holidays	4.056.070	3.836.611
Holiday premium	318.839	330.358
Allowance	42.512	44.048
Other benefits	281.719	262.709
	$ 6.935.425	$ 6.574.194

22. ESTIMATED LIABILITIES AND PROVISIONS

The information of provisions at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Labor lawsuits [1]	$ 323.751	$ 788.298
In joint operations	520.633	244.693
Other provisions	-	216.947
	$ 844.384	$ 1.249.938

(1) It corresponds to labor proceedings filed by third parties against the Head Office.

The information of the proceedings against the Head Office as of December 31st, 2018 and 2017, with possible (medium) and/or probable (high) rating, is as follows:

Type of process	Parties	General Information	Process status	Dec 31st, 2018	Dec 31st, 2017
LABOR	CARLOS HELÍ GOMEZ BRAVO VS. BANCOLDEX and others.	Nature: Ordinary labor proceeding for an undetermined amount. (110013105014200700021-01) 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 Magistrate Rigoberto Echeverri.	106.232	105.924
LABOR	HERMES HERNÁN RODRIGUEZ HERNÁNDEZ VS. BANCOLDEX	Nature: Ordinary labor proceeding for an undetermined amount. Identification: 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
LABOR	TOMÁS URIBE MOSQUERA VS. BANCOLDEX and others		Appeal for cassation was resolved.	-	102.777
LABOR	DANIEL MONTAÑÉZ MADERO VS. BANCOLDEX and others		Appeal for cassation was resolved.	-	316.513
Total				323.751	742.102

The main contingencies, which the Subsidiary Fiducóldex is part of as of December 31st, 2018, are described below:

2018	Disputes	Others	Total
Book value as of January 1st, 2017	$ 459,475	$ 48,361	$ 507,836
Additions (1)	324,301	-	324,301
Reversions, unused amounts (-) (2)	(265,308)	(46,196)	311,504)
Book value as of December 31st, 2018	$ 518,468	$ 2,165	$ 520,633

2017	Disputes	Others	Total
Book value as of January 1st, 2016	$ 681,988	$ 752,853	$ 1,434,841
Additions	46,196	-	46,196
Reversions, unused amounts (-)	(268,709)	(704,492)	(973,201)
Book value as of December 31st, 2017	$ 459,475	$ 48,361	$ 507,836

The provision recorded as of December 31st, 2018 corresponds to Consortium Fosyga, which is composed of a 3.57% share in the financial information of the Consortium, covering 100% of the value of the claims that cover the estimated probable losses related to labor, civil and tax disputes (administrative and government channels). The main assumptions included in the calculation of the provision are:

No. of Proceeding	Plaintiff	Value of the claim	Provision calculated 100% Dec 2018	Provision of share Dec 2018	Rating
2008-0368	Salud Total EPS	$ 95,606	$ 147,049	$ 5,250	Probable
2009-0268	Sanitas EPS	1,526,864	2,181,142	77,867	Probable
2010-0119	Sanitas EPS	862,453	1,207,866	43,120	Probable
2012-00467	Coomeva EPS	1,153,877	1,510,028	53,908	Probable
2010-00772	Coomeva EPS	196,769	275,575	9,838	Probable
2010-00807	Cafesalud EPS Cruz Blanca EPS and Saludcoop EPS	6,499,215	9,102,155	324,947	Probable
2010-0267	Sanitas EPS	1,154,873	-	-	Eventual
2012-00616	Sanitas EPS	20,162	26,386	941	Probable
2012-0590	Sanitas EPS	6,176	8,082	289	Probable
2012-00501	Sanitas	4,655	6,093	218	Probable
0409-2013	Sanitas EPS	93,295	119,184	4,255	Probable
	Total	$ 12,168,963	$ 14,583,560	$ 520,633	

(1) Consortium FIDUFOSYGA 2005, in settlement, changed its accounting policy to comply with IAS 37 in regards to the calculation of legal proceeding provisions with the best estimate established by Minutes 2018-2 of December 6th, 2018, in which policy defined in IAS 37 was adopted. This Minutes establishes the provision of 100% of the amount of proceedings rated as probable,

including the update of provisions taking them to present value by applying the CPI. This decision was endorsed by the members of the accounting committee on November 21st, 2018, performed virtually. This change involved an adjustment in the provisions worth $324,301.

(2) Within the labor proceeding noted above, an appeal sentence was issued on September 11th, 2018, which was in favor of the Trust Company's interests and no judicial appeal was lodged against it; thus being the final decision. Therefore, there is no reason, from a legal perspective, to keep the provision allocated in 2017. Thus, the provision is reversed as follows:

Concept	**Amount**
Un-received wages and social benefits	$ 18,264
For compensation of article 26 of law 361 of 1997	22,932
Court costs	5,000
Total	$ 46,196

Regarding the provision recognized in own position corresponding to Consortium Fosyga, recovery of $265,308 is applied, since the consortium had recorded in its entirety the claims that had been assessed as probable. Thus the record is adjusted through share.

The main contingencies, which the Trust Company is a part of as of December 31st, 2018 are described below:

Proceedings against Fiducóldex (defendant)

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

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

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

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

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

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

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

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

23. OTHER LIABILITIES

The information of other liabilities at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Anticipated income	$ 92.942.035	$ 84.675.333
Interests arising from restructuring processes	2.602.306	1.252.938
Deferred credits	270.328	316.051
Unapropriated credit to debenture upon collec	1.544.507	2.290.819
Income received for third parties	63.853	30.223
Miscellaneous- Agreements (*)	15.818.479	25.806.702
	$ 113.241.508	$ 114.372.066

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

24. EQUITY OF THE SHAREHOLDERS

24.1. Share capital: The information of the capital at December 31st, 2018 and 2017 is as follows:

	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 Head Office shall 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 Head Office shall perform the comparison of average values in the same way again. If the average value in the Stock Exchange 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 Head Office shall perform the comparison of average values. If the indicated periods have expired and the average value in the Stock Exchange 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, the Head Office shall 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 31st 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 Head Office 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 Head Office 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 Assembly of Shareholders ordered to take as zero (0) the listing value in stock exchanges and continue with the privilege for five more years.

24.2. Reserves*:* The information of the reserves at December 31st, 2018 and 2017 is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Legal		
Appropriation of liquid profit	$ 157.984.351	$ 149.103.832
Statutory		
Protection - Private Equity Funds	49.346.690	49.346.690
Occasional		
For treatment credit portfolio	3.498.144	3.498.144
Tax provisions	31.501.109	36.945.283
	$ 242.330.294	$ 238.893.949

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

Statutory and occasional reserves: They are approved by the General 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 of the Head Office 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 information of other income is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Recovery of provisions		
Credit Portfolio	$ 16.817.611	$ 17.350.026
Accounts Receivable	1.006.814	10.841.981
Financial leasing operations	8.134.345	18.438.684
Operational leasing operations	-	12
Written-off goods	2.446.440	561.141
Reversal of impairment loss	1.288.624	353.113
Leases of own properties	1.769.559	1.535.994
For sale of property and equipment	7.428.441	476.076
	Dec 31st, 2018	**Dec 31st, 2017**
Activities in joint operations	23.315.441	28.892.815
Revenue from written-off portfolio and payments	734.408	768.413
Revenue for credit portfolio prepayments	1.707.362	-
F.N.G. revenue	294.034	222.425
Refund of expenses for prior periods (*)	1.755.099	-
Others	2.615.425	3.319.051
	$ 69.313.603	$ 82.759.731

(*) Represented mainly by the reimbursement of social security contributions in the Head Office, 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 information of other expenses is as follows:

	Dec 31st, 2018	Dec 31st, 2017
Payment of social contributions and affiliations	$ 2.542.422	$ 2.384.100
Legal and notarial expenses	24.100	21.917
Implementing equity method	3.907.522	-
Insurance	2.462.669	2.335.270
Maintenance and repairs	5.349.298	5.092.608
Office furniture installation and adjustments	368.431	452.583
Activities in joint operations	12.535.815	16.995.566
Fines and penalties	8.575	1.558.845
Housekeeping and security services	1.113.260	1.075.311
Temporary services	662.805	884.444
Publicity and advertising	248.380	1.078.567
Public relations	84.824	95.289
Public utilities	1.170.698	1.123.021
Travel expenses	611.071	931.852
Transportation	737.221	839.122
Supplies, stationery and reference books	261.030	255.751
Publications and subscriptions	222.417	240.226
Photocopying services	3.872	4.416
Digitization services	64.476	99.612
Business lunches	68.854	47.284
Lunchroom supplies	316.380	296.395
Cleaning supplies	53.990	66.159
Courier and shipping services	369.279	453.141
Télex. data transmission.tas. SWIFT	1.569.498	1.541.357
Building administration fee	985.393	935.474
Minor fixtures	13.813	9.759
Commercial information	869.794	774.303
Storage and security of digital files	69.101	75.852
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	67.864	89.506
Corporate communication	54.110	272.493
Internet services and electronic communications	409.990	414.163
Withholdings and taxes assumed	93.743	207.308
Disaster recovery services	302.190	372.804
Training	80.302	119.677
Prior period expenses (*)	119.551	3.646.403
Events and Snacks - Business training and Strategic	309.752	699.278
Assets received in lieu of payment and returned	316.736	61.483
Others	3.183.734	1.494.954
	$ 42.364.048	$ 47.725.131

(*) The balance at December 31st, 2017 is mainly represented by the following records at the Head Office: 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 kind of portfolio operation LD700504505.

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

The fiscal provisions applicable to the entities 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	$ 57.321.107	$ 45.348.843
	57.321.107	45.348.843
Deferred tax:		
Compared to current year	10.921.295	17.997.871
Adjustments to deferred taxes attributed to changes in tax laws and rates	(1.296.649)	(1.428.465)
	9.624.646	16.569.406
Total tax expense on continuing operations	$ 66.945.753	$ 61.918.249

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	171.050.132	175.834.806
Tax expense on income calculated at 40%	63.288.549	78.603.009
Effects of non-deductible expenses when determining taxable income	7.375.345	8.323.089
Income (loss) on realization of investments	455.701	(660.081)
Income (loss) on realization of derivatives	(4.862.764)	9.192.063
Income under non-income accounting method	(713.324)	9.123.371
Tax-exempt reimbursement when determining taxable profit	(2.998.003)	(9.024.464)
Effects of tax-exempt or nontaxable income - Dividends	(2.005.404)	(4.985.284)
Revaluation of fixed assets	-	(693.044)
Unrealized restatement of assets and liabilities	(7.820.697)	
Others	14.226.350	(27.960.410)
Tax expense on income by ordinary taxation system	66.945.753	61.918.249
Tax expense on income recognized in profit or loss (related to continuing operations)	$ 66.945.753	$ 61.918.249

For 2018 and 2017, the Head Office settled the income tax through 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 income statement, except to the extent that they arise from transactions or events that are recognized outside of the income statement, 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 surcharge for the years 2018 and 2017 are determined at 37% and 40% respectively.

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	6.970.790	-
Cost of uncontrolled investments	1.610.114	2.877.958
Hedging derivatives	(1.290.163)	-
Revaluation of assets	4.721.634	6.840.297
Total income tax recognized in other comprehensive income	$ 16.156.804	$ 13.442.567

Assets and liabilities of the current tax

	Dec 31st, 2018	Dec 31st, 2017
Current tax assets		
Surplus on private settlement to request	$ 4.565.129	$ 2.602.804
Current tax liabilities		
Imcome tax payable	29.498.244	15.847.192
Total	$ (24.933.115)	$ (13.244.388)

Current taxes correspond to the Income and Other Income Tax. For the years 2018 and 2017, the active balance of the tax corresponds to the credit balance of Fiducóldex. The balance payable at December 31st, 2018 amounted to $29,498,244; among which $25,636,552 correspond to the Head Office and $ 3,861,692 to the subsidiary Arco Grupo Bancóldex.

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

		Dec 31st, 2018		Dec 31st, 2017
Deferred tax assets				
Expenditure provisioned	$	124.163	$	101.200
Loss on valuation of derivatives		-		1.233.587
Software Amortization		101.031		1.002.397
Cost of movables / Machinery in leasing		2.158.884		453.174
Unrealized exchange difference in Foreign Exchange liabilities		32.523.168		-
Agreements		2.302.272		2.433.277
Investment portfolio		47.529		52.161
Depreciation of fixed assets		196.109		173.091
Impairment IFRS 9		514.580		-
Other assets		2.521.534		1.131.678
Total deferred assets		40.489.270		6.580.565
Deferred tax liability				
Investment portfolio valuation		3.205.461		3.358.831
Profit in valuation of derivatives		3.621.062		-
Valuation of Capital Funds returns		4.129.130		5.075.506
Exchange difference in Foreign Exchange investments		794.243		873.668
Cost of movable and immovable goods		12.926.285		12.979.305
Non-current assets		4.810.868		-
Provision of immovable goods		-		3.965.362
Deferred charges		310.970		340.718
Credit portfolio and accounts receivable		41.166.340		44.072.508
Unrealized exchange difference in Foreign Exchange assets		40.349.090		-
Other deferred tax liabilities - equity		15.386.462		9.786.425
Total deferred liabilities		126.699.912		80.452.323
Total	$	(86.210.642)	$	(73.871.758)

2018	**Opening balance**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Closing balance**
Deferred tax (liability) /asset related to:				
Derivatives	$ 1.310.308	$ (4.867.164)	$ 1.223.725	$ (2.333.131)
Property, plant and equipment	(14.998.335)	(757.159)	2.118.663	(13.636.831)
Non-current assets	-	(4.810.868)	-	(4.810.868)
Machinery in operational leasing	201.887	1.705.709	-	1.907.596
Depreciation of fixed assets	(118.165)	(141.303)	-	(259.468)
Other assets	58.673	90.954	-	149.627
Financial leases	397.108	252.353	-	649.461
Intangible assets	1.068.753	(827.927)	-	240.826
Unrealized exchange difference in Foreign Exchange assets and liabilities	-	(7.825.922)	-	(7.825.922)
Financial assets at fair value through profits or losses	(3.358.830)	70.789	-	(3.288.041)
Credit portfolio and accounts receivable	(44.072.507)	2.906.168	-	(41.166.339)
Available-for-sale financial assets	-	-	(6.970.790)	(6.970.790)
Valuation of equity funds	(9.057.225)	946.376	(57.497)	(8.168.346)
Portfolio valuation	52.161	(4.632)	-	47.529
Foreign exchange difference on foreign operations	(682.700)	79.426	(296.181)	(899.455)
Provisions	101.066	22.963	-	124.029
Provisions of goods in leasing	(3.965.362)	3.965.362	-	-
Cost of Foreign Exchange investments	(2.877.958)		1.267.843	(1.610.115)
Other financial liabilities	(404.587)	(258.089)	-	(662.676)
Agreements	2.473.955	(171.683)	-	2.302.272
Total	$ (73.871.758)	$ (9.624.647)	$ (2.714.237)	$ (86.210.642)

2017	**Opening balance**	**Recognized in profit or loss**	**Recognized in other comprehensive 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- revaluation of assets	(11.521.763)	(549.825)	(2.926.747)	(14.998.335)
Machinery in operational leasing	181.655	20.232	-	201.887
Depreciation of fixed assets	(115.657)	(2.508)	-	(118.165)
Other assets	57.871	802	-	58.673
Financial leases	431.971	(34.863)	-	397.108
Intangible assets	1.976.273	(907.520)	-	1.068.753
Financial assets at fair value through profits or losses	(2.629.166)	(729.664)	-	(3.358.830)
Credit portfolio and accounts receivable	(48.863.699)	4.791.192	-	(44.072.507)
Available-for-sale financial assets	(6.754.378)	-	6.754.378	-
Valuation of equity funds	(10.288.535)	1.427.858	(196.548)	(9.057.225)
Portfolio valuation	48.322	3.839	-	52.161

2017	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Closing balance
Foreign exchange difference on foreign operations	(850.889)	185.323	(17.134)	(682.700)
Provisions	1.398.664	(1.297.598)	-	101.066
Provisions of goods in leasing	(3.965.362)	-	-	(3.965.362)
Cost of Foreign Exchange investments	(2.913.643)	-	35.685	(2.877.958)
Other financial liabilities	(487.812)	83.225	-	(404.587)
Agreements rate difference /deferred income	1.718.873	755.082	-	2.473.955
Tax losses / presumptive income excess	29.411.645	(29.411.645)	-	-
Total	$ (61.018.422)	$ (16.569.408)	$ 3.716.072	$ (73.871.758)

28. CONTINGENCIES

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

Creditor contingencies (adverse proceedings):

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

The information of labor proceedings is as follows:

Type of process	Parties	General Information	Process status	Dec 31st, 2018	Dec 31st, 2017
LABOR	**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**
LABOR	**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**
LABOR	**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**
LABOR	**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 against the Head Office:

CONTENTIOUS - ADMINISTRATIVE	**EVERFORM S.A. Isidoro Esquenazi Cheres y 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 legal proceedings amounted to $ 1,029,672 at the Head Office.

The information of labor proceedings is as follows:

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 of 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 claims of the administrative proceeding against the Office of the Comptroller General of the Republic amounted to $5,232,227 at the Head Office.

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

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

The information of executive proceedings is as follows:

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
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 y 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 Y 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	Process 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 EN LIQUIDACIÓN y MERCURIO 2011 SAS en liquidación	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 is filed on September 21st, 2017. A Payment Order is issued on October 02nd, 2017. The partnership Molinos la Aurora entered into a Corporate Reorganization process to Law 1116	62.500
BANCOLDEX Vs. Alberto Manotas y 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: Civil Court 24 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. BUSINESSES MANAGED BY THE TRUST COMPANY

The value of assets and liabilities corresponding to all of the businesses managed by the Trust Company at December 31st, 2018 is detailed below:

Business category	Number of businesses	Asset	Liability
Administration and Payments			
Real Estate Businesses	3	$ 29,458,670	$ 7,660,483
Businesses of Administration and Payments	111	1,813,886,786	309,088,293
Total Administration and Payments	114	1,843,345,456	316,748,776
Securitizations			
Businesses of Securitization Proceedings	1	90,473,885	65,241,286
Total Securitizations	1	90,473,885	65,241,286
Trust in Guarantee			
Businesses in Guaranty Trust	34	13,130,774	359,180
Total Trust in Guarantee	34	13,130,774	359,180
Pension Liabilities			
Businesses of Pension Liabilities	10	6,034,090,815	18,119,927
Total Pension Liabilities	10	6,034,090,815	18,119,927
Collective Investment Fund (CIF)			
CIFs Fiducóldex	1	135,924,245	136,753
CIFs 60 Moderate	1	17,573,327	15,287
Total Collective Investment Funds	2	153,497,572	152,040
Private Equity Fund			
Áureos Colombia Fund	1	29,218,589	8
Total Private Equity Fund	1	29,218,589	8
Total	162	$ 8,163,757,091	$ 400,621,217

30. OPERATING SEGMENTS

At December 31st, 2018 and 2017, the assets and the consolidated net income statement of Bancóldex Group for the different businesses are presented below:

December 31, 2018	Business Bancóldex	Arco Grupo Bancóldex	Trust Management Business Fiducoldex	SUB-TOTAL	Removals		Consolidated statement
					Debit	Credit	
Amount of Primary Related Assets	8.618.806.058	796.310.261	64.036.729	9.479.153.048	351.156.561	311.340.364	9.518.969.246
Amount of Managed Assets (Trust Management business)			8.163.757.092	8.163.757.092			8.163.757.092
STATEMENT OF INCOME							
Financial earnings generated:	2.289.138.482	81.313.483	47.721.334	2.418.173.299	12.212.986		2.405.960.312
Financial expenses	2.065.220.851	36.844.234	188.408	2.102.253.492		9.093.664	2.093.159.829
Other Financial income and/or expenses (includes commissions)	-936.962	-876.089	75.993	-1.737.058			-1.737.058
Gross Financial Marging	**222.980.669**	**43.593.160**	**47.608.918**	**314.182.748**			**311.063.425**
Balance portfolio provisions	8.123.482	1.539.389	86.073	9.748.945	125.082	111.696	9.762.331
Net Financial Marging	**214.857.187**	**42.053.771**	**47.522.845**	**304.433.803**			**301.301.094**
Operating expenses:							
Administrative expenses	66.962.126	17.180.957	38.188.211	122.331.294	2.712.636	811.696	124.232.234
Financial corporate tax (*)	16.627.154	2.624.206	1.776.133	21.027.492			21.027.492
Other provisions (**)	9.171.953	0		9.171.953			9.171.953
Operating profit	**122.095.954**	**22.248.609**	**7.558.501**	**151.903.063**			**146.869.414**
Net other income/expenses (includes dividends) (***)	23.578.928	5.995.929	724.693	30.299.551	19.918.786		10.380.765
Profit before tax	**145.674.882**	**28.244.538**	**8.283.194**	**182.202.614**			**157.250.179**
Income tax	52.830.282	11.152.481	2.962.989	66.945.752			66.945.752
Net income	**92.844.600**	**17.092.057**	**5.320.205**	**115.256.862**			**90.304.427**

(*)Includes different income taxes

(**) Includes different portofolio provisions presented net recoveries and ARCO includes the provisions of goods returned of received in payment (BRDP´s)

(***) Includes the otherincome and expenses not considered in the financial marging and the expenses of BRDP´s

December 31, 2017	Business Bancóldex	Arco Grupo Bancóldex	Trust Management Business Fiducoldex	SUB-TOTAL	Removals		Consolidated statement
					Debit	Credit	
Amount of Primary Related Assets	7.052.849.556	748.361.634	67.467.629	7.868.678.819		299.924.231	7.568.754.587
Amount of Managed Assets (Trust Management business)			8.075.191.141	8.075.191.141			8.075.191.141
STATEMENT OF INCOME							
Financial earnings generated:	1.271.500.255	87.220.996	50.830.754	1.409.552.006	14.753.873		1.394.798.132
Financial expenses	1.006.055.411	45.626.415	210.573	1.051.892.399		11.521.495	1.040.370.904
Other Financial income and/or expenses (includes commissions)	-6.552.290	-513.426	149.682	-6.916.034			-6.916.034
Gross Financial Marging	**258.892.555**	**41.081.155**	**50.769.863**	**350.743.572**			**347.511.194**
Balance portfolio provisions	13.283.531	6.360.129	38.925	19.682.585			19.682.585
Net Financial Marging	**245.609.024**	**34.721.025**	**50.730.938**	**331.060.987**			**327.828.609**
Operating expenses:							
Administrative expenses	69.253.813	15.463.470	40.126.787	124.844.069	2.170.900	606.435	126.408.534
Financial corporate tax (*)	23.906.438	2.746.429	1.509.631	28.162.497			28.162.497
Other provisions (**)	5.736.529			5.736.529			5.736.529
Operating profit	**146.712.244**	**16.511.127**	**9.094.520**	**172.317.892**			**167.521.049**
Net other income/expenses (includes dividends) (***)	22.719.756	514.456	955.419	24.189.631	16.600.082	724.208	8.313.757
Profit before tax	**169.432.000**	**17.025.583**	**10.049.939**	**196.507.523**			**175.834.806**
Income tax	53.016.180	4.703.762	4.198.307	61.918.249			61.918.249
Net income	**116.415.820**	**12.321.821**	**5.851.632**	**134.589.273**			**113.916.557**

(*)Includes different income taxes

(**) Includes different portofolio provisions presented net recoveries and ARCO includes the provisions of goods returned of received in payment (BRDP´s)

(***) Includes the otherincome and expenses not considered in the financial marging and the expenses of BRDP´s

31. RELATED PARTIES

The Entities 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, are clear examples of persons or Entities that influence or may have an effect on the income statement and the balance sheet of the Entities. It was also considered that the previously related parties could carry out transactions that other parties, lacking relationship, could not. Therefore, a record 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 IAS 24.
- *Administrators:* the President and Vice Presidents of the Entities are considered administrators, as well as Directors and Managers of the Subsidiary Fiducóldex.

Transactions with related parties – The Entities 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 Head Office 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 grouping of balances and transactions with shareholders, administrators and members of the Board of Directors of the Entities is presented below:

Operations with shareholders – Head Office

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Investments		
Ministry of Finance and Public Credit	$ 998.455.029	$ 812.405.710
Investment provision		
Ministry of Finance and Public Credit	(223.190)	-
Prepaid expenses		
Ministry of Finance and Public Credit	6.679.911	-
	$ 1.004.911.750	$ 812.405.710

	Dec 31st, 2018	Dec 31st, 2017
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	32.888	168.766
Other liabilities		
Ministry of Commerce, Industry and Tourism	1.559.657	10.487.730
	$ 7.887.813	$ 12.715.176
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	27.824.705	38.443.389
	$ 1.087.388.220	$ 1.098.006.904
INCOME		
Other income		
Ministry of Finance and Public Credit	$ 72.986	$ -
Valuation of investments and other income		
Ministry of Finance and Public Credit	73.787.489	77.930.147
	$ 73.860.474	$ 77.930.147
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 Head Office has made in treasury bonds (TES), issued by the Ministry of Finance and Public Credit, which are acquired in the public market and valued at market prices. The average market rate of the TES at the end of December 2018 and 2017 was 5.58% and 5.34%, respectively. Between the Head Office 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 –

Head Office

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Credit portfolio		
Housing	$ 435.931	$ 484.520
Consumption	16.295	44.450
Accounts receivable		
Interest receivable	2.267	1.292
Social wellbeing	12.080	12.448
Others	34	4.165
	$ 466.606	$ 546.876
LIABILITIES		
Accounts payable		
Wellbeing	$ -	$ 2
Others	665	2.899
Holidays	253.710	291.939
	$ 254.375	$ 294.841
INCOME		
Portfolio income		
Interests on loans	$ 28.552	$ 26.069
Income - Miscellaneous		
Other income	-	800
	$ 28.552	$ 26.869
EXPENSES		
Staff Expenses		
Staff Expenses	$ 3.242.777	$ 3.283.138
Expenses - Miscellaneous		
Assumed Withholdings	4.800	16.377
Others	22.813	144.583
	$ 3.270.389	$ 3.444.099

The assets correspond mainly to housing, vehicle and free investment loans, 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 Head Office.

Fiducóldex

	Dec 31st, 2018	Dec 31st, 2017
EXPENSES		
Wages	$ 4.353.255	$ 4.053.042
Inability	53.957	42.485
Monetary benefit for education	445.380	518.820
Holidays	240.074	273.688
Allowances	42.358	-
Flexible pay	-	152.984
Benefits	127.834	120.564
Special loans	24.342	9.928
Health benefit	63.200	1.400
Compensations	47.326	-
	$ 5.397.726	$ 5.172.911

The amounts disclosed are those recognized as cost or expense during the reporting period for compensating the key staff of the Subsidiary Fiducóldex.

Arco Grupo Bancóldex

	Dec 31st, 2018	Dec 31st, 2017
ASSETS		
Credit portfolio	$ 315.918	$ 469.562
Provisions	(3.157)	(4.388)
	$ 312.761	$ 465.174
LIABILITIES		
Labor	$ 210.297	$ 365.128
Others	2.508	2.376
	$ 212.805	$ 367.504
INCOME		
Direct operational income	$ 19.768	$ 34.159
	$ 19.768	$ 34.159
INCOME		
Direct operational income	$ 1.793.251	$ 1.709.464
	$ 1.793.251	$ 1.709.464

The Subsidiary Arco Grupo Bancóldex granted credits to the managers under the general manual of credit procedures to employees approved by the Board of Directors. The labor payments comply with the labor policies and standards in force at December 31st, 2018.

Operations with members of the Board of Directors –

Head Office

		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

It corresponds to the fees paid for attending meetings of the Board of Directors, Credit Committee, ALM Committee, Audit Committee and Capital Funds Committee. Between the Head Office 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.

Fiducóldex

		Dec 31st, 2018		Dec 31st, 2017
EXPENSES				
Fees - Board of Directors	$	112.499	$	2.460
Fees - Audit Committee		29.594		7.377
Fees - Risk Management Committee		24.218		-
	$	166.311	$	9.837

The amounts disclosed are those recognized as cost or expense during the reporting period for compensating the key staff of the Subsidiary Fiducóldex

Arco Grupo Bancóldex

Payments made to the members of the Board of Directors of Arco Grupo Bancóldex correspond to the fees for attending meetings of the Board of Directors and external committees, which were $ 222,654 and $ 214,432 respectively for the years 2018 and 2017.

32. RISK MANAGEMENT

Bancóldex Group's risk management is a "cross-cutting" process throughout the organization, it is carried out in a comprehensive manner and developed in compliance with current regulations and internal guidelines of each one of the Entities defined by each Board of Directors. Risk management includes the identification, measurement, control and mitigation of risks in pursuit of the organization's financial sustainability and is supported by an organizational structure that guarantees the independence of functions among the *front, middle* and *back office* areas. This management is materialized through the interrelation of the Credit Risk Management System (SARC), the Market Risk Management System (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 other.

The Board of Directors of each of the subsidiaries is the main entity responsible for risk management and, as such, leads the process and decisions on this matter. The respective Board approves the general risk management policies and the organizational structure on which they are based to carry out the management through the different risk systems.

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

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.

Instance	Risk category	Main Functions
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.

Instance	Risk category	Main Functions
		• 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 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 Bancóldex Group is aligned with the standards established by the Financial Superintendence of Colombia and the International Financial Reporting Standards. 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.

Among the policies are those of a general nature that frame the Bancóldex Group's credit operation, such as business strategy, provisions, write-offs, restructuring, among others, and the specific policies for each of the products and segments that define the criteria for granting, monitoring, maximum credit exposure and collaterals to be demanded. The Group has methodologies and credit risk analysis models that support specialized granting and monitoring processes for the different segments it serves.

Taking into account that the Head Office's portfolio is almost entirely placed on financial intermediaries (local credit institutions, financial intermediaries from abroad and entities oriented to microenterprise credit), the risk rating models are based on the CAMEL methodology and incorporate quantitative, qualitative aspects and prospective analysis. These models incorporate statistical information and are complemented with expert criteria.

In line with the foregoing, the subsidiary Arco Grupo Bancóldex has a corporate rating methodology for both granting and monitoring, which seeks to assess the debtors' payment capacity and it is based on the knowledge of the credit subject, their payment capacity and the characteristics of the contract to be held. The characteristics include, amongst others, the financial conditions of the loan, collaterals, payment sources and the macroeconomic conditions to which they may be exposed. The granting process has established variables for each one of the portfolios, which facilitates discriminating credit subjects that match the Entity's risk profile. Segmentation and discrimination processes of credit portfolios and the Entity's possible credit subjects serve as a basis for its rating. The methodologies and procedures implemented in granting processes allow monitoring and controlling the credit exposure of the different portfolios, as well as of the aggregated portfolio; thus avoiding an excessive concentration of the credit by debtor, economic sector, economic group, risk factor, etc.

At the Head Office and the subsidiary Arco Grupo Bancóldex, the Risk Vice Presidency is 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. 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 the credit operations. 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.

The processes and technology adopted by Bancóldex Group enable it to manage any credit operation in the granting, follow up and recovery stages.

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.

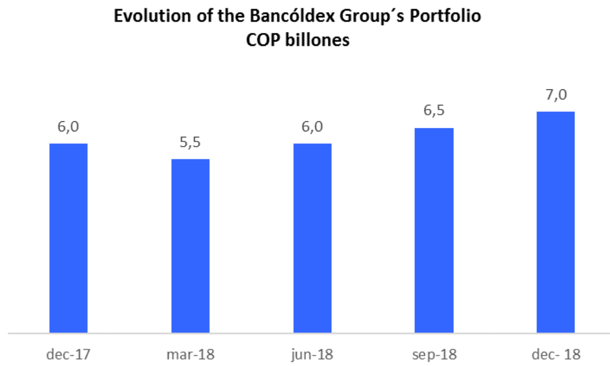
Regarding the measurement of the impairment of financial assets, Bancóldex Group follows the provisions established in the guidelines defined by IASB in IFRS 9 (financial instruments). This standard replaced IAS 39 and entered into force on January 1st, 2018.

IFRS 9 replaces the “incurred loss” model of IAS 39 by an expected loss model that gives Bancóldex Group the possibility to estimate the losses based on three components of the credit loss: probability of default (PD), exposure at default (EAD) and loss given default (LGD) under the guidelines of the IFRS 9 accounting standard. The standard calculates the expected loss from credit risk according to a classification of operations in stages based on the impairment of the asset from its initial recognition.

Quantitative information - Consolidated exposure to credit risk. The maximum exposure to the Bancóldex Group’s credit risk is reflected in the book value of financial assets in the balance sheet at December 31st, 2018 and 2017, as indicated below:

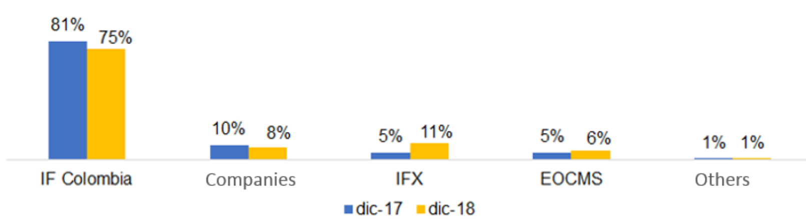
	dic-18	dic-17
Credit portfolio	7.023.942.272	6.099.440.397
Debt securities	1.052.108.224	842.958.078
Equity securities	367.275.373	366.628.621
Derivatives	250.863.697	89.310.161
Financial collateral	67.626.522	58.891.123
Asset money market operations	232.436.852	21.417.338
Maximum credit risk exposure	**8.994.252.940**	**7.478.645.718**

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



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

Portfolio Distribution by segment



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

Distribution by type of portfolio

Type of portfolio	dic-18		dic-17	
Commercial	$	7.006.034.979	$	6.082.591.872
Consumer		1.696.743		1.450.126
Housing		16.210.551		15.398.398
Total	**$**	**7.023.942.273**	**$**	**6.099.440.397**

The structure of the Bancóldex Group's loan portfolio mainly contemplates the commercial loan modality. Additionally, it presents housing and consumer loans, which are exclusively due to loans to officials and former employees granted prior to retirement, in the case of the Head Office.

Distribution by risk rating

Rating	dic-18	dic-17
A	$ 6.908.487.448	$ 5.946.745.046
B	23.757.874	48.997.049
C	10.323.322	13.572.587
D	43.828.443	52.702.276
E	37.545.186	37.423.438
Total	**$ 7.023.942.273**	**$ 6.099.440.397**

Distribution by country

Country	dic-18	dic-17
Colombia	$ 6.251.671.717	$ 5.818.570.064
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	23.976.484
Total	**$ 7.023.942.273**	**$ 6.099.440.397**

Portfolio quality indicators

Portfolio quality		**dec-18**	**dec-17**
Risk Profile	Indicator[1]	1.6%	2.5%
	Hedging (times)	0.6	0.4

At December 2018, the balance of the gross portfolio amounted to COP 7,023,942 million recording an annual increase of 15.1% boosted by a greater use in the portfolio of intermediaries abroad. The risk profile indicator stood at 1.6% and partly corresponds to the credit impairment of the subsidiary Arco Grupo Bancóldex and the obligations of the companies from International Financing Company (Internacional Compañía de Financiamiento).

Impairment indicators

Portfolio quality		dec-18	dec-17
Impairment value COP millions	Grupo Bancóldex	65,149,099	60,274,760
	Bancóldex	40,760,974	38,971,411
	ARCO	24,737,854	21,303,349
Impairment indicator [1]	Grupo Bancóldex	0.95%	0.99%
	Bancóldex	0.63%	0.70%
	ARCO	3.97%	3.39%

1 Impairment indicator = Impairment / gross portfolio

Operations that record impairment correspond mainly to operations from the SUBSIDIARY Arco Grupo Bancóldex, which show delinquency greater than 90 days. In the case of the Head Office, these operations correspond to the portfolio received from International Financing Company.

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, Bancóldex Group has policies and limits that seek to minimize exposure to credit risk, among others:

- *Credit and term limits for each counterparty* - These are defined by the Head Office Risk Management 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* –Bancóldex Group has alert indicators that allow the timely identification of changes in the financial situation of the counterparties. The Vice Presidency of Risk of the Head Office submits periodic reports to the Risk Management 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 - Bancóldex Group manages market risk through the identification, measurement, monitoring and control of the different exposure levels to interest rate risk, exchange rate risk, positions in collective portfolios, price risk of shares and investment funds. 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 guaranteeing the risk appetite and risk limits approved by the different instances of each of the Entities. 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 Entities. The foregoing is consolidated in the Market Risk Management System Manuals - SARM of each of the Entities, which define: policies, organizational structure, methodologies, etc.

In addition, the Group has the necessary segregation of areas of *front*, *middle* and *back office* that allow identifying, measuring and analyzing market risk information inherent to the different operations.

Bancóldex Group'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 financial sector with indexation in variable rates such as CPI, DTF and IBR, collective portfolios or investment funds. The subsidiaries should have a business strategy ensuring that the risks assumed do not affect the soundness and stability of the Group's equity.

At Bancóldex Group, the Risk Vice Presidency at the Head Office or its equivalent instance in each of the subsidiaries is the body in charge of proposing, developing and ensuring proper compliance with the policies, methodologies, procedures and general guidelines approved by the Board of Directors and the Risk Management Committee of the Board of Directors to carry out the market risk management. It is also responsible for 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 Asset and Liability Management (ALM) Committee of each of the Entities 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 Entities may assume in each of the Treasury's products.

In order to know the level of market risk assumed, Bancóldex Group 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 for credit institutions and Annex II for the Trust Company. For the Head Office, the calculation of the total value at risk of the investment portfolio results from the sum of the exposure to interest rate, stock price and exchange rate risk. For the subsidiary Arco Grupo Bancóldex, no value at risk is reported since the investments reported are classified at amortized cost, which are not taking into account for Market Risk Calculation. The value at risk of the Head Office is calculated daily at the Financial Risk Department. The calculated VaR is incorporated into the solvency level according to current regulations. The subsidiary Fiducóldex calculates monthly the Value at Risk according to the applicable regulations.

In addition to regulatory compliance, the Head Office and the subsidiary Fiducóldex use an internal value at risk measurement model, whose results are used as a complementary mechanism for analysis and management. This internal model allows the daily monitoring of the market risk exposure of the Treasury's product portfolio, 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. Particularly for the Head Office, this internal model is tested for *back* and *stress testing* that allow it to determine the validity of the model and know how accurate the projections of the losses are compared with the accounting reality and determine the possible losses in stress market situations. Given their low market risk level, the subsidiaries do not test for *Back* and *stress* testing. The subsidiary Fiducóldex uses a value at risk model under the Risk Metrics methodology developed by JP Morgan. The methodologies used for measuring VaR are regularly assessed and subject to periodic back testing to determine their effectiveness; moreover, it regularly performs stress and/or sensitization testing of the portfolios managed.

Quantitative information – The information of the Head Office investment portfolio at December 31st, 2018 and 2017 is presented below:

	dic-18	% Share	dic-17	% 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	1.028.380.364		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:

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

*Figures in $ thousands

	Year 2017		
Investments	**Maximum amount**	**Minimum amount**	**Average amount**
At amortized cost	-	-	-
At fair value with changes in OCI	440.089.170	410.562.470	424.158.622
At fair value	715.623.925	352.008.130	495.975.932

*Figures in $ thousands

The information of Fiducóldex' investment portfolio at December 31st, 2018 and 2017 is presented below:

	dic-18	% Share	dic-17	% Share
At amortized cost	-	0%	-	0%
At fair value with changes in OCI	-	0%	-	0%
At fair value	24.209.758	100%	27.988.456	100%
Total	24.209.758		27.988.456	

The value of the investment portfolio at fair value recorded an increase in debt security investments from COP 3,787,085 thousand to COP 664,371 thousand.

Maximum, minimum and average amounts of the investment portfolio:

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

	Year 2017		
	Maximum amount	Minimum amount	Average amount
At amortized cost	-	-	-
At fair value with changes in OCI	-	-	-
At fair value	27.988.456	23.711.447	25.356.935

Total market risk – Bancóldex Group's total exposure to market risk is calculated independently based on the regulations applicable to each of them.

For the Head Office, it is calculated as the algebraic sum of the exposures to interest rate risk, exchange rate risk, share price risk and collective portfolio risk according to annex I of Chapter XXI of the Basic Accounting and Financial Circular Letter.

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

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

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 the Head Office recorded a 10% increase with respect to 2017, explained by the higher value of the investment portfolio, which stood at COP 1,0280,380 thousand, which is reflected in an 11% increase in the interest rate module.

The exposure to market risk of the subsidiary Fiducóldex is calculated by using the methodology established by the Financial Superintendence of Colombia in Annex 2 of Chapter XXI of the Basic Accounting and Financial Circular Letter (knows as standard methodology).

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

	Year 2017			
Risk factor	**Maximum**	**Minimum**	**Average**	**End of year**
CEC Interest rate in pesos - component 1	$ 11,656	$ 679	$ 3,651	$ 11,656
CEC Interest rate in pesos - component 2	2,151	302	1,233	1,307
CEC Interest rate in pesos - component 3	2,087	73	483	2,087
DTF Interest rate - node 2 (long term)	2,456	1,917	2,174	2,257
CPI Interest rate	1,622	1,157	1,402	-
Collective portfolios	1,830	1,057	1,554	10,111
Undiversified VaR	27,419	7,095	17,753	27,419
Diversified VaR	$ 16,959	$ 3,302	$ 11,167	$ 11,961

Risk factor	Year 2018 Maximum	Minimum	Average	End of year
CEC Interest rate in pesos - component 1	$ 11,683	$ -	$ 2,547	$ 2.1
CEC Interest rate in pesos - component 2	1,308	-	419	2.4
CEC Interest rate in pesos - component 3	2,092	-	512	0.4
CEC Interest rate in RVU - component 1	462	-	37	-
CEC Interest rate in RVU - component 2	1,865	-	402	-
CEC Interest rate in RVU - component 3	104	-	10	-
DTF Interest rate - node 1 (short term)	2,231	-	63	-
CPI Interest rate	13,549	-	3,587	9,093
Collective portfolios	13,658	8,710	10,441	9,544
Undiversified VaR	27,445	10,118	18,019	18,643
Diversified VaR	$ 16,524	$ 5,023	$ 10,777	$ 14,001

*Figures in COP thousands

The exposure to market risk of the subsidiary Fiducóldex recorded a 17.06% increase from COP 11,961 thousand at the end of December 2017 to COP 14,001 thousand at the end of December 2018.

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 Treasury of the different Entities manages the cash flow, taking into account the funding costs and cash commitments in the short term. Likewise, the risk areas develop and apply methodologies to alert, monitor and project the possible triggers of liquidity risk, while the *Back Office* ensures operational compliance with the Entities' cash movements.

In order to measure liquidity risk, the Head Office and the subsidiary Arco Grupo Bancóldex use 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). Meanwhile, the subsidiary Fiducóldex uses an internal methodology for measuring liquidity risk approved by the Financial Superintendence of Colombia and the Collective Investment Funds (CIFs) use the standard methodology established by a regulatory Entity. Likewise, and in a complementary manner, the Entities have an internal model for measuring liquidity, in which early warning indicators and stress scenarios are established.

On an annual basis, Bancóldex Group 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 *back testing* in order to establish its level of reliability and, if necessary, make modifications to better suit the reality of each business.

Furthermore, Bancóldex Group holds a series of regular meetings with the different risk areas of the Entities in order to perform an alignment of risk policies and methodologies, as well as review the main liquidity risk indicators in order to know the situation of the Entities and suggest possible alternatives for such entities.

Similarly, the Head Office submits a quarterly analysis of the Group's liquidity risk to the ALM Committee, where a report about the Entities' risk situation is submitted; and warnings about the liquidity situation of such entities are provided.

Meanwhile, the subsidiary Fiducóldex ensures that the structure of the resources managed is appropriate to the cash flow of the managed trusts, so that it allows meeting the existing obligations to third parties timely; therefore, the Entity tends to invest in securities with a high liquidity level in comparison with the other roles of the market.

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 Entities have a high share of high quality assets (which can be delivered in repo operations with the Central Bank).

Discriminated liquid assets

Liquid assets	dic-18	dic-17
High liquidity	1.003.895.465	879.694.193
Available	160.240.188	172.922.264
Investments on high quality Securities	843.655.277	709.989.758
Other liquid assets	24.604.640	24.844.764
Total liquid assets	**1.028.500.105**	**904.538.957**

It can be seen that most of the liquid assets of Bancóldex Group (98%) are of high quality, which indicates that almost all of this type of assets can be used in money market operations with the Central Bank and their market "*haircut*" is low.

At the Head Office, high-quality liquid assets were reduced on average compared to the previous year because on two occasions (May and November) Bonds (Social and Orange Bonds) were issued, 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 (COP 400,000 million) were not placed in their entirety, remaining within the portfolio of liquidity surplus of the treasury.

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**

At the subsidiary Arco Grupo Bancóldex, at the end of 2018, there was a slight decrease in liquid assets compared to the previous year; however, these assets are wide and sufficient to meet the net requirements of the Entity; emphasizing that all of these assets are of high quality.

Liquid assets	dic-18	dic-17
High liquidity	48.163.548	49.006.792
Available	37.375.374	39.286.773
Investments on high quality Securities	10.788.173	9.720.019
Other liquid assets	-	-
Total liquid assets	**48.163.548**	**49.006.792**

Meanwhile, the market liquid assets of the subsidiary Fiducóldex recorded a significant decrease compared to the previous year due to the fact that profit sharing of 2017 was paid during 2018, as well as the tax refund of 2018 was postponed for January 2019.

Liquid assets	dic-18	dic-17
High liquidity	1.986.524	5.974.138
Available	1.986.524	2.756.308
Other liquid assets	664.371	402.868
Total liquid assets	**2.650.895**	**6.377.006**

Liquidity Risk Indicator – LRI - The Group's Entities calculate the liquidity risk indicator in order to measure the liquidity level of the Entities in the short term and, therefore, identify possible warnings about such entities. The Head Office and the subsidiary Arco Grupo Bancóldex calculate it using the standard model established by the Financial Superintendence of Colombia, while the subsidiary Fiducóldex uses the internal methodology for the company, since they are not obliged to use the standard methodology.

At December 31st, 2018, the Head Office presented a thirty-day LRI of COP 856,910,060 thousand, while the same indicator in 2017 showed a result of COP 831,917,375 thousand, which represents an increase of 3% compared to the previous year. This increase is explained by a reduction in the liquidity requirements during the year, which had an average value of COP 130,736,864 thousand in 2018 compared to the average requirement showed of COP 147,958,364 thousand in 2017, which allowed the Bank to secure the necessary liquid assets to hedge the maturities of TDCs, bonds and credits with correspondent banking (hedging of 809.51%) and maintain a significant level of assets to support its credit and treasury activity.

30-DAY LRI	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
LRI	**809,51%**	**4167,00%**

At December 31st, 2018, the subsidiary Arco Grupo Bancóldex presented a 30-day LRI of COP 33,022,120 thousand, while the same indicator showed a result of COP 25,923,227 thousand in 2017, showing an increase in the liquidity level of the Entity. This is due to a reduction in the liquidity requirement which reached a level of COP 15,141,427 thousand, which generates a higher level of hedging of liquid assets over the net liquidity requirements (from 2.12% in 2017 to 3.19% in 2018). Therefore, the Entity fully complied with the limits required by the regulatory entity, allowing the Company to comply broadly and sufficiently with its obligations in the short term.

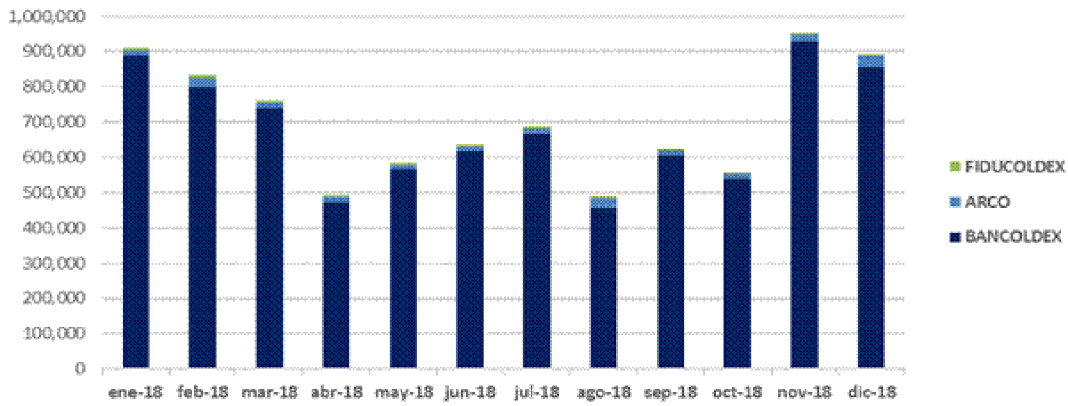
30-DAY LRI	dic-18	dic-17
Liquidity risk indicator	48.163.548	49.006.792
Market liquid assets	15.141.427	23.083.565
Net liquidity requirements	33.022.120	25.923.227
IRL	**319,00%**	**212,00%**

*Figures in $ thousands

At December 31st, 2018, the subsidiary Fiducóldex presented a thirty-day LRI of -74.85%, which means that the Trust Company has net outcome (minus sign) corresponding to 74.85 % of the liquid asset, which is equivalent to a hedging of liquid assets over net withdrawals of 1.34 times. Similarly, a stable behavior of the net withdrawals factor (average COP 414,828,736 thousand) was recorded during 2018, which allowed the Trust Company to secure the necessary liquid assets to comply fully, timely and efficiently with the obligations expected during the year.

30-DAY LRI	dic-18	dic-17
Market liquid assets	2.518.020	6.377.006
Net withdrawal factor	(1.884.506)	(365.224)
LRI (Liquidity requirement indicator)	**-74,84%**	**-5,73%**
Liquid asset hedging/liquidity requirement	**133,60%**	**1,75%**

30-day LRI – Entities



d) *Operational risk -*

Qualitative information - The policies and methodologies within which the Head Office frame 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 Letter 041 of June 29th, 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 Bancóldex Group, own measurement parameters have been established, in accordance with the structure, size, corporate purpose and processes of each Entity. Likewise, it is aligned with best Operational Risk management practices, in an operating model built on the principles developed by the Basel II Committee.

The SARO of each of the Entities 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 – The main activities developed around the operational risk management system during 2018 are described below:

Identification, measurement, control and monitoring of operational risks - As of December 31st, 2018, the Group's residual operating risk profile remains concentrated in the "Medium" severity level, which corresponds to the level of acceptable risk defined by the organizations. Likewise, the risk and control Self-assessments using maps of all the processes in the three entities were carried out to identify their respective controls. These risks are monitored by the Process Leaders and the Governing Bodies established in the SARO Manuals.

The institutional and operational risk map was developed under different perspectives. This map reflects the operational risk profile that is within the level of acceptable risk by the Organization.

Management of operational risk events - Officials reported the operational risk events that arose in each of the areas. The report was not significant at the subsidiaries; however, at December 31st, 2018, 505 events were reported at the Head Office. This figure marks a significant increase of 172% compared to 2017.

During 2018, the Group's economic losses due to operating risk generated in the events classified as "Type A", were COP 13.3 million and were accounted for in their respective operating risk accounts.

Follow up in the development of projects or products - During 2018, the different Operational Risk Units participated and accompanied the development of the entities' projects. One example of this is the accompaniment they did at the Head Office to the Savings Account product, 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.

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.

33. CORPORATE GOVERNANCE

Board of Directors and Senior Management - The Board of Directors of each Entity is permanently informed of the Entity's processes and business. After the General Assembly of Shareholders, the Board is the highest governing body and defines the general management policies of the Entity, mainly with regard to the risk level and, based on such policies, establishes a delegation scheme for the approval of operations in the Risk Management Committee, Asset and Liability Management Committee, Internal Credit Committee and by the Administration.

Policies and segregation of duties – The Entities' Board of Directors provides the policies for all the business activities.

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 Entities' loan placements, monitoring of the financial situation of the different debtors (financial intermediaries, countries, etc.), reports of progress on the Credit Risk Management System (SARC), Market Risk Management System (SARM), Operational Risk Management System (SARO), Liquidity Risk Management System (SARL), 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 Entities' risk exposure is periodically reported to the Board of Directors.

Likewise, the monthly balance sheets and the budget execution are reported to the Board of Directors.

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

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

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

Methodologies for measuring risks – In order to identify the different types of risk, the Entities have methodologies and measurement systems in place that allow them to determine their exposure to the risks inherent to the business, and which are documented in the respective manuals.

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

Verification of operations – The Entities have verification mechanisms for the negotiations carried out, such as recording agreements for telephone calls for treasury operations and written communications with the counterparties 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).

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

Through the work and income statement 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 Entities.

34. LEGAL CONTROLS

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

35. OTHER ASPECTS OF INTEREST

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

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 once this tax decreased.

36. EVENTS AFTER THE REPORTING PERIOD

The management of each Entity evaluated the subsequent events that occur from January 1st to February 21st, 2019, the date on which the consolidated 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.

37. APPROVAL OF FINANCIAL STATEMENTS

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